

This is an English translation of a Hebrew Immediate report, including its appendices, that was published on April 19, 2021 (hereafter: “the Hebrew Version”).

This English version is only for convenience purposes. This is not an official translation and has no binding force. Whilst reasonable care and skill have been exercised in the preparation hereof, no translation can ever perfectly reflect the Hebrew Version. In the event of any discrepancy between the Hebrew Version and this translation, the Hebrew Version shall prevail.

Date: April 19, 2021

THE TEL-AVIV STOCK EXCHANGE LTD.

Re: Immediate Report on the Convening of an Annual Meeting

In accordance with the Securities Regulations (Periodic and Immediate Reports), 5730-1970 (hereafter: “**the Reports Regulations**”), The Tel-Aviv Stock Exchange Ltd. (hereafter, also: “**the Company**”), announces the convening of an annual meeting to be held on Tuesday, May 25, 2021, at 15:00 at the offices of the Company, on #2 Ahuzat Bayit St., Tel Aviv, 11th Floor, Room 1101.

1. On the agenda:

1.1 Discussion of the Company’s financial statements and of the Board of Directors’ report on the state of the Company’s affairs for the year ended December 31, 2020

1.2 Appointment of auditors and a report on their fees for 2020

Wording of the proposed resolution - To appoint the Brightman Almagor Zohar Accounting Firm as the auditors of the Company.

For information on the auditors’ fees for 2020, see section 3.5 to the Board of Directors’ Report as of December 31, 2020, which is included in the Company’s Periodic Report for 2020 published on March 16, 2021 (reference no.: 2021-01-036231) (hereafter: “**the 2020 Periodic Report**”).

1.3 Approval of a discretionary bonus to Mr. Amnon Neubach, Chairman of the Board of Directors of the Company

Wording of the proposed resolution - To approve the granting of a discretionary bonus to Mr. Neubach, for predefined qualitative metrics set out in the Company’s compensation plan for the years 2018 to 2020, in an amount equal to 3 times the Monthly Consideration (as defined below), totaling approximately NIS 154 thousand (hereafter: “**the Proposed Bonus to the Chairman**”), all as set out in section 2 below (hereafter: “**Resolution of the Proposed Bonus to the Chairman**”).

It should be noted that the payment of the Proposed Bonus to the Chairman will be made to a management company that is fully owned and controlled by Mr. Neubach, as described below.

The Resolution of the Proposed Bonus to the Chairman was approved by the Company’s Board of Directors in its meeting on March 16, 2021, following its approval by the Audit Committee, in its capacity as the Company’s Compensation Committee (hereafter: “**the Compensation Committee**”), in its meeting on March 11, 2021.

2. Additional information concerning resolution 1.3 on the agenda

2.1 General

2.1.1 On May 11, 2014, the Company entered into a services agreement with a management company (hereafter: “**the Management Company**”) that is fully owned and controlled by Mr. Neubach (as amended on December 29, 2016) (hereafter: “**the Services Agreement**”), under which Mr. Neubach provides services as a non-executive Chairman of the Company’s Board of Directors, at a monthly scope of 8 days. Pursuant to the provisions of the Services Agreement, Mr. Neubach is entitled to a Monthly Consideration of NIS 50,000, plus VAT, as required by law (linked to the CPI for December 2016) (above and hereafter: “**the Monthly Consideration**”).

2.1.2 On April 17, 2018, the Company’s general meeting approved, among others, a compensation plan for the years 2018-2020 (hereafter: “**the Compensation Plan**”), pursuant to which, for each of the years the Management Company shall be entitled to an annual bonus of up to 6 times the Monthly Consideration, of which up to 3 times the Monthly Consideration shall be determined on the basis of a company-wide, quantitative criterion, which is the “pre-tax profit” of the Company as per its financial statements for the bonus year, and up to 3 times the Monthly Consideration shall be determined on the basis of pre-defined qualitative criteria. The entitlement to a bonus for the qualitative component shall be determined based on assessments by the Compensation Committee and the Board of Directors, in relation to Mr. Neubach’s fulfillment of qualitative criteria, such as: contribution to increasing the Company’s profits and its success, risk management and compliance, leadership and staff management, professionalism, character, efficiency, responsibility, involvement, initiative and people skills, contribution to the realization of the Company’s strategic plan and its work plans, as well as the advancement and implementation of processes.

2.1.3 On March 16, 2021, after obtaining the approval of the Compensation Committee on March 11, 2021, the Board of Directors of the Company approved the granting of a discretionary bonus to the Management Company for 2020, of 3 times the Monthly Consideration, amounting to approximately NIS 154 thousand. Solely for the purpose of a complete perspective, it should be noted that the calculation that had been prepared pursuant to the provisions of the Compensation Plan and based on the data of the annual financial statements as of December 31, 2020, for the purpose of determining the Management Company’s eligibility to a bonus for the profit target (amounting to approximately NIS 154 thousand) was also examined and approved at the aforesaid meeting.

2.2 Information on Mr. Neubach

2.2.1 For information concerning Mr. Neubach, see Regulation 26 in the “Additional Information” chapter of the 2020 Periodic Report.

2.2.2 For information concerning the terms of office and employment of Mr. Neubach (i.e. the terms of the Services Agreement), see Regulation 21(6) in the “Additional Information” chapter of the 2020

Periodic Report.

- 2.2.3** The variable components for 2020 (including the Proposed Bonus to the Chairman that is being presented to the meeting for approval) to which the Management Company is entitled constitute approximately 30% of the total consideration to the Management Company in said year. It should be noted that, according to the Compensation Policy of the Company, the rate of variable components must not exceed 70%.
- 2.2.4** To the date of the report, the ratio of the maximum compensation of Mr. Neubach to the average compensation of all other employees of the Company (including contract workers) does not exceed 5.31, and the ratio of the maximum compensation of Mr. Neubach to the median compensation of all other employees of the Company (including contract workers) does not exceed 5.67 (weighted to Mr. Neubach's 100% appointment percentage).
- 2.2.5** The Services Agreement may be terminated by either of the parties, for any reason, with an advance notice of 90 days. Notwithstanding the aforesaid, the Company may terminate the Services Agreement with immediate effect and without advance notice under certain circumstances (including circumstances in which, if Mr. Neubach were an employee, he would not be entitled to severance pay) or in the event of Mr. Neubach's failure to comply with the qualification conditions set forth in the law for service as the Chairman of the Board of Directors of the Company.
- 2.2.6** Mr. Neubach is entitled to be included in the Company's officers' liability insurance policy and is also entitled to an indemnity letter from the Company.
- 2.2.7** The Management Company is entitled to a reimbursement of expenses incurred during the performance of the Services, including overseas travel and lodging expenses.
- 2.2.8** It should be noted that the terms of employment of Mr. Neubach are within the scope of the Compensation Policy, as was in effect on the date of approval of the Services Agreement and the Compensation Plan, as well as on the date of approval of the Proposed Bonus to the Chairman.
- 2.3** Summary of the reasoning provided for the approval by the Compensation Committee and the Board of Directors of the Proposed Bonus to the Chairman

During the discussions held by the Compensation Committee and by the Board of Directors of the Company, the following reasons, among others, were given:

- 2.3.1** Mr. Neubach manages the work of the Board of Directors of the Company and the subsidiaries and plays a key role in establishing and implementing in the Company the corporate governance rules that apply to a public company. He also serves as a readily available channel for the flow of information and coordination between the Company's management and Board of Directors.
- 2.3.2** Mr. Neubach regularly deals with various regulatory authorities and functions that oversee the operations of the Company.
- 2.3.3** Mr. Neubach represents the Company in various venues, including conferences and other events, and speaks in various forums as a representative of TASE, thereby enhancing the public's access

to financial knowhow and promoting the image of the Company as a key function in the Israeli capital market.

2.3.4 It should also be noted that, despite the coronavirus crisis of 2020 and the ensuing restrictions, the Company worked continuously, implementing adaptive measures to counter the implications of this unprecedented crisis, and was even able to achieve record profits and improve most of its KPIs during the year. As a member of the Company's organs, Mr. Neubach also contributed to this achievement.

2.3.5 The Company is not a public second-tier subsidiary, within its meaning in Section 267A(c) of the Companies Law.

3. Majority required to pass the resolution

The majority required to pass the resolutions that are set forth in section 3 is a simple majority of all the votes of the shareholders present at the meeting, that are entitled to vote and that voted thereat, without taking abstentions into account.

4. Identity of the controlling shareholder, within the meaning of this term in Section 268 of the Companies Law

To the date of the report, the Company does not have a controlling shareholder, within the meaning of this term in Section 268 of the Companies Law.

5. Identity of the directors who participated in the discussions for approval of the Resolution of the Proposed Bonus to the Chairman

5.1 Mr. Itzhak Halamish, Ms. Meirav Ben Cnaan Heller, Ms. Bruria Gross Prushansky and Mr. Yoav Chelouche participated in the Compensation Committee's discussion of the Resolution of the Proposed Bonus to the Chairman held on March 11, 2021.

5.2 Mr. Itzhak Halamish, Ms. Meirav Ben Cnaan Heller, Ms. Bruria Gross Prushansky, Mr. Salah Saabneh, Mr. Arik Steinberg and Mr. Yoav Chelouche participated in the Board of Directors' discussion of the Resolution of the Proposed Bonus to the Chairman held on March 16, 2021.

6. Identity of the directors who, to the best of the Company's knowledge, have personal interest in the Resolution of the Proposed Bonus to the Chairman

With the exception of Mr. Amnon Neubach, who is entitled (through the Management Company) to the Proposed Bonus to the Chairman, as described in section 1.3 above, none of the directors has personal interest in the approval of this resolution.

7. **Location and time of the meeting, the date of record for entitlement to vote at the meeting and other provisions for voting at the meeting**

7.1 The meeting will convene on Tuesday, May 25, 2021, at 15:00 at the offices of the Company, on #2 Ahuzat Bayit St., Tel Aviv, 11th Floor, Room 1101. If adjourned, the meeting will take place on Tuesday, June 1, 2021, in the same location and at the same time. The record date for the entitlement of the shareholders to vote at the meeting, as set out in Section 182 of the Companies Law, is Sunday, April 25, 2021 (hereafter: **“the Record Date”**). A shareholder may vote at the meeting in person or by a voting representative. Additionally, a shareholder may vote at the meeting with a voting ballot, as described in section 7.6 below (hereafter: **“Voting Ballot”**).

A quorum at the meeting will be the presence, in person or by proxy, of at least two shareholders holding at least twenty-five percent (25%) of the voting rights, within half an hour of the time scheduled for the opening of the meeting. If a quorum is not present at the general meeting at the end of half an hour of the time scheduled for the opening of the meeting, the meeting will be adjourned to be held at the same location, on the same day and at the same time, in the following week, with no obligation to notify the shareholders to this effect, or to a different date if such has been specified in the notice of the meeting, or to a different day, time and location, as shall be determined by the Board of Directors in a notice to the shareholders.

7.2 A shareholder may vote at the general meeting, in person or by proxy, or with a Voting Ballot or electronically, all in accordance with the provisions of the Company’s Articles of Association and subject to the provisions of the Companies Law.

7.3 The document appointing a voting proxy (hereafter: **“the Letter of Appointment”**) and the power of attorney by virtue of which the Letter of Appointment was signed (if any), will be drawn up in writing and signed by the appointer or by the person authorized in writing to do so, as well as by a witness to the signing by the aforesaid, if so required by the Board of Directors. If the appointer is a corporation, the Letter of Appointment will be drawn up in writing and signed in a manner that binds the corporation; the Board of Directors may require that a written confirmation be delivered to the Company, to the satisfaction of the Board of Directors, of the power of the signatories to bind the corporation, as well as the delivery to the Company of additional details or documents in relation to the Letter of Appointment, as shall be determined by the Board of Directors in this regard.

7.4 The Letter of Appointment and the power of attorney by virtue of which the Letter of Appointment was signed (to the extent signed) or an appropriate copy thereof, to the satisfaction of the Board of Directors, will be deposited at the office of record or at another location or locations, within or outside Israel - as shall be determined by the Board of Directors from time to time, in general or in relation to a specific matter, at least forty-eight (48) hours prior to the opening of the meeting or the adjourned meeting, as appropriate, in which the proxy intends to vote based on such Letter of Appointment. Notwithstanding the aforesaid, the chairman of the meeting may, at his discretion, accept such Letter of Appointment and power of attorney even after the aforesaid date, if he sees

fit, at his discretion. If the Letter of Appointment with the power of attorney is not received, as described in this Regulation above, it shall not be valid at such meeting.

- 7.5 Voting by ballot will be executed using the second part of the Voting Ballot that is attached to the report on the convening of the meeting. The Voting Ballot and the documents that have to be attached thereto (hereafter: “**the Attached Documents**”), as specified in the Voting Ballot, should be delivered to the Company’s offices up to 4 hours prior to the time of convening the meeting. For this purpose, the “time of delivery” is the time at which the Voting Ballot and the Attached Documents arrive at the Company’s offices.
- 7.6 A shareholder may state in the Voting Ballot the direction of his vote for each proposed resolution included in the Voting Ballot, by marking “pro”, “con” or “abstain” only, with no modification, crossing out, omission, addition or any qualification as to the wording of the proposed resolution (hereafter: “**Modification**”). A voting in writing on any proposed resolution that is accompanied by Modification will be disqualified and will not be considered in any manner whatsoever for the purposes of the vote on such proposed resolution. A shareholder who does not state his position on any proposed resolution will be deemed as abstaining in the vote on such proposed resolution.
- 7.7 The Voting Ballot will be signed by the shareholder, and if the shareholder is a corporation, in a manner that is binding to the corporation. The Board of Directors may require that a written confirmation be delivered to the Company, to the satisfaction of the Board of Directors, of the power of the signatories to bind the corporation, as well as the delivery to the Company of additional details or documents for the purpose of voting in writing, as shall be determined by the Board of Directors in this regard.
- 7.8 Additionally, an unregistered shareholder (i.e. a person that shares are registered on his behalf with a Stock Exchange member and such shares are included in the shareholders’ register in the name of the Nominee Company) (hereafter: “**Unregistered Shareholder**”), shall also be entitled to vote with an electronic Voting Ballot that will be transmitted to the Company via the electronic voting system (hereafter: “**Electronic Voting System**”) not later than 6 hours prior to the time of the meeting.
- 7.9 An Unregistered Shareholder may, at any time, notify the Stock Exchange member through which it holds the shares that he declines his entitlement to vote via the Electronic Voting System (as determined on the Record Date). Having done so, the Stock Exchange member will not provide information on such shareholder pursuant to the Companies Law (Vote by Ballot and Position Paper), 5766-2005, unless it has been instructed otherwise by the Unregistered Shareholder. Notifications by shareholders, as above, will be submitted to the Stock Exchange member not later than 12:00 noon of the Record Date, this with respect to the securities account and not in relation to specific securities that are held in the account.
- 7.10 Upon entering the Electronic Voting System, the shareholder may vote on the topics that are on the

agenda of the meeting. Alternatively, a shareholder may request that his details be transmitted to the Company via the Electronic Voting System for the purpose of proving title to the securities, as set out in section 9.5 below, without specifying the direction of his vote, so that he may physically vote at the meeting without being required to present a certificate of title.

- 7.11** An Unregistered Shareholder may furnish his certificate of title to the Company via the Electronic Voting System.
- 7.12** In the event of a disagreement as to whether a written vote should be accepted or disqualified, the chairman of the meeting will decide, and his decision will be final and absolute.
- 7.13** A Voting Ballot that is received at the office, as stipulated above, will be deemed as presence at the meeting for purposes of the quorum as set out above. If a Voting Ballot is not received as stipulated above, it shall not be valid at such meeting.
- 7.14** A shareholder voting by way of a Voting Ballot that was duly received at the office, on a proposed resolution that is not voted upon at the general meeting, will be deemed as having abstained at such meeting in the vote on the holding of an adjourned meeting, and his vote by Ballot will be counted at the adjourned meeting that will be held.
- 7.15** Subject to the provisions of the Company's Articles, the Board of Directors may establish additional directives and procedures for written votes, including regarding the sending of the Voting Ballots, the manner of their signing and the methods for their delivery to the Company.
- 7.16** The formats of the voting ballot and the position papers, within their meaning in Section 88 of the Companies Law, are available at the websites of the Securities Authority and the Tel Aviv Stock Exchange Ltd., as follows: Distribution website of the Securities Authority: <http://www.magna.isa.gov.il/> (hereafter: "the Distribution Website"); Website of the Tel-Aviv Stock Exchange Ltd.: <http://maya.tase.co.il/>.
- 7.17** A Stock Exchange member will send by Email, at no cost, a link to the text of the Voting Ballot and the position papers on the Distribution Website, to any shareholder who is not included in the shareholders' register and whose shares are registered with that Stock Exchange member, unless the shareholder has notified the Stock Exchange member that he does not wish to receive such link or that he wishes to receive Voting Ballots by post for a mailing fee only.
- 7.18** A shareholder whose shares are registered with a Stock Exchange member is entitled to receive the certificate of title from the Stock Exchange member through whom he holds his shares, at the branch of the Stock Exchange member or by post to his address for a mailing fee only, if so requested. A request for this purpose shall be made in advance with respect to a specific securities account.
- 7.19** The final date for the submission of position papers to the Company is up to 10 days after the Record Date.

8 Adding a topic to the agenda

Following the publication of this immediate report, it is possible that there may be changes to the agenda, including the addition of one or more topics to the agenda, and position papers may be published. The up-to-date agenda and position papers published in the Company's reports can be viewed on the Distribution Website.

One shareholder or more, holding shares constituting at least 1% of the voting rights at the general meeting of the Company, may request the Board of Directors, up to 7 days after calling the meeting, to include a topic on the agenda of the meeting, provided that the topic is suitable to be discussed at a general meeting.

Should the Board of Directors find that a topic that was requested to be included on the agenda is suitable to be discussed at the general meeting, the Company shall prepare an updated agenda and an amended Voting Ballot, should this be required, and shall publish them not later than 7 days after the last date for furnishing a request for the inclusion of an additional topic on the agenda, as referred to above. It is hereby clarified that the publication of an updated agenda by the Company (if any), will not affect the Record Date as stipulated in this immediate report.

9 Information on the representative of the Company for matters pertaining to this report

Adv. Sigal Berliner Levinson, #2 Ahuzat Bayit St., Tel Aviv, tel: 076-8160571, fax: 076-8160331.

10 Perusal of documents

This immediate report and documents mentioned therein, is available for perusal at the offices of the Company at #2 Ahuzat Bayit St., Tel Aviv, during customary office hours, this until the date of the meeting.

The publication of this report will be followed by the publication of a translation of this convening report, including its appendices, into the English language (hereafter: "**the Translation**"). It should be noted that the Translation is published for reasons of convenience only, and that in the event of any contradiction between this convening report and the Translation, the provisions of this convening report shall prevail.

Yours sincerely,

Sigal Berliner-Levinson, Adv.
Company Secretary

PART 1

Description of the Company's Business



This English version is only for convenience purposes. This is not an official translation and has no binding force. Whilst reasonable care and skill have been exercised in the preparation hereof, no translation can ever perfectly reflect the Hebrew version. In the event of any discrepancy between the Hebrew version and this translation, the Hebrew version shall prevail.

Table of Contents

Part One - Description of the Company's Business

Topic	Page
Description of the General Development of the Company's Business	
1.1 The Company's Activities and a Description of the Development of Its Business ...	3
1.2 Area of Activity	6
1.3 Investments in the Company's Equity and Transactions in Its Shares	6
1.4 Dividends	7
Part Two - Other Information	
1.5 Financial Information Regarding the Company's area of Activity	8
1.6 Economic Environment and the Impact of External Factors on the Company's Activities	9
Part Three - Description of the Company's Business	
1.7 General information	26
1.8 Structure of the Area of Activities and Changes Occurring Therein	31
1.9 Restrictions, Legislation, Regulation and Special Constraints	31
1.10 Changes in the Scope of the Operations in the Area, and in Its Profitability	31
1.11 Developments in the Markets of the Area of Operations or Changes in the Characteristics of the Customers	35
1.12 Critical Factors that May Affect the Success in the Area of Operations and the Changes in These Factors	35
1.13 Key Entry and Exit Barriers of the Area of Operations	36
1.14 Substitutes for the Products in the Area of Operations and the Changes that are Occurring Therein	36
1.15 Structure of the Competition in the Area of Operations and the Changes that are Occurring Therein	36
1.16 Products and Services	36
1.17 Breakdown of Revenues and Profitability from Products and Services	40
1.18 New Products	51
1.19 Customers	52
1.20 Marketing and Distribution	53
1.21 Competition	53
1.22 Seasonality	57
1.23 Operating Capacity	57

Topic	Page
Part Four - Additional Information at the Company and Group Level	
1.24 Fixed Assets, Real Estate and Fixtures	58
1.25 Intangible Assets	58
1.26 Human Capital	58
1.27 Raw Materials and Suppliers	66
1.28 Working Capital	66
1.29 Investments	67
1.30 Financing	67
1.31 Taxation	67
1.32 Restrictions on and Supervision over the Company's Activity	67
1.33 Material Agreements	73
1.34 Cooperation Agreements	74
1.35 Legal Proceedings	75
1.36 Goals and Business Strategy	75
1.37 Likely Developments in the Coming Year	79
1.38 Risk Factors Discussion	80



DESCRIPTION OF THE COMPANY'S BUSINESS

Part One - Description of the General Development of the Company's Business

1.1 The Company's Activities and a Description of the Development of Its Business

1.1.1 General

- 1.1.1.1 The Company was incorporated in Israel on September 28, 1953, as a company limited by the guarantee of its members, pursuant to the Companies Ordinance, 1929, under the name the Tel-Aviv Stock Exchange Limited.

In 1969, following the enactment of the Securities Law, the Company was granted a license to manage a stock exchange, pursuant to the provisions of section 45(A) of the Securities Law. The Company, together with its subsidiaries, TASE Clearing House, MAOF Clearing House and the Nominee Company, is engaged in the trading and settlement of securities (including derivatives) and associated transactions.

- 1.1.1.2 On April 6, 2017, the Securities Law (Amendment No. 63), 2017 ("**Amendment 63**"), on the demutualization of TASE was published in the Official Gazette. To the best of the Company's knowledge, the primary purpose of Amendment 63 was to outline the change in the ownership structure of a stock exchange in Israel while severing the connection between its owners and members, thereby making it a for-profit company (with the ability to distribute dividends to its shareholders), to expand the base of companies on TASE and to make the stock exchange accessible to a larger number of entities. Another goal of Amendment 63 was to lay a foundation for future strategic collaborations with foreign stock exchanges and strategic investors. For further details, see Section 1.34 below.

Against this backdrop, on September 7, 2017 the Tel Aviv District Court approved the plan for the demutualization arrangement of TASE (the "**TASE Demutualization Arrangement**"). The TASE Demutualization Arrangement had two primary immediate and related goals. First, a change in the form of incorporation of the Company, from a company limited by guarantee without any share capital, to a company limited by shares, with one type of shares; second, to make the capital and voting rights of the TASE members equal, on the basis of the commonly accepted principle of "**one share, one vote**," and to abolish the special arrangements for the appointment of directors set forth in the Securities Law, in the Company's previous articles of incorporation, and also pursuant to the reduction in the number of members of the Board of Directors of the Company. As a result, and in compliance with the corporate governance provisions that apply to TASE under Amendment 63, on July 6, 2018, the Company completed its transition to a "for-profit" private company.

Further to the aforesaid, on August 1, 2019, the Company's closed the process for an initial public offering of the Company's shares and their listing on the Tel-Aviv Stock Exchange, and the Company became a public company.

- 1.1.1.3 As of Reporting Date, the Company, together with TASE Clearing House and MAOF Clearing House (together, the "**Clearing Houses**"), manage a stock exchange and clearing houses for securities. The Company, together with TASE Clearing House, MAOF Clearing House and the Nominee Company, are referred to herein as the "**Group**" or the "**TASE Group**".

A stock exchange is a company licensed to establish and manage a multi-lateral system through which trading in securities is conducted, by means of matching orders for the purchase and sale of securities, and enhancing transactions between purchasers and sellers of securities, which operates on a non-discretionary basis, pursuant to rules set forth and published in advance.

The Company is responsible for the management of a regulated market for the trading of securities in Israel, pursuant to the rules set forth in the TASE Rules (the **"TASE Rules"**) and in the TASE Regulations, which are set pursuant to the Securities Law ¹. Within this framework, the Company manages a system for the trading of a wide variety of securities. It provides an operating and regulatory infrastructure for the execution of such trading, alongside various associated services, such as data distribution services, services in connection with listing, and it also provides an infrastructure for the settlement of these transactions through its clearing house subsidiaries.

A clearing house is a company that is licensed to open and manage a central system for the settlement of transactions in securities (namely, the delivery of the security and the delivery of the consideration for the security, pursuant to the terms of the transaction). This may include the provision of central custody services (Central Securities Depository - CSD) for the securities and/or it may act as a Central Counterparty (CCP) for transactions in securities, to ensure the settlement of the transaction.

Accordingly, the TASE Group's only reportable area of activity, which is reported as a business segment in the Company's consolidated financial statements, is the trading and settlement of securities transactions.

The provision of a central financial market infrastructure for trading investment instruments, with high levels of capacity, flexibility and reliability, pursuant to the required business and regulatory standards, involves a high fixed cost. After this investment, the marginal cost of executing associated or supplementary actions is relatively low. Therefore, TASE and the Clearing Houses benefit from tangible advantages in relation to the development and penetration of products and services that are complementary to and/or associated with their trading and clearing activities.

Currently, as the only stock exchange in Israel, the Company plays a central role in the Israeli economy and constitutes a market infrastructure important for the economy's growth. TASE is the "home court" of the capital raisers in Israel: many Israeli corporations² are assisted by TASE in financing their investments and their business activities. TASE assists the government, among other things, in selling shares to the public as part of the privatization process. TASE is also the "home court" of the investing public and the securities industry in Israel. For the investors, TASE is a sophisticated and reliable trading platform for securities trading, including a wide range of financial instruments.

Shortly before the date of the Report, approximately 566 companies that have issued equity and debt instruments, 554 ETFs and foreign funds, including the Government of Israel, benefit from TASE's services in Israel, and hundreds of thousands of investors, including households, invest directly using TASE. In fact, the majority of households in Israel are exposed to activity in TASE's markets through entities engaged in the management of investments, primarily pension funds, but also insurance companies, provident funds, advanced study funds and others.

¹ The TASE Rules (as distinguished from the Company's articles of incorporation), together with the TASE Regulations and the Bylaws of the Clearing Houses, will be referred to as the **"TASE Rules."**

² While the majority of issuers of the securities listed on TASE are incorporated as companies, in certain areas of activity the securities of limited partnerships are also listed on TASE (chiefly in the field of oil and gas and research and development). Therefore, reference to companies and corporations in this Report also includes reference to these partnerships.

The added value inherent in TASE's activities as a central trading infrastructure are substantial. This value is reflected in the increase in value of companies as a result of TASE's creation of liquidity for their shares, as well as decreased interest on raising of debt as a result of greater tradability of debt instruments. At the same time, the investing public benefits from low transaction costs on investments and access to a variety of assets, while ensuring transparency and the receipt of up-to-date information, along with the existence of an ongoing and reliable mechanism for determining the market value of the investment.

The securities traded on TASE as of Reporting Date include, among other things, shares, participation units, corporate bonds, structured bonds, convertible securities, ETFs and government bonds. In addition, derivatives issued by MAOF Clearing House which include, as of Reporting Date, options on shares, options and futures on equity indices and on foreign currency exchange rates, are traded on TASE.

Transactions in securities listed on TASE are executed through TASE members only, both on their own behalf and on behalf of others, and they are settled through TASE Clearing House, a wholly owned subsidiary of the Company. In addition, TASE Clearing House provides central counterparty (CCP) services and securities custody services (CSD), for the realization of rights attached to the securities listed on TASE and, for the settlement of payments of issuing companies, such as interest and dividends to security holders who hold the securities through TASE members. Given the above, it is clear that the activities of TASE Clearing House are supplemental to the Company, interwoven with Company's activities and vital to the smooth and effective functioning of a stock exchange.

TASE Clearing House carries out the clearing of securities itself. Monetary clearing is carried out based on instructions sent by TASE Clearing House to the Bank of Israel. The Bank of Israel executes monetary clearing in shekels and US dollars on the "ZAHAV" (RTGS) system (a system for the daily settlement of payments in real time, managed by the Bank of Israel) (the "**ZAHAV System**"). The debits and credits on the ZAHAV System are immediate and final³. In addition, TASE Clearing House is making it possible, with certain restrictions anchored in its bylaws, to clear company payments in foreign currency, other than through the Bank of Israel.

In order to mitigate the risk inherent in the settlement of the transactions at TASE Clearing House, settlement is effected using a DVP (Delivery Versus Payments) mechanism, whereby the clearing of the securities is synchronized with the monetary settlement (which is executed on the ZAHAV System). For further details, see Section 1.7.3. below.

Pursuant to the Joint Investment Trust Law, 1994, TASE Clearing House settles instructions for the creation of units in funds for joint investments in trusts (open-end mutual funds, ETFs), and instructions for the redemption of the units and for the exercise of rights and the execution of other payments with respect to these units.

In addition, TASE Clearing House provides custody and settlement services for securities that are not listed for trade on TASE ("**NLT**").

In order to handle securities of dual-listed companies, which are listed both on the stock exchange in Tel Aviv and on stock exchanges overseas, and are cleared both at TASE Clearing House and an overseas clearing house, TASE Clearing House opened accounts at the DTC (the central clearing house in the United States, which provides clearing and custody services for securities in the United

³ As of Reporting Date, TASE Clearing House allows the clearing of company actions in foreign currency, without the involvement of the Bank of Israel. This process is being executed, as of Reporting Date, solely in US dollars and with certain restrictions; however, such clearing may also be executed in other currencies – in this instance too with certain restrictions, as set out in the TASE Clearing House bylaws.

States, “DTC”) and at Euroclear Bank (“Euroclear”) (which is a central European clearing house that provides clearing and custody services for securities in and outside of Europe).

Additional activities of TASE Clearing House include operating services for the lending pool of the Ministry of Finance. The lending pool includes government bonds issued pursuant to the Government Loan Law, 1979 and the regulations thereunder (“Government Bonds”) and serves to lend Government Bonds to market makers approved for this purpose by the Ministry of Finance⁴, and the settlement of transactions in Government Bonds executed on the MTS Israel system⁵.

In addition, TASE Clearing House manages on behalf of the Bank of Israel the deposit of collateral for the Bank of Israel by the banks that participate in the ZAHAV System, against the credit that the Bank of Israel allocates to them (ICS - Intraday Credit System). As part of its activities, TASE Clearing House manages an array of collateral that is received from the members of TASE Clearing House in respect of the default fund, which was set up by it and is intended to handle situations of default by a Clearing House member.

Derivatives (options and futures) are issued by MAOF Clearing House, which is also a wholly owned subsidiary of the Company and was incorporated in 1957 (under a different name) and commenced operations in the field of financial instruments in 1993. The derivatives are traded on TASE and the transactions are cleared through MAOF Clearing House. As part of its activities, MAOF Clearing House manages a range of margins received from its members with respect to the ongoing activity of the members and of their clients in the derivatives market, and with respect to the default fund, which was set up by MAOF Clearing House and is intended to handle situations in which a member has defaulted. These margins, which are not in cash, are deposited with TASE Clearing House in the name of MAOF Clearing House for its members.

As part of its activities, the Company also distributes information, including announcements of companies that are traded via the MAYA site (an online system for company announcements - <http://maya.tase.co.il>), which the Company operates as part of its website at <http://tase.co.il> (the “TASE Website”), and TASE announcements. It is also engaged in the registration of securities, the provision of connectivity services, the preparation of indices etc.

- 1.1.1.4 On October 25, 2017, the Nominee Company, which is a nominee company pursuant to its definition in the Securities Law, was established. Its primary activity is the registration of securities of publicly traded or reporting corporations (that are not foreign companies) in its name in the securities register of these corporations, and their deposit with TASE Clearing House, as well as the day-to-day handling of the rights attached to these securities. For further details regarding the activities of the Nominee Company, see Section 1.7.3.4 below.

⁴ A primary dealer who wishes to borrow Government Bonds must provide collateral for lending through TASE Clearing House. The lending pool agreement between the Ministry of Finance and TASE Clearing House is included in the TASE Rules. In July 2020, TASE-CH informed the Ministry of Finance that it does not wish to renew the agreement. Accordingly, unless another understanding is reached, the agreement will terminate in September 2021. In the opinion of the Company, the termination of the agreement, in and of itself, is not expected to have a material effect on its business results.

⁵ A trading system, which is located in Europe, on which government bonds of the State of Israel are also traded, and is managed by Euro MTS Ltd. For further details, see Section 1.33.2 below.

1.1.2 The holdings structure chart for the Group, as of Reporting Date:



* One share of MAOF Clearing House is held by TASE Clearing House.

1.2 Area of Activity

As stated above, as of Reporting Date, the Company has a single area of activity reported as a business segment in the Company's consolidated financial statements – the area of trade and settlement of transactions in securities. For details regarding the area of activity, see Section 1.7 below.

1.3 Investments in the Company's Equity and Transactions in Its Shares

1.3.1 Secondary offering of the Company's shares to the public

On July 31, 2019, the sale of 31,717,504 Company shares, constituting 31.7% of the Company's issued share capital, was completed. This took place within the framework of a public offering of the Company's shares, by way of a secondary offering, for a total consideration of NIS 225.2 million (gross), at a value of NIS 7.1 per share, viz. at a Company value of NIS 710 million. As was agreed with the selling shareholders with regard to the division of the surplus consideration in excess of NIS 5.51 per share (net, after deduction of expenses) in equal parts between the selling shareholders and the Company, the Company's share of the surplus consideration amounted to NIS 15.5 million. At the same time, the Company's shares were listed on the Tel-Aviv Stock Exchange. For further details, see the immediate report issued by the Company on July 29, 2019 (reference no. 2019-01-065259). The information presented in the aforesaid report is included herewith by way of this reference.

1.3.2 Transfer of surplus consideration from the sale of Company shares by other shareholders

In accordance with Section 41(L)(2) of the Securities Law, as amended within the framework of Amendment 63, from the listing date of the Company's shares on August 1, 2019 through to shortly before the date of publishing this Report, as a result of sales of Company shares that had been allotted to those who were then shareholders of the Company, as part of the approval of the TASE Demutualization Arrangement (hereafter: "the Arrangement Shares"), the Company received a total of NIS 17.5 million. For further details, see note 18 C to the Company's consolidated financial statements as of December 31, 2020, which are included in this Periodic Report.

For details regarding the contemplated advancement of a twofold, simultaneous scheme for the buyback of up to 19,148,109 shares of the Company that had been allotted to TASE members as part of the TASE restructuring arrangement and the concurrent allotment of new shares to the selling TASE members, at a ratio of one new share for every acquired arrangement share, see the immediate reports of the Company from February 10, 2021 and March 4, 2021 (reference nos.: 2021-01-017251 and 2021-01-026832). To the date of the report, the matter is still under review and discussion with the Securities Authority.

- 1.3.3 To the best of the Company's knowledge, except as specified above, from January 1, 2019 through the publication date of this Report, no other material transaction was executed by an interested party of the Company in the Company's shares.

For details of the exercise of warrants allotted to officers within the framework of an equity compensation plan for officers in the Company and the sale of the exercise shares and/or of shares allotted to officers within the framework of an equity compensation plan for all employees of the Company, in the period following the listing of the Company's shares, see section 1.26.8.3 below.

1.4 **Dividends**

1.4.1 **Distribution of dividends and retained earnings**

On March 24, 2020, the Board of Directors of the Company decided on the distribution of a dividend in the amount of NIS 0.0877 per share, totaling NIS 8.77 million (gross). The aforesaid dividend was distributed on April 16, 2020.

On March 16, 2021, at the same time as it approved the Company's consolidated financial statements as of December 31, 2020, which are included in this Periodic Report, the Company's Board of Directors resolved to distribute a dividend in the amount of NIS 0.1823 per share, and in a total amount of NIS 18,450 thousand (gross). The record date for entitlement to receive the dividend and the payment date have been set for March 25, 2021 and April 5, 2021, respectively.

According to the Company's consolidated financial statements as of December 31, 2020, which are included in this Periodic Report, the Company has retained earnings of NIS 569.4million, and this is – to remove any doubt – before taking into account the dividend declaration referred to above in this Section.

1.4.2 **External restrictions on the payment of dividends**

In accordance with Section 45B of the Securities Law (which was revoked within the framework of Amendment 63), until July 6, 2018, the Company was not authorized to distribute its profits among its members. As of Reporting Date, the Company had not imposed any restrictions on itself vis-à-vis third parties that might affect its ability to distribute a dividend in the future. Generally, the Company itself (on its own, as distinct from TASE's Clearing Houses) is not subject to any regulatory directive with regard to liquidity. In the absence of any such directive, the Company's capital adequacy and liquidity requirements are determined using internal models that were approved by the Company's Board of Directors in January 2015. For further details, see note 5 to the Company's consolidated financial statements as of December 31, 2020, which are included in this Periodic Report. As of Reporting Date, these requirements do not have a material effect on the Company's ability to distribute dividends and have no effect whatsoever on the ability of the Company to do so within the ranges that are prescribed in its dividend policy.

1.4.3 Dividend distribution policy

On March 31, 2019, the Company's Board of Directors approved a dividend distribution policy in relation to the Company's profits for the years 2019 through 2022 (the "**Dividend Distribution Policy**"), pursuant to which – with effect from 2019 and through the end of the Dividend Distribution Policy, the Company will act to distribute a cash dividend to its shareholders at a rate of between 30% and 50% of the annual net profit from its operating activities (namely, without taking into account revenue from exceptional events), in accordance with the Company's annual consolidated financial statements, and this will be done at the time of approving the annual financial statements. So as to remove any doubt, it is hereby clarified that – under this Dividend Distribution Policy – no dividend will be distributed from the profits accumulated by the Company prior to January 1, 2019.

The approval of the Dividend Distribution Policy will not be deemed as obligating the Company's Board of Directors to pass a resolution for the distribution of a dividend. The decision as to whether to distribute a dividend will be subject to the Company complying with the distribution criteria prescribed in the Companies Law. These criteria examine whether – at the time of passing the resolution regarding a dividend distribution, and taking into consideration the ongoing business activity needs of the Company, the work plan, the TASE Group's liquidity position and the leverage ratios, the TASE Group is able to meet its commitments and fulfill its covenants (if any), and likewise, the regulatory requirements to which the Group companies are subject (such as with regard to liquidity, minimum equity, etc.), and all at the time of passing any such resolution. It is further clarified that the Board of Directors may change the Dividend Distribution Policy and/or cancel it and/or deviate from it at any time.

Part Two - Other Information

This part includes information about customers compiled from various sources that the Company has deemed appropriate as set forth in the body of this part (the “Sources”). Although it has not conducted any independent checks to verify the data, the Company is of the opinion that these Sources are reasonable sources for the relevant information.

1.5 Financial Information Regarding the Company’s Area of Activity

1.5.1 The following table shows data from the Company’s (consolidated) financial statements regarding the Company’s area of activity (NIS thousands):

	2020	2019	% change
Revenues ⁽¹⁾ – from external customers	304,266	260,001	17%
Fixed costs* – with respect to revenues from external customers (excluding depreciation)	164,998	158,847	4%
Fixed costs (non-cash) – depreciation expenses	44,510	43,571	2%
Variable costs** – with respect to revenues from external customers	44,119	38,207	15%
Variable costs (non-cash) ***	1,867	5,216	(64%)
Total expenses	255,494	245,841	4%
Profit before financing income, net	48,772	14,160	244%
Assets of the area at the end of the period	981,455	982,835	-
Liabilities at the end of the period	557,024	558,195	-

(1) For revenue details, see Section 1.17 below.

* The majority of the Company’s expenses are fixed and are not affected by the level of the revenue. These expenses include, among other things, salaries and related expenses, computers and communications, municipal taxes and building maintenance and the annual fee to the Israel Securities Authority. In the Company’s opinion, salary and related costs (apart from bonuses and overtime) are fixed due to collective labor relations and limited flexibility in the ability to change or adjust salary and/or manpower costs.

** The variable costs primarily include marketing and consultancy expenses, and salary costs for bonuses and overtime.

*** Non-cash variable costs include capital losses and expenses with respect to share-based payments.

1.5.2 For explanations on the primary developments with respect to the data set forth above, see the Board of Directors’ Report for 2020, which is included in this Periodic Report.

1.6 Economic Environment and the Impact of External Factors on the Company’s Activities

The contents of this section below are based on trends, events and developments in the Company’s macro-economic environment, which have, or are expected to have, a material impact on the Company’s business. Therefore, any reference that appears in this section below to the Company’s assessment of the developments expected in the future and their effect on the TASE Group, is based on an examination of forward-looking information that is not under the Company’s control and is uncertain.

Below are details regarding trends, events and developments in the Company's macro-economic environment which have, or are expected to have, a material impact on the Company's business results or developments or in the Company's area of activity.

1.6.1 The capital market in Israel

1.6.1.1 General

Given the Company's unique position as the only stock exchange in Israel, constituting key infrastructure for the execution of investments in securities and financial instruments, and for raising equity and debt capital, the activity in the primary and secondary market on TASE is affected to a large degree by macro-economic factors, by regulatory factors and by taxation policy, as set forth below.

Despite the robust and developed nature of the Israeli economy, even in 2020, the coverage scope of activity of the public capital market in Israel (viz., the ratio between the public company equities market and the gross domestic product) is relatively constrained compared to other developed nations.

In addition, according to third party data, the velocity of trading in Israel (which is determined as the ratio between the annual trading volume in shares and ETFs traded on TASE, in relation to the average aggregate market value) is low compared to most other developed nations.

Further, investment in equities by the Israeli public as a percentage of total financial assets has historically been low compared to other developed nations. According to data from the developed nations' Organization for Economic Cooperation and Development (OECD) and from the European Statistical Office (EUROSTAT), the rate in Israel for 2019 was low compared to Australia, France, Norway and the USA.

In the Company's opinion, the relatively low investment rate in Israel is primarily due to two factors. First, Israeli investors prefer financial and property investments, and therefore do not fully understand equity investments. Second, there is a high rate of capital gains tax in Israel compared to many other developed nations. In the Company's opinion, the foregoing data indicates an inherent growth opportunity should the scope of activity in the capital markets, and particularly the equity markets, in Israel rise to approach the rates customary in other developed nations, in relation to the GDP and to the financial assets. This assumes that the Company's strategic plan is successfully implemented.

1.6.1.2 The Coronavirus Crisis and Its Implications

The volumes of activity on the capital market in Israel and overseas in 2020 were materially affected by the outbreak of the coronavirus crisis and the measures implemented by governments globally in an attempt to curb the spreading of the virus and its effects on economies worldwide.

The year 2020 opened with price rises in the Tel Aviv Stock Exchange, in line with the trend in 2019, however these lasted for only a month. The outbreak of the Novel coronavirus in China in January 2020 and its spreading into a "global pandemic" resulted in uncertainty and strong fluctuations in the capital markets, which were exacerbated by its effects on global economic activities. Travel restrictions that were imposed by numerous countries, in an effort to stem the spread of the virus, first affected the tourism, hotels and aviation sectors, and the energy, oil and gas companies that suffered from the drop in oil and gas prices. The subsequent broadening of internal restrictions in Israel and prohibition of gatherings adversely affected the leisure and entertainment sector, restaurants and venues, alongside a negative impact on banks, insurance companies, exporters, income-producing real estate companies and more.

The Central Bureau of Statistics reported that the rate of employed persons temporarily absent from work, for all or part of the week, surged to 43% of total employed in March 2020, with the imposition of the general lockdown, reaching 65% of total employed in April 2020, as compared to 10% in

February 2020. As activity in the market resumed almost fully in the second quarter of 2020, the rate of employed persons temporarily absent from work decreased to 10% in August 2020.

In June 2020, with the renewed outbreak of the coronavirus in Israel, restrictions on business activities were reinstated and in September 2020 a second near complete lockdown was imposed. Consequently, the rate of employed persons temporarily absent from work rose to 21% in the first half of October 2020. Towards the end of October 2020, following a reduction in morbidity rates, the Israeli Government initiated a plan for the gradual lifting of the restrictions. Consequently, in December 2020 the rate of employed persons temporarily absent from work decreased to 10%. However, a gradual rise in morbidity rates led the government to impose a third general lockdown on December 27, 2020. At the same time, as global regulators issued their approvals for coronavirus vaccines developed in 2020, a national campaign was launched for the vaccination of the entire population.

The concern for a downturn as a result of the spreading of the virus and the measures taken by other countries had adversely affected their economies, leading the Federal Reserve to announce, on March 3, 2020, a 0.5% reduction in the interest rate – the highest reduction since the 2008 Crisis, to a level of 1.0%-1.25%. The 10-year yield on U.S. Treasury bonds reached a record-low of 0.5%. Additionally, the President of the United States declared a state of national emergency and federal aid of US\$ 50 billion, including the implementation of tax cuts by the end of 2020. On March 15, 2020, the Federal Reserve announced further measures – reduction of the interest rate by 1% to 0%-0.25% and a pledge to purchase securities in an amount of US\$ 700 billion in order to infuse funds into the market. Subsequently, the Federal Reserve opened reduced-rate credit lines for some 15 central banks worldwide.

The European Central Bank - ECB, announced its intention to reduce the interest rate from 0% to a negative 0.1% and implement supplementary supportive measures. The European Commission authorized EU Member States to implement widespread budgetary incentives. The Bank of England (BoE), cut the interest rate by 0.5% to 0.25%, and a week later reduced it again to a negative 0.1%, the lowest historical level, and announced a program for the purchase of government and corporate bonds in an amount of GBP 645 billion. On April 9, 2020 it was announced that BoE will fund the government's needs directly, by printing money in an unspecified volume.

Alongside the expansionary monetary policies implemented by central banks globally, governments are offering budgetary aid in unprecedented volumes - in the United States, the government approved an unprecedented fiscal aid of US\$ 2.3 trillion in March 2020, an additional US\$ 0.5 trillion aid to small businesses in April 2020 and announced an additional incentives package of US\$ 0.9 trillion in December 2020. Additionally, in April 2020 the U.S. Federal Reserve announced an intervention in the municipal bond market (Municipal Liquidity Facility) of up to US\$ 0.5 trillion. In June 2020, the Federal Reserve announced the first ever direct purchase (other than through tracking ETFs) of corporate bonds in a scope of up to US\$ 750 billion.

The British Government announced its plan to infuse GBP 330 billion into the local market.

In June 2020, the European Central Bank announced that it will be increasing government bond purchases under the Pandemic Emergency Purchase Programme (PEPP) by EUR 600 billion, this in addition to the EUR 750 billion allocated for this purpose in March 2020. The ECB also announced the expansion of its aid program to EUR 1.35 trillion and its extension from December 2020 to June 2021. In July 2020, the European Commission announced the expansion of the aid package to EUR 1.8 trillion and the British Government announced a GBP 30 billion aid package for U.K. citizens.

In Israel, the government approved an NIS 80 billion aid program, which in April 2020 was extended by NIS 8 billion in favor of the self-employed and small businesses, this alongside a NIS 6 billion State-guaranteed loans fund for large businesses and employee retention grants of NIS 6 billion. Government aid in Israel is expected to total NIS 100 billion and upwards.

Subsequently, the Government of Israel announced the expansion of the aid package for salaried employees, businesses and the self-employed to up to 6.7% of the GDP, including: increasing the subsidized state-guaranteed loans from NIS 22 billion to NIS 50 billion, an additional aid grant of up to NIS 7,500 to the self-employed, a nation-wide grant to citizens totaling NIS 6 billion, extension of the entitlement to unemployment benefits for those in unpaid leave until June 2021 and tax exemption on withdrawals from advanced study funds. In September 2020, the Government launched an additional economic plan for the compensation of employers and employees for damages of the second lockdown that commenced in mid September, with the main objective of preventing layoffs and unpaid leave. In December 2020, the Ministry of Finance announced that the entitlement to unemployment benefits will not be cancelled in June 2021, but only when the general unemployment rate drops below 7.5%.

On March 15, 2020, the Bank of Israel announced its intention to purchase government bonds (for the first time since 2009) totaling NIS 50 billion, in order to ease credit conditions and support economic activity, carry out U.S. dollar-NIS repo transactions with financial institutions in a total amount of US\$ 15 billion, and reduce the banks' capital adequacy requirements by 1% to facilitate the release of capital towards loans to businesses and households. On April 6, 2020, the Bank of Israel reduced the interest rate by 0.15%, to the record low of 0.1% that had prevailed in the period from February 2015 to November 2018.

In July 2020, on the backdrop of the growing spread of the coronavirus in Israel during June and July, the Bank of Israel announced additional monetary expansion steps, including: (a) For the first time, the Bank of Israel will begin purchasing corporate bonds at a scope of NIS 15 billion (further to the March 2020 announcement of the purchase of government bonds at a scope of NIS 50 billion). The Bank will purchase corporate bonds with a rating of A- and above, excluding foreign companies' bonds, bonds with an equity component (COCO), and bonds that are not indexed to the shekel and are not fixed rate; (b) Renewal of the special plan to expand the supply of bank credit to small businesses, as part of which the Bank of Israel will provide the banking system with fixed-rate loans at a 0.1% annual interest rate, for a term of three years, with the goal of increasing the supply of bank credit to small businesses.

In October 2020, the Bank of Israel announced the expansion of the plan for the purchase of government bonds by a further NIS 35 billion, this in addition to the NIS 50 billion approved in March 2020. It also announced that, for the first time, it will be granting the banks loans bearing a negative interest rate of -0.1%. The loans will be granted for a period of four years against loans that the banks will extend to small and micro businesses. The plan's maximum scope is NIS 10 billion and is to expire at the end of June 2021. In December 2020, the Bank of Israel announced additional monetary support for businesses impacted by the coronavirus crisis. Within this framework, for the first time, commencing in January 2021 the Bank will carry out repo transactions with supervised non-banking credit providers, conditional upon the credit providers extension of credit to small and micro businesses.

According to the Bank of Israel data, since the breaking out of the crisis in March 2020 until the end of December 2020, the Bank purchased government bonds in an amount of NIS 46 billion. Additionally, in the period from July to December 2020, the Bank purchased corporate bonds in an amount of NIS 3.5 billion.

In order to finance the program, in the period of the coronavirus crisis the Ministry of Finance raised NIS 51.8 billion on the international capital markets: in January 2020 the Ministry of Finance raised NIS 10.4 billion by way of two series of dollar-linked government bonds for a period of 10 years at an interest rate of 2.5%, and for a period of 30 years at an interest rate of 3.375%. In March 2020, the Ministry of Finance raised NIS 17.8 billion by way of three series of dollar-linked government bonds, including the first-ever 100-year bonds: NIS 7.1 billion for a period of 10 years at an interest rate of 2.75%, NIS 7.1 billion for a period of 30 years at an interest rate of 3.875%, and NIS 3.6 billion for a period of 100 years at an interest rate of 4.5%. In April 2020, the Ministry of Finance carried out the

year's third offering overseas, for the first time raising approximately NIS 17.6 billion in Asia by way of 40-year dollar-linked government bonds at an interest rate of 3.8%. In October 2020, the Ministry of Finance raised NIS 6 billion in a private placement of government bonds to foreign institutional investors. The bonds comprise two series for two- and four-year periods and bear an average annual interest rate of less than 0.02%.

Concurrently, the capital market regularization authorities, the Securities Authority and the Commissioner of Capital Markets published adjustments and expedients to certain reporting and regularization requirements, in order to assist the main capital market players, with emphasis on reporting entities and institutional investors, in handling the difficulties arising from the restrictions imposed on the economic activity, and to allow them flexibility in capital market transactions. On this backdrop, the Company also initiated an interim amendment (ad hoc provision) to the TASE Rules, concerning expedients and adjustments to the rules of maintenance, suspension of trading and delisting of securities that are listed for trading on TASE. Also, within this framework the Securities Authority has recently announced a legislation initiative for the reduction of the annual fees payable by reporting entities and mutual funds.

The growing uncertainty surrounding the implications of the spread of the virus on global economy resulted in a sharp drop of prices in stock exchanges worldwide, including Tel Aviv. The reductions that began in February 2020 persisted and even became more pronounced in March 2020, this on the backdrop of the spread of the virus in Israel and the Government's announcement of broader restrictions. The price reductions that took place up to the end of the third week of March 2020, as above, were accompanied by strong trading turnovers, whereas capital-raising that had been on the rise in the equity and bond markets during the first two months of the year, all but stopped in March 2020.

Starting in the fourth week of March 2020, prices took an upwards, albeit volatile, direction in equity markets in Israel and worldwide. This positive trend was supported by the announcement of aid programs and other incentives by governments and central banks, as described above, and indications of the slower spread of the coronavirus, in Israel and globally, alongside the gradual and cautious resuming of economic activity. This was counteracted by the slowing down of business activity that was reflected in the reduced GDP and in the financial statements of reporting entities for the first and the second quarters of 2020, as well as by the steep rise in morbidity rates in Israel that led to the reinstatement of restrictions on business activities, culminating in the imposition of a near complete lockdown starting in mid-September 2020. In the third quarter of the year, the market was primarily affected by the uncertainty concerning the persistence of the pandemic and, consequently, the duration of the restrictions imposed on business activities globally as well as regarding the outcome of the U.S. presidential elections that took place in early November 2020. The price rises in November 2020 resulted primarily from the emergency use authorization (EUA) issued for the Pfizer vaccine and the price rises in December 2020 resulted from the launch of the vaccination campaign.

Overall, raising activity in the equity and bonds markets, in the non-financial sector, was substantial in 2020, most likely, even if partially, as a result of the credit distress experienced by companies and businesses, alongside the almost null market interest rate. In the high-tech sector, the strong raising activity probably stems, among others, from the restrictions imposed during the coronavirus crisis and their impact on the consumption of digital and technological services.

TEL-AVIV STOCK EXCHANGE LTD.

Part Two – Other Information

1.6.1.3 Data Regarding the Volumes of Activity on the Israeli Capital Market

Presented below are details regarding the velocity of trading⁽¹⁾ in Israel in 2019 and 2020 and in the fourth quarter of 2019 and 2020:

	2020	2019	% change	Three months ended 31.12.2020	Three months ended 31.12.2019	% change
Shares	52.9%	35.2%	50%	46.6%	36.4%	28%
Corporate bonds ⁽²⁾	66.5%	54.9%	21%	59.4%	58.8%	1%
Government bonds – shekel ⁽³⁾	124.1%	128.4%	(3%)	94.9%	110.0%	(14%)
Government bonds – linked ⁽⁴⁾	89.9%	79.8%	13%	69.9%	73.1%	(4%)
Treasury-bills	98.4%	61.3%	61%	53.6%	56.2%	(5%)

(1) The velocity of trading does not include off-exchange transactions.

(2) The velocity of trading does not include data of TACT institutional-traded corporate bonds.

(3) Including "Shahar" fixed-interest shekel bonds and short-term government bonds.

(4) Including CPI-linked bonds and "Gilon" variable-interest shekel bonds.

In the Company's opinion, the significantly higher velocity of trading in 2020 (with the exception of shekel government bonds) is primarily due to the implications of the coronavirus crisis on the markets, as described in this section above and below.

In recent years, the developed markets – particularly in the United States and in European countries – have seen a rise in trading executed by means of algorithm-based automated trading systems on behalf of players acting on their own behalf and electronic market makers and investment houses ("High Frequency Trading"). This has contributed significantly to the overall growth in trading volume. In the Company's opinion, the scope of High Frequency Trading on TASE is low relative to the United States and Europe. The Company's actions to integrate electronic market makers into the Tel-Aviv Stock Exchange are expected to contribute to growth in the High Frequency Trading volume. The Company believes that the investments it made during 2018 and 2019 to upgrade its trading and communications infrastructures, including co-location services and the enhancement of international connectivity, will support this trend by cutting the transmission times for data and orders, which constitute a major element in High Frequency Trading. The data of the Company show a moderate increase in the share of quote generators, including market makers, in equity trading on TASE compared to 2019. The share of quote generators, including market makers, in bonds trading in 2020 was unchanged from 2019.

Additionally, the data of the Company show a substantial increase in 2020 in the number of new securities accounts opened by individuals (accounts that are marked in the systems of the Company, at the instruction of the TASE members, as accounts belonging to individuals), compared to 2019 and prior years.

Key local factors that have affected the activities at TASE, in the Company's opinion⁶

1.6.1.4 Interest rate of the Bank of Israel

In 2019, the economy's interest rate was left unchanged at a level of 0.25% and in April 2020 the interest rate was reduced by 0.15%, to a record low of 0.1%, where it remained through the end of 2020.

Inflation in 2019 was at a rate of 0.6% and in 2020 reduced (for the first time since 2016) to a negative 0.7%. It should be noted that, in the past 6 years, inflation rates remained below the bottom threshold of the inflation target set by the Government (of 1%).

In the Company's opinion, the low interest rate has contributed to an increase in the public's demand for investments in shares and bonds, and at the same time encouraged Israeli companies to raise funds on the capital market during the coronavirus crisis, as banks restricted the availability of credit, and to issue bonds at relatively low interest rates as a way of refinancing existing debt.

1.6.1.5 Israel's credit rating⁷

Despite the coronavirus crisis and its various implications, in January and May 2020 S&P ratified Israel's credit rating at AA- with a stable outlook, the highest-ever rating, and again in November 2020. In April 2020, Fitch, too, ratified Israel's credit rating at A+ with a stable outlook, and again in January 2021. In April 2020, Moody's also ratified an A1 credit rating for Israel, albeit with a reduction of the outlook from "positive" to "stable".

In the Company's opinion, Israel's credit rating primarily affects the ratings of government debt instruments (government bonds, treasury bills ("Makams"), etc.) traded on TASE. In addition, it projects onto the credit ratings of Israeli companies, whose operational environment is in Israel, and thereby also affects the demand and pricing of debt instruments issued by Israeli companies. In the Company's opinion, Israel's credit rating is a positive factor for companies interested in issuing or listing, and for foreign investors when deciding in which markets they should operate. On the other hand, a reduction in the government debt reduces the country's need to raise new debt to finance its activities. This has been reflected in recent years by a decrease in the amount of new issues of state bonds versus the redemptions of similar bonds in those years.

1.6.1.6 The effects of changes in exchange rates⁸

In 2020, the U.S. dollar weakened by 7.0% in relation to the shekel, further to the 7.8% devaluation in 2019.

In 2020, the euro strengthened by 7.1% in relation to the shekel, compared to the 9.6% devaluation in 2019.

In the Company's opinion, in many cases, exchange rates affect the value of companies, their results of operations and the value of dual-listed companies traded on foreign markets, and they affect the choice of debt-raising channels of the companies.

⁶ Macro data relating to Israel has been sourced from the websites of the Central Bureau of Statistics, the Bank of Israel and the Ministry of Finance, while the macro data relating to activities abroad has been taken from the websites of the economic press and economic reviews by Bank Hapoalim.

⁷ <https://mof.gov.il/AG/FinancingAndCredit/TheCreditRating/Pages/IsraelsCreditRating.aspx>.

⁸ <https://www.boi.org.il/he/markets/foreigncurrencymarket/pages/average.aspx>.

Main factors at the international level that, in the Company's opinion, have affected the activities at TASE

1.6.1.7 In 2020, the NASDAQ 100 Index and the S&P 500 Index surged by 48% and 16%, respectively⁹, compared to a 38% and 29% surge, respectively, in 2019.

1.6.1.8 At the end of 2020, 52 companies whose shares were also traded in the United States or in London had shares traded on TASE. The value of these companies, which have direct exposure to the foreign markets, amounted to NIS 300 billion at the end of 2020, and their average daily trading volume at the end of 2020 came to NIS 386 million a day (excluding off-exchange transactions), constituting 28% of the daily trading volume in the stock market (excluding off-exchange transactions and ETFs).

1.6.2 **Regulation and taxation**

The capital market in Israel is characterized by multiple oversight and regulatory arrangements, both in matters relating to the activities of the TASE Group (for details, see Section 1.32 below), and in matters relating to the companies traded on TASE. Future regulatory changes relevant to the capital market as a whole, and to the TASE Group in particular, may have major effects on the Company's results and on its activities.

In addition, changes in the tax arrangements, both for the various investors in TASE and for the companies traded on TASE, may affect the activities of these entities in the capital market, and may thereby affect the Company's results and its activities.

1.6.3 **The equity market**

1.6.3.1 Equity trading on TASE in 2020 was characterized by strong volatility: the year opened with price rises in most leading indices on the equity market. The TA-35 Index rose by 0.5% in January 2020. In February 2020, the worldwide spreading of the coronavirus that was defined as a "global pandemic" by the World Health Organization and its growing adverse effect on global economy resulted in price drops in stock exchanges worldwide, including Tel Aviv. The TA-35 Index decreased by 5.3% in February 2020, followed by a plunge of close to 25% in the first three weeks of March 2020. Starting in the fourth week of March 2020, market prices took an upwards, albeit volatile, direction, this in response to the announcement of extensive aid programs and other incentives by governments and central banks. This positive trend was counteracted by the shrinking of economies, rising unemployment and the deepening government deficit.

In November 2020, equity indices in the capital markets, including TASE, soared by an average of 12% in response to the announcement by international pharmaceutical companies, Pfizer, Moderna and AstraZeneca, of significant progress in the development of the coronavirus vaccine. In December 2020, price rises on the capital markets continued, albeit more moderately, affected by the administration of the Pfizer vaccine, first in the U.K., the United States and Israel, and later in Europe, on the one hand, and an additional outbreak of the coronavirus and discovery of a new mutation of the virus in the U.K. that led to the tightening of restrictions up to a lockdown, on the other hand.

For the whole of 2020, the TA-35 Index decreased by 11%, following a rise of 15% in 2019. The TA-35 Index decreased by 31% from the beginning of 2020 until the height of the crisis in March 2020, rising by 28% thereafter until the end of 2020. For the whole of 2020, the TA-90 Index rose by 18%, outperforming the global MSCI Index that rose by 14%. The S&P500 and Dow Jones indices that represent the "traditional" economy in the United States rose by 16% and 7%, respectively, while European stock exchanges dropped by an average of 5%.

⁹ <https://finance.yahoo.com/>.

The coronavirus crisis has primarily had a positive effect on high-tech indices. TA Tech-Elite and TA Technology soared by 39% and 38% in 2020, similarly to the Nasdaq Index (which rose by 44%), reaching an all-time record. In the last quarter of 2020, these indices rose by 7% and 11%, respectively. In the opinion of the Company, the coronavirus crisis was conducive to the advancement of operations of the technology companies, which are primarily engaged in remote access and e-commerce, and partly in the emerging sector of alternative energy.

In the opinion of the Company, the coronavirus crisis has primarily had an adverse effect on the following sectorial indices: TA-Oil & Gas fell by 45% in 2020 as a result of the significant decline in the volume of global production activities and the sharp drop in oil and gas prices; TA-Banks5, which hit a record high in January 2020, dropped by 22% in the full year 2020 as a result of the surge in credit losses and the decline in the volume of credit granted; and TA-RealEstate, which reached a record high in February 2020 and dropped by 5% in the full year 2020 - while investment property shares dropped by up to 25% as a result of the transition to e-commerce and remote work, the shutting down of commercial centers and rent discounts granted, the shares of construction companies recorded a more moderate decline of 1% until December 2020, soaring by 17% in December 2020 following the Bank of Israel's announcement of the expansion of the variable-interest (Prime) credit to home buyers from a maximum of a third of the mortgage to two thirds.

- 1.6.3.2 Trading in equities was strong in 2020, reaching an average daily volume of NIS 1.9 billion, an increase of 43% over the average daily volume in 2019. Trading was highly volatile: in March 2020, at the height of the coronavirus crisis, the average daily trading volume amounted to NIS 2.9 billion, while in May through December 2020 and in the last quarter of 2020 the average daily trading volume was NIS 1.7 billion.

Capital raising on the equities market in Israel amounted to NIS 16.8 billion, compared to NIS 13.3 billion in 2019. Of this amount, NIS 4.6 billion was raised in 27 IPOs - representing the highest number of new issuers since 2007.

A securities index is a number that expresses the changes that have occurred over time to the value of a certain group of securities. Changes in securities indices reflect the return for investors in the securities included in the index, according to the weighting of each security in the index. They measure these changes both during the trading day and over time.

TEL-AVIV STOCK EXCHANGE LTD.

Part Two – Other Information

1.6.3.3 The following table shows the numbers of public offerings and total proceeds in the equity market in 2019 and 2020:

	Number of Offerings					
	2020	2019	% change	Three months ended 31.12.2020	Three months ended 31.12.2019	% change
Public offerings	115	60	92%	42	17	147%
Public offerings of new companies (IPOs) included in public offerings	27	7	286%	15	1	1400%
Private placements	121	98	23%	33	20	65%
Exercise of warrants	-	-	-	-	-	-
Total	236	158	49%	75	37	103%

* The number of new companies does not include companies that were dual-listed and issued only bonds.

	Amounts Raised (NIS millions)					
	2020	2019	% change	For the three months ended 31.12.2020	For the three months ended 31.12.2019	% change
Public offerings	12,123	8,314	46%	4,939	3,742	32%
Public offerings of new companies (IPOs) included in public offerings	4,616	3,206	44%	2,480	500	396%
Private placements	4,216	4,196	-	1,713	1,713	-
Exercise of warrants ⁽¹⁾	505	780	(35%)	282	487	(42%)
Total	16,844	13,290	27%	6,934	5,941	17%

(1) This figure relates to the expiration date of the warrants.

In the years 2019 and 2020, 7 and 27 new companies, respectively, joined through their respective IPOs, varying both in their businesses and their size. In addition, in each of 2019 and 2020, 3 companies were dual-listed and began trading in parallel on TASE. At the same time, in each of the years 2019 and 2020, 17 stock companies were delisted. For further details see Sections 1.10.4 and 1.10.5 below.

Additionally, after the date of the Periodic Report, an additional 25 new companies listed for trade and another company joined dual-listing on TASE, 20 supplemental prospectuses for IPOs of shares and participation units have been submitted to the Company and published and dozens more drafts have been submitted to the Company for approval (for the sake of good order, it should be noted that there is no certainty that such drafts will evolve into an approved prospectus for issuance and/or listing). In 2020, the share of book-building IPOs increased significantly, accounting for NIS 4.3 billion (94%) of the IPO amounts raised. In the second half of 2020, 5 R&D partnerships were issued on TASE under the directives from May 2019 that allow the listing of R&D partnerships. After the reporting period, 3 new R&D partnerships were issued on TASE (for details regarding the Securities Authority's initiative for the amendment of the TASE Rules to apply more stringent conditions to the listing of R&D partnerships, see section 1.18.4 below).

TEL-AVIV STOCK EXCHANGE LTD.

Part Two – Other Information

The following table shows the yields of the main equity indices in 2019 and 2020 (percentages):

	Rate of change			Market Cap as of December 31		
	Q4 2020	2020	2019	2020 (NIS billions)	2019 (NIS billions)	
Market Cap Indices						
TA-35	15%	(11%)	15%	452.6	519.6	A share index of the 35 companies with the highest market capitalization on the exchange that meet the index criteria.
TA-90	24%	18%	40%	229.7	205.0	A share index of the 90 companies with the highest market capitalization on the exchange, that are not included in the TA-35 Index, and that meet the index criteria.
TA-125	17%	(3%)	21%	682.2	724.6	An index that includes all the shares in the TA-35 and TA-90 Indices.
TA-SME60	21%	16%	10%	37.0	27.7	An index that includes the 60 shares with the highest free float market capitalization on the exchange, out of the shares that are not included in the TA-125 Index, that meet the index criteria.
Sector Indices						
TA-Tech-Elite	7%	39%	40%	210.9	145.9	An index that includes all the shares included in the TA-Global-BlueTech Index (an index that includes all the shares from the technology and biomed sectors that are included in TAMAR) with a minimum market capitalization of at least NIS 75 million.
TA-Finance	29%	(8%)	24%	143.9	167.4	An index that includes all the shares included in the following 3 sectors: banks, insurance and financial services, which meet the index criteria.
TA-Real Estate	41%	(5%)	73%	152.6	171.0	An index that includes the shares included in the real estate and construction sector, which meet the index criteria.
TA-Oil & Gas	26%	(45%)	(1%)	18.9	29.3	An index that includes all the shares included in the oil and gas exploration sector, which meet the index criteria.

1.6.4 **The bond and Makam (treasury bills) market**¹⁰

- 1.6.4.1 On the backdrop of the coronavirus outbreak and the growing uncertainty in the capital markets, trading in bonds was characterized by volatility in the first two months of 2020, similarly to the trading in equities. For the full year, prices of all government bonds rose, whereas most corporate bonds declined.

Fixed-rate government shekel bonds remained almost unchanged in the last quarter of 2020 and for the full year registered a 1.5% increase, with some volatility, similarly to the U.S. Treasury bonds. Similarly, the yield-to-maturity of 10-year government shekel bonds fell from 1% at the beginning of 2020 to 0.6% shortly before the height of the crisis in March 2020, climbed to 1.1% at the end of March 2020 and once more dropped to 0.8% at the end of 2020. The 10-year yield on U.S. Treasury bonds also followed this trend, with the yield to maturity dropping from 1.9% at the beginning of 2020 to a record-low of 0.5% shortly before the height of the crisis in March 2020, climbing up to 1.3% at the height of the crisis and again falling to 0.9% at the end of 2020.

CPI-linked government bonds rose by 1.7% in the last quarter of 2020 and by 1.2% for the full year. An increase of 0.8% recorded in December 2020 resulted from the optimistic projections for the recovery of the economy following the commencement of the vaccination campaign.

For the whole year 2020, the prices of all corporate bonds registered a decline, despite an average increase of 4% in the third quarter and 3% in the fourth quarter of 2020. The price rises in those quarters resulted, inter alia, from corporate bonds in an amount of NIS 3.5 billion purchased by the Bank of Israel in the second half of 2020. An exception to this trend were the corporate bonds that are included in the Tel Bond-Shekel Bank&Insurance and the Tel Bond - Floating indices, which rose by 1% and 1.3%, respectively, in the last quarter of 2020 and by an annual 2.5% and 0.9%, respectively.

The trading volume of government bonds increased by 17% in 2020 compared to 2019: the daily trading volume of government shekel bonds totaled NIS 2.1 billion and the daily trading volume of CPI-linked government bonds amounted to NIS 1 billion. It should be noted that, on March 12, 2020, on the backdrop of sharp price drops at the height of the coronavirus crisis, the daily trading volume of bonds on TASE reached a record high of NIS 14.7 billion, of which NIS 12.1 billion originated in government bonds. The higher trading volumes were the result of the purchase of government bonds of NIS 46.2 billion by the Bank of Israel commencing in March 2020 and of purchases by foreign investors.

In the first quarter of 2020, foreign investors sold government bonds in a net amount of NIS 1.7 billion on TASE, following net sales of NIS 4.3 billion in 2019, as reflected in the Bank of Israel data. In the period from April to November 2020, foreign investors purchased government bonds on TASE in an amount of NIS 18.9 billion.

The Company believes that these purchases were, among others, a direct result of the inclusion of the Israeli government bonds in World Government Bond Index (WGBI) in April 2020.

In 2020, the average daily trading volume of corporate bonds (including structured bonds and ETFs) amounted to NIS 1.1 billion, 21% over the volume in 2019 and close to the record high recorded in 2015.

The strong trading volumes were driven by the uncertainty and the volatility in the markets, as well as by the Bank of Israel's purchase of corporate bonds in a total amount of NIS 3.5 billion commencing in July 2020.

In 2020, the Government increased the volume of government bond issuances on TASE, raising NIS 131.5 billion, comprising shekel bonds of NIS 103.5 billion and CPI-linked bonds of NIS 28 billion.

¹⁰ The data were taken from the reports of the rating companies for TASE.

This amount is 89% higher than the amount raised in the corresponding period in 2019, and the highest amount in two decades.

The increased capital raising initiated by the Ministry of Finance was also reflected in the larger volume of offerings overseas, which amounted to NIS 51.8 billion in 2020, of which NIS 41.4 billion in the period following the outbreak of the coronavirus in Israel (February-December 2020), as compared to NIS 13.1 billion in 2019. The Ministry of Finance's increased capital raising this year was driven, among others, by government aid programs for households and businesses affected by the coronavirus crisis, and are expected to increase the government deficit from 3.7% in 2019 to 13% in 2020.

Total capital raised by way of corporate bonds in Israel (excluding capital raised overseas and on TASE UP and structured bonds) reduced in 2020 to NIS 52 billion, compared to NIS 69 billion in 2019. The reduction is almost fully attributable to companies in the financial sector.

On the other hand, capital raising by non-financial companies remained stable in 2020, at NIS 40 billion, slightly higher than the amount raised in 2019, despite the coronavirus crisis, resulting from the need to refinance marketable debt by making advantage of the low market interest rate.

In 2020, the financial sector raised NIS 12 billion, representing 23% of the total amount raised through corporate bonds in 2020, significantly less than the NIS 30 billion raised in 2019.

The sharp drop in capital raised by the financial sector in 2020 is primarily attributed to the major banks, which raised NIS 9.3 billion in 2020, compared to NIS 22.4 billion in 2019. The banks recorded a steep rise in credit losses in their financial statements as a result of the deep economic crisis and cut back their activities in this field. Consequently, the Bank of Israel reduced the banks' capital adequacy requirements by 0.5%, approved the provision of loans to banks at a 0.1% negative interest rate against loans that the banks will extend to businesses, and has recently announced the expansion of the banks' credit limit for the real estate and infrastructure sector from 24% to 26% of total bank credit. Additionally, the reduction of customers' credit limit by banks pursuant to the Law for the Reduction of Concentration in the Banking Sector was deferred to 2021.

The stable capital raising in the non-financial sector is attributable to the continued support provided by the public capital market throughout the crisis, as opposed to the curtailing of credit by banks: companies in the non-financial sector raised NIS 40 billion in 2020, representing 77% of the total amount raised through corporate bonds, similarly to the average amounts raised in 2018 and 2019. Redemption of corporate bonds in the non-financial sector amounted to NIS 31 billion in 2020 and is expected to amount to NIS 34 billion in 2021.

Real estate companies continue to lead capital raising, with NIS 25.3 billion raised in 2020, representing 49% of total capital raised through corporate bonds. Despite taking a hit in the coronavirus crisis, companies in this sector only slightly reduced their capital raising compared to 2018 and 2019 (NIS 26 billion in each of the years). Issuing real estate companies redeemed marketable bonds in an amount of NIS 8.5 billion this year and are expected to redeem approximately NIS 9.5 billion in 2021.

Foreign companies (mostly in the real estate sector) have reduced their capital raising on TASE's bonds market, more so in 2020, as a result of the global economic crisis. Foreign companies raised NIS 1.8 billion this year, compared to NIS 3.8 billion in 2019.

Close to NIS 14.1 billion was raised by issuance of bonds to institutional investors on TASE UP, of which NIS 11.2 billion was raised overseas and NIS 2.9 billion was raised on TASE. In 2019, NIS 3.8 billion was raised by issuance of bonds to institutional investors on TASE UP, all of it in Israel.

TEL-AVIV STOCK EXCHANGE LTD.

Part Two – Other Information

1.6.4.2 The following table shows the yields of the main bond indices (corporate and government) in 2019 and 2020 (in percent):

	Annual Yield 2020	Annual Yield 2019	Q4 Yield 2020	Q4 Yield 2019	
Government Bonds					
CPI-Linked Government Bonds (Galil)	1.2%	10.3%	1.7%	0.9%	A fixed-rate CPI-linked index - government bonds, consists of all the government bonds traded on TASE that are linked to the Consumer Price Index and that pay fixed interest.
Non-Linked, Fixed Interest, Gov. Bonds (Shahar)	1.5%	9.7%	(0.2%)	1.1%	A shekel fixed-rate government index consisting of all the government bonds that are not CPI-linked and that are traded on TASE and pay fixed interest.
Corporate Bonds*					
CPI-Linked Corporate Bonds	0.0%	7.9%	3.4%	0.3%	A CPI-linked corporate index that consists of all the corporate bonds linked to the Consumer Price Index that are traded on TASE.
Prominent Indices:					
Tel Bond 20	(0.2%)	8.2%	3.7%	(0.1%)	The index consists of the 20 CPI-linked fixed rate corporate bonds with the highest market capitalization of all the CPI-linked bonds included in the Tel-Bond Universe and that meet the index criteria.
Tel Bond 40	0.1%	6.5%	2.6%	0.0%	The Tel Bond 40 Index consists of the 40 CPI-linked fixed-rate corporate bonds, with the highest market capitalization of all the bonds of this type that are not included in the Tel Bond 20 Index and are included in the Tel-Bond Universe and that meet the index criteria.
Tel Bond CPI-Linked SmallCap	(1.7%)	6.9%	3.5%	0.1%	The Tel Bond CPI-Linked SmallCap Index consists of all the CPI-linked fixed-rate corporate bonds not included in the Tel Bond 60 Index but included in the Tel-Bond Universe and that meet the index criteria.
Tel Bond-Yields	(6.6%)	8.6%	4.6%	1.3%	The Tel Bond-Yields Index consists of all the CPI-linked, fixed-rate corporate bonds, with a Maalot credit rating of between (BBB-) and (A) or a Midroog credit rating of between (Baa3) and (A2), which are included in the Tel-Bond Universe and that meet the index criteria.
Shekel - Prominent Indices:					
Tel Bond-Shekel	(0.1%)	8.6%	2.1%	1.3%	The Tel Bond-Shekel Index consists of all the non-CPI-linked fixed-rate corporate bonds included in the Tel-Bond Universe and that meet the index criteria.
Tel Bond Floating	0.9%	1.3%	1.3%	0.6%	The Tel Bond-Floating Index consists of floating rate corporate bonds that are included in the Tel-Bond Universe and that meet the index criteria.
Currency-Linked Bonds Corporate Bonds	(2.8%)	2.5%	(1.5%)	3.0%	The Currency-Linked Bonds - Corporate Index consists of all the currency-linked corporate bonds traded on TASE.

* Does not include TACT Institutional bonds or financial instruments.

TEL-AVIV STOCK EXCHANGE LTD.

Part Two – Other Information

1.6.4.3 The following table shows data of government bond redemptions in 2019 and 2020 (NIS billions):

	2020	2019	% change	Three months ended 31.12.2020	Three months ended 31.12.2019	% change
Shekel bonds	47.4	51.5	(8%)	7.2	15.8	(54%)
CPI-linked bonds	15.3	18.8	(19%)	6.6	9.9	(33%)
Total redemptions	62.4	70.3	(11%)	13.8	25.7	(46%)

1.6.4.4 The following table shows data regarding corporate bond issues in 2019 and 2020 (NIS millions and percent):

	2020		2019		Q4 2020		Q4 2019	
Total raised through corporate bonds	67,513		75,692		12,257		26,580	
Corporate bonds*	54,416	100%	72,373	100%	11,005	100%	26,106	100%
Sectoral classification								
Financial sector	12,147	22%	31,506	44%	1,763	16%	12,313	47%
Within the financial sector - banks	9,321	17%	22,356	31%	400	4%	8,249	32%
Non-financial sector	42,269	78%	40,868	56%	9,242	84%	13,793	53%
Within the non-financial sector - real estate	26,082	48%	26,033	36%	5,985	54%	8,416	32%
Energy and gas exploration	5,662	10%	1,905	3%	1,662	15%	16	0.1%
TASE UP – debt raised overseas	11,255		0		1,002		-	
Structured bonds	1,592		3,268		0		474	
Exercise of warrants	250		51		250		0	

* Includes TASE UP (until 2020 - TACT Institutional), but excludes non-listed bonds.

1.6.4.5 The wave of debt offerings in the corporate bond market by foreign companies (primarily income-yielding real estate companies) began in 2013 and slowed in the last quarter of 2018. At the same time, issuances by foreign real estate companies ceased. From 2013 to 2019, 36 foreign companies joined, raising NIS 16.2 billion from their issues on the bond market. These companies took advantage of low interest rates in the Israeli economy. Half of the new companies (18) joined between 2017 and 2019, and raised NIS 7.9 billion in their first corporate debt issue on TASE (15 real estate companies and 3 companies that provide credit to medium-sized businesses (Business Development Company), that issued bonds on TASE and also listed their shares in a dual-listing on this stock exchange). In 2019, just one foreign real estate company executed an initial issuance of bonds on the Tel Aviv Stock Exchange in which it raised NIS 0.5 billion, and in 2020 no new foreign company issued bonds on TASE.

The downward trend in the activity of foreign companies (new and old), which began in 2018, continued in 2020, when the scope of the debt raised through corporate bonds amounted to NIS 1.8 billion (of which NIS 1 billion was raised in the fourth quarter of 2020), compared to the NIS 3.8 billion raised by foreign companies in 2019. In the opinion of the Company, this trend was further enhanced in 2020 on the backdrop of the economic crisis that resulted from the coronavirus outbreak.

TEL-AVIV STOCK EXCHANGE LTD.

Part Two – Other Information

Presented below are data regarding debt raising by foreign companies on the bond market on TASE (NIS billions):

Debt Raising by Foreign Companies on the Bond Market on TASE (NIS billions)						
	2020	2019	% change	Three months ended 31.12.2020	Three months ended 31.12.2019	% change
New companies		0.5 (1 company)	(100%)			-
Old companies	1.8	3.3	(45%)	1.0	1.5	(33%)
Total	1.8	3.8	(53%)	1.0	1.5	(33%)

- 1.6.4.6 Total corporate bond issues with a high rating from the A group and above was 94% of the total raised from issues of corporate bonds to the public, similarly to 2019.
- 1.6.4.7 In the first two months of 2020, structured bonds backed by deposits in local banks were issued in an amount of NIS 1.6 billion, compared to NIS 3.3 billion in 2019. These issuances stopped altogether upon the outbreak of the coronavirus crisis in Israel.
- 1.6.4.8 In 2020, the average daily trading volume of T-bills, on TASE alone, amounted to NIS 579 million, 40% higher than the average daily trading volume of T-bills in 2019.

The prices of T-bills remained unchanged in 2020, for the sixth consecutive year, and the yield to maturity reduced somewhat, from 0.2% at the end of 2019 to 0% at the end of 2020.

Local and foreign public holdings in T-bills dropped, amounting to NIS 87 billion at the end of the year, compared to NIS 120 billion at the end of 2019, as a result of the lower volume of T-bills issued by the Bank of Israel in 2020. In the opinion of the Company, the reduction in the amounts raised stemmed from implications of the coronavirus crisis and from the use of other monetary means. According to the Bank of Israel data, in the period from January to November 2020 foreign investors purchased T-bills in an amount of NIS 6.7 billion on TASE, further to net purchases of NIS 4 billion in 2019.

1.6.5 **ETFs¹¹**

- 1.6.5.1 In October 2018, the reform spearheaded by the Israel Securities Authority (pursuant to Amendment No. 28 to the Joint Investment Trust Law) to convert exchange-traded notes (ETNs) to tradable exchange-traded funds (ETFs) (which operate in the format of mutual funds) got underway.

The market cap of the 531 ETFs that were listed on TASE at the end of 2020 was NIS 2.8 billion below the market cap at the end of 2019 and amounted to NIS 93 billion.

The NIS 5.3 billion reduction in the market cap of ETFs on foreign equity indices is attributed to public sales in an amount of NIS 8.3 billion. It should be noted that most sales are accounted for as a response to the coronavirus crisis, whereas NIS 3.8 billion of the sales were recorded in the first two months of 2020 and are mainly attributed to the reform in the ETNs market and the transition to ETFs,

¹² For further details regarding the ETN reform and the transition to ETFs, see Section 1.16.3 below. The data has been taken from the reports of the ETN Association.

as described above. The increase in share prices overseas contributed NIS 3 billion to the increase in the market cap of those ETFs, partly offsetting the reduction caused by public sales.

The market cap of ETFs on equity indices on TASE rose by NIS 0.7 billion in 2020. An increase of NIS 2.3 billion in the market cap that stems from purchases by the public (of which NIS 1.5 billion relates to the purchase of ETFs on TA-Banks5), was mostly offset by a NIS 1.6 billion reduction in the market cap of the ETFs as a result of the decline of the principal equity indices.

Public float value in ETFs on bond indices, mainly corporate bonds on TASE, rose by NIS 1.7 billion. The NIS 2.7 billion increase in the market cap of ETFs on bond indices on TASE was offset by a decrease of NIS 1 billion in ETFs on government bond indices on TASE and on bond indices of foreign exchanges.

The increase in the public float value of ETFs on bond indices on TASE resulted from purchases of such ETFs by the public in an amount of NIS 3 billion, which was offset by a decrease of NIS 0.3 billion in the value of those ETFs as a result of the decline of the bond indices.

1.6.5.2 Foreign ETFs

Amendment No. 23 to the Joint Investment Trust Law, 1994, which came into effect in February 2016, provides for the marketing and distribution of foreign ETFs in Israel.

A foreign ETF is an ETF issued by an international issuer that is listed on an exchange recognized for dual-listing purposes. The assets tracked by foreign ETFs can be foreign equity or bond indices, commodities or Futures. Trading in foreign ETFs on TASE is conducted Mondays through Thursdays, in New Israeli Shekels. The rules governing the listing of foreign ETFs are essentially identical to those governing the listing of local ETFs.

In August, 2019, the international financial corporation, Blackrock, listed on TASE the first foreign ETFs that cross-trade on overseas exchanges under the brand name iSHARE. At the end of 2020, 13 foreign ETFs on foreign equity indices and 10 foreign ETFs on foreign bond indices are traded on TASE. The aggregate market cap of those ETFs totaled NIS 889 million at the end of 2020, NIS 659 over their value at the end of 2019. Most of the increase in value, in an amount of NIS 551 million, relates to foreign ETFs on foreign equity indices purchased by the Israeli public.

TEL-AVIV STOCK EXCHANGE LTD.

Part Two – Other Information

1.6.5.3 The following table shows data of the market capitalizations of ETFs (excluding foreign funds) (NIS billions):

	31.12.2020	31.12.2019
ETFs on shares indices in Tel Aviv	26.5	25.7
Of which, primary indices:		
TA-125	8.6	9.2
TA-Banks 5	6.9	6.7
TA-35	4.2	5.3
TA-90	3.7	2.6
ETFs on international share indices	33.1	38.4
Of which, primary indices:		
S&P 500	10.4	11.6
NASDAQ 100	5.5	5.2
MSCI AC WORLD	3.2	3
S&P Technology	1.2	1.8
ETFs on bond indices	30.6	28.9
Of which, primary indices:		
Tel-Bond 60	6.6	6
Tel Bond-Shekel	4.5	3.9
Tel-Bond 20	3.8	4.1
Fixed-rate government NIS	2.4	1.7
Total value of ETFs	90.2	93.0

1.6.5.4 The following table shows data of net purchases and sales of ETFs (excluding foreign funds) by the public (NIS billions):

	2020	2019	Q4 2020	Q4 2019
ETFs on equity indices on TASE	2.3	2.3	0.6	(0.5)
ETFs on foreign equity indices	(8.3)	(9.2)	0.2	(3.4)
ETFs on traded bond indices	2.2	0.7	0.6	0.2
Total	(3.8)	(6.2)	1.4	(3.7)

1.6.6 The derivatives market

- 1.6.6.1 The trading volumes of warrants on the TA-35 Index fluctuated strongly in 2020 as a result of the growing uncertainty and the trading volatility, as reflected in the VTA35 Index. The Index skyrocketed from 12 points at the end of December 2019 to a record high of 87 points on March 12, 2020, ultimately dropping to 19 points at the end of December 2020, this similarly to the VIX S&P Index that oscillated from 14 points at the end of December 2019 to 83 points on March 16, 2020, finally settling at 23 points at the end of December 2020.

The daily trading volume of warrants (monthly and weekly, combined) on the TA-35 Index in 2020 amounted to approximately NIS 112 thousand units, 15% higher than the average volume in 2019.

In the fourth quarter of 2020, the daily trading volume of warrants (monthly and weekly, combined) on the TA-35 Index amounted to approximately 107 thousand units, similarly to the volume in the third quarter of 2020, and compared to approximately 111 thousand units in the second quarter of 2020 and approximately 121 thousand units in the first quarter of 2020, at the height of the coronavirus crisis.

In the opinion of the Company, the trading volumes in the second quarter of 2020 became more moderate as trading volatility abated, following the introduction of expansionary fiscal and monetary policies in Israel and worldwide starting in March 2020, and in view of the progress in the development of the coronavirus vaccine and the initiation of vaccination towards the end of 2020.

The average daily trading volume of dollar warrants amounted to approximately 53 thousand units in 2020, compared to an average daily 43 thousand units in 2019. The increase in the trading volumes of these warrants stems from interest reductions by the U.S. Federal Reserve in March 2020 and the purchase of dollars by the Bank of Israel, which brought the Bank's foreign currency balances to a historic record high of US\$ 173 billion at the end of 2020. This resulted in strong fluctuations of the US\$ dollar-NIS exchange rate: the exchange rate of the dollar soared by 12%, from NIS 3.46 at the beginning of 2020 to NIS 3.86 on March 17, 2020, dropping to NIS 3.21 on December 30, 2020, the lowest rate in 24 years. Consequently, as described above, the Bank of Israel initiated further dollar purchases towards the end of the year.

- 1.6.6.2 The following table shows details of daily trading volumes in the derivatives market (in thousands of units):

Daily Trading Volumes on the Derivatives Market (in thousands of units, and not including derivatives on individual equities and Euro/Shekel options)						
	2020	2019	% change	Three months ended 31.12.2020	Three months ended 31.12.2019	% change
Monthly options on the TA-35 Index	76	67	13%	69	59	17%
Weekly options on the TA-35 Index	36	30	20%	37	26	42%
Monthly dollar/shekel options	53	43	23%	49	52	(6%)

1.6.7 Mutual funds

According to Bank of Israel data, as of November 30, 2020, mutual funds constituted 5.5% of the total financial assets held by the public. According to Bank of Israel data, during the period from January 1, 2020 through December 31, 2020, the volume of creations and redemptions of mutual fund units amounted to NIS 1.1 billion. At the end of 2020, the aggregate value of mutual fund units amounted to NIS 240 billion, broken down as follows: 66% – mutual funds that invest in bonds traded on TASE; 9% – mutual funds that invest in equities traded on TASE; 12% – mutual funds that invest in securities traded on foreign stock exchanges; and 10% – mutual funds that invest in other investment instruments. According to data of the Securities Authority, at the end of 2020, there were approximately 1,611 mutual funds.

The economic crisis and the credit distress resulted in extensive redemptions by the public of units in mutual funds that invest in securities that are traded on TASE. Most of the ensuing funds were directed to the public's current accounts and some were invested in ETFs on TASE and in mutual funds on foreign exchanges. The public redeemed units in mutual funds that invest in equity and bond indices on TASE, in an amount of NIS 19.9 billion, of which a substantial NIS 16.7 billion relates to sales of mutual funds that invest in bonds. Redemptions of units in mutual funds that invest in bonds reached a record high of NIS 26 billion in March 2020.

Additionally, the interest rate reductions by central banks around the world and in Israel to almost null and the projected persistence of this low interest rate in 2021 have led the public to sell money market funds in an amount of NIS 6.1 billion.

The massive sales of mutual fund units in 2020 were partly directed to investments overseas (the public purchased units in mutual funds that invest overseas in an amount of NIS 5.7 billion, as well as units in ETFs on equity and bond indices on TASE in an amount of NIS 5.3 billion), and were primarily channeled to the public's current accounts in banks. According to the Bank of Israel data, the balances of the public's current accounts increased by NIS 92 billion in 2020, reaching a record high of NIS 440 billion towards the end of the year.

The following table shows data of net purchases and sales of mutual fund units by the public (NIS billions):

Net Purchases and Sales of Mutual Fund Units by (NIS billions)				
	2020	2019	Three months ended 31.12.2020	Three months ended 31.12.2019
Funds investing in shares on TASE	(3.2)	1.6	0.5	1.4
Funds investing in bonds on TASE	(16.7)	11.9	4.1	4.3
Shekel funds	(1.1)	(1.4)	(0.2)	0
Money market funds	(6.1)	7.2	(2.0)	1.3
Funds investing in foreign securities	5.7	0.6	3.8	0.3
Total	(21.4)	19.9	6.2	7.3

Part Three - Description of the Company's Business

1.7 General Information

1.7.1 Trading on TASE

As stated above, the Company's main area of activity is the trading and settlement of transactions in securities.

A public offering is one of the principal methods used by companies, the government, and the Bank of Israel to raise funds from the public via shares, bonds and other financial instruments.

Companies that require financing for growth and development, and in order to diversify sources of financing for their activities, approach TASE and raise funds in two main ways: (a) share issuances – the investing public purchases shares of the public company and becomes a partner in the company; and (b) corporate bond issuances – companies raise funds from the public via the issuance of bonds, a type of loan that the public grants to the issuing companies.

The government also raises funds on TASE, both through the issuance of government bonds and treasury bills by the Bank of Israel, and through the privatization of governmental companies via a sale of their shares to the public.

Trading on TASE in various securities and derivatives is carried out using a method known as "order driven," and is executed using the "TACT" (Tel Aviv Continuous Trading) System, an automated system for continuous and simultaneous trading that allows the TASE members to send purchase and sale orders continuously and in real time. Trading on TACT is carried out between the various TASE members¹², which send trading instructions for themselves or on behalf of their clients electronically, via computers that are directly connected to the trading computer. The TACT System includes various mechanisms for protecting the investing public, including a mechanism for monitoring extreme fluctuations in the prices of securities in real time ("fluctuation moderator"). These mechanisms mitigate fluctuations resulting from errors or abnormal trading activity, as is common practice at stock exchanges worldwide.

Pursuant to the terms of its license, the Company instituted the TASE Rules (recognized in case law as a regulation with legislative effect) that were intended to ensure the proper and fair management of TASE. The TASE Rules include the following: rules concerning membership of TASE, rules for the listing of securities for trading on TASE, rules concerning trading on TASE, obligations that apply to a company whose securities are listed, rules concerning the suspension of a security from trade and its delisting, rules concerning the TASE indices, rules concerning the publication of information, and rules concerning commissions charged by the Company. For further details, see Section 1.32.4 below.

The TASE Rules are published on the TASE website. Any amendment to the TASE Rules that has received the approval of the authorities as required under the Securities Law is published on the TASE website.

¹³ For details regarding the TASE members, see Section 1.7.2 below.

1.7.2 TASE members

As stated, trading on TASE is conducted only through TASE members, who send buy and sell instructions to TASE's computer systems on behalf of their clients and/or on their own behalf. As a result, the financial stability and trustworthiness of the TASE members is important.

The TASE members are banks and foreign banks, non-bank members ("NBMs"), such as brokers, and remote members. The NBMs are corporations whose core business is securities transactions on behalf of others (the execution of trading transactions on TASE, investment consultancy, investment marketing, and more) (collectively, "**TASE Members**").

Close to the publication date of this Report, the number of TASE Members stood at 23, of which 14 were banks (including the Bank of Israel and 3 banks incorporated outside of Israel that operate in Israel with the status of a "foreign bank"), 6 Israeli brokers (of which 2 are subsidiaries of international investment houses), and 3 remote members.

The Company's supervision, pursuant to the TASE Rules, of the TASE Members that are banks, the TASE Members that are "foreign banks" and the remote member is focused on issues related to proper and fair trading and the fairness of their dealings with their clients, as far as securities activity on TASE is concerned. The authority to supervise the financial stability of these TASE Members is granted to other regulatory entities and the Company does not supervise their financial stability. However, the Company's supervision of the Israeli NBMs, pursuant to the TASE Rules, includes, in addition to issues related to proper and fair-trading and the fairness of their dealings with their clients, their financial stability and their conduct in issues related to corporate governance.

The rules concerning membership of TASE are included in the TASE Rules, and the supervision over compliance with these rules is conducted by means of internal supervisory mechanisms.

The main qualification conditions with which the various TASE Members are required to comply, according to the TASE Rules, are as follows:

1.7.2.1 TASE Members that are banks in Israel

In order for an Israeli bank that is a public company to qualify for membership of TASE, the head of the securities department at the bank must have training and knowledge in Israel's capital markets. In addition, the bank must have insurance in accordance with the Proper Banking Management Directives of the Supervisor of Banks. Moreover, an Israeli bank that is not a public company is required to inform TASE of the identities of its ultimate owners, as set forth in the TASE Rules.

1.7.2.2 TASE Members that are foreign banks

In order for a foreign bank (a bank incorporated outside of Israel) to qualify for membership of TASE, the head of its securities department must have training and knowledge in Israel's capital markets. In addition, a foreign bank is required to have insurance in accordance with the Proper Banking Management Directives of the Supervisor of Banks, to appoint an internal auditor to the branches of the bank in Israel, and to have a mechanism, means, information systems and professional personnel to facilitate its activity in TASE.

TEL-AVIV STOCK EXCHANGE LTD.

Part Three – Description of the Company's Business

1.7.2.3 TASE Members that are brokers¹³

As stated, the Company's supervision over brokers also extends to a variety of other areas and, accordingly, the qualification conditions applicable to Israeli brokers are more comprehensive and relate to several areas: corporate governance, stability, and operating aspects. In the area of corporate governance, the controlling shareholder at the broker is required to be a person who has not been convicted of an offense involving moral turpitude and has not declared bankruptcy. There are requirements relating to the appointment of members of the Board of Directors and its Audit Committee, a requirement to obtain approval for changes of ownership or control, and requirements relating to the appointment of officers and various reports on this subject. In the area of stability, the broker is required to meet minimum threshold conditions relating to equity and liquidity, and it must have adequate insurance. In the operational spheres, the broker is required to have mechanisms, means, information systems (trading system, back office system, bookkeeping system) and professional personnel.

1.7.2.4 NBMs operating solely for their own account (nostro)

In May 2020, the Securities Authority approved an amendment to the TASE Rules concerning, inter alia, the minimum capital requirements applicable to NBMs operating solely for their own account (nostro), including as a market maker. Pursuant to the amendment, such NBMs can choose to be subject to the fixed minimum capital requirement that is stipulated in the TASE Rules or to a variable minimum capital requirement that is derived from the volume of the NBMs activity, as may change from time to time, based on a capital model prescribed in the TASE Rules. The amendment came into effect on May 25, 2020. To the date of the report, the Board of Directors of the Company approved the application of one Israeli company to be accepted as such, subject to various prerequisites for such operations, as set out in TASE Rules (which to the date of the report have not yet been fulfilled). Additionally, the Bank of Israel published additional technological requirements for such members' connection to its monetary clearing systems, compliance with which is also a prerequisite for the commencement of their operations.

1.7.2.5 Remote member

In order for a corporation to qualify as a remote member of TASE, it must meet the following conditions: its country of incorporation must be one of the countries included in a specified list of countries, it must be a member of a stock exchange that is recognized abroad (pursuant to those listed in the TASE Rules), it must be subject to the supervision of a competent authority abroad, and

¹⁴ It should be noted that there is no broker-dealer legislation as of the Reporting Date. However, as of the Reporting Date, the Ministry of Finance published a Memorandum of Law: The Securities Law (Regulation of Broker-Dealer Activities), 2020 (hereafter: "the Memorandum of Law"). The core of this Memorandum is the regulation of brokerage activity in Israel and the activities of dealers that do not operate as trading platforms and are not subject to supervision and regulation, including TASE members that are not a broker-dealer. According to the Memorandum, the regulation of the activities of financial brokers is required because they are the connecting entities between the public and the capital market that ensure its proper operation, and because of their considerable influence on the public's faith in the capital market, and on the stability of the financial system as a whole. According to the Memorandum, it was proposed that the activities of a broker-dealer, including a TASE member that is not a broker-dealer, will only be permitted after receipt of a license from the Israel Securities Authority, according to defined conditions, with the exception of limited parties proposed to be exempt from the licensing obligation, such as banking corporations that are regulated and supervised by the Supervisor of Banks. In addition, the Memorandum contains corporate governance provisions and organizational requirements that apply to a broker-dealer, similar to the obligations that apply to fund managers and certain portfolio management companies, and imposes various duties pertaining to the broker-dealer's conduct with its clients. Among others, it is proposed that major traders in securities be required to register. The Memorandum was published pursuant to an earlier legislation initiative from September 2018 that was the outcome of an interim report by a joint team of the Antitrust Authority and the Israel Securities Authority was published to increase brokerage competition. The interim report includes a list of recommendations to encourage competition in this area, and to strengthen the stability of these entities.

it must meet the minimum equity conditions. It is further required to have adequate insurance, a mechanism, means, information systems and professional personnel to facilitate its activity on TASE. Pursuant to the TASE Rules, a remote member is prohibited from lobbying Israeli clients to work through it on TASE.

- 1.7.2.6 In light of the fact that some of the TASE Members (banks in Israel, foreign banks and remote members) are supervised by other regulators and are subject to different regulatory requirements, among other things, on matters of financial strength, liquidity, corporate governance, and other topics, the threshold criteria for TASE membership for these TASE Members is lower than the threshold criteria for the Israeli brokers.

It should also be noted that most of the TASE members are also Clearing House members. TASE members that are not Clearing House members clear their activity through existing Clearing House members.

1.7.3 **Activities of the Clearing Houses**

As described above, within the framework of TASE and during the trading, members enter into transactions in the securities and financial instruments listed on TASE. After the transactions have been entered into, they are completed by way of clearing at the various clearing houses. By virtue of the transitional provisions prescribed within the framework of Amendment No. 63, the Clearing Houses are considered entities that have been granted a clearing license, pursuant to the provisions of the Securities Law.

1.7.3.1 **TASE Clearing House**

The main activity of TASE Clearing House is the clearing of transactions in securities. TASE Clearing House serves as a central counterparty (CCP) for transactions executed as part of the trading on TASE, or as part of the trading on the MTS¹⁴ System and for the transfer of custody of securities subsequent to these transactions. This ensures the proper execution of transactions pursuant to the provisions set forth in the bylaws of TASE Clearing House. The Clearing House thereby takes upon itself the responsibility for the risk that one of the parties will not complete its side of the transaction.

TASE Clearing House also provides central custodian services for securities (Central Securities Depository – CSD), including the execution of services for the payments of dividends, interest, redemptions, allocations of rights, bonus shares etc. from the issuing company to the holders of the securities, the clearing of transactions in securities of dual-listed companies, and various services for the Ministry of Finance and the Bank of Israel.

Pursuant to the Joint Investment Trust Law, 1994, TASE Clearing House settles instructions for the creation of units in funds for joint investments in trusts (open-end mutual funds, ETFs), and instructions for the redemption of the units and for the exercise of rights and the execution of other payments with respect to these units.

TASE Clearing House provides clearing and custody services for securities that are not listed for trade on TASE (NLTs). The services of the Clearing House that are provided for NLTs are similar to the clearing services provided for securities that are traded on TASE, except that the securities registered as NLTs are not listed on TASE and therefore transactions in them are not executed on TASE.

The majority of the securities that are registered as NLTs are bonds. At the end of 2018, the Clearing House started registering participation units in investment funds that are incorporated as non-tradable limited partnerships as NLTs.

¹⁵ For details regarding the MTS system, see Section 1.33.2 below.

TEL-AVIV STOCK EXCHANGE LTD.

Part Three – Description of the Company's Business

For details about the additional services supplied by TASE Clearing House, see Section 1.1.1.3 above.

As stated above, TASE Clearing House manages collateral provided by its members with respect to their share in the default fund established by TASE Clearing House. TASE Clearing House has 17 members. Of these, the Bank of Israel serves as a Clearing House member but is not required to deposit collateral in the default fund, while Euroclear serves as a custodial member and is also not required to deposit collateral in the default fund, following an amendment of the TASE Clearing House bylaws enabling membership of TASE Clearing House with the status of custodial member. This allows the custodial member to engage in custodial activity and to provide settlement and asset servicing services for its clients that are listed on TASE, despite it not providing TASE trading services.

For further details, see the Company's immediate report from August 12, 2019 (reference no. 2019-01-068877). The information presented in the aforesaid report is included herewith by way of this reference.

1.7.3.2 MAOF Clearing House

MAOF Clearing House is engaged in activities involving derivatives traded on TASE. These are constituted of options and futures, financial instruments traded on TASE, the value of which is derived from the price of another asset, known as the underlying asset.

MAOF Clearing House provides clearing services as a central counterparty for transactions in derivatives executed on TASE, provided that the conditions set forth in the MAOF Clearing House bylaws have been fulfilled. MAOF Clearing House, thereby, takes upon itself the responsibility for the risk that one of the parties will not complete its side of the transaction, similar to TASE Clearing House.

The revenues of MAOF Clearing House arise from commissions that it charges members on the creation of derivatives and their transfer between MAOF Clearing House members during trading.

MAOF Clearing House receives and manages collateral from the MAOF Clearing House members (9 banking corporations in Israel and another member) and monitors the state of the collateral of the members in real time via the collateral control system ("**MABAT**").

1.7.3.3 Exposure to the risks of the Clearing Houses

The activities of the TASE Group are accompanied by exposure to various financial risks, mainly: credit risk, liquidity risk and market risks. However, it is also accompanied by exposure to settlement risk and other risks (e.g., business risk, operational risk, custodial risk, concentration risk, and so forth), which, if materialized, could result in a loss and a material reduction in the Group's capital.

Because of the commitment of the Clearing Houses as a central counterparty in securities transactions, derivatives transactions or lending transactions on the lending pool, as applicable, each Clearing House has a material exposure to counterparty credit risk. This is the risk that a Clearing House member will not be able to fulfill its side of the transaction toward the Clearing House on the agreed upon date or at any time in the future. Subsequently, the Clearing House will be required to fulfill the obligations of the defaulting Clearing House member toward the other Clearing House members, as stated. MAOF Clearing House will also be required to attend to the open derivative positions of a defaulting Clearing House member with respect to derivative transactions that it had executed. For these purposes, transactions in securities also include transfers to custody (on TASE) and transactions in securities executed as part of trading on the MTS system.¹⁵

¹⁶ For details regarding the MTS System, see Section 1.33.2 below.

TEL-AVIV STOCK EXCHANGE LTD.

Part Three – Description of the Company's Business

Members of TASE Clearing House and members of MAOF Clearing House are required to deposit collateral (funds, government bonds and treasury bills) in the default funds of the Clearing Houses. The members of MAOF Clearing House are also required to deposit margins with respect to the transactions that they have executed for the exposure resulting from those transactions, and members of TASE Clearing House are required to deposit collateral with respect to their activities in the Clearing House's lending pool.¹⁶

The default fund is updated each quarter for each of the Clearing Houses, but is monitored on a daily basis and can be updated at times other than those set forth in the bylaws of each of the Clearing Houses at the discretion of the relevant Clearing House and subject to the terms and conditions set forth in its bylaws. The methodology for determining the size of the default fund and the manner of allocating it among all the members is set out in the bylaws of each of the Clearing Houses.

For details regarding the total collateral provided in favor of the Clearing Houses, see note 4 A to the Company's consolidated financial statements as of December 31, 2020, which are included in this Periodic Report.

The assets serving as collateral are charged in favor of the Clearing Houses, where, pursuant to the Securities Law, a charge on securities or funds, which serve to guarantee the obligations of a Clearing House member toward the Clearing House, is also valid toward other creditors of the Clearing member. The charge will be deemed a first-ranking fixed charge, granted by the Clearing member in favor of the Clearing House, if the Clearing House has control over the assets in one of the ways prescribed in the Securities Law. In addition, the law states that the realization of a charge in favor of the Clearing Houses can be performed by the Clearing House itself, without an order from the court or the head of the Execution Office, subject to the terms set forth in the Securities Law. In the event of a member's default, TASE Clearing House and MAOF Clearing House, as applicable, may make use of the assets deposited as collateral in order to fulfill all the obligations of the defaulting Clearing member, pursuant to the collateral realization order prescribed in the bylaws of each of the Clearing Houses, as applicable, pursuant to the rules of the Israel Securities Authority to ensure the proper conduct of TASE Clearing House and MAOF Clearing House, and pursuant to international regulation. For details regarding the risk inherent in this for the Clearing Houses, see Section 1.38 below.

1.7.3.4 Nominee Company

On October 25, 2017, the Nominee Company (a wholly owned subsidiary of the Company), which is a nominee company within the meaning of the term in the Securities Law, was established. It commenced operations in January 2018. The Nominee Company registers securities in its name in the securities registers of issuing companies, deposits them with TASE Clearing House, and engages in the day-to-day handling of the rights attached to the securities.

¹⁷ The margin requirements at MAOF Clearing House are calculated according to results from a model of a variety of scenarios, as specified in MAOF Clearing House's bylaws. These are used to assess the maximum cost required to close a portfolio that includes options and futures because of volatility in the prices of the underlying assets and/or volatility in the standard deviation. The level of the margin needed at any point in time depends on the price of the underlying assets, on the level of volatility in the market (the standard deviation), on the rate of interest and on the length of time to expiration.

TEL-AVIV STOCK EXCHANGE LTD.

Part Three – Description of the Company's Business

To the best of the Company's knowledge, three additional nominee companies that serve as nominee companies for corporate securities currently operate in Israel. Shortly before the Reporting Date, all the units of the ETFs traded on TASE are registered in the name of the Nominee Company, and close to a third of all the mutual funds that are traded on TASE use the services of the Nominee Company. Likewise, shortly before the Reporting Date, close to a third of all the companies whose securities are listed on TASE (shares or bonds) make use of the services of the Nominee Company.

In 2019 and 2020, the Nominee Company has developed a series of digital services that reduced the cost of its services to public companies and streamlined the work processes. Within this framework, in 2020 the "Exercise in Click" service was launched, which allows public companies with employee stock option plans that are customers of the Nominee Company to carry out a fully digitalized exercise process.

1.8 **Structure of the Area of Activities and Changes Occurring Therein**

Beyond the above, while trading in various financial instruments in other parts of the world is carried out on various trading platforms, the majority of the common financial instruments at the Company, including shares, convertible securities, government and corporate bonds, treasury bills, ETFs, options and futures, are traded on the same trading platform. The concentration of the trading in one place makes the management and operation more efficient and enables investors to trade all the products in one place.

1.9 **Restrictions, Legislation, Regulation and Special Constraints**

For details regarding a review of some of the significant legal provisions that apply to the TASE Group in general, and to its areas of activity (the trading and clearing of transactions in securities) in particular, which in the Company's opinion have or may have a material effect on the Company's activities and its business results, see Section 1.32 below.

1.10 **Changes in the Scope of the Operations in the Area, and in Its Profitability**

1.10.1 The following table sets forth data on the trading and clearing services in 2019 and 2020:

Market Capitalizations of the Securities Listed for Trade and Clearing (NIS billions)			
	As of 31.12.2020	As of 31.12.2019	% change
Shares	842	820	3%
Bonds*	1,019	944	8%

* Includes structured bonds.

TEL-AVIV STOCK EXCHANGE LTD.

Part Three – Description of the Company's Business

- 1.10.2 The following table sets forth data regarding changes in the number of companies with shares listed on TASE in 2019 and 2020:

	2020	2019	Three months ended 31.12.2020	Three months ended 31.12.2019
Companies listed at the start of the period	442	448	442	445
New companies added				
IPOs	27	7	15	1
Dual-listing	3	3	1	1
Other*	-	1	-	-
Total	30	11	16	2
Companies that were delisted				
Tender offers and mergers	10	10	3	5
Non-compliance with maintenance rules	2	2	-	-
Dual-listed companies delisted from TASE only	3	4	-	-
Companies in settlement/liquidation proceedings	2	1	-	-
Total	17	17	3	5
No. of companies listed at the end of the period	455	442	455	442

* A company that became a stock company following a settlement, or a split from a public company.

- 1.10.3 As of the end of 2020, 455 companies were traded on the stock exchange.

During 2020, 30 new companies were added, including 27 companies that completed IPOs. In addition, in the aforesaid period, reverse mergers were completed for 5 companies that had no material business activity. These additions were offset, in said period, by 17 companies being delisted.

- 1.10.4 As of December 31, 2020, 52 dual-listed companies were traded on TASE, whose shares are also traded in the United States or the United Kingdom within the framework of the dual-listing arrangement. The market capitalization of these companies, as of the above date, amounted to NIS 300 billion, while the average daily trading volume of their shares during 2020 amounted to NIS 386 million), compared to 55 dual-listed companies as of December 31, 2019. Dual-listed companies constitute 36% of the market capitalization and 28% of the total trading volumes in TASE's equity market (excluding ETFs). Likewise, during 2020, the total average trade in shares of dual-listed companies executed on TASE constituted 32% of the overall trade in the shares of the dual-listed companies (on TASE and on overseas stock exchanges).

In 2020, 3 companies dual listed on TASE, further to the 3 companies that joined dual listing in 2019. The new companies listed in 2020 are: BiomX - a foreign company that develops customized phage therapies designed to target and destroy harmful bacteria, listed on NYSE. The company market cap

TEL-AVIV STOCK EXCHANGE LTD.

Part Three – Description of the Company's Business

shortly before the dual listing was NIS 769 million; G. Willi-Food International - a company engaged in the import and marketing of food products, listed on NASDAQ. The company market cap shortly before the dual listing was NIS 673 million; U.S. corporation, Arko Corp. absorbed Arko Holdings, a company listed on TASE, which operates a chain of gas stations and convenience stores in the United States. Following the merger, the shares of Arko Corp. started to be traded on NASDAQ and on TASE, while the shares of Arko Holdings were delisted from TASE (the bonds of Arko Holdings continue to be traded on TASE). The market cap of Arko Corp. shortly before the dual listing was NIS 3.7 billion.

In 2020, 3 dual listed companies with an aggregate market cap of NIS 800 million voluntarily delisted from TASE, compared to 3 companies with an aggregate market cap of NIS 600 million in 2019. After the reporting date, one new company joined dual listing on TASE, 2 dual listed companies delisted from TASE and one dual listed company delisted in the United States and remains listed on TASE. It should be noted that the delisting of a dual-listed company from TASE is generally performed pursuant to a decision taken by the Company. There are usually no significant obstacles to delisting a dual-listed company from TASE.

- 1.10.5 In 2020, 30 new companies listed on TASE. The market cap (after the issuance) of the 27 new companies and the 3 newly dual listed companies aggregates NIS 20.6 billion. In opposition, in 2020 17 companies with an aggregate market cap of NIS 7.4 billion shortly before the delisting were delisted from TASE (of which 6 companies with an aggregate market cap of NIS 6 billion were delisted within the framework of a tender offer and/or a merger with other companies that are listed on TASE, thereby offsetting the effect on the aggregate market cap of the companies listed on TASE).
- 1.10.6 The following table sets forth data regarding the average daily trading volumes in the equities market in 2019 and 2020 (excluding activities attributed to ETFs):

Average Daily Trading Volumes in the Equities Market (NIS millions)						
	2020	2019	% change	Three months ended 31.12.2020	Three months ended 31.12.2019	% change
Equities	1,465	1,081	36%	1,363	1,200	14%

In 2020, the average daily trading volume (excluding ETFs) amounted to NIS 1.5 billion, 36% over the average daily trading volume in 2019. Trading in 2020 was highly volatile: in March 2020, at the height of the coronavirus crisis, the average daily trading volume amounted to NIS 2.1 billion, while in May through December 2020 the average daily trading volume was NIS 1.4 billion.

One of the factors affecting the trading volume on TASE is the “free float”, namely, the holdings of shares by the public. In recent years, sales of shares by interested parties, mainly controlling shareholders, have grown.

In 2020, the sale of shares by interested parties persisted, although to a more moderate extent than in previous years. Interested parties sold shares with a value of NIS 4.8 billion and purchased shares with a value of NIS 1.8 billion. The free float rose moderately, reaching 64% at the end of 2020.

According to Bank of Israel data, foreign residents sold shares on TASE in a net amount of NIS 4.3 billion, from January through November 2020, compared to shares on TASE in a net amount of NIS 1.3 billion sold by foreign residents in 2019.

TEL-AVIV STOCK EXCHANGE LTD.

Part Three – Description of the Company's Business

- 1.10.7 The following table sets forth data regarding the average daily trading volumes in bonds in 2019 and 2020 (excluding activities attributed to ETFs):

Average Daily Trading Volumes on the Bonds Market (NIS millions)						
	2020	2019	% change	Three months ended 31.12.2020	Three months ended 31.12.2019	% change
Government bonds*	3,059	2,619	17%	2,596	2,365	10%
Corporate bonds* excluding ETFs	928	798	16%	822	898	(8%)
Treasury bills	579	413	40%	278	421	(34%)

* Including structured bonds.

The average daily trading volume of corporate bonds (including structured bonds, excluding ETFs) amounted to NIS 928 million in 2020, 16% over the volume in 2019. The trading volume in government bonds in 2020 grew by 17% compared to 2019, with the trading volumes of government shekel bonds amounting to NIS 2.1 billion and government CPI-linked bonds amounting to NIS 1 billion.

In the first quarter of 2020, foreign investors sold government bonds in a net amount of NIS 1.7 billion on TASE, following net sales of NIS 4.3 billion in 2019, as reflected in the Bank of Israel data. In the period from April to November 2020, foreign investors purchased government bonds on TASE in an amount of NIS 18.9 billion.

The following table sets forth data regarding the daily trading volumes from trading in ETFs¹⁷ in 2019 and 2020 (NIS millions):

Daily Trading Volumes from Trading in ETFs (NIS millions)						
	2020	2019	% change	Three months ended 31.12.2020	Three months ended 31.12.2019	% change
ETFs on equity indices	393	219	79%	308	231	33%
% of trading volume in equities*	21%	17%	24%	18%	16%	13%
ETFs on bond indices	148	95	56%	120	103	17%
% of trading volume in corporate bonds*	14%	11%	27%	13%	10%	30%

* Including activities attributed to ETFs.

In 2020, the downturn in trading volumes in ETFs in the equity market that began in 2016 ended, and the daily trading volume in ETFs on the equity indices (domestic and international) rose to NIS 393 million, 79% over the volume in 2019, when trading volume totaled NIS 219 million.

A similar trend characterized the activity in ETFs on bond indices in 2020, with an average daily volume of NIS 148 million, which was 56% higher than the volume in 2019 (NIS 95 million on average).

¹⁸ For details of the ETN reform, see Section 1.16.3 below.

TEL-AVIV STOCK EXCHANGE LTD.

Part Three – Description of the Company's Business

The rise in trading volumes of ETFs in 2020, resulted from the trading volatility and the massive sales of ETFs on international equity indices by the public.

- 1.10.7.1 In January 2019, the Company launched the CPI-Linked Government Bonds 15+ Index. This index is aimed at investors that prefer solid outlooks and anticipate growing inflation, and investors pursuing exposure to long-duration instruments.

In July 2019, TASE launched two new equity market indices – the TA-Energy Utilities Index and a volatility index – the VTA35 Index. In 2020, five new equity indices were launched: three real estate indices – the TA-Construction Index, the TA-Investment Properties in Israel Index and the TA-Investment Properties Abroad Index. The launch of the new indices is intended to enable investors seeking to invest in investment property companies, the ability to differentiate between investment properties in Israel and investment property abroad as well as enabling them to invest in a collection of companies in the real estate development sector; two green equity indices: TA-Cleantech and TA-125 Fossil Free. These indices were launch in response to the growing global demand for environmental investments and as part of TASE's strategy of expanding and diversifying investment routes.

1.11 **Developments in the Markets of the Area of Operations or Changes in the Characteristics of the Customers**

For details regarding a bill for the establishment of a dedicated stock exchange for small and medium-sized companies in Israel, see Section 1.21.3 below.

In April 2020, Israeli government bonds joined the World Government Bond Index (WGBI).

The Company estimates that the entry of Israel's government bonds into the WGBI index has led to an increase in demand for those bonds on the part of foreign investment houses and international institutional investors, which trace the above index and will thus contribute to an increase in trading volumes.

In 2020, Securities Regulations were enacted that permit public companies to report in the English language rather than in Hebrew. The Company believes that these regulations will lift the language barrier and improve the accessibility of the Israeli capital market to English speaking foreign companies, investors and analysts. As a supplementary measure, in 2020 TASE launched an English version of the MAYA system, in order to facilitate access to the local information and make the trading in shares, bonds and warrants on TASE more readily available to investors worldwide.

1.12 **Critical Factors that May Affect the Success in the Area of Operations and the Changes in These Factors**

In the Company's opinion, critical success factors are the attractiveness and relevance of the capital markets in Israel, the existence of communications infrastructures, and trading and settlement systems that support the products of the Company's operations, high quality control and monitoring systems, professional and experienced personnel, the ability to analyze market processes and to provide a response to changes in the capital market and to the requirements of traded companies, and the presentation of service features at the high standards practiced globally.

The factors that, in the Company's opinion, may adversely affect its success in the future in its areas of operation are the impact of the state of the Israeli economy on the capital markets, the extent of regulation in all matters relating to the Company's activities, the activities of the traded companies and the activities of the traders, a lack of professional and experienced personnel, the absence of a communications infrastructure and trading and clearing systems that support operations, and the state of the financial markets globally that may have an impact of the capital market in Israel.

1.13 **Key Entry and Exit Barriers of the Area of Operations**

The primary barrier to entry into the Company's operations is the Securities Law requirement to obtain a stock exchange license and a clearing house license. For further details, see Section 1.32.1 below. Other barriers include the establishment of the infrastructures for the trading and clearing activities in the format of a stock exchange, which are designed to ensure a high degree of reliability both in the closing and clearing of the transactions. Such establishment would require a considerable monetary investment and special expertise. These are considerations that may also constitute a restriction for entry into this area of operations.

Pursuant to provisions of Section 50 of the Securities Law, a stock exchange may not decide to cease the operations of the trading system for more than one business day without the permission of the Minister of Finance.

1.14 **Substitutes for the Products in the Area of Operations and the Changes that are Occurring Therein**

Substitutes in Israel for the products in the area of operations are limited because the Company is the only stock exchange in Israel. In the Company's opinion, it has an advantage over existing and potential competitors, as a platform for raising equity and debt and as the only alternative in Israel that provides access to trading on the stock exchange. However, the Company sees a potential competitive threat arising from accelerated globalization processes and from the direct participation of investors in trading outside the stock exchange in Israel.

In order to increase the sectors that are financed by funds raised through TASE, the Company is promoting processes for the financing of infrastructures and small businesses through public offerings. The Company has therefore set guidelines for the registration of trading units for limited partnerships, whose area of operations is research and development, which have recently become effective after receiving the approvals required by law.

For further details regarding the possibility of trading in the derivatives market by means of trading platforms, see Section 1.21.2 below.

1.15 **Structure of the Competition in the Area of Operations and the Changes that are Occurring Therein**

For details regarding the structure of the competition in the area of operations, see Section 1.21 below.

TEL-AVIV STOCK EXCHANGE LTD.

Part Three – Description of the Company's Business

1.16 **Products and Services**

The Company's main groups of products and services in its area of operations are as follows:

1.16.1 **Trading and clearing of securities**

- 1.16.1.1 As part of this service, the Company enables the execution and settlement of transactions in a variety of securities and financial instruments, including shares, convertible securities, corporate bonds, government bonds, ETFs, Makams (treasury bills, issued by the Bank of Israel for a period of no more than one year) and derivatives, as well as clearing services for the creation and redemption of units of mutual funds. In the reporting period, the Company approved guidelines for listing hybrid bonds, which are long-term bonds the payment of interest on which may be deferred by the issuing corporation for a period of up to six years without such action being treated as a default. In April 2020, following the receipt of the authorities' approvals, the guidelines concerning hybrid bonds were published.
- 1.16.1.2 In December 2018, the Company expanded the NLT services provided through TASE Clearing House and began providing these services also to investment funds that are incorporated as non-tradable limited partnerships. As of the Reporting Date, six such non-tradable limited partnerships were registered as NLTs.
- 1.16.1.3 On May 5, 2020, the Securities Authority notified the Company that, pursuant to the Company's application in this regard, the plenum of the Authority has decided to allow the expansion of the activity of the trading systems that is limited to institutional investors ("TACT") to include securities of corporations and partnerships that are primarily engaged in the following areas: (a) real estate and investment property (for a two-year trial period) (hereafter: "Real Estate Investment Corporations"); (b) research and development; and (c) provision of financing solutions to businesses, including as part of government aid programs (hereafter collectively: "Other Entities Qualified for Institutional Trading"). The notification further states that the plenum of the Authority has decided to advance a legislation amendment to regulate activities on the "TACT" system, requesting the Company to submit an amended proposal to the Authority, in conformity with the stated in the notification. Pursuant to the amended proposal that was submitted to the Authority and the related discussions, the necessary modifications to the TASE Rules were approved, which provide for the aforesaid trading in securities of the Other Entities Qualified for Institutional Trading (with the qualification that Real Estate Investment Corporations will be solely those investing in real estate outside Israel). Additionally, in July 2020, the Authority published a plenum resolution that prescribes conditions for recognizing certain foreign entities as accredited investors that are within the scope of the First Amendment to the Securities Law. These conditions are primarily based on criteria generally accepted in the United States and in the European Union for recognizing an investor as an institutional/ sophisticated investor, to which securities may be offered without there being a requirement to publish a prospectus or to list in such countries. This resolution is also conducive to the certainty concerning the qualification of such foreign investors to participate in trading on the TACT-Institutional system. At the reporting date, the Company is working to expand trading operations on the "TACT-Institutional" platform, including investment in marketing and promotion of activities therein under the brand name "TASE UP". Within this framework, the same format of activity was extended to include the shares and participation units of Other Entities Qualified for Institutional Trading (this in addition to the bonds of the various entities traditionally traded in this platform). Accordingly, in August 2020, the Company announced the encouragement of activity in this track by joining and collaborating with local and international bodies that are engaged in data distribution, analysis and financial brokage in relation to investments.

TEL-AVIV STOCK EXCHANGE LTD.

Part Three – Description of the Company's Business

1.16.1.4 For details on the scope of the activities at TASE in 2019 and 2020 in shares, convertible securities, corporate bonds, government bonds and Makams, see Section 1.17.5 below.

1.16.2 Securities indices

1.16.2.1 The Company edits and calculates three “families” of investment indices: (a) equity indices; (b) corporate bond indices (Tel Bond indices); and (c) government bond indices that are calculated once a day on the basis of closing prices. In addition, the Company edits and calculates several equity indices and several bond indices, which is also done once a day, using the closing price of the securities included in these indices.

Every year, in February and August (for the equity indices) and in May and November (for the Tel Bond indices), the composition of the indices is updated (“**Update Dates**”). Shares or bonds, as applicable, that do not meet the criteria for continued inclusion in a particular index are removed from it, and shares or bonds, as applicable, that were not previously included in a particular index and now meet the criteria, may be added to the relevant index on the Update Date. These criteria and the other rules of the indices are set forth in the TASE Rules, and in the resolutions of the Company's Board of Directors.

On July 16, 2019, the VAT35 Index was launched. The index reflects the implied standard deviation in the options on the TA-35 Index, for the next 30 days, in annual terms. The index is calculated based on the quoted prices of two near-the-money call options and two near-the-money put options, from the two series of options that are close to 30 days to expiration. The index constitutes an underlying asset for derivatives and, therefore, constitutes an additional risk management tool.

In 2020, 5 new indices were launched (TA-Construction, TA-Investment Properties in Israel, TA-Investment Properties Abroad, TA-Cleantech, TA-125 Fossil Free).

Various issuers offer financial instruments based on TASE's indices, such as ETFs that track changes in a particular index, mutual funds that track a particular index or derivative financial instruments based on a particular index. Accordingly, even though the direct revenues from the activity of editing and calculating indices are not material, they enable and encourage the creation of investment instruments that are traded and cleared by TASE and the Clearing Houses.

1.16.2.2 The February 2017 indices reform

In February 2017, a new indices methodology was launched, which was intended, among other things, to reduce the concentration of TASE's indices and to make their composition more stable. Pursuant to the reform, the number of shares participating in the Company's indices increased, and the maximum weighting of the shares in the indices was reduced. New rules were set that enable issuers of financial products to track the index's performance more accurately and that raise the bar for the minimum percentage of the public's holding (the "**free float**") as a condition for inclusion in the leading indices. With the intention to broaden the correlation between the variety of companies, with emphasis on small and medium-size companies, and the indices, the growth indices include shares that meet non-stringent criteria in the "Tamar Universe,"¹⁸ while the flagship indices (such as TA-35 and TA-125) include the shares that meet the criteria of the "Rimon Universe"¹⁹.

1.16.2.3 The Israel Securities Authority's Invitation for Banking Index Proposals

Among the indices that are prepared and published by the Company is the TA-Banks5 Index (hereafter: "**the Banking Index**"), which tracks various ETFs.

In January 2021, the Securities Authority published a directive for managers of mutual funds, the main premise of which is that the considerable weight of the shares of Israel's two major banks in the Banking Index causes the mutual funds that track this Index to deviate from the provisions of the Investment Regulations that apply to mutual funds as regarding the diversification of their investments and the limitation of the maximum exposure to any given security (hereafter: "**the Diversification Provisions**"). This deviation is enabled by virtue of a dedicated ad hoc provision that expires in June 2021 (hereafter: "**the Ad Hoc Provision**"). In view of this deviation and the anticipated expiration of the Ad Hoc Provision, the Securities Authority has instructed the mutual fund managers to pursue the modification of the Banking Index's composition to coincide with the Diversification Provisions. On March 8, 2021, the Securities Authority published an invitation to index editors in Israel and overseas to submit proposals for the preparation of an alternative index to replace the Banking Index (which, as aforesaid, is currently prepared by the Company) as a tracking instrument for the relevant mutual funds. On March 14, 2021, the Securities Authority published for public comments a proposal for the amendment of the TASE Rules concerning the listing of ETFs, which aims to allow ETFs listed on TASE to transition to and/or also follow an index that is a tracking instrument approved by the Securities Authority.

As stated above, the Company does not generate material direct revenue from the preparation of indices. Accordingly, management believes that the publication of an alternative banking index by an entity other than the Company, to the extent published, is not likely to have a material adverse effect on its business results.

²⁰ The "**Tamar Universe**" includes all the shares that meet basic threshold criteria (for shares that are not included in "Tamar" – a minimum free float rate of 15%, a minimum average free float value of NIS 40 million, and a minimum average price of NIS 0.50) for inclusion in TASE's investment indices. It includes more than 300 shares traded on TASE. The shares that are not already included in the "Tamar Universe" must meet different threshold criteria from those required for entry into the universe.

²¹ The "**Rimon Universe**" includes 200 shares that meet the stringent criteria (for shares that are not included in Rimon – a minimum free float rate of 35%, a minimum average free float value of NIS 100 million, and a minimum average daily trading volume of NIS 50 thousand or median daily trading volume of NIS 10 thousand) of the Tamar Universe. The trading conditions apply only if there are more than 150 shares in the Rimon Universe and there are additional criteria, such as the share is not included on the list of illiquid securities. The shares that are already included in the "Rimon Universe" must meet different threshold criteria from those required for entry into the universe.

1.16.3 ETFs

1.16.3.1 Until October 2018, ETNs were traded on TASE. At the end of 2018, legislative reform was completed, pursuant to which the ETNs were converted into ETFs.

1.16.3.2 ETFs are mutual funds that are traded on a stock exchange and grant to their investors the right to receive a return derived from the change rate in the price of an index or commodity.

As of Reporting Date, there are various types of ETFs, including: (a) ETFs on an index – funds that track indices; (b) commodity ETFs – funds that track the value of an underlying asset, which is a commodity traded on a commodities exchange; (c) inverse ETFs – funds with performance inversely related to the performance of an index comprising a basket of securities that serve as the underlying asset; (d) leveraged ETFs – funds for which, pursuant to their investment policy, the leverage on the index which serves as an underlying asset is greater than 1; (e) balancing ETFs – leveraged funds for which fixed dates are set for the issuer to execute a purchase and/or sale of securities in order to maintain the leverage ratio that has been established in the terms of the security.

For further details regarding ETFs and the ETN reform, see Section 1.6.5 above.

1.16.4 Derivatives

Derivatives are financial instruments whose value is derived from the price of another asset, also known as the “underlying asset.” Two types of derivatives can be listed on TASE: options and futures.

All of the derivatives on TASE are written by MAOF Clearing House and are cleared by it. Presented below are the main derivative products that can be listed on TASE.

1.16.4.1 Derivatives on share indices

Options and futures on the TA-35 Index, the TA-125 Index and the TA-Banks5 Index.

1.16.4.2 Derivatives on foreign currency

Options and futures based on the exchange rates between the Israeli shekel and the US dollar, as well as between the shekel and the euro, which allow the investing public to hedge against volatility in exchange rates.

1.16.4.3 Options on shares

Options on shares listed on TASE were introduced in 2009. Options are currently listed on 26 shares, which are included on the TA-35 Index.

For further details regarding the derivatives market, see Section 1.6.6 above.

1.16.5 Mutual funds

A mutual fund is a financial instrument that unites individuals for the purpose of jointly investing in listed securities. Investment in a mutual fund is made by purchasing participation units, which entitle their holders to participate in the mutual fund's profits. The mutual fund's investment portfolio is managed by professional managers who charge management and trust fees, which are deducted from the return on the investment.

The Israel Securities Authority supervises the mutual funds pursuant to the Joint Investment Trust Law, 1994, which prescribes the legal framework for the establishment and operation of mutual funds. A mutual fund is not a legal entity and its operation is based on a trust agreement that is agreed and signed between the fund's trustee and the fund manager.

As compared to a direct investment in securities, a mutual fund allows diversification of investments, which reduces the risk involved in each individual investment.

1.16.6 Clearing House services

The Company provides additional services such as trading and clearing services in securities that were sold to institutional investors not pursuant to a prospectus. The Company also handles securities that are listed overseas and in Israel that are cleared both by TASE Clearing House and also by an overseas clearing house through the Company's accounts at DTC and Euroclear, including the provision of custodial services and handling company events. For further details regarding the activities of the Company's nominee company, see Section 1.7.3.4 above. For details regarding activity in connection with the NLT services provided by TASE Clearing House, see Section 1.7.3.1 above.

1.16.7 Distribution of trading and other data and connectivity services

1.16.7.1 As part of its ongoing business, the Company engages with various data distributors and financial corporations (including hedge funds, quote generators, market makers and more), which purchase real-time data from the Company regarding its activities, as well as processed data products, which are based on its operating data. This data is supplementary to the public information that appears on the TASE website.

A data distributor is an Israeli or international entity whose expertise is in the distribution of financial data (e.g., Kav Manche, Bloomberg, Refinitiv, etc.) and that enters into a data distribution agreement with the Company for the purpose of distributing such data from the trading systems either in real time or with a delay, to end-user clients. Data distributors specialize in the field of data distribution, among other things, by means of dedicated systems, and offer their clients various additional services, such as data distribution from international trading systems, sophisticated analysis tools based on complex mathematical models and unique projects customized to the client's needs.

1.16.7.2 Connectivity services (co-location)

In June 2019, the Company launched a new service targeting TASE members, their clients and the data distributors. The service includes hosting the clients' servers at the Company's data center and providing a direct and faster connection to trading servers, as compared to the current connection to the Company's servers. As of December 31, 2020, the overall investment amounted to NIS 14 million, including the capitalization of labor costs. In connection with such investment, the Company leased a data farm with 17 racks for rental to customers as individual units or half units. It should be noted that the fees for the co-location service were approved by the Israel Securities Authority. As of Reporting Date, the Company had entered into co-location agreements with six customers and nine of the racks had been rented; the Company is continuing its efforts to rent out additional racks.

1.16.7.3 In January 2020, an approval was received from the Securities Authority for the amendment of TASE Rules as regarding the distribution of data products that are derived from the trading systems of TASE and are automatically distributed via an API system. Consequently, in September 2020 the Company announced the launch of the first data products using this interface, including daily and historical data of the composition of the monetary turnover of securities, comprising the overall aggregate monetary transactions performed by public institutions and mutual funds in the securities listed on TASE.

1.16.8 Listing and examination fees and annual levies

Pursuant to the TASE Rules, the Company charges the following fees to companies that are candidates for a TASE listing and those that are listed on TASE: prospectus examination fees, listing fees with respect to the listing of the securities and an annual fee. All such fees are set in accordance with mechanisms established in the TASE Rules, are applied based on the characteristics of the issuing companies and are published in TASE's list of fees.

1.17 Breakdown of Revenues and Profitability from Products and Services

1.17.1 General

As of Reporting Date, the Company collects from its members, among other things, trading and clearing commissions on buying and selling securities and collects from issuers its review fees for reviewing prospectuses for private offerings, as well as listing fees for listing securities and annual fees from the listed companies. In addition, the Company collects payments from data distributors with respect to the data distributed by them.

Revenue from the TASE Clearing House, in addition to revenue from clearing transactions both on- and off-the exchange, is generated from the creation and redemption of units in mutual funds, custodian fees, company events, principal and interest payments and dividends, and from services provided to the Ministry of Finance and to the Bank of Israel.

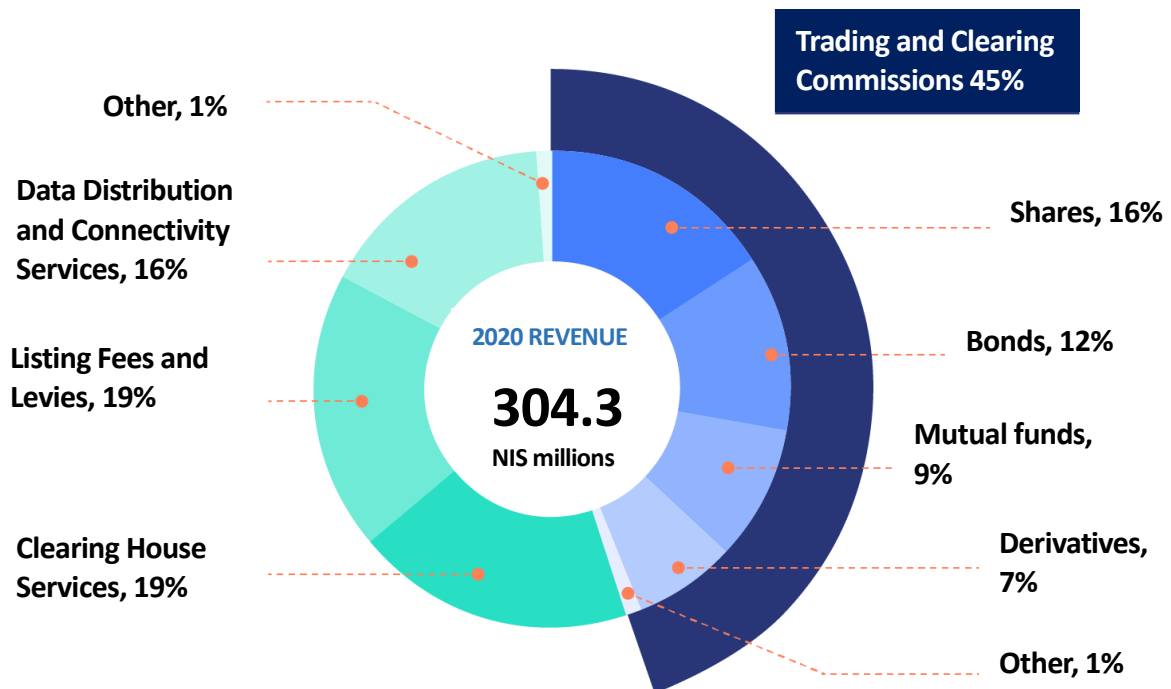
Revenue of MAOF Clearing House is generated from the commissions it collects from members of MAOF Clearing House for clearing derivatives and for the transfer of derivatives between members of the MAOF Clearing House.

In general, the Company's various revenues cover its operating expenses, including expenses involved in operating its trading and clearing systems. A portion of the Company's revenues are retained for investment to enhance the trading and clearing systems and to establish reserves for unexpected events.

TEL-AVIV STOCK EXCHANGE LTD.

Part Three – Description of the Company's Business

During 2020, the Company's revenue from trading and clearing operations and from operations other than those relating to trading (such as the data distribution, other Clearing House services, listing fees and annual levies) amounted to NIS 304.4 million, which was broken down as follows:



1.17.2 Revenue, expenses and profit distribution model

The Company, the Clearing Houses and the Nominee Company are closely interconnected. Pursuant to agreements between the Company and the Clearing Houses, with effect from January 1, 2014, all of the Group's revenue from its operations is calculated and recorded in the financial statements of the Clearing Houses and of the Company and such revenue is divided in accordance with the mechanism established in an agreement for distributing the Group's revenue from trading and clearing commissions (the "**Distribution Model Agreement**").

In formulating the distribution model, an allotment was made of three main categories: revenue, expenses and the distribution of the Group's profits among the Group companies. The distribution is performed by identifying and assigning the relevant revenue and expenses to each Group company. Any revenue and expenses that have not been identified are classified as mixed common revenue and expenses and are allocated pursuant to the distribution key prescribed in the Distribution Model Agreement. The distribution of profit between the parties to the Distribution Model Agreement is performed using a profitability index generally accepted in the financial sector.

On December 1, 2017, the Nominee Company also joined the distribution model. As of Reporting Date, the Company provides the Clearing Houses and the Nominee Company with their required operational infrastructure, such as information technology, human resources, management, etc. Pursuant to the agreements among the Company and the Clearing Houses, each of the Clearing Houses and the Nominee Company is responsible for its proportionate share of the expenses attributed to its operations. Within the Distribution Model Agreement, a mechanism is prescribed for distributing the profit between the Company and the Clearing Houses.

Pursuant to the Distribution Model Agreement, the Company collects payments from the Clearing Houses and the Nominee Company with respect to specific services provided by the Company, as

TEL-AVIV STOCK EXCHANGE LTD.

Part Three – Description of the Company's Business

well as initiation fees for creating a market for the subsidiaries within which they can operate. Pursuant to provisions of the Distribution Model Agreement, the Company and its subsidiaries make an accounting settlement for each quarter, and a final accounting settlement at the end of each calendar year and after closing the Company's consolidated financial statements. The Distribution Model Agreement is automatically renewed for successive one-year periods, unless one of the parties to the Agreement requests that the distribution model be reviewed.

For further details in connection with the distribution model, including determining the manner in which the revenue and expenses are allotted, as well as in connection with the mechanism for distributing the profits among the Group companies, see note 24 C to the Company's consolidated financial statements as of December 31, 2020, which are included in this Periodic Report.

1.17.3 **TASE's tariffs**

As of Reporting Date, the Company has four main product categories, each of whose revenues in 2020 were greater than 10% of the Company's total revenue: (a) commissions from trading and clearing in connection with securities, derivatives and financial instruments that are traded on TASE (including the clearing of mutual funds)²⁰; (b) listing and examination fees and annual fees; (c) Clearing House services; and (d) fees for the distribution of trading and other data (including authorization to use data).

In general, pursuant to the Securities Law, arrangements for commissions, listing fees and handling fees for the Company's services are required to be set forth in the TASE Rules. Consequently, the processes for determining the various commissions, including changes thereto, are subject to the regulation mechanism that applies to the TASE Rules, approval by TASE's Board of Directors and by the Israel Securities Authority, and the possibility of involvement by the Minister of Finance in the amendments to the Stock Exchange Regulations.

²² For further details regarding the breakdown of the revenues from trading and clearing in 2019 and 2020, see Section 1.1 of the Board of Directors' Report for 2020, which is included in this Periodic Report.

TEL-AVIV STOCK EXCHANGE LTD.

Part Three – Description of the Company's Business

1.17.4 **Presented below is a breakdown of the Company's revenue from the above product groups in 2018 and 2019 (NIS millions):**

	2020		2019		Three months ended 31.12.2020		Three months ended 31.12.2019	
	Revenue	% of Company's total	Revenue	% of Company's total	Revenue	% of Company's total	Revenue	% of Company's total
Trading and clearing commissions	136.5	45%	107.0	41%	33.5	43%	26.3	40%
Listing fees and levies	59.9	19%	54.7	21%	15.3	20%	14.2	21%
Clearing House services	57.4	19%	52.3	20%	15.0	19%	14.2	21%
Data distribution and connectivity services	48.4	16%	42.4	16%	12.9	17%	10.7	16%
Other	2.1	1%	3.6	2%	0.8	1%	1.0	2%
Total	304.3	100%	260.0	100%	77.5	100%	66.4	100%

1.17.5 **Presented below are summary data in connection with the markets in which the Company operates along with data in connection with the Company's revenue from its product groups and services:**

1.17.5.1 **Trading and clearing commissions**

Market Capitalization of the Securities Listed on TASE, including ETFs (NIS billions)			
	As of 31.12.2020	As of 31.12.2019	% change
Shares	903	884	2%
Corporate bonds	419	440	(5%)
Government bonds -- shekel	351	276	27%
Government bonds – linked	280	257	9%
Treasury bills	87	120	(28%)
Mutual funds	239	259	(8%)

TEL-AVIV STOCK EXCHANGE LTD.

Part Three – Description of the Company's Business

Average Daily Trading Turnover /Average Value of Creations/Redemptions, including Mutual Funds (NIS millions)

	2020	2019	% change	Three months ended 31.12.2020	Three months ended 31.12.2019	% change
No. of trading days	248	244	2%	66	59	12%
Shares	1,858	1,300	43%	1,670	1,431	17%
Corporate bonds	1,076	893	20%	942	1,001	(6%)
Government bonds – shekel⁽¹⁾	1,959	1,722	14%	1,682	1,541	9%
Government bonds – linked⁽²⁾	1,100	897	23%	914	824	11%
Treasury bills	579	413	40%	278	421	(34%)
Mutual funds	1,055	883	19%	882	907	(3%)

(1) Including “Shahar” fixed-interest shekel bonds and short-term government bonds.

(2) Including CPI-linked bonds and “Gilon” variable-interest shekel bonds.

Average Daily Volume of Contracts (thousands of units)

	2020	2019	% change	Three months ended 31.12.2020	Three months ended 31.12.2019	% change
Derivatives on the TA-35 Index	112.1	96.6	16%	106.6	84.7	26%
Derivatives on foreign currency	55.0	45.4	21%	50.5	54.3	(7%)
Derivatives on individual shares	3.0	3.1	(3%)	2.8	3.4	(18%)
Total derivatives	170.1	145.1	17%	159.9	142.4	12%

TEL-AVIV STOCK EXCHANGE LTD.

Part Three – Description of the Company's Business

Revenue from Trading and Clearing/Creations/Redemptions (NIS thousands)

	2020	2019	% change	Three months ended 31.12.2020	Three months ended 31.12.2019	% change
Shares	49,150	32,434	52%	12,373	8,389	47%
Corporate bonds	18,573	15,116	23%	4,462	4,001	12%
Government bonds – shekel (*)	9,116	8,052	13%	2,108	1,752	20%
Government bonds – linked (**)	8,022	6,367	26%	1,776	1,414	26%
Treasury-bills	2,920	2,581	13%	481	617	(22%)
Mutual funds	26,594	23,716	12%	6,768	5,849	16%
Other	135	187	(28%)	31	29	7%
Derivatives on indices	16,242	13,751	18%	4,088	2,923	40%
Derivatives on foreign currency	4,910	3,990	23%	1,199	1,154	4%
Derivatives on individual shares	789	806	(2%)	201	211	(5%)
Total revenue from trading and clearing	136,451	107,000	28%	33,487	26,339	27%

* Including “Shahar” fixed-interest shekel bonds and short-term government bonds.

** Including CPI-linked bonds and “Gilon” variable-interest shekel bonds.

Average Commission on Trading Value/on Value of Creations/Redemptions (percent)

	2020	2019	% change	Three months ended 31.12.2020	Three months ended 31.12.2019	% change
Shares	0.01067%	0.01022%	4%	0.01123%	0.00994%	13%
Corporate bonds	0.00696%	0.00694%	-	0.00718%	0.00677%	6%
Government bonds – shekel	0.00188%	0.00192%	(2%)	0.00190%	0.00193%	(2%)
Government bonds – linked	0.00294%	0.00291%	1%	0.00294%	0.00291%	1%
Treasury bills	0.00203%	0.00256%	(21%)	0.00262%	0.00248%	6%
Mutual funds	0.01016%	0.01100%	(8%)	0.01163%	0.01093%	6%

- The changes in the effective commission reflect the effect of the maximum commission on on-exchange transactions and the minimum commission on off-exchange transactions, as well as their effect on internal transactions charged with a fixed commission.

TEL-AVIV STOCK EXCHANGE LTD.

Part Three – Description of the Company's Business

Average Commission per derivative (NIS)						
	2020	2019	% change	Three months ended 31.12.2020	Three months ended 31.12.2019	% change
Derivatives on indices	0.58	0.58	-	0.58	0.58	-
Derivatives on foreign currency	0.36	0.36	-	0.36	0.36	-
Derivatives on individual shares	1.00	1.00	-	1.00	1.00	-

1.17.5.2 Clearing House services

Market value of assets in custodianship (approximation, NIS billions)			
	As of 31.12.2020	As of 31.12.2019	% change
Asset value	2,695	2,639	2%

Revenue from Clearing House Services (NIS thousands)						
	2020	2019	% change	Three months ended 31.12.2020	Three months ended 31.12.2019	% change
Custodian fees	26,676	26,534	1%	6,983	6,970	-
Clearing House services for members/company events	25,805	21,160	22%	6,733	6,039	11%
Other	4,972	4,637	7%	1,290	1,175	10%
Total revenue from Clearing House services	57,453	52,331	10%	15,006	14,184	6%

Average Commission from Custodian Fees* (in percent and annualized)					
2020	2019	% change	Three months ended 31.12.2020	Three months ended 31.12.2019	% change
0.00109%	0.00105%	**4%	0.00108%	0.00106%	2%

* Commission on custodian fees is charged monthly based on the value of the assets on the last day of each month.

** The increase in the effective commission between the periods is due to the joining of a custodial member.

TEL-AVIV STOCK EXCHANGE LTD.

Part Three – Description of the Company's Business

1.17.5.3 Listing and examination fees and annual levies

Average Number of Companies/Funds Weighted Annually/for the Interim Period*						
	2020	2019	% change	Three months ended 31.12.2020	Three months ended 31.12.2019	% change
Number of companies*	527	541	(3%)	524	531	(1%)
Number of funds	2,142	2,132	-	2,135	2,119	1%

* The average weights the fact that new companies do not pay an annual fee in the first year of their being listed and that companies that are delisted do pay an annual fee through the date of their delisting.

Revenue from Annual Levies (NIS thousands)						
	2020	2019	% change	Three months ended 31.12.2020	Three months ended 31.12.2019	% change
Annual levies from companies	11,039	10,198	8%	2,740	2,520	9%
Annual levies from funds	16,225	15,339	6%	3,923	3,827	3%
Annual levies of Nominee Company and others	3,067	2,530	21%	794	823	(4%)
Total revenue from annual levies	30,331	28,067	8%	7,457	7,170	4%

Average Weighted Revenue from Levies for the Period (NIS thousands)						
	2020	2019	% change	Three months ended 31.12.2020	Three months ended 31.12.2019	% change
Companies	20.9	18.9	11%	5.2	4.7	11%
Funds	7.6	7.2	6%	1.8	1.8	-

TEL-AVIV STOCK EXCHANGE LTD.

Part Three – Description of the Company's Business

Revenue from Listing and Examination Fees (NIS thousands)						
	2020	2019	% change	Three months ended 31.12.2020	Three months ended 31.12.2019	% change
Examination fees	6,843	5,416	26%	1,992	1,331	50%
Listing fees – companies – shares and bonds	21,570	20,958	3%	6,443	7,310	(12%)
Listing fees – government bonds	5,881	3,045	93%	1,578	660	139%
Listing fees – treasury bills	707	922	(23%)	203	252	(19%)
Bonds and examination fees from members	133	1,208	(89%)	80	868	(91%)
Other	218	746	(71%)	94	344	(73%)
Effect of implementing IFRS 15 on the listing fees	(5,796)	(5,684)	2%	(2,558)	(3,726)	(31%)
Total revenue from listing and examination fees	29,556	26,611	11%	7,832	7,039	11%

Issuance Volume and Swap Transactions (NIS millions)						
	2020	2019	% change	Three months ended 31.12.2020	Three months ended 31.12.2019	% change
Companies – shares and bonds*	91,471	91,415	-	25,046	34,151	(27%)
Government bonds	164,779	86,115	91%	45,026	18,192	148%
Treasury bills	100,924	131,684	(23%)	28,990	35,948	(19%)

* The value of capital raising in private placements is calculated according to the reported value in the allocation report, whereas the collection of listing fees is determined according to the market value of the shares listed for trading.

TEL-AVIV STOCK EXCHANGE LTD.

Part Three – Description of the Company's Business

Information on the Number of Issuances						
	2020	2019	% change	Three months ended 31.12.2020	Three months ended 31.12.2019	% change
Number of Tel Aviv public offerings of shares	115	60	92%	42	17	147%
Number of new issuers of shares	27	7	286%	15	1	1,400%
Number of new (dual-listed) companies	3	3	-	1	-	-

Information on Issuances and Volumes Raised (NIS millions)						
	2020	2019	% change	Three months ended 31.12.2020	Three months ended 31.12.2019	% change
Amount raised in share IPOs of new issuers	4,616	3,206	44%	2,480	500	396%
Number of corporate bond offerings to the public	145	160	(9%)	37	43	(14%)
Number of corporate bond offerings to the public by new companies	1	4	(75%)	1	1	-
Amount raised in bond offerings by new issuers	100	1,728	(94%)	100	120	(17%)

TEL-AVIV STOCK EXCHANGE LTD.

Part Three – Description of the Company's Business

Average Revenue from Listing and Examination Fees (per period and in percent)

	2020	2019	% change	Three months ended 31.12.2020	Three months ended 31.12.2019	% change
Companies – shares and bonds and ETNs/ETFs	0.0236%	0.0229%	3%	0.0257%	0.0214%	20%
Government bonds	0.0036%	0.0035%	3%	0.0035%	0.0036%	(3%)

1.17.5.4 Data distribution and connectivity services

Use of Data – Revenue from Data Terminals (NIS thousands)

	2020	2019	% change	Three months ended 31.12.2020	Three months ended 31.12.2019	% change
Data terminals in Israel charged monthly – business customers	16,416	15,527	6%	4,056	3,778	7%
Data terminals in Israel charged monthly – private customers	3,703	2,726	36%	956	393	143%
Data terminals overseas charged monthly	5,559	6,270	(11%)	1,409	1,574	(10%)
Quote generators	1,697	1,430	19%	483	353	37%
Data terminals according to extent of use and information files	9,066	5,793	56%	2,814	1,668	69%
Indices and data	3,189	3,019	6%	927	857	8%
Connectivity services	8,778	7,654	15%	2,227	2,065	8%
Total revenue from data distribution and connectivity services	48,408	42,419	14%	12,872	10,688	20%

TEL-AVIV STOCK EXCHANGE LTD.

Part Three – Description of the Company's Business

Average Number of Data Terminals Charged Monthly per Period						
	2020	2019	% change	Three months ended 31.12.2020	Three months ended 31.12.2019	% change
In Israel – for business customers	7,559	7,274	4%	7,471	7,335	2%
In Israel – for private customers	8,816	6,489	36%	9,106	4,426	106%
Overseas	4,560	4,886	(7%)	4,843	4,987	(3%)
Quote generators	285	245	16%	329	254	30%
Total	21,220	18,894	12%	21,749	17,002	28%

1.17.5.5 Other revenue

Other Revenue (NIS thousands)						
	2020	2019	% change	Three months ended 31.12.2020	Three months ended 31.12.2019	% change
Rent and Conference Center	1,095	2,208	(50%)	279	508	(45%)
Other	972	1,365	(29%)	549	448	23%
Total other revenue	2,067	3,573	(42%)	828	996	(17%)

1.18 New Products

Close to the publication date of this Report, the Company is in various stages of developing significant new products and services, the principle of which are as follows:

1.18.1 Central lending pool

As of Reporting Date, securities lending activity is concentrated in the hands of a relatively small number of parties that provide custodian services, limiting competition in this sphere. Moreover, lenders usually operate through a small number of brokers and lending activity is done on the basis of telephone calls without a central automatic trading platform. In light of the aforesaid, the Company has worked to develop and launch a Blockchain-based product that will enable the TASE Clearing House members to conduct securities lending automatically, transparently and efficiently for their clients, as well as among themselves. To the date of this Periodic Report, the development cost amounts to NIS 16.3 million. The Company launched the product on November 2, 2020.

1.18.2 **Dual-listing of foreign ETFs**

In parallel with the process for amending the Securities Regulations with regard to the dual-listing of foreign ETF units in Israel, the Company has formulated a regulation infrastructure within the TASE Rules and adapted the TASE systems so as to enable an effective implementation of such dual-listing. Consequently, as of December 31, 2020, 23 foreign ETFs under Blackrock's management are listed on TASE. This notwithstanding, for the vast majority of foreign issuers and foreign funds, the commencement of making dual-listing arrangements depends on legislative changes, which have been delayed due to the disruption to the Knesset's activities during the past year.

1.18.3 **NLT clearing services for non-listed limited partnerships**

Over the recent years, TASE Clearing House has extended the NLT clearing services, which had previously been provided solely for listed securities, to alternative investment products such as investment funds and hedge funds, which are incorporated as non-listed limited partnerships. The participation units of six non-listed limited partnerships have to date been listed on the NLT platform.

In July 2020, the Company informed the TASE members of its intention to launch a service for the listing and clearing of investment units in partnerships that constitute private investment funds and alternative investment products, including the creation and redemption of such units, in a manner that will allow those investing in such entities to purchase and sell their units through TASE-CH and have their investment presented to them, within the investment period, as part of their total securities portfolio with the TASE member. This notification is designated to allow the TASE members time to adapt their systems for the purpose of providing the service to their clients. To the date of this Periodic Report, the service is expected to be launched towards the end of the first half of 2021.

1.18.4 **Listing of limited partnerships active in the R&D field**

As part of its efforts to expand its range of investment products, with an emphasis on innovation and technology, the Company recently approved a new product, making it possible to list participation units of limited partnerships in the R&D field (hereafter: **"Public R&D Partnerships"**). The Company will allow Public R&D Partnerships that invest in a number of projects in the field, in the same way as for risk capital funds, to list on TASE subject to certain conditions. In 2020, 5 such limited partnership have listed.

On February 16, 2021, the Securities Authority published for public comments a draft proposal for the amendment of the TASE Rules regarding the adjustment of the listing requirements that apply to public R&D partnerships, this within the framework of enhancing the mechanisms for the protection of investors, this, as stated in the proposal, on the backdrop of conclusions drawn from related activities in 2020. The proposed amendment mainly provides for increasing the minimum capital raising required of a public R&D partnership (and consequently, also the volume of investment by its general partner and the controlling shareholder in the latter), extension of the lockup period of the general partner's securities therein, obligation of the public R&D partnership to undertake to invest in projects with a connection to Israel, dedication of half of the issuance proceeds to projects that will be specified in the issuance prospectus and specification of permitted channels of investment of the issuance funds during the interim period pending the execution of the dedicated investments. To the date of this Periodic Report, the Authority has not yet issued its resolution on the matter.

TEL-AVIV STOCK EXCHANGE LTD.

Part Three – Description of the Company's Business

1.19 Customers

- 1.19.1 The Company's main customers can be divided into (i) customers that are TASE members and/or Clearing House members and (ii) customers that are companies listed on TASE. In addition, the Company provides data distribution services and data services to data distributors and to various data users that do not have any set characteristics, including the Bank of Israel and the Ministry of Finance, as well as granting authorizations to various financial entities for the use of data.

For details regarding characteristics of the TASE members and the Clearing House members, see section 1.7.2 above.

- 1.19.2 Revenue from TASE members is primarily generated from trading and clearing commissions which TASE members pay for the trading and clearing services pursuant to the TASE Rules.
- 1.19.3 As of Reporting Date, the Company is not dependent on any single customer or on a limited number of customers, the loss of which would materially affect its operations or its financial condition. Nevertheless, government bonds, including treasury bills, constitute a common investment product which attract a high concentration of the trading on TASE. They also constitute one of the main components in the collateral arrays required from, and provided by, members of the Clearing Houses. Therefore, the State could be viewed as an issuer having a material effect on the Company's operations and on its financial condition.

In addition, apart from three TASE members referred to below, the Company has no other customers whose revenues constitute 10% or more of the Company's total revenue.

	2020		2019	
	Revenue – in NIS thousands	% of the Company's total revenue	Revenue – in NIS thousands	% of the Company's total revenue
TASE member A	42,390	13.9%	32,980	12.7%
TASE member B	40,663	13.4%	32,928	12.7%
TASE member C	35,790	11.8%	32,062	12.3%

The TASE members referred to above are banks and most of the revenue from them derives from trading and clearing commissions.

1.20 Marketing and Distribution

The Company invests resources in marketing and distribution, including in the field of marketing communications, press relations, complaints and questions from the public and operation of the Company's Conferences and Events Center. In this context, the Company launched an advertising campaign directed at the general public to encourage investment activity within the framework of the TASE. In May 2019, the TASE signed an agreement with the Administration of the Professional Football Leagues in Israel 2014 Ltd. (the "**Administration**") to be its main sponsor for a period of three seasons, beginning with the 2019/2020 season (as defined in the Israeli Football Association Regulations), and through the end of the 2021/2022 season, for a total of NIS 12.3 million, paid in installments over the period. In return for this, the Administration committed to a scope of advertising in various forms of media as detailed in the agreement.

TEL-AVIV STOCK EXCHANGE LTD.

Part Three – Description of the Company's Business

In 2020, the Company launched several publicity campaigns for the target audiences of TASE. At the outset of the coronavirus crisis, the Company launched two media campaigns (on the Internet, social media, printed press and commercial broadcasting channels), calling the government to finance aid for small and medium businesses during the coronavirus crisis, by issuing government bonds in an amount of NIS 22 billion towards a national emergency aid fund for small businesses.

Additionally, in the second half of 2020, the Company launched two dedicated campaigns that targeted the high-tech sector and households (retail investors). As part of the launch of the TASE UP platform and its exposure to investors and to the local technology community, the Company launched a digital campaign that consisted, among others, of the establishment of a dedicated website for high-tech companies and investors. Furthermore, at the end of 2020 the Company launched a digital campaign for new TASE investors, which included advertisements on bus stops and billboards nationwide alongside videos. This was in response to the indications of the public's growing interest in investment on TASE.

Overall, the Company's marketing and distribution costs amounted to NIS 11,098 thousand in 2020, compared to NIS 7,858 thousand in 2019.

1.21 **Competition**

The Company faces competition from the world's other stock exchanges in the domestic market and in the international market, in both the securities and derivatives segments.

1.21.1 **The securities markets**

The equity market

Companies considering making an issuance on a stock exchange do so for various reasons, including raising funds for development and expansion purposes or realizing and liquidating holdings of that company's controlling shareholders.

In the primary market, TASE faces competition over the listing of Israeli companies from foreign stock exchanges that offer a variety of trading platforms and regulatory regimes and access to a broad spectrum of investors. The Company's dual-listing arrangements assist in mitigating such competition risk by giving Israeli companies access both to local investors and to foreign investors, while retaining the advantages of listing on their "home-court" and averting the costs associated with having to comply with two different reporting regimes.

The Company believes that, for the purpose of motivating companies to dual-list on TASE, the following main advantages should be emphasized:

- increased public interest in investment activity on TASE and the opportunity to raise capital on TASE;
- inclusion in TASE's leading equity indices;
- the opportunity for continuous trading throughout the greater part of the day (particularly with regard to the United States, due to time differences between the two countries);
- reducing the burden of oversight arrangements and regulation to which reporting corporations in Israel are subject;
- recognition for tax purposes of the expenses associated with a public offering;
- efficiency and simplicity of implementation of the dual-listing arrangement.

In the equity market, competition could also come from private investment funds, holding companies and multinational companies interested in investing in Israeli companies, thereby presenting them with an alternative to public investment. In the secondary market, there is direct competition in relation

TEL-AVIV STOCK EXCHANGE LTD.

Part Three – Description of the Company's Business

to trading in dual-listed securities, as well as competition coming from foreign stock exchanges, alternative trading platforms and alternative investment channels, which offer investment instruments that are not connected to Israel.

The corporate bond market

In the sphere of corporate debt raising, the Company faces competition in the domestic market from banks and institutional and financial corporations, as well as from private investment funds. In this market, competition from foreign stock exchanges is less intense. The Company believes that this is because Israeli investors have developed a greater affinity for debt instruments as they are significantly affected both by the high level of interest in the country of operation and by the legislative arrangements regarding pledges and insolvency which play a major part in protecting creditors' rights.

Competition in the corporate bonds primary market comes from banks, institutional bodies and private equity funds that are interested in providing funding to Israeli companies within the framework of bank credit or private institutional loans. TASE is still the primary player in this market in the case of major corporations, but it faces more intense competition over smaller corporations that might find it difficult to comply with the TASE listing rules, including disclosure and corporate governance obligations and are thus deterred by them.

Further intensification in competition, beyond its present level, could lead to slower growth and to lower trading volumes, which could negatively impact the Company's business results and profitability. In the short and medium-term, the Company believes that it has an advantage over its existing and potential competitors, as a platform for raising equity and debt and as the sole option for multilateral trading available in Israel. Moreover, TASE's Clearing Houses, pursuant to the Israel Securities Authority's announcement of June 29, 2017, are recognized as a Qualifying Central Counterparty and operate pursuant to the provisions of the Authority's "Clearing Houses' Stability Directive," which is based on international standards for financial infrastructures.

This recognition testifies to the Clearing Houses' stability, pursuant to such standards, a factor that ensures a major advantage over existing and potential competitors in the domestic market. However, the Company sees a potential competitive threat arising from accelerating globalization developments and from investors' direct participation in off-exchange trading in Israel. As part of its strategy, the Company is working to encourage companies to list on TASE through implementing regulatory changes that make it easier for companies to do so, increasing collaborative efforts for dual-listing, and considering the launch of new products that will broaden the range of products and services currently offered by TASE and the Clearing Houses, thereby increasing the attractiveness of TASE as compared to the other investment markets, channels and alternative products.

1.21.2 **The derivatives market - trading platforms and trading rooms**

The Company faces competition in the derivatives market, among other things, from trading platforms, which are computerized systems through which a platform buys financial instruments from its customers for its own account, or through which a platform sells financial instruments to its customers from its own account. Trading platforms operate in an organized, frequent and systematic manner ("**Trading Platforms**").

To the best of the Company's knowledge, the Trading Platforms were developed against the background of a low interest environment, which leads investors to seek alternative investment channels, a preferable user-experience that is offered by them, and leverage levels that enable their customers to increase the potential short-term gain or loss of the investment. Trading Platforms are defined in Section 44L of the Securities Law and are, in practice, computerized trading platforms with trading generally being conducted on the Internet. Trading Platforms allow investors to trade with their

TEL-AVIV STOCK EXCHANGE LTD.

Part Three – Description of the Company's Business

operators in a variety of financial instruments, typically foreign currency derivatives (FOREX), commodity derivatives or foreign securities derivatives.

Trading on the Trading Platforms takes place with the Trading Platform itself, as opposed to trading on TASE, which in essence is a market that allows a large number of independent parties to meet and determine the transaction price in accordance with supply and demand.

Trading Platforms are supervised by the Israel Securities Authority and are regulated by the Securities Law and the Securities Regulations (Trading Platforms for their Own Account), 2014.

To the best of the Company's knowledge, as of Reporting Date, there are four companies that have a permit to manage Trading Platforms. The trading turnover on the Trading Platforms is not officially published. Therefore, it is not possible to estimate the impact that the Trading Platforms have on TASE's trading volumes and, particularly, on its revenues. Nevertheless, the Company believes that at least part of the decrease since 2012 in TASE's trading turnovers in derivatives on the TA-35 Index, as well as the decline in the number of active accounts, can be attributed to traders moving from TASE to the Trading Platforms.

In addition, there is competition in the derivatives market, particularly in derivatives on foreign exchange rates, from the trading rooms of banks (both domestic and foreign), brokers and other financial institutions, which offer a variety of derivatives that are personalized specifically to the customers' needs, within the framework of direct over-the-counter trading between them, and from other derivatives exchanges. In the Company's opinion, competition in the derivatives sector is likely to increase due to the ETN reform, which allows mutual funds (including ETFs) to hedge currency exposures through the banks.

The Company is planning measures to stimulate activity in the derivatives market, in order to expand its distribution channels in Israel, using existing and new brokers.

1.21.3 **Bill for the Establishment of a Dedicated Stock Exchange**

In 2020, a new memorandum of law (hereafter: "**the Memorandum**") was published, which discusses amendments to the Securities Law and the Companies Law for the purpose of laying the foundations for the establishment of a dedicated stock exchange, the distinguishing factors of which may be the limitation of the trading therein to accredited investors only (similarly to the Company's TACT-Institutional system, including the TASE UP brand), innovative and advanced operating features, or the restriction of its trading volumes, the number or value of its listed entities or the types of securities that may be listed therein (hereafter: "**Dedicated Stock Exchange**"). According to the Memorandum, the arrangement primarily concerns the exemption of a company that seeks to operate a Dedicated Stock Exchange from all or part of the regulation directives that apply to a stock exchange under the Securities Law, and the exemption of entities that are listed for trade on a Dedicated Stock Exchange from the provisions of the Securities Law and the Companies Law that apply to public companies and bond companies. The Memorandum states that its provisions shall also apply to a Dedicated Stock Exchange that would be operated by a stock exchange (such as the Company).

According to the Securities Authority's publications, on March 3, 2021 the Ministerial Legislation Committee passed a bill concerning a dedicated stock exchange, which also expands the supervisory powers of the Authority over underwriters and distributors and authorizes the Authority to establish arrangements for the issuance of companies without operations (SPACs).

On February 16, 2021, the Securities Authority issued a partial "no-action" letter (hereafter: "**the Letter**") to a private company registered in Israel that is looking to offer a technological solution for capital raising by small and medium businesses, including the creation of a primary and a secondary market, which consists of two principal components: a system maintaining a digital register of

shareholders of companies registered in the system, which also supports the transfer of securities between the system participants and a passive bulletin board that presents information on the purchase and sale of digital securities registered in the system (hereafter collectively: **"the System"**). These will be accompanied by virtual data rooms containing information on the companies and the securities that are registered in the system. According to the terms of the Letter, among others, participation in the System will be mainly limited to qualified investors, subject to the completion of requisite identification processes, pursuant to the Authority's position and the laws that apply to the System participants, with certain restrictions on activities by participants that are not identified as qualified investors. In the Letter, the Authority confirms that, without consenting to the entirety of the reasoning presented by the applicant company, the Authority will not intervene the position of the company that the activity of the System, as described in the application, does not require a stock exchange license, a permit for the provision of security trading services or an investing consulting or marketing license, and will also not intervene in the company's position that the activity of offering the securities through the System does not amount to a public offering that requires the publication of a prospectus. Nevertheless, the Letter states that it remains to be determined whether a clearing house license is required for the activity of the applicant company, pending which decision the operation of the System may not commence.

1.21.4 Trading services in securities

Section 49A of the Securities Law prescribes that trading services in securities are not to be offered using a system for trading in securities (**"Trading Services in Securities"**) unless the system is managed by a licensed stock exchange. However, the Chairman of the Israel Securities Authority may allow Trading Services in Securities to be offered using a system managed by a stock exchange outside Israel, under set terms, if he has found that this will not damage the interests of the investing public in Israel. Pursuant to Israel Securities Authority's position paper from November 8, 2017, until such time as the terms for a general permit to offer Trading Services in Securities are published, the Israel Securities Authority shall refrain from taking enforcement measures due to a breach of the provisions of Section 49A of the Securities Law.

Furthermore, on June 6, 2019, the Israel Securities Authority published a paper with the text of the terms for a general permit to offer Trading Services in Securities, which took effect on July 30, 2019 (and as amended on November 11, 2019), in which are set forth the terms for granting a permit to offer Trading Services in Securities (the **"General Permit"**). The terms of the General Permit relate primarily to foreign stock exchanges or to a person acting on their behalf and restricts application to qualified corporations, which are included in the First Schedule to the Securities Law and to trading in securities that are not listed on the stock exchange in Israel (apart from securities that are dual-listed). The terms of the General Permit also referred to other parties that trade in securities and are subject to oversight and regulation in Israel (such as, a banking corporation, a TASE member, the holder of a consulting license or a holder of a marketing license) or that are subject to oversight and regulation in the fields of trading in securities and investments in the United States, in the nations of the European Union or in Switzerland (**"Non-Exchange Parties"**). In addition, the General Permit includes an alternative of a limited application, whereby the provision of Trading Services in Securities would be offered only to qualified investors, as listed in the First Schedule of the Securities Law, whether these be corporations or individuals (the **"Institutional Alternative"**). The terms of the General Permit require that an application be submitted and that the appropriate permit be received from the Authority for a party applying to act as such, other than in the case of a Non-Exchange Party acting within the framework of the Institutional Alternative. The terms of the General Permit do not preclude granting a specific permit to a party that wishes to do so other than in accordance with the terms of the General Permit.

1.21.5 Trading platforms in cryptocurrencies and use of Distributed Ledger Technology (DLT)

In March 2019, the Israel Securities Authority published the final report of the Committee for the Examination and Regulation of ICOs (Internet Coin Offerings). The following recommendations were included among the Committee's conclusions:

- A dedicated disclosure regime – ICOs should be subject to the Securities Law, with the disclosure requirements adjusted to the unique features of the activity of these companies.
- Exceptions and the creation of terms and conditions for activity in the form of a “regulatory sandbox” – the use of such a framework for ICO pilots should be permitted.
- A specially dedicated platform for trading in cryptocurrencies – the possibility of adapting the existing regulation should be examined with regard to creating a more appropriate regulatory infrastructure for such trading activity.
- A crowdfunding model for cryptocurrency initiatives – the application of a model with features similar to crowdfunding should be examined with regard to cryptocurrency initiatives that are securities.

In addition, during January 2020, the Israel Securities Authority published the final report of the Committee for the Advancement and Establishment of Digital Markets in Israel. As part of the report, the Committee highlighted the following insights:

- Identifying the potential – inherent in the DLT technology is the potential to promote the Israeli capital market.
- Risks – the deployment of such innovative technology, which is intended to serve as a component within the core systems, needs to proceed in a controlled and responsible manner. Accordingly, the development of the Israel Securities Authority's future steps in adopting these technologies is expected to take these risks into consideration and to address them, but without preventing their adoption.
- Neutral approach to technology – it is important that the Israel Securities Authority maintains a neutral approach regarding the specific technologies that its supervised entities choose to use.
- Regulatory issues – the licensing and supervision provisions prescribed in the Securities Law regarding TASE were shaped by the view that the exchange constitutes a “significant national exchange” that operates through its members. As a result, several of the regulatory requirements that apply to an exchange might impede the establishment of relatively small trading platforms.
- Proving the benefits inherent in the technology – many significant benefits have been attributed to the DLT technology, yet these are for the most part theoretical.

As of Reporting Date, the Company is examining the implications of the above recommendations of the Committee on its activity. At the same time, it is monitoring further technological development in the Blockchain and cryptographic securities field and in the DLT field, while considering the possibility and necessity of adopting such technology in its ongoing operations. With regard to this matter, it should be noted that the central lending pool is being developed, inter alia, based on blockchain technology. For further details, see Section 1.18.1 above.

1.22 **Seasonality**

The Company's sphere of activity is not characterized by seasonality that affects its operations in a material manner. However, the Company's revenue is affected by trading volumes on TASE and by revenues from listing fees. During the periods that include religious holidays, intermediate days or vacation, changes may occur in the Company's revenues due to a reduction in the scope of activity, due mainly to the dependence of daily trading volumes on the number of trading days and hours and the activity hours during such periods. In 2020, most likely as a result of the coronavirus crisis, which had substantially reduced the activities of the tourism, hotels and aviation sectors, these factors did not affect the results of the Company.

1.23 **Operating Capacity**

As of Reporting Date, the Company has operating capacity that can be activated immediately (or within a short preparation time) of up to 100 million orders per day on any of the markets in which the Company operates. Any increase above such amount would require the Company to make substantial investment in its trading infrastructure. In relation to 2020, the average number of daily orders on the continuous trading system amounted to approximately 9.8 million orders a day (with the number of orders on the most active day in TASE's history reaching almost 20 million), while on the derivatives market the number was considerably lower. In addition, despite a material increase in activity volumes, alternative operating methods are available to cope with such an increase without extensive investment being needed for replacing the infrastructures (e.g., reducing communication speed, etc.). The Company believes that, as of Reporting Date, there is no effective limit from this aspect.

Part Four - Additional Information at the Company and Group Level

1.24 Fixed Assets, Real Estate and Fixtures

- 1.24.1 In 2007, the Company entered into agreements for the acquisition of title, possession and usage rights, as well as leasing rights, in real estate for the purpose of erecting a new building for the Company in which its management, units and systems are housed (the “TASE Building”). In 2010, the Company signed a lease with the Tel Aviv Municipality for the lease of underground space for a term of 49 years, in effect from December 2009, with an option to extend the term for a further 49 years, and paid leasing fees of NIS 2.3 million, based on an appraiser’s valuation. In 2018, the Company received a refund of NIS 1.8 million with respect to betterment levies. The total area of the TASE Building comprises 22,454 square meters, which includes 10 floors of offices with an overall area of 7,980 square meters, an events hall and Conference Center comprising an area of 1,249 square meters, and a parking lot of 7,003 square meters. As of Reporting Date, two floors are vacant and available for rent and/or for future use.
- 1.24.2 The depreciated cost of the owned land and the TASE Building, which are classified as fixed assets in the Company’s financial statements, amounted to NIS 219.2 million and NIS 214.9 million as of December 31 2019 and December 31, 2020, respectively (the owned land alone amounted to NIS 19.5 million). For further details, see note 11 to the Company’s consolidated financial statements as of December 31, 2020, which are included in this Periodic Report.
- 1.24.3 The depreciated cost of the right-of-use assets in the Company’s books amounted to NIS 57.6 million and NIS 49.8 million as of December 31 2019 and December 31, 2020, respectively (including leased land amounting to NIS 38.2 million as of December 31, 2019 and NIS 38 million as of December 31 2020, leases with respect to the backup facility, communication lines and motor vehicles). The depreciated cost of the equipment (which includes, among other things, IT systems, equipment systems and also furniture), in the Company’s books, totaled NIS 68.4 million and NIS 65.4 million as of December 31 2019 and December 31, 2020, respectively.
- 1.24.4 The Company owns various equipment, including storage systems, communications equipment, various control systems, multimedia systems, computer equipment, cooling systems, elevators, generators, etc.
- 1.24.5 For further details regarding the Company’s fixed assets, see note 11 to the Company’s consolidated financial statements as of December 31, 2020, which are included in this Periodic Report.
- 1.24.6 The Company has entered into a lease agreement in connection with a backup site for TASE’s systems until April 30, 2025, for which the annual leasing fees amount to NIS 2.5 million. The site, which comprises 345 square meters, could be used as an operational site if needed, in addition to being a backup site.

1.25 Intangible Assets

- 1.25.1 The amortized cost of the Company’s intangible assets in the Company’s books amounted to NIS 112.4 million and NIS 121.1 million as of December 31, 2019 and December 31, 2020, respectively. The cost includes licenses, software and self-development costs of computer software for internal use. For further details regarding the possibility of commercializing developments and accumulated expertise belonging to the Company, see Section 1.37.3 below.
- 1.25.2 The following trade names are used by the Group and are registered with the registrar of trademarks in Israel: TASE, TASE UP and the names of some of the security indices. These names are important to the Company’s operations as it is the only party within its industry in Israel.

TEL-AVIV STOCK EXCHANGE LTD.

Part Four – Additional Information at the Company and Group Level

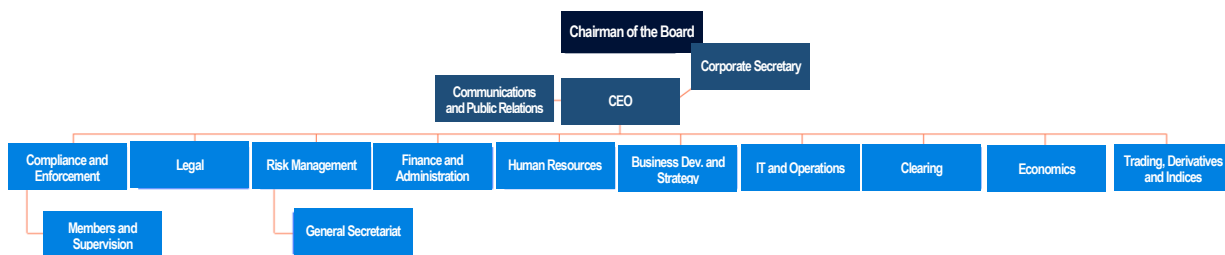
1.25.3 For further details regarding the intangible assets of the Company, see note 12 to the Company's consolidated financial statements as of December 31, 2020, which are included in this Periodic Report.

1.26 Human Capital

1.26.1 General

The Company views human capital as an important resource and therefore invests considerably in retaining and recruiting high-quality manpower with experience and expertise in the industry and with unique specializations relevant to the Company's operations – all the while bearing in mind the complexity associated with managing the trading and clearing of transactions in securities and in financial instruments in significant financial scopes.

1.26.2 **Presented below is an organizational chart of the TASE Group as of Reporting Date:**



The units included in the departments shown in the above chart are overseen by experienced managers who are in charge of professional work teams, as set forth below:

Department	Number of Employees as of	
	31.12.2020	31.12.2019
Bureau of the Board Chairman and the CEO (*)	3	3
Corporate Secretary	2	2
Trading, Derivatives and Indices	12	11
Economics	29	25
Clearing and Listings	24	20
IT and Operations	113	110
Strategy and Business Development	8	7
Finance and Administration	28	29
Legal	3	4
Risk Management	18	21
Compliance and Enforcement at TASE and the Clearing Houses	10	11
Communications and Public Relations	3	3
Human Resources	4	4
Total	256	250

(*) Employees reporting to the CEO, who are not members of the Company's management.
The above table does not include employees of external contractors, or seasonal employees.

- 1.26.3 The Company has policies and internal work procedures that govern its conduct with respect to such activities as: employees recruitment, selection and absorption; youth employment; employment termination; attendance at work; vacations and absences; participation in training; prohibition against receipt of benefits; refund of personal expenses; refund of expenses for work trips; etc.
- 1.26.4 During 2018, the Company adopted an ethics code, which applies to all of its employees and managers at all positions and at all comparable levels, as well as to the members of the Board of Directors (the “**Ethics Code**”). The Ethics Code is based on guiding principles by which the Company conducts its professional activity, as well as on rules of behavior and standards that ensure the core values that characterize the Company: human respect, honesty, initiative, professionalism and commitment.
- 1.26.5 As part of the measures taken by the Company to handle the coronavirus crisis and mitigate its implications on its ability to maintain continuous operations, the Company implemented secure technological processes to facilitate the remote operation of its systems, including trading and clearing. During the first general lockdown, TASE employees and its management were divided into two work groups, each alternately working from TASE’s building and remotely. Upon the lifting of the restrictions, the strict separation into two groups was cancelled. Nevertheless, the Company’s preparation for remote work and the experience that was accumulated during the general lockdown are used towards a more flexible work format that facilitates remote work at varying scopes, at management’s discretion, taking into account the nature of the assignments of the various departments and other considerations.
- 1.26.6 **Investments in training, courses and human capital development**
- The Company invests resources in the professional training of employees in order to improve their level of service pursuant to their duties, and, in a number of activities, to improve the employees’ job-satisfaction.
- 1.26.7 **Compensation Policy**
- On March 10, 2021, TASE’s general meeting approved, after the Company’s Board of Directors and its Audit Committee (serving as its Compensation Committee) had previously approved, the updated compensation policy for the Company’s officers, pursuant to the provisions of the Companies Law, which shall be in effect for the years 2021 through 2023 (hereafter: “**the 2021-2023 Compensation Policy**”).
- The 2021-2023 Compensation Policy is a three-year policy and includes provisions regarding the fixed and variable components of the officers’ compensation and their interrelationship, while prescribing parameters, threshold terms, ranges and ceilings for the compensation components, based on the Company’s performance and the performance of the officers.

1.26.8 Compensation Plans

The Company compensates its employees in accordance with the provisions of a special collective agreement (as described in Section 1.26.11 below) and its senior officers in accordance with the compensation plans described below.

1.26.8.1 Compensation plan for the Chairman of the Board of Directors and the CEO of the Company for the years 2018 through 2020

On April 17, 2018, the Company's general meeting approved (after the Company's Board of Directors and its Audit Committee serving as its Compensation Committee had given prior approval), a compensation plan for the Company's CEO and for the Chairman of the Board of Directors, pursuant to the Compensation Policy (the "**Compensation Plan**"). Pursuant to the Compensation Plan, the Company's CEO and the Chairman of the Board of Directors shall be entitled to an annual cash bonus (the "**Bonus**") of up to six monthly salaries (gross), as set forth below: (1) an annual Bonus in an amount that shall not exceed three monthly salaries (gross), which shall be determined on the basis of a company-wide, quantitative criterion; and (2) an annual Bonus in an amount that shall not exceed three monthly salaries (gross), which shall be determined based on qualitative criteria.

The Bonus entitlement terms include, as stated, a quantitative component, which is the "pre-tax profit" of the Company (as defined in the Compensation Plan) as per the Company's financial statements for the Bonus year. For the purpose of the quantitative component, the Compensation Committee and the Board of Directors may decide to eliminate exceptional profits or losses for the purpose of calculating the "pre-tax profit" of the Company.

If the "pre-tax profit" (as defined in the Compensation Plan) for a particular Bonus year is negative, then the decision of the Compensation Committee to grant an annual Bonus based on qualitative criteria, shall be conditioned on the consent of all the members of the Compensation Committee. In any event, the amount of the annual Bonus shall not exceed the maximum annual Bonus prescribed for the CEO and/or the Chairman of the Board of Directors.

On May 1, 2019, the Company's general meeting approved (after the Compensation Committee and the Board of Directors had given their prior approval) that – for the purpose of calculating the quantitative bonus to be paid to the CEO and the Chairman of the Board of Directors for 2018, pursuant to the compensation plan – in calculating the "pre-tax profit" (as defined in the compensation plan), the reversal of the TASE Building impairment will not be taken into consideration, despite being included in the Company's 2018 financial statements because this is a gain that did not arise from the Company's operating activities, does not involve cash flows and is non-recurring.

The entitlement of the Company's CEO and/or the Chairman of the Board of Directors to a Bonus for the qualitative component shall be determined based on assessments by the Compensation Committee and the Board of Directors, in relation to their fulfillment of qualitative criteria, such as: contribution to increasing the Company's profits and its success, risk management and compliance, leadership and staff management, professionalism, character, efficiency, initiative and people skills, the advancement and implementation of processes, and so forth. The actual grant of the Bonus amount for the qualitative component is subject to the approvals required in the Compensation Plan.

The Compensation Plan also includes a mechanism for the repayment of the annual Bonus in the event that the data on which the Bonus is granted is found to be erroneous. Moreover, the Board of Directors may reduce the amount of the annual Bonus that shall be paid to an officer, even determining that an officer shall not be paid a Bonus for a particular Bonus year at the discretion of the Board of Directors.

For details regarding the bonuses for 2020 approved for the Company's CEO and for the Chairman of its Board of Directors and also regarding the retention plan for the Company's CEO, see Article 21 of Part Four – Additional Details Regarding the Company.

Equity Compensation for the Company's CEO

On May 1, 2019, the Company's general meeting approved (after the Compensation Committee and the Board of Directors had given their prior approval) a retention program for Mr. Ittai Ben Zeev, the Company's CEO. Among the matters covered by this approval, it was agreed to allocate 4,250,000 non-listed options to a trustee for the calendar years 2019 through 2023 (inclusive). Each option is exercisable into one ordinary share of the Company, up to a total of 4,250,000 ordinary shares of the Company, subject to adjustments²¹, at an exercise price of NIS 12 per share. The cost of the benefit inherent in the options for the CEO allocated as aforesaid, based on the fair value on the date of their allocation, amounted to NIS 2.743 million. For further details, including with regard to the method of calculating the fair value and of recognizing the expense, see note 15 C to the Company's consolidated financial statements as of December 31, 2020, which are included in this Periodic Report.

1.26.8.2 Compensation plan for Company officers who report to the CEO of the Company for the years 2018 through 2020

On March 29, 2018, the Company's Board of Directors (after the Audit Committee serving as the Compensation Committee had given their prior approval) approved a compensation plan for Company officers who report to the CEO, pursuant to the Compensation Policy, which includes a cash bonus and long-term equity compensation, as set forth below (the "**Compensation Plan**").

Pursuant to the Compensation Plan, each of the officers shall be entitled to an annual cash bonus (the "**Bonus**"), for each of the years 2018, 2019 and 2020 of up to three monthly salaries (apart from a Head of the Clearing Houses who shall be entitled to a Bonus of up to five monthly salaries). The entitlement of the officer to the Bonus, shall be determined based on assessments by the Compensation Committee and the Board of Directors, in relation to the officer's fulfillment of qualitative criteria, such as: contribution to increasing the Company's profits and its success, risk management and compliance, leadership and staff management, professionalism, character, efficiency, initiative and people skills, the advancement and implementation of processes, among other things. The CEO's opinion regarding each of the officers shall be brought before the Compensation Committee and the Board of Directors for approval.

If the "pre-tax profit" (as defined in the Compensation Plan) for a particular Bonus year is negative, the decision of the Compensation Committee to grant an annual Bonus, shall be conditioned on receiving the consent of all the members of the Compensation Committee. In any event, the amount of the annual Bonus shall not exceed the maximum annual Bonus prescribed for the officer. The entitlement of a Head of the Clearing Houses to an annual Bonus, for a particular Bonus year, shall be determined on the basis of a company-wide, quantitative criterion, which is the "pre-tax profit" of the Company per the Company's financial statements for the Bonus year. The Compensation Committee and the Board of Directors may decide to eliminate exceptional profits or losses for the purpose of calculating the "pre-tax profit" of the Company for a particular Bonus year.

²¹ It should be noted that the allocation of the full number of ordinary shares stemming from the exercise of the options for the CEO (the "**CEO's Exercised Shares**") is purely theoretical, since – in practice – the full number of the CEO's Exercised Shares will not be allocated to the CEO but only shares in an amount that reflects the amount of the monetary benefit inherent in the options for the CEO as of the exercise date.

For the purpose of calculating the Bonus of a Head of the Clearing Houses, quantitative goals have been set for the Company's performance in the Compensation Plan. The Compensation Plan also includes a mechanism for the repayment of the annual Bonus if the data on which the Bonus is granted is found to be erroneous. The Board of Directors may reduce the amount of the annual Bonus that shall be paid to an officer, including determining that an officer shall not be paid a bonus for a particular Bonus year, at the discretion of the Board of Directors.

For information on the bonuses approved for officers reporting to the CEO with respect to 2020, see Article 21 of Part Four – Additional Details Regarding the Company.

1.26.8.3 Equity compensation for officers who report to the CEO

As part of the compensation plan, on March 29, 2018, the Company's Board of Directors approved the grant of options, for no consideration, to officers of the Company who report to the CEO, in a total amount of up to 4,179,797 non-listed, registered options in three annual batches. The options are exercisable into up to 4,179,797 ordinary shares of the Company with no par value, subject to adjustments, at an exercise price of NIS 5.75 per share, subject to adjustments²². The cost of the benefit inherent in the options allocated as aforesaid, based on the fair value on the date of their allocation, amounted to NIS 4.54 million. For further details, including with regard to the method of calculating the fair value and of recognizing the expense, see note 15 B to the Company's consolidated financial statements as of December 31, 2020, which are included in this Periodic Report.

To the date of publication of this report, officers who report to the CEO exercised 1,911,999 warrants, by virtue of which they were allotted 1,202,091 ordinary shares of the Company (some of the aforesaid shares have been sold as part of the trading on TASE, and the remaining shares are still held by the officers), and 71,339 unvested warrants have expired following the retirement of an officer.

1.26.8.4 Bonus Plan for 2021

Pursuant to the approval of the 2021-2023 Compensation Policy and based on its principles, on March 16, 2021 (after obtaining the approval of the Audit Committee in its capacity as Compensation Committee), the Board of Directors of the Company approved a plan for the payment of an annual bonus for 2021 (hereafter: "the 2021 Bonus Plan") to all officers of the Company, excluding directors and including the Chairman of the Board of Directors. According to the 2021 Bonus Plan, the maximum annual bonus for 2021 is 6 monthly salaries, to each of the officers, of which up to 3 monthly salaries with respect to the quantitative bonus component and up to 3 monthly salaries with respect to the qualitative bonus component. The payment of the quantitative bonus component will be conditional upon achievement of the target "pre-tax profit" (for which a bottom threshold has been determined, below which a quantitative bonus will not be paid, and a maximum target that entitles the officer to the full quantitative bonus component). The target was determined based on the Company's budget and work plan for 2021, as approved at the beginning of 2021. The quantitative bonus amount payable to each of the officers will be calculated based on the results as per the Company's financial statements for 2021. The qualitative bonus amount granted to each of the officers will be determined by the Audit Committee and the Board of Directors, based on the criteria that are set out in the 2021-2023 Compensation Policy, and its payment to the Chairman of the Board of Directors, if so decided, will be presented to the general meeting for approval.

²² It should be noted that the allocation of the full number of ordinary shares stemming from the exercise of the options for the officers (the "**Officers' Exercised Shares**") is purely theoretical, since – in practice – the full number of the Officers' Exercised Shares will not be allocated to the officers but only shares in an amount that reflects the amount of the monetary benefit inherent in the options for the officers as of the exercise date.

1.26.9 Allotment of Shares to the Company's Employees and to its Service Providers

In May 2017, the Company entered into a collective agreement with the Histadrut (the New General Federation of Labor in Israel) and the Company's employees committee, pursuant to which it was agreed – among other matters – to allocate shares to employees with respect to TASE's restructuring. Accordingly, on September 13, 2017, TASE allocated 6,000,000 ordinary shares having no par value to a trustee for TASE employees and service providers, for no consideration. On the allocation date and on Reporting Date, these shares constituted 6% of the Company's issued share capital.

For details regarding the fair value of the benefit and how the expense is recorded, see note 15 A to the Company's consolidated financial statements as of December 31, 2020, which are included in this Periodic Report.

1.26.10 The Company's Senior Officers

1.26.10.1 For details regarding the Company's senior officers as of Reporting Date, see Article 26A of Part Four – Additional Details Regarding the Company. For information on the terms of office and employment of some of the senior officers who report to the CEO, see Article 21 of Part Four – Additional Details Regarding the Company.

1.26.10.2 For details regarding the terms of service and employment of Mr. Ittai Ben Zeev, who serves as the Company's CEO (including details of the retention plan for the CEO) and for details regarding the terms of engagement with the Chairman of the Company's Board of Directors, Mister Amnon Neubach, see Article 21 of Part Four – Additional Details Regarding the Company.

1.26.11 Collective labor relations at the Company

The Group's labor relations (except with respect to the Chairman of the Board of Directors, the CEO and the vice presidents who are employed under personal contracts) are based on special collective labor agreements that were signed between the Company's management and the Histadrut (the New General Federation of Labor in Israel) - the Tel Aviv-Jaffa Workers' Council and the employees committee (collectively, the "**Collective Agreement**"). The Collective Agreement is intended to govern the obligations and rights of the employees (other than senior officers who, as stated, are employed under personal agreements), define the disciplinary rules and the manner in which these are applied and resolve labor issues at the Company. Details relating to the Collective Agreement are presented below:

1.26.11.1 The basic Collective Agreement has existed at the Company since 1974 and governs the work conditions and pay terms at the Company, including organizational aspects relating to the absorption of employees at the Company and their employment. This includes defining the status of temporary employees and permanent employees, dealing with disciplinary breaches and prescribing arrangements regarding the termination of employees' employment and consultation with the employees committee (the "**1974 Agreement**").

1.26.11.2 Over the years since the 1974 Agreement was signed, additional collective agreements have been signed, from time to time, which update the pay of the Company's employees and also define benefits and related conditions for the employees (e.g., one-time annual bonuses, special bonuses, pay increments, pension arrangements, vehicle running costs, leasing, professional literature, clothing, and so forth). These pay agreements are registered as special collective agreements and constitute addendums to the 1974 Agreement.

1.26.11.3 On May 7, 2017, as the Company was completing a change in its ownership structure, a collective agreement was signed for a five-year period, through 2021 (the “**2017 Agreement**”).

The 2017 Agreement includes several special arrangements resulting from the TASE restructuring arrangement. First and foremost, there is a safety net against collective dismissals due to cutbacks and cost savings, under any conditions, during the five years following the date of the TASE restructuring arrangement. In addition, the 2017 Agreement establishes the right of the Company's employees to receive equity compensation in an overall scope of 6% of the Company's issued share capital (for details see Section 1.26.9 above). Moreover, the 2017 Agreement sets out various provisions relating to vacation days and regulates and places restrictions on the accumulation and redemption of vacation days during the term of the employees' employment. Furthermore, the 2017 Agreement defines a mechanism for an annual salary increase for the Company's employees at a rate of 3.5% of their salary or at the rate of the increase in the Consumer Price Index with the addition of 1.5%, whichever is the greater of the two, as compared to the annual salary increase that was customarily paid in the past at a rate of 4.6% of the employees' salary or at the rate of the increase in the Consumer Price Index with the addition of 2.25%, whichever was the greater of the two. The 2017 Agreement also contains provisions regarding an annual bonus for the Company's employees for the period up to and including 2021.

If the parties are unable to reach an understanding within 12 months from the month of April of the year following the year for which the bonuses are being paid, the employees shall be entitled to declare a work dispute and to impose sanctions in relation to the annual bonus under discussion. For example, after the parties failed to reach an agreement regarding the annual bonus for 2017, the employees committee declared a work dispute. On May 20, 2019, notice of a labor dispute from the Histadrut was delivered to the Company and to the Director of Labor Relations at the Ministry of Labor. In accordance with the provisions of the Settlement of Labor Disputes Law, 1957, in light of the delivery of the said notices regarding labor disputes, Company employees were entitled to strike. In addition, against the background of these and other disputes between the employees committee and management of the Company, various sanctions were imposed by the Company's employees during 2019, which, on one day, even led to the opening of trading on TASE being delayed by several hours. On June 7, 2020, following to the initiation of further sanctions, the Company announced that, in view of such disruptions, which hindered the performance of the procedures necessary for trading and clearing, no trading and clearing will be conducted on that day, as was the case.

On July 26, 2020, a special collective agreement (hereafter: “the special agreement”) was signed between the Company, on the one hand, and the Labor Federation and the employees committee, on the other hand. The special agreement provides, inter alia, for the distribution of annual bonuses to employees of the Company for the years 2017-2019. With the signing of the special agreement, this labor dispute, too, has come to an end. It should be noted that, considering the provisions that were included in the previous financial statements of the Company, the special agreement did not affect the financial results of the Company as of December 31, 2020.

1.26.12 **Officers' Liability Insurance Policies**

The liability of the officers and the directors (the “**Officers**”) of the Company and of its subsidiaries has been insured over the years under an Officers' liability insurance policy. In addition, the Company and the subsidiaries are insured under a professional liability insurance policy.

It should be noted that, as a result of the imposition of substantially more stringent terms on liability insurance for officers in public companies, the premiums and deductibles payable on such policies in 2020 are materially higher than those approved and/or paid in previous years.

As of Reporting Date, the Company has entered into an Officers' liability insurance policy, as set forth below.

An Officers' liability insurance policy from August 1, 2020 through July 31, 2021, with a liability limit of US \$40 million per event and in total for the insurance period, in consideration for a premium totaling US \$191.8 thousand (the "**Current Policy**"). The maximum deductible in the current policy (payable by the Company alone) is US\$ 400 thousand. This is in addition to the coverage layer acquired by the Clearing Houses under the liability insurance policy for their officers, of up to US\$ 10 million (per incident and in aggregate), for an annual premium of US\$ 39.7 thousand.

The Company also has an Officers' liability insurance policy in a "**Run Off**" format for an insurance period of seven years from the closing date of the sale of the Company's shares to Manikay and the Additional Investors (which led to the change of control in the Company), to cover past activity up to the closing date, with a liability limit of US \$50 million per event and in total for the insurance period, in consideration for payment of a premium for the full seven-year insurance period, in an amount of US \$107 thousand.

Each of the Clearing Houses and the Nominee Company shall bear a proportionate part of the premium in accordance with the principles of the distribution model agreement (as referred to in Section 1.17.2 above).

In addition, the Company holds Public Offering of Securities Insurance (POSI) with regard the public offering of securities of the Company in July 2019, for an insurance period of 7 years, with a liability limit of US \$30 million per event and in total for the insurance period, in consideration for a premium totaling US \$95 thousand for the entire 7-year insurance period and with a deductible of US \$250 thousand. Under the terms of this policy, the Officers will have preference over the Company in receiving insurance compensation.

1.26.13 Indemnification and exemption for Officers

Letters of indemnity for events

On January 25, 2001, the Company's general meeting approved (after the Company's Board of Directors and its Audit Committee had given their approval) the grant of letters of indemnity to the directors and officers of the Company (the "**Indemnification Decision**"). The Indemnification Decision has been amended at the Company's general meeting, from time to time, among other things, in order to update the list of events for which the officers and directors are entitled to indemnification. The amount of the indemnification that the Company shall pay (in addition to the amounts to be received from an insurance company, if any, based on the insurance purchased by the Company) with respect to a liability, as set forth in the letter of indemnity, together with the indemnification amounts that the Company shall pay with respect to a liability pursuant to the rest of the letters of indemnity that were granted and/or shall be granted, to all the Company's officers, in aggregate, with respect to one or more of the events set forth in the addendum to the letter of indemnity, shall not exceed an aggregate amount in shekels, equivalent to US \$20 million, subject to the conditions in the letters of indemnity.

For details regarding the approval at the Company's general meeting for the grant of previous letters of indemnity to the Company's officers serving as directors or other officers of the Company, see note 17 A to the Company's consolidated financial statements as of December 31, 2020, which are included in this Periodic Report.

On July 3, 2019, the Company's general meeting approved (after receiving the approvals of the Audit Committee serving as a Compensation Committee and the Company's Board of Directors) an amended version of the letter of undertaking for indemnification (the "**2019 Indemnity Letter**") issued

to any officer of the Company (as defined in the 2019 Indemnity Letter), who serves or will serve from time to time, (including with respect to his office and his activities as a service provider to the Nominee Company). The 2019 Indemnification Letter replaces the letters of indemnification granted in the past by the Company to officers of the Company serving on the date of the approval of the 2019 Indemnity Letter at the General Meeting. In this instance, the replacement of the letter of indemnity given in the past by the Company to officers of TASE Clearing House (the “**Existing TASE Clearing House Indemnity Letter**”) was also approved. officers of TASE Clearing House will receive in exchange a new letter of indemnity directly from TASE Clearing House, as detailed below. However, the Existing TASE Clearing House Indemnity Letter will continue to remain valid with respect to officers of TASE Clearing House who not serving in TASE Clearing House on the date of the approval of the 2019 Indemnification Letter at the general meeting.

The maximum amount of indemnification to be paid pursuant to the 2019 Indemnification Letter, with respect to a monetary liability imposed on an Officer against another person pursuant to all the indemnification letters granted or to be granted by the Company to all officers, cumulatively, for one or more of the events specified in the 2019 Indemnification Letter (a “**Monetary Liability to a Third Party**”) shall not exceed a cumulative amount equal to 25% of the Company's shareholders' equity, according to its most recent financial statements published prior to the date of the actual payment of the amount of the indemnification (in addition to the amounts paid pursuant to an insurance policy and/or indemnification to be paid by a third party other than the Company). In addition, pursuant to the 2019 Indemnification Letter, indemnification amounts will be paid with respect to reasonable legal expenses for investigation proceedings and legal or administrative proceedings, including reasonable litigation expenses, compensation payments to victims of administrative violations and any other liability or expense that may be legally indemnified.

Immediately prior to the approval of the 2019 Indemnification Letter 9, taking into account the subordination of the TASE Clearing Houses as part of Amendment No. 63 of the Securities Law to the provisions applicable to bond companies and other regulation provisions designed to ensure the separation of the Company from the TASE Clearing Houses, the general meetings of the TASE Clearing Houses (after obtaining the approval of their audit committees and their boards of directors) approved letters of indemnification for their officers, on the basis of principles similar to those of the 2019 Indemnification Letter, with certain adjustments taking into account the differences in the activities of these companies (the “**2019 TASE Clearing House/MAOF Clearing House/Clearing Houses Indemnity Letter**”).

Nevertheless, the aggregate maximum amount of indemnification with respect to a Monetary Liability to a Third Party under the 2019 TASE Clearing House Indemnity Letter was the higher of the following two alternatives: (a) NIS 10 million or (b) 25% of the TASE Clearing House's shareholders' equity with the addition of the total tier II capital (consisting mainly of balance sheet or off-balance sheet instruments, which are added to the accounting capital of TASE Clearing House to calculate the qualifying capital of TASE Clearing House, as will be approved from time to time pursuant to the resolutions of the Company's Board of Directors and the regulation of the Clearing Houses), according to TASE Clearing House's latest financial statements published prior to their actual payment. The maximum amount of the indemnity, cumulatively, with respect to a Monetary Liability to a Third Party according to the 2019 MAOF Clearing House Indemnity Letter was the higher of following two alternatives: (a) NIS 5 million or (b) 25% of the shareholders' equity of MAOF Clearing House according to its latest financial statements published prior to the actual date of payment. The maximum indemnity option set with respect to a Monetary Liability to a Third Party was determined in each of the 2019 Clearing Houses Indemnity Letters, taking into consideration the relatively low shareholders' equity of the TASE Clearing Houses at the present time, and the desire to assure the officers of the TASE Clearing Houses certainty in the existence of an indemnity amount (even if low)

and to thus meet the objectives of the indemnification tool, which is intended to enable the proper functioning of the officers of the TASE Clearing Houses, while taking calculated business risks.

Taking into consideration the existence of a letter of indemnification issued in the past by MAOF Clearing House to TASE officers, the 2019 MAOF Clearing House Indemnity Letter cancels the existing MAOF Clearing House indemnity letter, except for officers not serving at MAOF Clearing House on the date of approval of the 2019 MAOF Clearing House indemnity letter at the general meeting.

1.26.14 Exemption

On May 2, 2001, the Company's general meeting approved, subject to the provisions of the Companies Law, an exemption for the directors and officers of the Company from liability for any damage caused or to be caused due to a breach of their duty of care toward the Company. A similar exemption was given to the officers of the TASE Clearing Houses.

As a result of the changes that have occurred in the corporate governance provisions that apply to the Company and the TASE Clearing Houses as a result of Amendment No. 63 of the Securities Law, during the second half of 2019, the general meetings of each of the Company and of the TASE Clearing Houses (after the Audit Committee and the Board of Directors of each of them had given their approval), including the Nominee Company, approved exemptions from liability for damage resulting from a breach of the duty of care for the officers in each of these companies, subject to the provisions and restrictions prescribed by law.

1.27 Raw Materials and Suppliers

The Company is not dependent on specific suppliers and it has a number of suppliers for all raw materials. The raw materials that the TASE Group procures are standard products and the TASE Group would have no major difficulty in replacing suppliers pursuant to price, quality, availability and other considerations.

1.28 Working Capital

Presented below are additional details relating to the Group's working capital:

1.28.1 As of December 31, 2020, the Group's current assets – excluding assets relating to clearing operations with respect to open positions – amounted to NIS 366 million, compared to NIS 329 million as of December 31, 2019. Assets relating to clearing operations with respect to open positions as of the above dates amounted to NIS 353 million and NIS 352 million, respectively. The change in the total as of December 31, 2020, relative to December 31, 2019, is primarily due to the "Cash and cash equivalents" item. For further details, see Section 1.2 of the Board of Directors' Report for 2020, which is included in this Periodic Report.

1.28.2 As of December 31, 2020, the Group's current liabilities – excluding liabilities relating to clearing operations with respect to open positions – amounted to NIS 75 million, compared to NIS 82 million as of December 31, 2019. Liabilities relating to clearing operations with respect to open positions as of the above dates amounted to NIS 353 million and NIS 352 million, respectively.

The change in the total as of December 31, 2020, relative to December 31, 2019, is primarily due to the "Current maturities of lease liabilities" item and the "Trade payables" item (for further details, see Section 1.2 of the Board of Directors' Report for 2020, which is included in this Periodic Report.

1.28.3 The working capital from the Group's operating activities as of December 31, 2020 and December 31, 2019, amounted to NIS 291 million and NIS 247 million, respectively.

- 1.28.4 The working capital ratio – excluding assets and/or liabilities relating to clearing operations with respect of open positions – as of December 31, 2020 and December 31, 2019 was approximately 4.9 and 4, respectively.

1.29 **Investments**

Loans and credit facilities in favor of subsidiaries

On December 8, 2015, the Company entered into an agreement with TASE Clearing House, through which the Company granted a NIS 60 million loan to TASE Clearing House. The loan is linked to the Consumer Price Index, bears annual interest of 4.25% per year and is for a period of 10 years.

In 2004, the Company approved the grant of a loan to TASE Clearing House in an amount not to exceed NIS 50 million, in the event that TASE Clearing House required such funds to meet its liabilities. It was also resolved to authorize a committee of the Board of the Directors (in this section, the “**Board Committee**”) to determine when the loan would 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 Company and TASE Clearing House.

In early 2009, the Company approved the grant of a loan to MAOF Clearing House in an amount that would not exceed NIS 50 million, and provided that the total loan to MAOF Clearing House and to TASE Clearing House, as above, would together not exceed NIS 50 million, in the event that MAOF Clearing House required such funds in order to meet its liabilities. It was also resolved to authorize the Board Committee to determine when the loan would be granted and the amount of the loan, subject to the above limitations. The loan would be made available at the same rate of interest as the Bank of Israel charges the banks unless otherwise agreed between the Company and MAOF Clearing House.

As of Reporting Date, the Company has not made loans by virtue of the decisions listed above. It should be noted that the Company has no obligation to the Clearing Houses to provide loans pursuant to the aforesaid decisions.

For further details regarding the activity of the Clearing Houses and the Nominee Company, see Section 1.7.3 above.

1.30 **Financing**

The Group’s operating activities are financed with equity and with the cash flows from its operations. For further details, see note 25 B to the consolidated financial statements of the Company as of December 31, 2020, which are included in this Periodic Report.

1.31 **Taxation**

For details regarding the taxation of the Company, see note 16 to the Company’s consolidated financial statements as of December 31, 2020, which are included in this Periodic Report. The Company and its subsidiaries – MAOF Clearing House and TASE Clearing House have received tax assessments that are considered final up to and including the 2014 tax year (to remove any doubts, since the Nominee Company commenced operations in 2018, it has no tax assessments that are considered final).

1.32 Restrictions on and Supervision over the Company's Activity

Company and the Clearing Houses activities are governed directly within the framework of the Securities Law and are impacted indirectly by various legislative considerations – as is the case for all business activity in Israel. As of Reporting Date most of the arrangements to which TASE is subject result from Amendment No. 63, which was devoted to TASE's restructuring, with the aim of separating the TASE members' ownership of TASE from their activity on its platform, while shifting the regulatory center of gravity away from the direct involvement of governmental parties in the Company's bodies toward supervisory arrangements customary in the financial segment, along with a strengthening of the corporate governance mechanisms. An additional supervisory tier over the Company's activity is incorporated in the self-regulation of the activity of the Company and the Clearing Houses, whose establishment (as opposed to its planning) is obligatory pursuant to a requirement in the Securities Law, and is set forth in the TASE Rules and the Clearing Houses' Rules, alongside the establishment of an internal supervision and control array.

Presented below is a summarized review of some of the Law's principal provisions which apply to the TASE Group, in general, and to its sphere of activity – trading and clearing of transactions in securities, in particular, which, in the Company's opinion, have or might have a material impact on the Company's activity and on its business results.

1.32.1 Licensing of TASE and the Clearing Houses

Pursuant to Section 45 of the Securities Law, no person shall open or operate a system for trading in securities except under a license granted to him for this purpose (a "**Stock Exchange License**"). The Minister of Finance, after consulting with the Israel Securities Authority and with the approval of the Knesset Finance Committee, may grant a Stock Exchange License to a company, for which all the following are true:

- 1.32.1.1 it, and any corporation that it controls, is engaged only in the activities permitted for a stock exchange (see Section 1.32.2 below);
- 1.32.1.2 its articles of association do not include provisions that might affect its sound, proper and fair management;
- 1.32.1.3 it has made rules as stated in the Securities Law and the rules have been approved by the Israel Securities Authority and the Minister of Finance;
- 1.32.1.4 it has the technical expertise and the appropriate means to operate a system for trading in securities that will ensure the stability of the system, its reliability, availability and security of information;
- 1.32.1.5 it has paid the fees set for this purpose;
- 1.32.1.6 it meets the requirements concerning equity, insurance, deposit and guarantee determined by the Minister of Finance.

In a similar manner, Section 50A of the Securities Law prescribes that no person may open or manage a clearing system (as this term is defined in Section 44.EE of the Securities Law) except under a license (a "**Clearing House License**").

The Minister of Finance, after consulting with the Israel Securities Authority and with the approval of the Knesset Finance Committee, may grant a Clearing House License to a company, if it meets the conditions set by the Minister of Finance and regulations, including with regard to equity, insurance, deposit and guarantee, and if it has paid the fees prescribed for this purpose.

The Chairman of the Israel Securities Authority may cancel or suspend a Stock Exchange License or a Clearing House License in a decision explained in writing, if any of the circumstances set forth in the Securities Law exist with regard to the stock exchange or the clearing house. This includes circumstances in which a license was granted based on false or erroneous information, if any of the conditions for granting the license has ceased to exist, if insolvency proceedings are being taken against the license holder, if there exist with regard to the license holder (including its controlling shareholder or one of its senior officers) circumstances testifying to a flaw in its reliability, or if the license holder has breached any of the provisions under the Securities Law or any directive or guideline of the Israel Securities Authority and has not rectified the breach within the period set for doing so.

Under the transition provisions prescribed within the framework of Amendment No. 63 of the Securities Law, the Company and the Clearing Houses are deemed to be persons that have been granted a Stock Exchange License and a Clearing House License, as the case may be, pursuant to the provisions of the Securities Law.

1.32.2 **Restrictions on the activity of a stock exchange and a clearing house**

A stock exchange or a company which a stock exchange controls may engage only in managing a system for trading in securities, as well as in clearing services of transactions in securities, in securities custodian services or in other ancillary services, which do not raise a real concern of a conflict of interests or which are essential to the stock exchange's engagement in the management of a system for trading in securities and if the Israel Securities Authority has approved this. A stock exchange must operate in a sound, proper and fair manner while protecting the public interest.

A clearing house or a company in which a clearing house holds the means of control may engage only in managing a clearing system or in ancillary services, connected to the engagement in the management of a clearing system, subject to restrictions similar to those that apply to a stock exchange in relation to ancillary services.

A stock exchange may not carry out a transaction in securities for its own account except with permission from the Israel Securities Authority. On October 30, 2017, such a permit was received whereby the Company may carry out transactions for its and its subsidiaries' account, subject to all the transactions being carried out in securities issued by the government or the Bank of Israel, by way of managing a securities portfolio kept by a licensed portfolio manager, with certain restrictions on giving orders to the portfolio manager, and in accordance with the investment policy and the monitoring rules that will be set by the Company's Board of Directors, from time to time.²³ In addition, the Securities Law establishes the various restrictions with regard to the activity of employees and directors in securities on their own accounts. The restrictions specify that members of the Company's Board of Directors, as well as the Company's employees, may not conduct transactions in securities, other than with the permission of the Minister of Finance (such permission may be with respect to securities in general or with respect to specific classes of securities). In addition, the members of the Board of Directors and the Company's employees must give notice to the Chairman of the Israel Securities Authority and the Chairman of the Board of Directors, within one week of their appointment, regarding the securities held by each one of them.

TASE must publish on its website (and in any other way that the Israel Securities Authority may prescribe) the commissions that TASE members collect from their clients, including trading commissions and clearing commissions, as well as any changes to these commissions, and all in a manner that will allow for comparison to be made between the commissions. For this purpose,

²⁶ The above terms do not apply to the Clearing Houses, in connection with carrying out transactions in securities as a CCP, which are intended to guarantee the transaction's performance for the parties thereto.

TASE members must report to the Company the commissions that they collect from their clients, as well as any changes to commissions. In addition, an obligation has been imposed on the Company to report on this matter to the Knesset Finance Committee.

A stock exchange will not discontinue the operations of a system for trading in securities except if, in its opinion or in the opinion of the Minister of Finance, doing so will be for the benefit of the investing public, and it shall not decide to discontinue the system's operations for more than one business day, except with the approval of the Minister of Finance, pursuant to the Securities Law. Within the framework of the TASE Rules, arrangements are prescribed for the suspension of trading on TASE in certain circumstances and for a limited length of time, with the principal cause being exceptional movements in the prices and indices of securities.

In September 2012, TASE activated a real-time monitoring mechanism of extreme fluctuations in prices of securities, aimed at moderating fluctuations caused by errors or exceptional trading activity.

A Clearing House will allow any stock exchange or Clearing House member and any other person to obtain services from it and will not unreasonably refuse to provide its services. The Chairman of the Israel Securities Authority may exempt a certain Clearing House from providing service to any of the above parties, under certain terms and conditions.

1.32.3 Legislative arrangements in connection with clearing activity

The activity of clearing transactions in securities is primarily based on performing a transfer of funds against a transfer of securities between Clearing House members, pursuant to a clearing order timely received at the Clearing House, pursuant to the Clearing House Rules. Due to the importance of certainty that a clearing order will be fulfilled, particularly in instances of a Clearing House member's default, specific arrangements are prescribed in the Securities Law to ensure the finality of the clearing at the Clearing House, including provisions that apply in cases of a Clearing House member's default, including against the background of insolvency proceedings against a Clearing House member.

Within this framework, validity is granted in the Securities Law to the arrangements prescribed in the Clearing House Rules with regard to a Clearing House member's default, with regard to early termination of transactions or activity performed at the Clearing House and with regard to settlement between the Clearing House and the Clearing House member or between Clearing House members with each other. These arrangements are also recognized for the purpose of applying the provisions of the Financial Agreements Law.

For details regarding the collateral that Clearing House members shall provide for the benefit of the Clearing House, see Section 1.33.1 below.

1.32.4 Self-regulation of stock exchange and clearing house activity

As stated above, one of the conditions for obtaining a Stock Exchange License is the prescription of rules and regulations, in which the rules for the sound, proper and fair management of TASE are prescribed (the "TASE Rules"), among which the following may be prescribed:

- 1.32.4.1 rules regarding TASE membership (including, among other things, eligibility terms for TASE membership and a procedure for accepting members; the permitted fields of activity for TASE members; obligations of TASE members toward TASE and toward its members, including disclosure, record keeping and reporting obligations; rules of conduct of TASE members toward their clients, including disclosure, record keeping and reporting obligations; TASE's supervision and control over compliance with the TASE Rules and Regulations, by its members; disciplinary offenses and

disciplinary jurisdiction over TASE members; and terms and procedure for suspending a TASE member and for revoking membership);

- 1.32.4.2 rules for listing securities on TASE (including, among other things, the characteristics of a company that may list its securities, the characteristics of the securities that may be listed, the manner of performing an IPO and the means of allotting the securities, the prevention of transactions or activity in securities for a period to be prescribed, and setting a minimum rate of public holdings);
- 1.32.4.3 rules regarding trading on TASE (including, among other things, trading times, the terms and procedure for the temporary suspension or restriction of trading in a security or a group of securities, the restriction of trading to TASE members and to other parties, and publication of trading results);
- 1.32.4.4 obligations of a company whose securities are listed (a **“Listed Company”**) (including, among other things, continued compliance with the rules prescribed as conditions for listing, even after listing, trade breaks and significant events);
- 1.32.4.5 terms and procedure for suspending trading in a security or for the delisting of a security, including delisting at the request of the Listed Company;
- 1.32.4.6 rules regarding the publication of data by TASE, including information relating to trading, to TASE members and to Listed Companies;
- 1.32.4.7 commissions, listing fees and handling fees for TASE’s services;
- 1.32.4.8 the application of the above rules to a corporation that is not a company and to units of a joint investment trust fund.

The Company’s Board of Directors may amend the TASE Rules. An amendment requires the approval of the Israel Securities Authority. If the Israel Securities Authority approves the change, notification of the change in the TASE Rules will be sent to the Minister of Finance and the change will take effect ten days after the notification’s delivery, unless the Minister of Finance gives notice prior to the end of the period that he objects to the change. In addition, if the Israel Securities Authority believes that, for the sound, proper and fair management of TASE, the TASE Rules need to be changed, the Israel Securities Authority will notify TASE of such a decision. If TASE does not change the TASE Rules pursuant to the notification within the period prescribed therein, the Israel Securities Authority may make the change. Furthermore, TASE’S Board of Directors may prescribe, with the approval of the Israel Securities Authority, regulations that include details, terms and conditions regarding the provisions of the TASE Rules, where this is expressly authorized in the TASE Rules.

In accordance with the Securities Law and the directives of the Chairman of the Israel Securities Authority, the TASE Rules will be published by being deposited, together with any change, with the Registrar of Companies. In addition, TASE publishes the TASE Rules, and any changes to the TASE Rules, on its website.

In addition to the above, TASE is required to prescribe, in order to regulate its operation, procedures on certain topics, such as, ensuring its compliance with the terms and conditions of the Stock Exchange License, the technical resources needed for its operations, supervising the compliance of TASE members and its employees with the prescribed Rules and procedures, with respect to identifying and handling a conflict of interests in its operations, and with respect to engaging with a clearing house for the purpose of clearing transactions in securities (the **“Operating Procedures”**).

A clearing house is responsible for fulfilling the terms and requirements to which it is subject pursuant to the Securities Law, including, among other things, prescribing rules to ensure the stability, efficiency and sound and proper functioning of the clearing house or the clearing system (the **“Clearing House**

Rules”), including in connection with membership of the clearing house (with rules regarding clearing house membership needing the approval of the Authority), rules regarding commissions, listing fees or handling fees for the clearing house's services, risk management, their prevention or their mitigation, and the existence of backup arrangements in the clearing system in the event of an emergency.

1.32.5 Corporate governance at a stock exchange and at a clearing house

The Securities Law imposes unique requirements on a stock exchange and on a clearing house with respect to corporate governance requirements. These supplement the provisions of the Companies Law in this area in a separate chapter dedicated to this topic (the **“Corporate Governance Chapter”**).

The appointment of a TASE officer, who is a director, Chief Executive Officer, internal auditor, legal counsel (and any other office holder that the Chairman of the Israel Securities Authority determines to be an officer for this purpose, but not more than seven such office holders) is subject to advance notice to the Chairman of the Israel Securities Authority, who may give notice of his objection to the appointment. In doing so, attention will be paid to the considerations prescribed in the Law in connection with the suitability of the candidate for the proposed post, including his business experience, his integrity, his honesty, the manner in which he fulfilled his duties in the past at TASE, if the candidate was previously employed at TASE, his connections, of all types, with TASE and with parties related thereto, and if the candidate had previously served as an independent director. The employment and other businesses of the candidate will also be taken into account, as will the appropriateness of the board of directors' composition to its spheres of activity (the **“Advance Approval Process”**).

An employee of a stock exchange or anyone employed by a stock exchange or by a company associated with a stock exchange, apart from employment as a director in the company, is not eligible to serve as a director of the stock exchange.

Additionally, the Corporate Governance Chapter includes strengthened eligibility requirements in relation to an independent director over and above those prescribed in the Companies Law, the principal of which is a prohibition against appointing a person as an independent director if, at the time of the appointment or during the preceding two years, he is a stock exchange member or a controlling shareholder of a stock exchange member, he is an interested party by virtue of being a shareholder in a Listed Company, he is an interested party in a stock exchange or in a stock exchange member, he is a relative of a stock exchange member, of an officer of the stock exchange or of a stock exchange member of a controlling shareholder of the stock exchange or of a stock exchange member or of anyone that regularly provides services against consideration to any of the aforesaid, or if he has an affiliation (as defined in Section 240 of the Companies Law) to a stock exchange member, to an officer of a stock exchange member, to a corporation under the control of the stock exchange member or to a controlling shareholder of a stock exchange member or to anyone who regularly provides services against consideration to any of the above or to a stock exchange. Nevertheless, service as a director either of a stock exchange or of a clearing house will not be considered, in and of itself, as impairing the eligibility of a person to serve as an independent director in any of these corporations (an **“Independent Director”**).

It is further prescribed that the board of directors of a stock exchange shall comprise 15 directors at the most, that a majority of its members will be Independent Directors, and that at least three of the Independent Directors will be appointed at the general meeting of the stock exchange pursuant to the recommendations of an external nominating committee (**“Recommended by the Nominating Committee”**), established in accordance with the provisions of the Securities Law (and whose members are a judge, the chairman of the board of directors and a representative from academia) (the **“Nominating Committee”**). If the stock exchange is required to appoint external directors

pursuant to the provisions of Section 239(a) of the Companies Law (an “**External Director**”), they shall be appointed from the candidates Recommended by the Nominating Committee.

The service term of an Independent Director Recommended by the Nominating Committee will be the same as that of an External Director (up to three terms of service, each of which shall be for three years). The term of service of the chairman of the board of directors of a stock exchange will be five years, and he may be reappointed for an additional term of three years (and, if he is an Independent Director Recommended by the Nominating Committee, the service term as chairman of the board of directors will be deemed the service term of a director Recommended by the Nominating Committee). In addition, unique arrangements have been prescribed for terminating the appointment of Independent Directors Recommended by the Nominating Committee, and with regard to the obligation to include one such Director on every committee of the board of directors that is authorized to exercise any of the board of directors’ powers.

In accordance with the Corporate Governance Chapter, in addition to its duties pursuant to Section 92 of the Companies Law, TASE’s Board of Directors is responsible for the Operating Procedures and for ensuring their implementation, including, among other things, establishing control and supervision measures to ensure the sound, proper and fair management of TASE and to ensure the TASE members’ compliance with the TASE Rules, for approving the TASE Rules, and for appointing an internal auditor for TASE. Moreover, TASE’s Board of Directors will appoint from its members an Audit Committee and a Compensation Committee) including the Audit Committee which will serve as a Compensation Committee).

The members of TASE’s Board of Directors and TASE’s employees are subject to restrictions to conducting transactions in securities similar to the restrictions that apply to the Authority’s employees.

The provisions of the Corporate Governance Chapter, as described above, also apply to a clearing house, with appropriate changes, except that there is no requirement for the appointment of Independent Directors Recommended by the Nominating Committee, no requirement for the majority of the clearing house’s board of directors to be Independent Directors (although it must have at least three Independent Directors) and no obligation to establish an Advance Approval Process for the appointment of a clearing house’s officers by the Israel Securities Authority. It is also prescribed that the clearing house’s board of directors may declare a distribution only if, by doing so, no harm will be caused to the stability of the clearing house or to its sound, proper and fair management.

1.32.6 The Israel Securities Authority’s supervision of the activity of TASE and the Clearing Houses

Pursuant to the Securities Law, the Israel Securities Authority supervises the sound, proper and fair management of TASE and exercises control over the stability and efficiency of the Clearing Houses, as stated in Section 10 of the Payment Systems Law, 2008, and over the suitability of the Clearing Houses Rules.

If the Israel Securities Authority believes that TASE is operating in a manner contrary to the prescribed procedures or contrary to the provisions of its rules or regulations or in any manner that might impair its sound, proper and fair management, it must inform TASE and instruct it on the proper course of action. A similar power is granted to the Israel Securities Authority if a Clearing House is not fulfilling any of its obligations pursuant to the Securities Law or is operating in a manner contrary to its procedures or the Clearing House Rules or in a manner that might impair its sound, proper and fair management.

It is also prescribed in the Securities Law that TASE and the Clearing Houses shall send to the Israel Securities Authority reports regarding their operations, on the dates and with the details and in the

manner that the Israel Securities Authority prescribes, and shall send to it, upon request, information regarding its affairs, as well as financial reports.

Pursuant to the powers granted to it, the Israel Securities Authority has made rules to ensure the sound and proper operation of the TASE Clearing Houses, which prescribe, among other things, provisions regarding the following: the establishment of a Board of Directors' committee for risk management and its duties; the appointment of a compliance officer; the identification, management and handling of conflicts of interest; the clearing operations; setting risk management policy; margin requirements, their receipt, their management and their realization, as well as the creation of a default fund to guarantee the obligations of the Clearing House members; management of a Clearing House member's default event; and the membership requirements for Clearing House members; outsourcing of some of a Clearing House's operations and services; reporting to the public and to the Israel Securities Authority; and, the equity requirement for insurance purpose.

In June 2017, the Israel Securities Authority published a pronouncement regarding implementation of the principles for financial market infrastructures at the Clearing Houses. Pursuant to this pronouncement, it is implementing at the Clearing Houses, on an ongoing basis, local laws and rules, consistent with international principles and standards for the operations of entities in the capital market. Such laws and rules have been defined as financial market infrastructures, as presented in the report of a special international committee on payments and settlements, acting on behalf of the Bank of International Settlements and the International Organization of Securities Commissions, and which makes it possible to view the Clearing Houses as acting in accordance with these principles.

1.32.7 **The Concentration Law**

Pursuant to Amendment No. 63 of the Securities Law, the Law for Promotion of Competition and Reduction of Concentration, 2013 (the "**Concentration Law**") was also amended, whereby areas of operations for which a Stock Exchange License and a Clearing House License are required have been defined as essential infrastructure fields. Consequently, the Company and the Clearing Houses have been included on the list of centralized parties that has been drawn up pursuant to the provisions of the Concentration Law. Pursuant to the Concentration Law, at the time of conferring a right on a centralized party (e.g., a license, franchise or contract), the regulatory authority must also examine national economic concentration considerations, and these might amount to a reason for not conferring the above right. In addition, pursuant to the Concentration Law, the Competition Commissioner has declared that the grant of a Stock Exchange License by the Minister of Finance falls within the definition of a right whose grant requires consultation with her.

1.32.8 **Compliance and enforcement**

The function and status of the TASE Group requires it to be doubly meticulous in complying with the regulatory provisions to which it is subject. In June 2017, the Company's Board of Directors approved the TASE Group's policy for "compliance risk" management, with compliance risk being the risk of imposition of legal or regulatory sanctions, of a material financial loss, or of reputational damage, which the Group might sustain as a result of it not fulfilling the "compliance provisions", including the laws, regulations, regulatory directives and internal procedures, which apply to the operations of the TASE Group, as set forth in this Section 1.32 above. The policy is intended to define the compliance management format of the TASE Group, among other things, by means of the Company's compliance officer and its compliance department, and including by way of defining compliance functions within the TASE Group and defining the powers and spheres of responsibility of the parties involved in the compliance management process. Within the aforesaid framework, and taking into consideration the Company having become – as of Reporting Date – a reporting entity pursuant to the Securities Law, which is subject, inter alia, to the administrative enforcement powers of the Authority, the Company's Board of Directors has appointed the Company's Compliance Officer to the post of Internal

Enforcement Officer of the securities laws and has also approved a program for the internal enforcement of the securities laws.

1.32.9 Supervision of TASE members

The Company has established an internal supervision and control system to ensure compliance with the TASE Rules, with emphasis on the obligations placed on the TASE members pursuant to the TASE Rules. This system is backed by authority to require an audit and to demand information, along with the organized mechanisms for disciplinary proceedings, prescribed in the TASE Rules. For further details see Section 1.7.2 above.

1.32.10 Additional provisions in connection with the tax laws and tax treaties

As part of the Clearing Houses' services, TASE Clearing House is active in making credits and debits (gross, before tax) in Israel, which relate to interest payments, linkage differences and dividend payments.

1.32.10.1 Income Tax Regulations (Implementation of a Common Reporting Standard and for Due Diligence on Financial Account Information), 2019

On January 2, 2019, the Knesset Finance Committee approved the Income Tax Regulations (Implementation of a Common Standard for Reporting and for Due Diligence on Financial Account Information), 2019 (hereafter: "**the CRS Regulations**"), which prescribe that Israeli financial institutions are required to furnish information to the tax authorities in Israel regarding accounts of foreign residents for the purpose of tax enforcement.

The CRS Regulations are the latest stage in assimilating international commitments for the automatic exchange of information within domestic statutes that Israel has taken upon itself and the adoption of the international standard for the exchange of information. Pursuant to this standard, financial institutions are meant to collect financial information on foreign residents and to furnish it to the tax authorities for it to be transferred to the countries of residency of the account holders. The reports are made automatically and on an annual basis. The standard relies to a considerable extent on the model developed within the framework of implementing the FATCA. The Clearing Houses have made preparations pursuant to the requirements of the Regulations, their bylaws have been updated and appropriate arrangements made with the Clearing House members, who are obligated, by themselves, to comply with the provisions of CRS regulations.

1.32.10.2 US taxation – the TASE Clearing House, a QI that is not a withholding agent

The securities registered with TASE Clearing House include those of companies that are subject to the tax laws of the United States ("**US Securities**").

The tax laws of the United States allow any foreign entity, which is not American, to enter into a QI agreement with the tax authorities in the United States (the IRS), which grants it the status of a QI (Qualified Intermediary). This status is essential for TASE Clearing House to be able to handle the clearing of US securities transactions, which occupy a significant share of the total volume of transactions cleared through TASE Clearing House. For details regarding the QI agreement that TASE Clearing House has entered into, see Section 1.34.2 below.

1.32.10.3 Documentation and reporting within the framework of the FATCA provisions

The State of Israel has signed an agreement with the United States for the improvement of international tax enforcement and for the implementation of the provisions of the FATCA legislation.

The agreement governs the manner in which information is transferred to the IRS by the Israel Tax Authority, which obtains such information from the financial bodies in Israel. For FATCA purposes, TASE Clearing House is defined as an FFI (Foreign Financial Institution) and provides services solely to Clearing House members who are QIs, according to an approval from the IRS.

1.33 Material Agreements

1.33.1 Facility agreements with the Bank of Israel – repo transactions

In order to provide each of the Clearing Houses with liquidity in situations where a Clearing House member is unable to meet its obligations or where there is concern that a member will be unable to meet its obligations to the Clearing Houses (a “**Member’s Default Event**”), facility agreements were entered into in July 2017 between each of the Clearing Houses and the Bank of Israel, for a set term of five years, for the receipt of liquidity against collateral in securities that the members of the Clearing Houses have deposited with respect to their contribution to the default funds of each of the Clearing Houses and as part of the margin requirements of the MAOF Clearing House. The outline for this is based on a mechanism of repo transactions, in accordance with standards published by CPMI and IOSCO as the PFMI and the Clearing Houses’ Stability Directive issued by the Israel Securities Authority²⁴.

Upon the occurrence of a Member’s Default Event, and in order to meet the obligations of the Clearing Houses as a Central Counterparty, the Clearing Houses may realize the collateral that the Clearing House member gave to secure payment of its contribution to the default funds of the Clearing Houses and, if necessary, they may realize the collateral given by the rest of the Clearing House members to secure payment of their contribution to the default funds, and all pursuant to the provisions of the Clearing Houses’ bylaws.

Pursuant to the provisions of the facility agreements, if, on the occurrence of a Member’s Default Event, the Clearing Houses have an immediate need for cash, the Clearing Houses can ask to carry out repo transactions in the securities that have been transferred to their ownership to exercise their right to the collateral, and this pursuant to the terms and conditions stipulated in the agreements.

Under the facility agreements, the Clearing Houses have undertaken to use the proceeds paid to them by the Bank of Israel, to carry out repo transactions, solely for the purpose of meeting their Central Counterparty obligations to the members resulting from a Member’s Default Event.

The Clearing Houses are not obliged to realize the collateral by accepting ownership thereof and selling the securities to the Bank of Israel in repo transactions in accordance with the facility agreements, and they may realize the collateral by any means open to them in accordance with the law, at their discretion.

The total proceeds that the Bank of Israel shall pay to TASE Clearing House, with respect to the transactions covered by the facility agreement in instances of a Member’s Default Event, shall not exceed NIS 1 billion or an amount equivalent to the amount of the default fund on the date of acquiring the first transaction executed under this agreement with TASE Clearing House, whichever is lower. Likewise, the total proceeds that the Bank of Israel shall pay to MAOF Clearing House, with respect to the transactions covered by the applicable facility agreement in cases of a Member’s Default Event, shall not exceed NIS 2.3 billion for purchased securities owned by MAOF Clearing House, subject to the decision of MAOF Clearing House to realize the collateral in the defaulting fund, an additional

²⁷ The Company has a credit facility in favor of TASE Clearing House that has been provided by a banking corporation. At the Clearing House's request and against the deposit, in a pledged designated account of the Clearing House with the banking corporation, of government bonds with a value of NIS 30 million which are charged in favor of the banking corporation, said banking corporation will provide the Clearing House with a credit facility of NIS 30 million.

amount of NIS 1.8 billion or an amount equivalent to the amount of the defaulting fund on the date of acquiring the first transaction executed under the Facility Agreement, whichever is lower.

1.33.2 MTS agreement

During 2006, TASE Clearing House entered into an agreement with EuroMTS Limited (“**EuroMTS**”). EuroMTS manages the “EuroMTS” system which is an electronic trading system for trading by means of market participants in government bonds that is managed and supervised by the relevant authority in the United Kingdom (“**United Kingdom Financial Services Authority**”) (the “**MTS System**”). Pursuant to such agreement, TASE Clearing House has undertaken to provide services to EuroMTS for transactions that are executed on the MTS Israel System. EuroMTS is entitled to collect commissions from users of the MTS Israel System (as defined in the above agreement) and TASE Clearing House is entitled to collect commissions from the Clearing House members, with respect to the above-referenced clearing services. TASE Clearing House constitutes a Central Counterparty (CCP) for transactions that are carried out on the MTS Israel System pursuant to the rules prescribed in the agreement and in accordance with the Clearing House’s bylaws. The above agreement is for a term of two years, after which the agreement will be renewed automatically, unless otherwise agreed and/or canceled by one of the parties by giving 180 days’ advance notice.

1.33.3 For details regarding the distribution model agreement, see Section 1.17.2 above.

1.34 Cooperation Agreements

1.34.1 Cooperation agreements with the global stock exchanges

From time to time, the Company considers strategic collaborations with other stock exchanges around the world, which are intended to enhance the accessibility to the financial markets of each of the parties to the agreement and to leverage strategic advantages of each of the parties to the agreement, taking into consideration, inter alia, the suitability of companies operating in each of the countries for trading on the counterparty stock exchange.

Within this framework, on May 14, 2018 the Company entered into a strategic cooperation agreement with the Singapore Exchange (Singapore Exchange Limited (SGX)).

Additionally, on December 15, 2020, Abu Dhabi Securities Exchange (ADX) and the Company signed a memorandum of understanding (MOU), the key purpose of which is the exploration of potential opportunities for regional collaboration in various fields of their operations. To the date of the report, agreements have not yet been reached with regard to such collaborations, realizing the purpose of the MOU.

1.34.2 QI (Qualified Intermediary) agreement with the US tax authorities (IRS)

As described in Section 1.32.10.2 above, in 2002, TASE Clearing House entered into a QI agreement as a QI that is not a withholding agent. The QI agreement was renewed with the IRS until December 31, 2022. Pursuant to the QI agreement, TASE Clearing House is required to comply with various requirements, which include, among other things, extensive guidelines regarding the manner of customer documentation, deduction of current taxes and reporting to the IRS.

1.34.3 Negotiations for a joint venture with the Ukraine Stock Exchange

On November 23, 2020, the Company announced that it is conducting negotiations with a group of investors for the promotion of a joint venture for the development and supply of a trading system in securities, based primarily on knowhow and technology in possession of the Company, to a foreign corporation, designated to engage in the management of a stock exchange in Ukraine. One of the key conditions for the venture is the participation of the Government of Ukraine.

1.35 Legal Proceedings

1.35.1 Claim against a declared labor dispute

Following the closing of the sale of the shares of most TASE members to Manikay and Additional Investors, on September 17, 2018, a labor dispute announcement was delivered, among other things, on the grounds that a collective agreement was to be signed to guarantee employees a “security net”, economic rights, and the announcement will regulate the implications of the transaction on workers’ rights, status and employment security. On October 8, 2018, the Company filed an ex parte motion in a collective dispute at the Tel Aviv Labor Tribunal against the Histadrut and TASE’s employees committee, seeking declaratory relief. Pursuant to the motion, the above mentioned labor dispute, was declared to be unlawful and to be contrary to maintaining the industrial calm to which the employees committee had committed under the special collective agreement which had been signed between the parties on May 7, 2017. Subsequently, on December 1, 2019, the Regional Labor Tribunal rejected the aforementioned motion of the Company. On December 15, 2019, the Company filed an appeal against the above decision at the National Labor Court. On July 16, 2020, the Labor Federation announced the cancellation of the labor dispute that was the subject of said proceedings, this in view of the agreements in principle reached between the Company and TASE’s employees committee. On the same date, the National Labor Tribunal ruled that, in view of the cancellation of the labor dispute by the Labor Federation and TASE’s employees committee, as aforesaid, and considering the problematic points found in the ruling of the Regional Labor Tribunal from December 1, 2019, the ruling was overturned and, consequently, the appeal of the ruling has become redundant and was withdrawn, this at the recommendation of the National Tribunal and at the consent of the parties.

1.35.2 Monetary Claim Against the Ministry of Finance

On May 5, 2020, the Company filed a monetary claim by summary procedure with the Tel Aviv District Court against the State of Israel, the Ministry of Finance - Accountant General, in an amount of approximately NIS 20.13 million (including VAT), for default in payment of the listing fees payable by virtue of the in respect of government bonds that had been issued in the period from May 2013 to the end of March 2020 (inclusive) within the framework of the Ministry of Finance’s lending pool. To the date of this Periodic Report, the State submitted a statement of defense, rejecting the arguments of the Company, and a hearing has been scheduled for April 11, 2021. To remove any doubts, it is hereby clarified that, to date, the Company has not recognized in its financial statements income from the listing fees covered in the claim.

1.36 Goals and Business Strategy

1.36.1 The Company's operating strategy focuses on four central objectives aimed at increasing the economic qualities inherent in TASE's activity, thereby setting the Company on the path to long-term growth:

1.36.1.1 increasing the marketability and liquidity on TASE's main markets;

1.36.1.2 improving the way in which the Israeli economy is reflected on TASE, by increasing and diversifying the companies that are listed on TASE and that raise capital thereon;

1.36.1.3 leveraging TASE's capacity to offer additional services and products, that complement the main services provided by TASE; and

1.36.1.4 enhancing the infrastructures that are used in TASE's operations and making these more efficient.

1.36.2 Five-year strategic plan

In March 2017, the Company's senior staff presented a five-year strategic plan to the Company's Board of Directors. The Board of Directors approved the directions of activity and the work plans based on the strategic plan, the objective of which is described above. Subsequently, the Company began implementing some of the measures in the strategic plan and has also begun instituting other projects that align with the objectives of the strategic plan, including those set forth below:

On the basis of the Company's approved work plans, taking into consideration actions already taken as of Reporting Date for the implementation of the strategic plan and its goals, according to the Company's assessments, the cost of investment to maintain TASE's existing systems and other ongoing investments through the end of 2021, including pursuant to the strategic plan is expected to total between NIS 40 million and NIS 45 million. This assessment falls within the definition of forward-looking information, which might not be realized, among other things, due to decisions to make investments in new technologies or in developing new products, that are not included in the strategic plan or due to decisions to change the strategic plan, including making changes to the order of priorities in implementing the plan's various components, taking into consideration – inter alia – the implications of the outbreak of the Novel coronavirus (with regard to this, see Section 1.38.1 below), or due to changes in the costs needed for the above implementation.

It should be noted that, in view of the progress made in implementing the plan, as described below, and as the plan is for a period of five years, the Company is considering possible necessary adjustments to the strategic plan. Within this framework, in view of the capital surplus and the increased cash balances, the Company is planning to consider various alternatives for optimal use of its cash balances, including adjustment of the Company's dividend policy, distribution of dividends and/or adoption of a buyback plan or the performance of strategic acquisitions and/or investments in its fields of activity and/or in areas that offer added value to its activities.

As part of the efforts to increase marketability and liquidity in the main stock exchange markets:

1.36.2.1 the Company has updated the TASE and Clearing Houses membership model in order to allow the entry of new members and introduce new membership models. As part of the process, the acceptance terms and processes to join as local TASE members acting on behalf of customers, as local TASE members acting on behalf of themselves, as remote TASE members and as remote custodial members have been updated. In addition, following the announcement of a joint call by the Israel Securities Authority and the Company that sought to advance technological innovation in the retail brokerage sector in Israel, the eligibility and acceptance terms for TASE membership with respect to

a non-bank TASE member have been updated. Additionally, the Company is considering establishing special terms of qualification and acceptance for companies that hold an insurer's license or a debit card issue license, and allowing non-banking TASE members to extend credit to customers that is not limited to financing their activities in financial assets. The entry of additional, new members is expected to diversify and improve the quality of the services provided to investors on TASE, thereby increasing the number of active investors and thus the liquidity on TASE's markets²⁵;

- 1.36.2.2 the Company values creating awareness of the possibility of investment in the stock exchange among the Israeli public, and to encourage it to examine activity within it. The Company first launched a digital campaign in 2018 and increased its presence on social networks in order to increase the accessibility of the stock exchange to new investors, with an emphasis on potential investors from the younger generation. Starting in 2019, the Company launched a comprehensive campaign on television and digital media, in order to stimulate discussion about the feasibility and importance of investing in the stock market, for all segments of the population and entered into an agreement to sponsor the Israel Professional Football Leagues. For further details, see section 1.20 above;
- 1.36.2.3 co-location services were launched by the company in the second half of June 2019. This service enables trading servers to be located adjacent to the trading engine of TASE's systems, thereby providing these players with fast access to trading, at a consistent speed and without being dependent on external company factors. As of Reporting Date, several customers had connected to the service and a substantial portion of the trading orders on TASE go through the co-location services. The connection of additional customers will continue to contribute to the Company's revenue flows from such services and is expected to lead to the entry of foreign players, thereby increasing liquidity and marketability on the trading markets that TASE manages. For further details, see section 1.16.7.2 above;
- 1.36.2.4 further to signing an agreement with an international communications company that deals, among other things, in the field of data communications infrastructure, which provides direct and convenient access between a central server center in London and the server center of the Company for the receipt and distribution of data and/or the transmission of orders for trading on TASE, the Company has begun marketing the new service and, currently several customers are enjoying direct access to the Company's server center via a dedicated interface. In the Company's estimation, this connection facilitates the activity of foreign members and traders on the TASE markets and could attract international electronic market makers to trade on TASE, thereby increasing the liquidity on the trading markets that TASE manages;
- 1.36.2.5 in June 2020, the Company announced the historic launch of TASE's data distribution system, MAYA, in the English language. The website is designed to make information regarding TASE and the companies listed on it more accessible to foreign investors, particularly in light of the growing global interest in Israeli companies;
- 1.36.2.6 concurrent with these steps, the Company launched new versions of the TASE website and its mobile application, which offer a better user experience and new services;

²⁸ During 2019, Jefferies LLC and the technology company, Flow Traders B.V., joined TASE as remote members, while Euroclear Bank joined as a Clearing House custodial member. Additionally, as of the reporting date, the joining of the First Digital Bank Ltd. as a TASE member has been approved, and the joining of nostro member, Barak Capital Ltd., has been provisionally approved. For additional information, see section 1.7.2.4 above.

1.36.2.7 the Company has been working to encourage the entry of new players into the Israeli stock market, including by means of a trading arena that in 2019 has begun offering CFDs on shares included in the TA-35 index, partially covered by shares traded on the stock exchange. The Company expects to generate revenue from these sources, as well as from data distribution, and is contemplating the expansion of the underlying assets that are traded on TASE and the introduction of additional trading arenas;

1.36.2.8 in November 2020, the Company launched the Central Securities Lending Platform. The platform will enable direct lending among the various financial instruments, will function as a one-stop-shop for all securities lending activities, and upgrade the local lending market. For additional information, see section 1.18.1 above.

As part of its efforts to improve the manner in which the Israeli economy is reflected in the stock exchange:

1.36.2.9 the Company has made and continues to make major marketing efforts to attract new companies to make equity and debt offerings on the Israeli market. This effort is aimed at encouraging the general public to participate in offerings, and to attract additional companies to raise equity and debt on TASE;

1.36.2.10 in 2020, and pursuant to the Security Authority's approval, as part of the expansion of the use of the TACT-Institutional platform, the Company launched TASE UP - a platform that grants private high-tech companies, venture capital funds, REITs investing overseas and credit funds special access to institutional and qualified investors, and allows them to raise equity and debt without publishing a prospectus and without being subject to all of the reporting and governance requirements that apply to public companies. In December 2020, the first two companies listed on this platform. For additional information, see section 1.16.1.3 above.

1.36.2.11 the Company is also directing and has directed marketing efforts toward the dual-listing of shares for Israeli companies that are only listed overseas. The Company believes that, close to Reporting Date, more than 75 Israeli companies, with an aggregate market capitalization in excess of US\$ 150 billion, are listed on overseas stock exchanges (and not in Israel). In order to further this aim and in order to reduce the risk of existing dual-listed companies de-listing, the Company has entered into an agreement with Entropy to make ISS company recommendations to institutional entities in relation to the dual-listed companies. This agreement was in effect until the end of 2020, and upon its expiration the Company entered into a similar agreement with Emda. At the same time, ISS has recently announced that it will be providing subscribed Israeli institutional investors with independent studies of the general meetings of all companies that are listed on TASE. This will significantly expand ISS's coverage of public companies in Israel to include smaller companies that are generally absent from portfolios of international institutions²⁶;

1.36.2.12 in parallel, the Company has set up an account at the Euroclear Clearing House and is acting to create mechanisms that will facilitate and improve the dual-listing arrangements with markets other than the United States – with London, Toronto, Hong Kong and Singapore topping the list. In addition, the Company is continuing to examine ways to form collaborations in order to enlarge the basket of products and services it is able to offer.

²⁶ According to the agreement between the parties and pursuant to ISS's penetration of the Israeli market, in the event that the agreement between ISS and Emda is cancelled, the agreement between Emda and the Company will also be cancelled.

As part of the efforts to leverage the Company's capacity to offer additional services and products that complement the primary services provided by the Company:

- 1.36.2.13 the Nominee Company started operating in 2018. As a result, competition in this sector has intensified, leading to reductions in the prevailing commissions in the nominee companies' market and to an improvement in the accepted level of service;
- 1.36.2.14 the Company has launched an alternative asset clearing service, such as investment and hedge funds based on the NLT system, which is intended to assist issuers and investors of these assets. As part of the service, alternative assets are registered at TASE Clearing House and the Company enables TASE members to present these assets, reflect their value, and process their payments for their clients;
- 1.36.2.15 at the end of 2019, the Company began to offer clearing services for corporate actions made in US dollars and, at the beginning of 2020, in European currencies, with the aim of enabling companies making payments that fulfill the criteria prescribed in the TASE Clearing House Rules to clear corporate actions in US dollars and/or in European currencies, as appropriate;
- 1.36.2.16 during 2019, the Company began offering a service aimed at underwriters and issuance coordinators for the clearance of the issuance proceeds as part of its desire to offer a package of services in the primary market sector;
- 1.36.2.17 in September 2020, the Company launched TASE Data Hub as a further step towards enhancing the accessibility of TASE data to various users and aligning the services and products of TASE with those of the leading global exchanges. For additional information, see section 1.16.7.3 above;
- 1.36.2.18 during 2019, the Company promoted the dual-listing and trading of foreign ETFs in Israel. This development resulted in a major international issuer of foreign ETFs entering the Israeli market, as well as an international market maker. To date, 23 foreign ETFs have listed on TASE. The Company is also currently holding discussions with several major global ETF issuers in this regard. For additional information, see section 1.18.2 above.

As part of the efforts to improve infrastructures used to operate the stock exchange and its operational efficiency:

- 1.36.2.19 during 2017, the Israel Securities Authority announced its adoption of the Principles for Financial Market Infrastructures ("PFMI") that it is implementing through local legislation and rules. It also announced that TASE Clearing House and MAOF Clearing House are to be considered as operating pursuant to these principles. The Israel Securities Authority's decision to recognize the Clearing Houses as operating pursuant to international standards is the culmination of a process that began in 2014 and during the course of which several measures were taken to improve extensive aspects of the Clearing Houses' operations – particularly the development and upgrading of the risk management system and deploying corporate governance arrangements that align with the standards and criteria generally found at the world's leading clearing houses;

1.37 Likely Developments in the Coming Year

As stated above, in the operating sphere, the Company's management intends to place emphasis on continuing to implement the strategic plan, including:

1.37.1 As part of the efforts to increase marketability and liquidity in the main TASE markets:

- 1.37.1.1 continuing to market the central lending pool for securities listed on TASE, aimed at stimulating liquidity and providing extensive services to the various market participants;
- 1.37.1.2 continuing to make it more attractive for foreign players to trade on TASE by aligning the trading infrastructures with international standards;
- 1.37.1.3 examining the possibilities of making adjustments to the TASE Rules with regard to futures on the TA-35 Index and/or on the TA-125 Index, as well as examining the possibility of launching futures on other underlying assets, with the aim of expanding the basket of products and services that TASE is able to offer;
- 1.37.1.4 examining the need to promote a plan to incentivize market making on TA-35 Index equities, with this too being in line with accepted practice at the world's leading exchanges;
- 1.37.1.5 continuing to update the membership model for TASE and the Clearing Houses. In this connection and further to the announcement of a joint call by the Israel Securities Authority and the Company that sought to advance technological innovation in the retail brokerage sector in Israel, continuing with efforts to introduce TASE members that want to act as retail brokers in Israel, whether this is in securities trading or in mutual funds distribution, so as to enable the general public to benefit from direct trading services that are more sophisticated, cheaper and more easily accessible;
- 1.37.1.6 continuing to reach out to the Israeli public via traditional and digital media, in order to improve TASE's standing with the general public, improve the level of financial understanding and familiarity with the world of TASE investing, and increase the number of Israeli investors active on TASE;
- 1.37.2 As part of its efforts to improve the manner in which the Israeli economy is reflected in the stock exchange:**
 - 1.37.2.1 continuing to pursue the listing of high-tech companies on TASE, while promoting the distribution of issuances intended for listing on the stock exchange to institutional entities outside Israel as well as the possibility of a simultaneous dual-listing and IPOs on two markets;
 - 1.37.2.2 working with the government to encourage government-owned companies to undertake IPOs in accordance with the government's decision on the subject²⁷.

²⁷

Pursuant to a government resolution from 2014, the Government intends to encourage a number of principal government companies to issue to the public 20% to 49% of their issued share capital. To the date of the report, the aforesaid government resolution has not yet been fully implemented. To the best of the Company's knowledge, the Ministry of Finance is promoting such issuance of several government companies. In November 2020, the Ministerial Committee for Privatization decided to sell up to 49% of the share capital of Israel Aerospace Industries Ltd. by way of a public offering under a prospectus.

1.37.3 **As part of the efforts to leverage the Company's capacity to offer additional services and products that complement the main services provided by the Company:**

- 1.37.3.1 TASE Clearing House is acting to expand the service of clearing non-negotiable investment instruments such as investment and hedge funds, foreign mutual funds and other non-marketable securities. To this end, TASE Clearing House is promoting a solution that enables the distribution of investment in these instruments through TASE Clearing House and the TASE members;
- 1.37.3.2 the Company is examining various ways to raise its profile as an exposure platform for overseas investments, both by attracting foreign ETFs to list in Israel, as referred to above, and through offerings of debt and equity by foreign entities, as well as by other means;
- 1.37.3.3 continuing to act to expand the supply of data services provided by the Company by means of offering additional data services on the Company's website for a fee. Within this framework, the Company is planning to offer information products that deliver a deeper and more detailed analysis compared to the existing format of presentation of trading data in TASE's orders book (Market by Order);
- 1.37.3.4 offering services to other stock exchanges services that are based on the knowledge and expertise accumulated by the TASE Group regarding various issues related to the operation and/or management of stock exchanges.

1.37.4 **As part of the efforts to improve the infrastructure used to efficiently operate the stock exchange:**

- 1.37.4.1 TASE and the Clearing Houses will continue to pursue compliance with PFMI, including the formulation a comprehensive recovery plan for the TASE Group, which will focus on aspects of financial recovery (but also on operational aspects) and on the measures that would be required of the Group and/or any of the Clearing Houses in the event of the occurrence of various extreme business, financial and operational scenarios. At the same time, several stress tests will be performed every year at the level of both the Group and the Clearing Houses to examine the effect of their realization on their condition and to enhance their resistance to such scenarios;
- 1.37.4.2 continuing to carry out efficiency measures that include employee mobility and matrix management, incentivizing employees by means of differential compensation in accordance with the provisions of the Collective Agreement, and mechanization and automation projects;
- 1.37.4.3 continuing to examine the TASE price list and updating it in accordance with changing circumstances and market needs and, as such, creating incentives with the aim of encouraging market players to increase their trading activity on TASE, including by means of setting prices on the basis of the type of orders and the scope of activity.

The Company's assessments and plans, as set forth in this section above, are forward-looking information, which is based, among other things, on the Company's assessments and plans regarding the economic and business development of the Group, taking its past experience into consideration. It is possible that, in practice, the above assessments, plans and intentions will not be realized or will be realized in a manner different from that expected by the Company, as a result of various factors of which the Company is unaware as of Reporting Date, including, due to the materialization of any of the risk factors set forth in Section 1.38 below and/or due to implications of the outbreak of the Novel coronavirus.

1.38 Risk Factors Discussion

As with every business activity, the activity of the TASE Group is – by its nature -susceptible to the impact of various risk factors. Described below are the principal risk factors that the Company believes affect the activity of the TASE group. For further details regarding the exposure to risks and their management, see Section 2 of the Board of Directors' Report for 2020, which is included in this Periodic Report, as well as note 4 to the Company's consolidated financial statements as of December 31, 2020, which are included in this Periodic Report.

1.38.1 The Coronavirus Crisis

The outbreak of the coronavirus in China in January 2020 and its spreading into a “global pandemic” resulted in uncertainty and strong fluctuations in the capital markets, which were exacerbated by its effects on global economic activities. Travel restrictions that were imposed by numerous countries, in an effort to stem the spread of the virus, first affected the tourism, hotels and aviation sectors, and the energy, oil and gas companies that suffered from the drop in oil and gas prices. The subsequent broadening of internal restrictions in Israel and prohibition of gatherings adversely affected the leisure and entertainment sector, restaurants and venues, alongside a negative impact on banks, insurance companies, exporters, income-producing real estate companies and more.

The growing uncertainty surrounding the implications of the spread of the virus on global economy resulted in a sharp drop of prices in stock exchanges worldwide, including Tel Aviv. The reductions that began in February 2020 persisted and even became more pronounced in March 2020, this on the backdrop of the spread of the virus in Israel and the Government's announcement of broader restrictions. The price reductions were accompanied by strong trading turnovers, whereas capital-raising that was on the rise in the equity and bond markets during the first two months of the year, all but stopped in March 2020. In April 2020, prices soared, partly offsetting the price drops that took place in the capital markets since the beginning of the year. Towards the end of 2020, with the approval of various vaccines for the coronavirus and the initiation of vaccination campaigns in Israel and worldwide, the markets picked up, with a notable increase in the number of company IPO prospectuses submitted to The Tel Aviv Stock Exchange.

To the date of the report, the short-term significant negative effects of the pandemic on the operating results of the Company cannot be estimated, as the Group is not directly affected by the prices of the securities, but rather by the trading and clearing turnovers of securities and derivatives (which reached record highs in March 2020).

To the date of this Periodic Report, the Company has an operational and technological solution in place that facilitates the operation of TASE and the Clearing Houses with a significantly lower number of employees that are required to be present at the sites of the Company for the operation of the core trading and clearing systems. It should be noted that the restrictions imposed in Israel to date by virtue of the Emergency Regulations do not categorically prohibit the opening of workplaces, but rather stipulate various limitations that are primarily designed to reduce the number of employees in the workplaces and to encourage remote work, in both the public and the private sectors. At any rate, even the broadest application of the Regulations exempts a number of employers, including those operating in the capital market, such as the Company (alongside banks, Stock Exchange members, fund managers, rating firms and more).

In view of the aforesaid and since, to the date of this Periodic Report, the potential effects of the coronavirus crisis on the main income channels of the Company (trading and clearing commissions, custodial services etc.) stem primarily from the macro implications of the crisis on the local and the global economy, the Company is unable to quantify the extent of possible reduction in its income in the event of the persistence and/or exacerbation of this crisis (and, as stated above, to the date of the report, such negative effects are not evident, with the exception of the more marginal revenue channels, i.e. other than trading and clearing of securities, custodian services etc., such as revenue from the portfolio of investments in government bonds and revenue from the rental of space and holding of events, which at any rate are immaterial to the Company).

Nevertheless, it is not unreasonable to assume that the persistence and exacerbation of this crisis and a growing uncertainty could lead to reduced volumes of activity in the primary market (both equity and debt) that will in turn entail a decline in revenues from examination and listing fees with respect to new securities. Furthermore, it is not unreasonable to assume that, in the event of erosion in the prices of listed securities in 2021, the revenues of the Group from custodial services could be impacted to some extent, as these are derived from the value of the securities held, and if price levels are not corrected by the end of 2021, this could adversely impact the volume of fees from companies in 2022, which are derived from the value of the securities listed as of December 2021. Additionally, persisting uncertainty, in general, and in the capital market, in particular, could defer the launching of new products or services until the smoke clears.

Finally, it should be noted that in the aftermath of the crisis recovery will be gradual. At this stage and in the absence of clear criteria for the implementation and continuity of the “exit strategy” that has been declared by the Israeli Government, the duration of the recovery period and the volumes of trading and capital-raising in the recovery period cannot be estimated, more so as these depend, among others, on the progression of the recovery, the volatility of the markets and the pace at which the public returns to invest, directly or indirectly, in securities that are listed on TASE.

The difficulties of making such an assessment are demonstrated by events in the past year, where the significant increase in morbidity rates following the lifting of most restrictions led the Government to suspend the opening of the market and reinstate certain restrictions, culminating in the imposition of a near complete lockdown during the holidays. As morbidity rates reduced, in the middle of October 2020, a plan was announced for the gradual lifting of restrictions based on predetermined morbidity targets, which was also subject to occasional changes, followed by another comprehensive lockdown at the beginning of 2021. A similar scenario of a rise in morbidity rates and the reinstatement of restrictions on activities and businesses was witnessed in multiple countries. Such events emphasize the obstacles to assessing the duration of the crisis and/or the rate of recovery therefrom.

1.38.2 **State of the economy and the state of the capital market and its image**

In general, while noting the Company's unique position as the sole stock exchange in Israel, which constitutes the central infrastructure in Israel of the financial market for making investments in securities and financial instruments and for raising equity and debt, its activity is not affected materially by normal changes in macroeconomic factors. Material changes in the capital market or in the state of the economy (for example, in the case of beneficial tax arrangements for alternative investment channels, a rise in the base interest rate or a global financial crisis (such as the 2008 credit squeeze)) could affect the appetite and preferences of the investing public, leading to a downturn in the scopes of trading activity in securities and financial instruments and/or to such activity being diverted to alternative investment channels.

Furthermore, the investing public's tastes and preferences might also be influenced by failure events with respect to parties in the investment-making field, particularly events arising from fraudulent acts and dishonesty, as has happened in the past (according to the media), with the result that, in the eyes

non-professional market participants, such events could be deemed to have implications affecting the capital market's legitimacy and, consequently, could lead to their refraining from participating in trade on TASE, to an extent that could have a detrimental effect on the Company's scopes of activity.

1.38.3 Legal risk

Legal risk is the risk of damage, loss or harm being caused to the Group's reputation as a result of an improper interpretation of the law, regulation or a binding statutory directive, to which the whole spectrum of the TASE Group's activities are subject, or as a result of a lack of clarity regarding the obligations applying to the Company by virtue of the provisions of the law. The Group conducts continual monitoring of judicial decisions, the rules of the Israel Securities Authority, and legislation passing through the Knesset, as well as by obtaining legal interpretations concerning the Group's rules. In addition, internal and external professional reviews are conducted of the principal exposures connected with legal claims. However, there is no assurance that such actions will identify all the Group's exposures to legal risks.

1.38.4 Regulatory changes

TASE's activity is closely regulated and supervised. The main capital market participants (such as public companies and bond companies, joint investment trust funds, investment consultants and portfolio managers, banks, insurers, and investment houses) are also subject to broad regulation and oversight. Furthermore, the activity of the TASE Group could be impacted to a certain extent by regulation deriving from a foreign country, even though TASE does not operate within such country's jurisdiction (such as, directives of the international clearinghouse organizations in connection with a clearing houses' stability, the Basel rules that apply to banking corporations, including in relation to their activity as members of a stock exchange and a clearing house, and so forth). Overregulation of parties seeking to raise equity or debt from the public could drive them to other alternatives for the capital raisings described above. Similarly, due to the considerable amount of regulation to which the TASE Group is subject, considerable financial and managerial resources have to be invested in order to ensure compliance with regulatory provisions, including, investing in information systems and computerized processes, deploying procedures and controls, employee training and so forth – costs that have implications on the business results of the TASE Group. Consequentially, there is a risk of harm to the Group's revenues and/or capital arising from the legislative measures and/or the draft directives of the various regulatory agencies, which could result in changes to the Group's business environment. The Group monitors domestic and international regulation coming into being and implements damage-limitation measures wherever possible. However, there is no certainty that the monitoring measures will fully identify all the regulatory changes, or that the Group will be able to mitigate any detrimental impact.

1.38.5 Credit risk

Credit risk is the risk that a counterparty, whether a Clearing member, custodian bank, or other entity, is unable to meet fully its financial obligation when due, or at any time in the future. For further details, see note 4 A to the Company's consolidated financial statements as of December 31, 2020, which are included in this Periodic Report.

With regard to the Clearing Houses' undertaking to act as a CCP in transactions in securities or in transactions in derivatives, as the case may be, each Clearing House has a material exposure to counterparty credit risk, which is the risk that a Clearing House member will not be able to meet its obligation in a transaction toward the Clearing House, when due or at any time in the future, and as a result the Clearing House will be required to fulfill the obligations of the defaulting Clearing House member toward the other Clearing House members, as stated. MAOF Clearing House will be required to also attend to the open positions of the defaulting Clearing House member with respect to the transactions performed on TASE. For details regarding the facility agreement with the Bank of Israel for the execution of repo transactions against the background of a member's default event, see Section 1.33.1 above.

1.38.6 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its liquidity needs, on time and in full, either at the time of the default by one of the Clearing Houses' members, by virtue of each of them acting as a CCP, or for financing its ongoing activities. For further details, see note 4 B to the Company's consolidated financial statements as of December 31, 2020, which are included in this Periodic Report.

1.38.7 Market risk

Market risk is the risk of loss that will be caused to the Group from changes in market prices (such as exchange rates, the Consumer Price Index, interest rates, etc.), to the extent that these changes will cause a decrease in net profit or a loss that will lead to a decrease in the Group's shareholders' equity. For further details, see note 4 D to the Company's consolidated financial statements as of December 31, 2020, which are included in this Periodic Report.

1.38.8 Settlement risk

Settlement risk is the risk that the settlement will not be properly completed, whereby the monetary consideration, the securities or the financial instrument will be transferred to the party to the transaction without the financial instrument, the securities, or the monetary consideration being received simultaneously from the counterparty to such transaction. The materialization of settlement risk could cause a material increase in the credit and liquidity exposures of the Clearing Houses as a CCP. For further details, see note 4 C to the Company's consolidated financial statements as of December 31, 2020, which are included in this Periodic Report.

1.38.9 Custodian risk

Custodian risk is the risk of loss or damage to the assets held in custody as a result of negligence, fraud, misuse of the assets, improper management, defective documentation or insolvency of the custodian or of its agent. Custodian risks arise in light of the fact that the Group holds its assets and the assets of the members of the Clearing Houses, which are deposited as collateral, with commercial banking corporations (cash and securities included in the investments portfolio), with central securities depositories (CSDs) and other entities. Therefore, the Group is exposed to risks that are imposed upon it by these entities. The Group manages and minimizes its exposure to concentration

risk by means of maintaining the assets at the Bank of Israel and at supervisory agencies and by spreading the exposure through the use of several banking corporations.

1.38.10 Concentration risk

Concentration risk is the risk of a relatively high exposure to a specific risk factor (for example: the underlying asset price, the security price, an issuer, etc.) and/or to a Clearing House member and/or to a TASE member, which might lead to an increase in the overall exposure to other risks (such as credit risk, market risk and liquidity risk). The Group manages and minimizes its exposure to concentration risk by means of, inter alia, the Group's concentration risk management policy and the Group's investment policy.

1.38.11 Wrong-way risk

Wrong-way risk is the risk that the exposure to a particular counterparty will increase with a rise in the probability of that counterparty's insolvency in light of there being a link and/or a positive correlation between them. The Group manages and minimizes its exposure to wrong-way risk by means of, inter alia, the Group's wrong-way risk management policy, including TASE Clearing House not accepting securities issued by Clearing members as qualifying collateral.

1.38.12 Operational risks

Operational risk is the risk of loss and/or harm to the Group's ongoing activity as a result of the unsuitability or failure of internal processes, personnel and/or systems, including improper and/or ineffective use of the various resources activated by the Group or that are available to it (such as, software, IT systems, manpower, etc.), and also as a result of external events. The main areas of operational risks are:

A. IT risk

IT risk is attributable to the failure of technological factors, including system errors, insufficient backup of the IT systems, defects in the ongoing operation of the systems, obsolescence of existing technology and reliance on outdated systems. Materialization of operational risks relating to the IT systems, the central computer infrastructures, or the confidentiality, integrity, reliability and availability of the information connected therewith could cause economic and reputational harm to the Group.

B. Cyber risk

As a critical infrastructure provider operating a stock exchange with global interphases, the Company faces a significant risk of cyber-attack and other cybersecurity risks, which could cause interruptions in its operations that could cause it to lose customers and trading volume, and result in substantial liabilities or expense to protect against, respond to, and recover from cyber-attacks or resulting investigations.

The Company's IT systems, those of its employees and those of its third-party service providers and its customers may be vulnerable to targeted attacks, unauthorized access, fraud, computer viruses, denial of service attacks, terrorism, "ransom" attacks, firewall or encryption failures and other security problems. Criminal groups, political activist groups and nation-state actors have targeted the financial services industry and TASE's role in the marketplace places it at greater risk than other public companies for a cyber-attack and other information security threats. While the Company has not experienced cyber incidents that are individually, or in the aggregate, material, it has experienced cyber-attacks of varying degrees in the past without significant impact. The Company has designed its cyber defense program to mitigate such attacks by preventative, detective, and responsive measures. However, the security measures that are being implemented may not be adequate,

depending upon the attack or nature of the cyber threat posed. The Company does not purchase insurance coverage in respect of cyber damages.

There can be no assurance that unauthorized access, interruption in availability or reliability, or mishandling or misuse of information or the Company's IT systems, or cyber incidents will not occur in the future, and they could occur more frequently and on a more significant scale.

TASE is classified as a "critical information infrastructure body" and by virtue of this is supervised by the Israel National Cyber Directorate, which is a governmental body. In this framework the Company is subject to strict instructions and audits in the area of data protection and cyber. As the regulatory environment related to information security, data collection and use, and privacy becomes increasingly rigorous, with new and constantly changing requirements applicable to TASE business, compliance with those requirements could also result in additional costs and may carry significant penalties for non-compliance.

C. Business continuity

Because the Company deploys a central financial market infrastructure, the Group needs to develop, establish and maintain an operative plan intended to ensure the continuity of its operations and the provision of its critical services (i.e., trading and clearing) upon the occurrence of operational failure events, a disaster event and/or emergency events. In accordance with guiding international standards and the Clearing Houses' Stability Directive, the Group is required to authenticate the recoverability of its critical systems and processes within two hours of a request, at the most. In light of TASE's central role in the Israeli financial market, damage to the continuity of its operations could lead to a material exposure to claims from market participants, to the involvement of the oversight and regulatory agencies and to harm to the Company's reputation.

The Group establishes an emergency backup site, the purpose of which is to provide a solution in situations where the Group's main site may not function and/or may be damaged, and, by holding exercises in various scopes and at different intervals, in accordance with a multi-topic and multi-year plan, including a periodic exercise intended to test the Group's ability to recover its activity at the backup site and within a short time. However, there is no assurance that the backup site will fully ensure the continuity of the Group's principal services.

On the backdrop of the coronavirus outbreak, the Company has an operational and technological solution in place that facilitates the operation of TASE and the Clearing House with a significantly lower number of employees that are required to be present at the sites of the Company for the operation of the core trading and clearing systems.

D. Human factor risk

The nature of TASE's activity, with emphasis on the management of trading and clearing of transactions in securities and financial instruments in considerable financial scopes and on the complexity and the exposures associated therewith, make it extremely important for the Company to be able to recruit and retain professional high-quality employees, with some having unique expertise. Any impairment of this ability could increase the risk of harm due to negligence, incompetence, human error or lack of professionalism of the TASE Group's employees.

The Group establishes an array of internal controls across the entire organization, including its processes and operations – in order to ensure that the Group's activity is efficient and effective, that information is complete, reliable and provided on time, and that the Group operates in accordance with the rules that apply to it. However, there is no assurance that this array of internal controls will identify all the human factor risks that might arise and prevent them.

Moreover, the Group sets a human resources policy that includes prescribing principles that accompany an employee at every stage of his/her "lifecycle" within the organization, including employee recruitment, education and training in the various departments, promotion processes, compensation, and termination of employment.

In addition, the TASE Group has a professional liability insurance policy that covers the activity of all the Group's employees. However, there is no assurance that the insurance policy will fully cover all the actions or all the amounts that might be brought against the Group with respect to the human factor risks.

The human factor risk could be affected by the reduction of the workforce that is present at the sites of the Company, this as part of the measures implemented by the Company on the backdrop of the coronavirus outbreak.

E. Asset Servicing Risk

The risk that a participant (a Clearing House member/a listed company) might be caused a loss and/or financial damage by a custodial member and/or receive erroneous information from such member. This risk arises when a participant relies on information that is supervised and managed by the custodial member or when the participant instructs the custodial member to execute a transaction on its behalf. If the custodial member fails to provide the information or fails to correctly execute the instructions, the participant might suffer a loss for which the custodial member denies responsibility. Moreover, the risk that the integrity of the issuance/listing/securities' transfer process would be harmed as part of the risks involved in the securities' custodianship activity of the custodial member, who is responsible for keeping full and proper records in the securities register, either physically and/or digitally.

TASE maintains a whole array of broad internal controls and automated controls, so as to ensure that its activity as a CSD, as well as the activity of the Nominee Company in operating the custodianship array and in managing the inventory, is efficient, accurate and reliable in all the listing processes, in providing services and in managing the securities inventory. In addition, a broad array of controls is in place to ensure that the management and distribution of information is complete, reliable and timely.

1.38.13 Model risk

Model risk relates to a potential exposure to negative ramifications/outcomes for the Group (such as financial losses, reputational damage, etc.), mainly resulting from taking decisions based on an inaccurate/defective model and/or use of inaccurate/erroneous model results.

The Group manages and minimizes its exposure to model risk by means of model validation, model development/ upgrading in light of the validation recommendations and model authentication (backtesting).

1.38.14 Compliance risk

Compliance risk is the risk of the imposition of legal or regulatory sanctions, sustaining a material financial loss, or suffering reputational harm, which could arise as a result of the Group failing to fulfill the “compliance directives” as set forth in Section 1.32.8 above (including all the laws, regulations, regulatory directives and internal procedures to which the TASE Group is subject). The Group establishes control and oversight processes that are performed by the compliance officer, including periodically conducting a compliance survey. However, there is no assurance that these control and oversight processes will effectively ensure the full identification of all the compliance risks to which the Group is exposed.

Compliance with international sanctions regimes

Various governmental and intergovernmental authorities around the world – including the United Nations, European Union, United Kingdom, United States, Israel, and other jurisdictions – maintain economic sanctions that prohibit persons subject to the jurisdiction of these authorities from conducting activities or transacting business with certain countries, governments, entities, or individuals.

The Company is not aware of any companies listed on the TASE being identified on sanctions-related lists of designated persons maintained by the United Nations, European Union, United Kingdom, United States, or Israel, or otherwise being the target of any economic sanctions. That said, the Company cannot assure you that this will continue to be the case. While there are legal requirements and measures applicable to TASE members and that are implemented by them, which are expected to prevent a company that is the target of sanctions imposed by the Israeli government from listing on TASE, it is possible that, in the future, one or more companies listed on TASE will be the target of economic sanctions imposed by a governmental or intergovernmental authority outside of Israel.

While the Company believes that it has been, and continues to be, in compliance with applicable sanctions, the Company cannot assure that it will remain in compliance in the future. Non-compliance with international sanctions could subject the Company to adverse media coverage, investigations, and severe administrative, civil and possibly criminal sanctions imposed pursuant to foreign legislation, expenses related to remedial measures, and legal expenses, which could materially adversely affect the Company’s business, results of operations, financial position and reputation.

1.38.15 Business risk

The Group’s business risk is the risk of experiencing a steep decline in the scope of revenues, with management being unable to take immediate cost-cutting measures (due to the Company’s predominantly rigid expenses structure) and, as a result thereof, an operating loss will be created that could make it difficult for the Group to implement its strategy and to conduct its core activities. Among the possible causes of a decline in the scope of revenues: a change in the public’s tastes, onerous regulation, failure to realize the strategy or in managing TASE’s business, failure to cope with heightened competition, reputational damage and so forth. The Group conducts tracking, ongoing monitoring and reporting of the Group’s revenues and expenses and establishes a policy and supporting procedures to ensure the Group’s budgetary balance and its financial stability. However, there is no assurance that the Group’s policy and its procedures with regard to this will fully identify or prevent the Group’s exposure to business risk.

1.38.16 Reputational risk

Reputational risk is the risk of a potential event, the occurrence of which will have detrimental effect on the TASE Group's reputation. Hence, the materialization of other risks, such as compliance risks, operational risks and financial risks might also cause damage to the Company's business or its public image and, consequently, could also lead to a withdrawal or reduction in the scopes of activity within the framework of the Stock Exchange that it manages.

1.38.17 Competition

As TASE is the central infrastructure in Israel for investments and for raising equity and debt from the public, its activity is affected by the availability of other accessible alternatives for making the aforesaid investments and raisings, such as foreign exchanges and other organized markets, institutional, bank and non-bank credit providers, private investment funds, trading platforms, crowdfunding, etc. These parties are in competition with TASE – both for the entities that are seeking to raise equity or debt and also for the entities that are looking for investment channels, thereby impacting on the scopes of TASE's activity. For further details regarding competition on TASE's markets, see Section 1.21 above.

1.38.18 Collective labor relations

The employees of the TASE Group have been unionized under a collective labor agreement for a considerable number of years. The format of this arrangement increases the risk of a full or partial strike by the TASE Group's employees in instances of labor disputes and, consequently, limits the managerial flexibility of the TASE Group, for example in relation to adapting the structure and scope of the payroll expenses to changes in the revenues of the TASE Group. For details regarding labor disputes in the TASE Group and sanctions that have been imposed, see Section 1.26.11.3 above.

1.38.19 Restrictions on business flexibility

The TASE Group's operations are subject to close supervision of its operational aspects and its permitted activities, as well as the pricing and setting of tariffs that it collects for its services. In addition, due to it being an exchange that provides clearing services intended to confer a high degree of confidence and authenticity in executing and clearing the transactions, the ongoing activity of the TASE Group is not conducted with the "final user" but with a high-quality, but relatively small, group of parties (TASE members and the Clearing Houses' members), which are required to meet various qualification conditions in accordance with the TASE Rules. In addition, as stated above, the unique characteristics of an exchange's activity require the employment of competent personnel. TASE's employees (other than the senior officers) are unionized and act under a collective labor agreement. The combination of these factors imposes restrictions on the business flexibility of the TASE Group and on the ability of its management to make rapid adjustments in response to changes in the business environment in which the exchange operates or in its business results, such as changes in the structure and scope of the payroll expenses and changes in tariffs. Furthermore, entering into new business sectors or launching new products and services is generally subject to obtaining approvals from the regulatory authorities and is also contingent on the response of the TASE and Clearing House members to making the necessary investments in adapting the trading systems, data and communications to the requested changes.

1.38.20 Realization of the strategic growth plan

There is a risk that the Company's efforts to implement its strategic plan, particularly with regard to increasing the trading volumes and the number of listed companies on the TASE markets, will not be successfully realized according to expectations. As set forth in Sections 1.36 and 1.37 above, these efforts include marketing measures directed at the Israeli investing public that are aimed at raising awareness and increasing investment activity within the framework of TASE, attracting investors that are not institutional investors, attracting foreign investors and attracting companies making offerings, with emphasis on the high-tech sector, as well as ancillary measures, such as changing the conditions for TASE membership – all with the aim of growing TASE's liquidity and its trading volumes, an outcome that is expected to lead to attracting companies to list on TASE. As stated above, there is no certainty that these efforts will succeed in line with the Company's expectations, among other things, due to the materialization of one or more of the risk factors described in this section.

1.38.21 Penetration of new products

The Company is at various stages in the development and penetration of different products and services, such as dual listing of ETFs, a central lending pool, NLT clearing services for non-listed limited partnerships, and so forth. By its nature, part of the Company's growth potential is based on the successful introduction of these products and services. The development of some of the products and services has not yet been completed and, with regard to those whose development has been completed (some have yet to be deployed), there is no assurance that they will be successfully adopted or accepted by market participants, among other things, bearing in mind that these are not part of TASE's core activities.

1.38.22 Reduction in the number of listed companies

As a result of a combination of different factors, such as oversight arrangements and regulation becoming more onerous, detrimental tax arrangements, development of technological alternatives and alternative channels for raising capital, the number of listed companies on TASE could decline or come to a standstill, or there could even be an increase in the number of companies delisting from TASE. This could also result from M&A activity in which companies listed on TASE are involved. A continuous decline in the number of listed companies on TASE might have a detrimental effect on TASE's growth, among other things, due to reducing trading volumes in their securities and due to them ceasing to need the services that TASE provides.

- 1.38.23 The following table presents the risk factors described above, according to levels rated according to the Company's management's assessment of their expected impact on the Company's business, while taking into account the measures that the Company takes to manage these risks, to hedge against them or to prevent them (and excluding the potential implications of the coronavirus crisis, which is identified and presented as a separate general risk factor):

Risk factor	Extent of the risk factor's impact on the Group's activity in its entirety		
	High impact	Medium impact	Low impact
<u>General risk factors</u>			
Coronavirus crisis		✓	
State of the economy and the state of the capital market and its image			✓
Legal risk			✓
Regulatory changes		✓	
<u>Sectoral risk factors</u>			
Credit risk		✓	
Liquidity risk		✓	
Market risk		✓	
Settlement risk			✓
Custodian risk			✓
Concentration risk		✓	
Wrong-Way Risk			✓
Operational risks		✓	
IT risk		✓	
Cyber risk		✓	
Business continuity risk		✓	
Human factor risk		✓	
Asset servicing risk		✓	
Model risk			✓
Compliance risk			✓
Business risk			✓
Reputational risk		✓	
Competition		✓	
<u>Risk factors specific to the Company</u>			
Collective labor relations		✓	
Restrictions on business flexibility		✓	
Realization of the strategic growth plan		✓	
Penetration of new products		✓	
Reduction in the number of listed companies		✓	

For further details regarding the exposure to risks and how they are managed, see section 2 of the Board of Directors' Report for 2020, which is included in this Periodic Report, and note 4 to the Company's consolidated financial statements as of December 31, 2020, which are included in this Periodic Report.

1.38.24 **Improving and upgrading the risk management array**

The Group is working to improve and upgrade the Group risk management procedures in accordance with generally accepted criteria of infrastructure bodies on the financial market and the Clearing Houses in particular, on the basis of guiding international standards published by CPMI and IOSCO as the PFMI and the Clearing Houses' Stability Directive issued by the Israel Securities Authority.

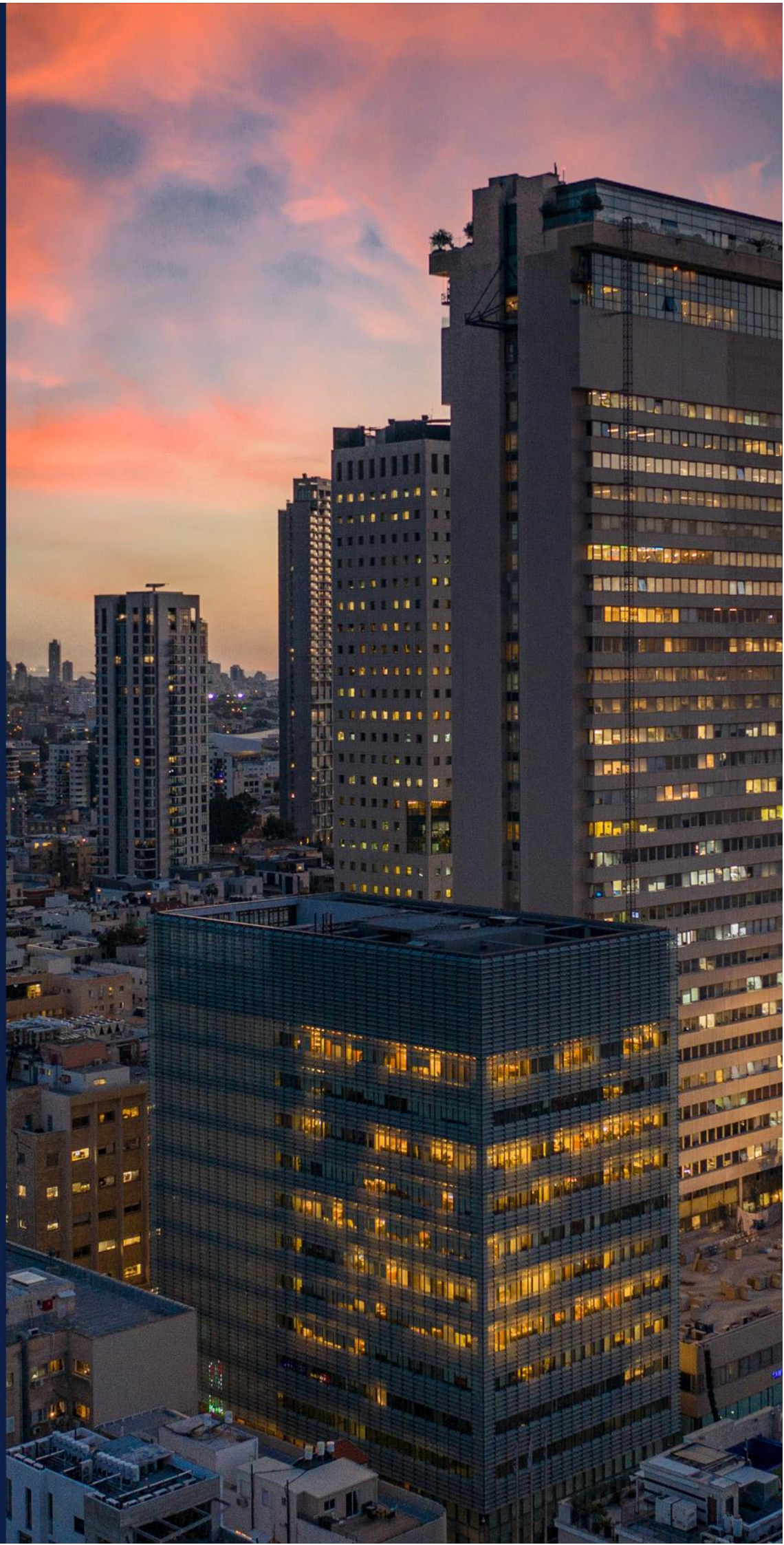
For details regarding the measures taken by the TASE Group in recent years to improve and upgrade the risk management array, see Section 2.4 of the of the Board of Directors' Report for 2020, which is included in this Periodic Report.



הבורסה
לניירות ערך
תל אביב
TEL AVIV
STOCK
EXCHANGE

PART 2

Board of Directors' Report on the Company's State of Affairs for 2020



This English version is only for convenience purposes. This is not an official translation and has no binding force. Whilst reasonable care and skill have been exercised in the preparation hereof, no translation can ever perfectly reflect the Hebrew version. In the event of any discrepancy between the Hebrew version and this translation, the Hebrew version shall prevail.

We herewith present the Directors' Report of The Tel-Aviv Stock Exchange Ltd. ("the Company" or "TASE") for 2020, in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970 ("the Regulations").

1. Board of Directors' Explanations for the Company's State of Affairs

Unless explicitly stated otherwise, any reference in this report to the operating results of the Company or to its balance sheet data, as presented in the consolidated financial statements of the Company, relates to the Company together with its consolidated subsidiaries.

1.1 General

The Company, including by means of the companies consolidated in its financial statements (collectively, "the Group"), is engaged in the area of securities trading and securities clearing.

Within this framework, the Group is engaged in setting rules regarding the TASE membership, rules for listing securities on TASE (including the obligations that apply to companies whose securities are listed) and rules regarding trading on TASE. The Group operates trading systems and provides clearing services for both listed and non-listed securities. In addition, the Group operates a derivatives clearing house that writes derivatives that are traded on TASE, clears them and serves as a central counterparty for transactions in them. The Group provides central counterparty (CCP) services for transactions in securities and derivatives that are executed on TASE. The Group also provides listing services and central securities depository (CSD) services for securities. The Group engages in calculating security indices, in authorizing the use of indices for the creation of financial instruments that track the indices, as well as in distributing TASE trading data and in connectivity services (communication lines for members and hosting services). In addition, since January 2018, the Group has operated a nominee company as defined in the Securities Law



(securities traded on TASE are registered in the nominee company's name). The Company has one area of activity that is reported as a business segment in the Company's consolidated financial statements – trading and clearing transactions in securities. For further details, see section 1.1 of Part One – Description of the Company's Business, which is included in this Periodic Report.

On August 1, 2019, the Company closed an initial public offering by way of a secondary offering of 31,717,504 ordinary shares of the Company and listed them on the stock exchange in Tel Aviv, which is managed by the Company. From said date, the Company became a public company, as this term is defined in the Companies Law, 1999.

This Part describes significant developments that took place in the Company's activity in 2020, in its performance, in the risks to which it is exposed, and in its goals and strategy. Wherever necessary, this Part should be read in conjunction with Part One of this Periodic Report – Description of the Company's Business, as well as with the Company's financial statements as of December 31, 2020, which are included in this Periodic Report.

For details regarding the implications of the coronavirus outbreak, see sections 1.6, 1.10, 1.20, 1.26 and 1.38 of Part One - Description of the Company's Business.

Seasonality

The Company's revenues from trading and clearing are affected, among other things, by the number of trading and clearing days. In 2020, there were a total of 248 trading days, compared to 244 days in 2019 (a 1.6% increase). In the fourth quarter of 2020, there were a total of 66 trading days, compared to 59 trading days in the corresponding quarter last (a 12% increase), the difference being due to the different timing of the Jewish High Holidays and Sukkot in 2020 and in 2019.

THE TEL-AVIV STOCK EXCHANGE LTD.

Board of Directors' Report on the Company's State of Affairs for 2020

Presented below is condensed information relating to the results for the fourth quarter of 2020 (NIS, in thousands):

Condensed Statement of Profit or Loss	Quarter ended		Difference	Change %
	31.12.20	31.12.19		
Revenue from services	77,482	66,416	11,066	17%
Costs	63,897	62,867	1,030	2%
Profit before financing income, net	13,585	3,549	10,036	283%
Financing income (expenses)	1,229	(402)	1,631	
Taxes on income	3,539	317	3,222	1016%
Profit for the quarter	11,275	2,830	8,445	289%
% of total revenue from services for the quarter	14.6%	4.3%		

- **Revenue in the fourth quarter of 2020** amounted to NIS 77.5 million, compared to revenue of NIS 66.4 million in the corresponding quarter last year, a 17% increase. The increase is due mainly to revenue from trading and clearing services (see details below).
- **The costs in the fourth quarter of 2020** after excluding the effect of share-based payment expenses totaled NIS 63.7 million, compared to the expenses in the corresponding quarter last year that totaled NIS 62.4 million, an increase of approx. 2%. The increase in the costs is due mainly to growth in marketing expenses (approx. 1.6% of total costs) as a result of the increase in expenses and the timing of advertising campaign launches in the quarters.
- **Net financing income in the fourth quarter of 2020** amounted to approximately NIS 1.2 million, compared to financing expenses of approximately NIS 0.4 million in the corresponding quarter last year. The transition to financing income results from a positive return of 0.8% on the Company's investments in Israeli government bonds managed in marketable securities' portfolios, compared to a negative return of 0.1% in the corresponding quarter last year.
- **The profit in the fourth quarter of 2020** totaled NIS 11.3 million, compared to NIS 2.8 million in the corresponding quarter last year, a 298% increase. The increase in the profit is due to the higher revenue from services, primarily from commissions on trading and clearing services, which was partly offset by an increase in expenses, primarily tax expenses.

THE TEL-AVIV STOCK EXCHANGE LTD.

Board of Directors' Report on the Company's State of Affairs for 2020

Below are the main factors that affected the Company's profits in the fourth quarter of 2020, compared to the corresponding quarter in 2019:

- The revenue in the fourth quarter of 2020 – below is the composition of the quarter's revenue, compared to the corresponding quarter last year:

Revenue from services	Quarter ended				
	31.12.20	% of the Company's total revenues	31.12.19	% of the Company's total revenues	% change
Trading and clearing commissions	33,487	43%	26,339	40%	27%
	The increase is due to the increased trading volumes in shares, derivatives and government bonds, which accounted for 6%, 2% and 1%, respectively, of the increase in total revenue from trading and clearing services, to the greater number of trading days this quarter as compared to the corresponding quarter last year, resulting in a 12% increase in total revenue from trading and clearing services, as well as to the higher effective commission rate this quarter as a result of the lower volume of transactions in shares and mutual funds at the maximum commission rate and to the change in the pricing model of off-exchange transactions without consideration that accounted for 7% of the increase in total revenue from trading and clearing services.				
Listing fees and levies	15,289	20%	14,209	22%	8%
	The increase is due to the increase in revenue from examination fees as a result of multiple prospectuses and allocations, which contributed 5% to the increase in revenue from listing fees and levies, an increase in revenue from annual fees, which contributed 2% to the increase in revenue from listing fees and levies, and another 1% was contributed by the increase in the recognition of revenue from listing fees.				
Clearing House services	15,006	19%	14,184	21%	6%
	The increase is due to the increase in revenue from existing Clearing House services, which contributed 3% to the increase in total revenue from Clearing House services, and from new Clearing House services, which contributed 3% to the increase in total revenue from Clearing House services.				
Data distribution and connectivity services	12,872	17%	10,688	16%	20%
	The increase is due to the higher revenue from data distribution to private customers stemming from the rise in the number of customers, which contributed 8% to the increase in total revenue from data distribution and connectivity services. Additionally, in 2020 TASE started charging business customers for the use of derivative information, this accounting for 9% of the increase in total revenue from data distribution and connectivity services. Furthermore, the launch of the Colocation and BSO activities in 2019 contributed 2% to the increase in revenue from data distribution and connectivity services.				
Other revenue	828	1%	996	1%	(17%)
	The decrease is due mainly to the shutting down of the Conference Center activities in March 2020 as a result of the coronavirus outbreak.				
Total revenue from services	77,482	100%	66,416	100%	

THE TEL-AVIV STOCK EXCHANGE LTD.

Board of Directors' Report on the Company's State of Affairs for 2020

For details of profit or loss items for the fourth quarter, see the condensed quarterly profit or loss statements in section 1.4 below.

Adjusted EBITDA data and adjusted profit:	Quarter ended		Difference	% Change
	31.12.2020	31.12.2019		
Adjusted EBITDA for the quarter:				
Profit before financing income, net	13,585	3,549	10,036	
Adjustments:				
Share-based payment expenses	246	418	(172)	
Depreciation and capital losses	12,113	11,136	977	
Adjusted EBITDA for the quarter:	25,944	15,103	10,841	72%
% of total revenue from services for the quarter	33.5%	22.7%		
Adjusted profit for the quarter:				
Profit for the quarter	11,275	2,830	8,445	
Adjustments:				
Share-based payment expenses	246	418	(172)	
Adjusted profit for the quarter:	11,521	3,248	8,273	255%
% of total revenue from services for the quarter	14.9%	4.9%		

Below are the main factors that affected the Company's adjusted EBITDA and its adjusted profit in the fourth quarter of 2020, compared to the corresponding quarter in 2019:

- **The adjusted EBITDA in the fourth quarter of 2020** totaled NIS 25.9 million, compared to NIS 15.1 million in the corresponding quarter last year, an inter-quarter increase of 72%. The increase is due to the higher revenue from services, primarily revenue from trading and clearing commissions.
- **The adjusted profit in the fourth quarter of 2020** totaled NIS 11.5 million, compared to an amount of NIS 3.2 million in the corresponding quarter last year. The increase in profit is due to the higher revenue from services, primarily revenue from trading and clearing commissions, which was partly offset by the rise in expenses, primarily tax expenses.

Presented below is condensed information relating to the results for the year ended December 31, 2020 (NIS, in thousands):

Condensed Statement of Profit or Loss	Year ended		Difference	% Change
	31.12.20	31.12.19		
Revenue from services	304,266	260,001	44,265	17%
Costs	255,494	245,841	9,653	4%
Profit before financing income, net	48,772	14,160	34,612	244%
Financing income (expenses)	(573)	8,969	(9,542)	
Taxes on income	11,295	5,571	5,724	103%
Profit for the year	36,904	17,558	19,346	110%
% of total revenue from services for the year	12.1%	6.8%		

- **The revenue in 2020** amounted to NIS 304.3 million, compared to revenue of NIS 260.0 million in 2019, a 17% increase. The increase is due mainly to revenue from trading and clearing services (see details below).
- **The costs in 2020** after excluding the effect of share-based payment expenses totaled NIS 254.2 million, compared to the expenses in 2019 that totaled NIS 242.0 million, an increase of 5%. The increase in the costs was due mainly to growth in employee benefit expenses (2.6% of total costs) as a result of salary updates and variable compensation that is affected by the

increase in profit in 2020, a rise in marketing expenses (1.3% of total costs) and an increase in computer and communications expenses (1.2% of total costs), stemming mainly from the operation costs of new systems.

- **Net financing expenses** amounted to NIS 0.6 million, compared to net financing income of NIS 9 million in 2019. The transition to financing expenses in 2020 is due to current financing costs and commissions, which were partly offset by positive returns of 0.15% on the Company's investments in Israeli government bonds that are managed in marketable securities' portfolios, compared to a positive 4.8% return on the investments in 2019.
- **The profit in 2020** totaled NIS 36.9 million, compared to NIS 17.6 million in 2019, a 110% increase. The increase in the profit is mainly due to the higher revenue from services, primarily revenue from trading and clearing, and was partly offset by an increase in costs, primarily employee benefit expenses, marketing expenses and computer and communications expenses, as well as by the transition to financing expenses this year and the higher tax expenses.

THE TEL-AVIV STOCK EXCHANGE LTD.

Board of Directors' Report on the Company's State of Affairs for 2020

Below are the main factors that affected the Company's profits in 2020, compared to 2019:

- **The revenue in the year** – below is the composition of the revenue in 2020, compared to 2019:

Revenue from services	Year ended				
	31.12.20	% of the Company's total revenues	31.12.19	% of the Company's total revenues	% change
Trading and clearing commissions	136,451	45%	107,000	41%	28%
	The increase primarily reflects the higher trading volumes on TASE following the coronavirus outbreak. The increase in share trading volumes, in the volume of creations and redemptions in mutual funds, in the trading volumes of corporate bonds, derivatives, government bonds and T-bills contributed 13%, 4%, 3%, 3%, 2% and 1%, respectively, to the increase in total revenue from trading and clearing services. Additionally, the greater number of trading days in 2020 as compared to 2019 accounted for 2% of the increase in total revenue from trading and clearing services.				
Listing fees and levies	59,887	19%	54,678	21%	10%
	The rise is due to the increase in the recognition of revenue from listing fees, which contributed 3% to the increase in revenue from listing fees and levies, to the increase in revenue from examination fees as a result of multiple prospectuses and allocations, which contributed 3% to the increase in revenue from listing fees and levies, to the charging of new annual fees introduced in 2019 and 2020, which contributed 2% to the increase in revenue from listing fees and levies, and to the increase in revenue from existing fees, which accounted for 2% of the rise in revenue from listing fees and levies.				
Clearing House services	57,453	19%	52,331	20%	10%
	The increase is due to an increase in the volume of Clearing House services to clearing members, stemming primarily from the higher volumes of activity, which contributed 6% to the increase in total revenue from Clearing House services, and to new Clearing House services, which contributed 3%.				
Data distribution and connectivity services	48,408	16%	42,419	16%	14%
	The increase is due to the higher revenue from data distribution to private customers stemming from the rise in the number of customers, which contributed 6% to the increase in revenue from data distribution and connectivity services. Additionally, in 2020 TASE started charging business customers for the use of derivative information, this accounting for 4% of the increase in total revenue from data distribution and connectivity services. Furthermore, the launch of the Colocation and BSO activities in 2019 contributed 3% to the increase in revenue from data distribution and connectivity services.				
Other revenue	2,067	1%	3,573	2%	(42%)
	Most of the decrease derives from the shutting down of the Conference Center activities in March 2020 as a result of the coronavirus outbreak.				
Total revenue from services	304,266	100%	260,001	100%	

THE TEL-AVIV STOCK EXCHANGE LTD.

Board of Directors' Report on the Company's State of Affairs for 2020

Adjusted EBITDA data and adjusted profit:	Year ended		Difference	Change %
	31.12.2020	31.12.2019		
Adjusted EBITDA for the year:				
Profit before financing income, net	48,772	14,160	34,612	
Adjustments:				
Share-based payment expenses	1,280	3,858	(2,578)	
Depreciation and capital losses	45,097	44,929	168	
Adjusted EBITDA for the year:	95,149	62,947	32,202	51%
% of total revenue from services for the year	31.3%	24.2%		
Adjusted profit for the year:				
Profit for the year	36,904	17,558	19,346	
Adjustments:				
Share-based payment expenses	1,280	3,858	(2,578)	
Adjusted profit for the year:	38,184	21,416	16,768	78%
% of total revenue from services for the year	12.5%	8.2%		



Below are the main factors that affected the Company's adjusted EBITDA and its adjusted profit in 2020, compared to 2019:

- **The adjusted EBITDA in 2020** totaled NIS 95.1 million, compared to NIS 62.9 million in 2019, an inter-annual increase of 51%. The increase is due to the higher revenue from services, primarily revenue from trading and clearing, and was partly offset by the increase in expenses, primarily employee benefit expenses, marketing expenses and computer and communications expenses.
- **The adjusted profit in 2020** totaled NIS 38.2 million, compared to NIS 21.4 million in 2019, a 78% increase. The increase is mainly due to an increase in revenue from services, primarily revenue from trading and clearing, which was partly offset by an increase in employee benefit expenses, marketing expenses and computer and communications expenses, as well as by the transition to financing expenses this year and the higher tax expenses.

For further details regarding profit or loss development, see the analysis of the financial position in section 1.3 below.

THE TEL-AVIV STOCK EXCHANGE LTD.

Board of Directors' Report on the Company's State of Affairs for 2020

Presented below is condensed information relating to the financial position as of December 31, 2019 (NIS, in thousands):

Condensed statement of financial position	31.12.2020	31.12.2019	Difference	% Change
	NIS, in thousands			
Cash and cash equivalents and short-term financial assets	346,712	308,892	37,820	12%
Other current assets	19,303	20,362	(1,059)	(5%)
Property and equipment and intangible assets	451,196	457,543	(6,347)	(1%)
Other non-current assets	17,460	18,363	(903)	(5%)
Total assets (*)	834,671	805,160	29,511	4%
Current liabilities	75,141	81,876	(6,735)	(8%)
Non-current liabilities	128,690	124,577	4,113	3%
Total liabilities (*)	203,831	206,453	(2,622)	(1%)
Total equity	630,840	598,707	32,133	5%
Ratio of equity to total assets	76%	74%		
Surplus equity over regulatory requirements (in NIS millions)	298	282	16	6%
Surplus liquidity over regulatory requirements (in NIS millions)	142	132	10	7%

(*) The total assets and liabilities as of December 31, 2020 and December 31, 2019, include a balance of assets/liabilities in respect of open derivative positions amounting to NIS 353.2 million and NIS 351.7 million, respectively, which for reasons of convenience in analyzing the financial position has been offset against each other.

- The total assets as of December 31, 2020 amounted to NIS 834.7million, a 4% increase compared to December 31, 2019. Most of the increase is due to an increase in cash from operating activities.
- The total liabilities as of December 31, 2020 amounted to NIS 203.8 million, a 1% decrease compared to December 31, 2019. Most of the decrease is due to the reduction in lease liabilities and in trade payables, which was partly offset by an increased in deferred income from listing fees and levies.
- The equity as of December 31, 2020 amounted to NIS 630.8 million, a 5% increase compared to December 31, 2019. Most of the increase is due to a profit of NIS 36.9 million in 2020 and to proceeds from shareholders in an amount of NIS 3.7 million within the framework of the TASE Ownership Restructuring (see note 18 C to the Company's consolidated financial statements as of December 31, 2020), and was partly offset by a dividend distribution of NIS 8.8 million.

THE TEL-AVIV STOCK EXCHANGE LTD.

Board of Directors' Report on the Company's State of Affairs for 2020

1.2. Analysis of the Financial Position

1.2.1. Presented below are the principal data from items in the Statements of Financial Position as of December 31, 2020 and 2019 (NIS, in thousands):

Item	31.12.2020	31.12.2019	% change	
NIS, in thousands				
Current assets				
Cash, cash equivalents and financial assets	346,712	308,892	12%	The increase is mainly due to an inter-period increase in cash from operating activities, net of investments in property and equipment, intangible assets and financial assets in an amount of NIS 53.3 million, and to the proceeds from selling the shares in an amount of NIS 3.7 million (for further details, see note 18 C to the Company's consolidated financial statements as of December 31, 2020). The aforesaid were partly offset by a dividend of NIS 8.8 million paid to the shareholders of the Company on April 16, 2020 and lease payments in an amount of NIS 9.9 million.
Trade and other receivables	19,303	20,362	(5%)	Most of the decrease is in trade receivables, stemming from the timing of collection of the debts.
	366,015	329,254	11%	
Assets derived from clearing operations with respect to open derivative positions	353,193	351,742	0%	The amount expresses the value of the derivative assets that are cleared on the MAOF Clearing House and that are open on the reporting date (an identical amount appears in liabilities). For further details regarding the financial resources held by the Group to cope with a default event of a MAOF Clearing House member, see note 4 (A) (2) (B) to the Company's consolidated financial statements as of December 31, 2020.
Total current assets	719,208	680,996	6%	
Non-current assets				
Property and equipment and intangible assets, net	451,196	457,543	(1%)	The increase is due to inter-period investments made in an amount of NIS 38.9 million, net of depreciation expenses and net retirements in an amount of NIS 45.2 million.
Other long-term receivables	2,652	4,302	(38%)	The decrease is due to a reduction of NIS 1 million in receivables and a reduction of NIS 0.7 million in the balance of a long-term loan granted to the CEO in 2019 (for further details, see note 13 E (2) to the Company's consolidated financial statements as of December 31, 2020).
Deferred tax assets	14,808	14,061	5%	The balance of deferred tax assets is primarily with respect to deferred revenue and employee benefits, offset by liabilities with respect to property and equipment and intangible assets (for further details, see note 16 A to the financial statements of the Company as of December 31, 2020).
Total non-current assets	468,656	475,906	(2%)	
Total assets	1,187,864	1,156,902	3%	



THE TEL-AVIV STOCK EXCHANGE LTD.

Board of Directors' Report on the Company's State of Affairs for 2020

Item	31.12.2020	31.12.2019	% change
NIS, in thousands			
Current liabilities			
Trade and other payables	49,775	52,768	(6%)
The decrease in the balance is due mainly to a reduction of NIS 3.2 million in trade payables and a reduction of NIS 1.1 million in provisions for short-term employee benefits, which were partly offset by an increase of NIS 0.9 million in the balance of current taxes.			
Current maturities of lease liabilities	4,302	9,728	(56%)
See the explanation for the decrease in lease liabilities within the framework of the long-term lease liabilities item. The decrease in the current maturities is due to a substantial number of leases coming to an end in 2021.			
Deferred income from listing fees and levies	21,064	19,380	9%
The increase is due to an increase of NIS 1.2 million in long-term income from listing fees to be recognized in the coming 12 months (for further details, see "non-current deferred income from listing fees and levies"). Another increase of NIS 0.5 million stems from the increase in current deferred income, primarily with respect to revenue from prospectus examination fees.			
	75,141	81,876	(8%)
Liabilities derived from clearing operations with respect to open derivative positions	353,193	351,742	0%
The amount expresses the value of the derivative liabilities that are cleared on the MAOF Clearing House and that are open on the reporting date (an identical amount appears in assets). For further details, see "assets derived from clearing operations with respect to open derivative positions" above.			
Total current liabilities	428,334	433,618	(1%)
Non-current liabilities			
Non-current liabilities for employee benefits and other liabilities	40,955	38,106	7%
The increase is due to a retirement and termination liability, primarily with respect to a current cost of NIS 1.3 million in the period, and to an actuarial loss of NIS 1.2 million, stemming mainly from the reduction in the yield on the assets and the lower turnover rate.			
Lease liabilities	9,089	12,553	(28%)
The decrease in the balance of lease liabilities (long-term and current maturities) is due to current lease payments of NIS 10.3 million, counteracted by an increase of NIS 1.4 million in the liability with respect to new leases and the updating of existing leases (including accrued interest and linkage differences) in 2020.			
Deferred income from listing fees and levies	78,646	73,918	6%
The increase is due to the difference between the cash flow income from listing fees in an amount of NIS 24.8 million carried forward to the following years, compared to the recognition of income from prior periods in an amount of NIS 18.9 million (for further details, see note 14 to the Company's consolidated financial statements as of December 31, 2020).			
Total non-current liabilities	128,690	124,577	3%
Equity	630,840	598,707	5%
The increase in the equity is due mainly to the profit in the year of NIS 36.9 million and to the proceeds from the sale of shares within the framework of the TASE ownership restructuring in an amount of NIS 3.7 million (for further details, see note 18 C to the Company's consolidated financial statements as of December 31, 2020), which was partly offset by a dividend payment of NIS 8.8 million.			
Total liabilities and equity	1,187,864	1,156,902	3%



THE TEL-AVIV STOCK EXCHANGE LTD.

Board of Directors' Report on the Company's State of Affairs for 2020

1.3. Operating results:

1.3.1. Presented below are condensed Company profit or loss data (reported amounts) for the years 2020 and 2019:

Item	2020 NIS, in thousands	2019	% change	Explanations for material changes
Revenue from services:				
Trading and clearing commissions	136,451	107,000	28%	The increase in revenue is due mainly to the higher trading volumes following the coronavirus outbreak. See table below for details of the revenue.
Listing fees and levies	59,887	54,678	10%	The increase in revenue from listing fees and levies is due to a rise in revenue recognition from listing fees (approximately NIS 1.5 million), an increase in revenue from prospectus examination fees that resulted from multiple prospectuses (approximately NIS 1.4 million), the charging of new levies that began in July 2019 (approximately NIS 1.0 million), and an increase in revenue from existing annual levies, among others, from companies in light of the rise in their market cap between the charging dates (approximately NIS 1.3 million).
Clearing House services	57,453	52,331	10%	The increase in revenue from Clearing House services is due to the higher volume of Clearing House services to the clearing members, primarily as a result of the greater volume of activities (approximately NIS 3.4 million) and to the introduction of new Clearing House services (approximately NIS 1.6 million)
Data distribution and connectivity services	48,408	42,419	14%	The increase in revenue from data distribution is due to the increase in revenue from private customers (approximately NIS 2.6 million). Additionally, TASE started charging business customers for derivative information (approximately NIS 1.8 million). The connectivity services activity has seen a rise in revenue as a result of the launching of the Colocation and BSO activities in 2019 (in an amount of approximately NIS 1.3 million).
Other revenue	2,067	3,573	(42%)	The decrease is due mainly to the shutting down of the Conference Center activities in March 2020 as a result of the coronavirus outbreak.
Total revenue from services	304,266	260,001	17%	
Cost of revenue:				
Expenses with respect to employee benefits	139,355	132,973	5%	The increase in payroll expenses is due mainly to pay rises in an amount of NIS 4 million and to an increase in variable compensation costs that are affected by the increase in profit.
Share-based payment expenses	1,280	3,858	(67%)	Expenses with respect to the grant of warrants to managers and the CEO, which are recognized as an expense over the vesting period (for further details see note 15 B and 15 C to the Company's consolidated financial statements as of December 31, 2020). The expenses were initially recognized in 2019 and included an amount of NIS 1.8 million with respect to the period from the original grant date through December 31, 2018.
Computer and communication expenses	26,753	23,819	12%	The increase is due mainly to additional amounts relating to the licensing and maintenance new systems and to higher maintenance costs for the existing IT systems.



THE TEL-AVIV STOCK EXCHANGE LTD.

Board of Directors' Report on the Company's State of Affairs for 2020

Item	2020	2019	% change	Explanations for material changes
	NIS, in thousands			
Property taxes and building maintenance expenses	11,762	12,602	(7%)	The reduction in expenses is due mainly to an amendment to the Arrangements in the Economy Regulations (Reduced Property Taxes) (Amendment No. 2) from April 2020, which provides for exemption from property taxes for March-May 2020 due to the coronavirus outbreak.
General and administrative expenses	9,373	9,122	3%	
Marketing expenses	11,098	7,858	41%	The increase in marketing expenses is due mainly to the costs of the three-year sponsorship agreement with the Israeli Professional Football Leagues (commencing in July 2019), which contributed approximately NIS 2.3 million, and to more extensive advertising campaigns carried out this year, which contributed approximately NIS 0.6 million.
Fee to the Israel Securities Authority	10,776	10,680	1%	
Depreciation and amortization expenses	44,510	43,571	2%	The increase in depreciation expenses is due mainly to the activation of new assets.
Other expenses	587	1,358	(57%)	The other expenses reflect capital losses on the retirement of property and equipment and intangible assets.
Total cost of revenue	255,494	245,841	4%	
Profit before financing income (expenses), net	48,772	14,160	244%	The increase in profit is due to an increase in revenue from services, primarily trading and clearing services, which was partly offset by an increase in costs, as described above.
Total financing income (expenses), net	(573)	8,969	-	The transition to financing expenses this year resulted from financing costs and commissions, which were partly offset by positive yields of 0.15% on the Company's investments in Israeli Government bonds managed in marketable securities' portfolios, compared to positive yields of 4.8% on the investments in 2019.
Profit before taxes on income	48,199	23,129	108%	
Taxes on income	11,295	5,571	103%	The increase is due mainly to the higher profit this year compared to 2019. The reduction in the effective tax rate is due, inter alia, to expenses for share-based payments, which were granted under the capital (102) track and which are not recognized for tax purposes.
Profit for the year	36,904	17,558	110%	Most of the profit increase in 2020, compared to 2019, is due to an increase in revenue from services, which was partly offset by an increase financing and tax expenses, as described above.

THE TEL-AVIV STOCK EXCHANGE LTD.

Board of Directors' Report on the Company's State of Affairs for 2020

1.3.2. Presented below are condensed Company profit or loss data (reported amounts) for the years 2019 and 2018:

Item	2019 NIS, in thousands	2018 NIS, in thousands	% change	Explanations for material changes
Revenue from services:				
Trading and clearing commissions	107,000	119,355	(10%)	See details in the table below.
Listing fees and levies	54,678	46,525	18%	The inter-period increase results from an amount of approximately NIS 7.9 million in annual levies, primarily due to the imposition of annual levies on the ETFs as from the end of 2018 (approximately NIS 3.9 million), and from an increase in the annual levies from companies (approximately NIS 3 million).
Clearing House services	52,331	49,605	5%	The change is due mainly to growth in ongoing Clearing House activity.
Data distribution and connectivity services	42,419	34,954	21%	The increase in revenue from data distribution is due to the gross presentation of connectivity revenue previously presented in net amounts (approximately NIS 6.2 million), as well as to new activities, such as Colocation, quote generators and more (approximately NIS 0.8 million).
Other revenue	3,573	5,166	(31%)	The decrease in other revenue mainly results from a NIS 1.1 million reduction in revenue from the Analysis Project and from reclassifying, from the start of the reporting period, revenue with respect to connectivity to revenue from data distribution.
Total revenue from services	260,001	255,605	2%	
Cost of revenue:				
Expenses with respect to employee benefits	132,973	129,270	3%	The increase in payroll expenses is due mainly to pay rises of approximately NIS 5.3 million and to a decrease of approximately NIS 3.1 million in costs capitalized to property and equipment and intangible assets, less an inter-period reduction in overtime hours.
Share-based payment expenses	3,858	-	-	Expenses with respect to the grant of warrants to managers and the CEO (for further details see note 15 B and 15 C to the Company's consolidated financial statements as of December 31, 2020), of which an amount of NIS 1.8 million is with respect to the period from the original grant date through December 31, 2018.
Computer and communication expenses	23,819	26,024	(8%)	The reduction is due mainly to the effect of the initial application of IFRS 16.
Property taxes and building maintenance expenses	12,602	12,994	(3%)	
General and administrative expenses	9,122	8,829	3%	
Marketing expenses	7,858	5,452	44%	In 2019, TASE invested in a television campaign aimed at households that cost NIS 3.5 million and, in the second half of the year, it entered into a three-year sponsorship agreement with the Israeli Professional Football Leagues Administration that cost NIS 1.6 million in 2019 (NIS 0.8 million per quarter). This compares to an amount of NIS 1.4 million invested in a campaign celebrating TASE's 65th anniversary that took place in 2018. In addition, there was an

THE TEL-AVIV STOCK EXCHANGE LTD.

Board of Directors' Report on the Company's State of Affairs for 2020

Item	2019	2018	% change	Explanations for material changes
	NIS, in thousands			
				inter-period decrease of NIS 1.6 million in the Analysis Project's expenses due to the review period for most of the companies terminating at the end of 2018.
Fee to the Israel Securities Authority	10,680	10,506	2%	
Operating expenses for nominee company	-	448	-	The decrease in 2019 is due to canceling the transfers to the nominee companies of the banks, which took effect on February 1, 2018.
Depreciation and amortization expenses	43,571	32,672	33%	The increase in depreciation expenses includes the effect of applying IFRS 16 in an amount of NIS 8.4 million. In addition, depreciation expenses are higher due to the activation of new assets and to an increase in the depreciation of the TASE building following the reversal of the impairment provision in 2018.
Reversal of the impairment provision	-	(85,108)	-	During 2018, the impairment provision on the TASE building was reversed. For further details, see note 11 A (1) to the Company's consolidated financial statements as of December 31, 2020.
Other expenses	1,358	896	52%	Other expenses in the present period mainly reflect capital losses on the retirement of property and equipment and intangible assets. The other expenses in the corresponding period included the Company's costs in promoting the process of listing its shares that were not actually issued in 2018.
Total cost of revenue	245,841	141,983	73%	
Profit before financing income, net	14,160	113,622	(88%)	The profit before financing income, net in the period, after excluding the effect of share-based payment transactions, amounted to NIS 10 million, compared to the profit of NIS 28.5 million in the corresponding period last year (after excluding the effect of the impairment reversal). The gap reflects the increase in expenses, after offsetting the rise in revenue as described above.
Total financing income (expenses), net	8,969	(1,060)	-	The transition to financing income is due to positive yields on the Company's investments in held-for-trading financial assets. A yield of 4.8% was recorded in the reported period, compared to a negative yield of 0.7% in the corresponding period.
Profit before taxes on income	23,129	112,562	(79%)	
Taxes on income	5,571	26,140	(79%)	The decrease of NIS 20.5 million is due mainly to the effect of the impairment reversal in the corresponding period last year. The increase in the effective tax rate in 2019 is due, inter alia, to expenses for share-based payment transactions, which were granted under the capital (102) track and which are not recognized for tax purposes.
Profit for the year	17,558	86,422	(80%)	The profit for the year, after neutralizing the effect of share-based payment transactions, amounts to NIS 21.4 million, compared to a profit of NIS 20.9 million, after neutralizing the effect of the reversal of the impairment provision net of tax, in an amount of NIS 65.5 million in 2018. Most of the profit increase this year, compared to last year, was due to an increase in revenue from services and financing income, which was partly offset by an increase in depreciation expenses and employee benefits.

THE TEL-AVIV STOCK EXCHANGE LTD.

Board of Directors' Report on the Company's State of Affairs for 2020

1.3.3. Presented below are data relating to the trading and clearing revenue:

Item	2020 NIS, in thousands	2019	% Change	Explanations for material changes
Shares and convertibles	49,150	32,434	52%	The increase in revenue from shares trading and clearing is due to a rise in trading volumes following the coronavirus outbreak, from an average daily volume of approximately NIS 1.3 billion in 2019 to an average daily volume of approximately NIS 1.9 billion in 2020, representing an increase of 44% in revenue. The remaining increase in revenue is due to a 6% increase in the effective commission rate, primarily as a result of a change in the pricing model of off-exchange transactions without consideration, and another 2% increase was contributed by the larger number of trading days in 2020 compared to 2019.
Corporate bonds	18,573	15,116	23%	The increase in revenue from corporate bonds trading and clearing is due to a rise in trading volumes following the coronavirus outbreak, from an average daily volume of approximately NIS 0.9 billion in 2019 to an average daily volume of approximately NIS 1.1 billion in 2020, representing an increase of 21% in revenue. The remaining increase in revenue is due to a 2% rise contributed by the larger number of trading days in 2020 compared to 2019.
Government bonds	17,138	14,419	19%	The increase in revenue from government bonds trading and clearing is due to a rise in trading volumes following the coronavirus outbreak, from an average daily volume of approximately NIS 2.6 billion in 2019 to an average daily volume of approximately NIS 3.1 billion in 2020, representing an increase of 18% in revenue. An additional increase in revenue is due to a 2% rise contributed by the larger number of trading days in 2020 compared to 2019. In contrast, the effective commission reduced by 1% between the periods, as a result of the greater size of transactions that are affected by a maximum commission limit.
Derivatives	21,941	18,547	18%	The increase in revenue from the trading and clearing of derivatives is due to a rise in trading volumes following the coronavirus outbreak, from an average daily trading volume of 145 thousand units to an average daily trading volume of 170 thousand units, representing an increase of 17% in revenue. An additional increase in revenue is due to a 2% rise contributed by the larger number of trading days in 2020 compared to 2019. In contrast, the effective commission reduced by 1% between the periods, as a result of the change of the mix of transactions in derivatives.
Mutual funds clearing	26,594	23,716	12%	The increase in revenue from creations and redemptions in mutual funds is due to the higher volume of redemptions/creations following the coronavirus outbreak, from an average daily volume of approximately NIS 0.9 billion in 2019 to an average daily volume of approximately NIS 1.1 billion in 2020, representing an increase of 19% in revenue. An additional increase in revenue is due to a 2% rise contributed by the larger number of trading days in 2020 compared to 2019. In contrast, the effective commission reduced by 9% between the periods, as a result of the greater size of transactions that are affected by a maximum commission limit.
T-bills (Makams) and other	3,055	2,768	10%	The increase in revenue from the trading and clearing of T-bills and other is due to a rise in trading volumes of T-bills following the coronavirus outbreak, from an average daily volume of approximately NIS 0.4 billion in 2019 to an average daily volume of approximately NIS 0.6 billion in 2020, representing an increase of 41% in revenue. An additional increase in revenue is due to a 2% rise contributed by the larger number of trading days in 2020 compared to 2019. In contrast, the effective commission reduced by 29% between the periods, as a result of the greater size of transactions that are affected by a maximum commission limit.
Total	136,451	107,000	28%	



THE TEL-AVIV STOCK EXCHANGE LTD.

Board of Directors' Report on the Company's State of Affairs for 2020

For further information regarding trading volumes, market value, effective commission rates and other data, see Part One of this Periodic Report – Description of the Company's Business.

Item	2019 NIS, in thousands	2018	% Change	Explanations for material changes
Shares and convertibles	32,434	33,976	(5%)	The trading volumes in the first half of 2019 were lower than the volumes in the corresponding period in 2018. The decrease was due, inter alia, to the steep declines that took place in December 2018 on the world's exchanges, including on TASE, as well as to the delisting of three major companies (SodaStream, Mazor and Frutarom) that were part of the TA-35 Index and to the effect of the reform in the transition from ETNs to ETFs that took place at the end of 2018, which led to a decrease in trading and clearing revenue in ETFs relative to ETNs. It should be noted that most of the decrease occurred during the first half of the year, such that the average trading volumes in the first half totaled NIS 1.2 billion, compared to NIS 1.4 billion in the second half of the year.
Corporate bonds	15,116	17,998	(16%)	The trading volumes in corporate bonds in 2019 were affected, inter alia, by the steep declines that characterized December 2018, and by a reduction in trading volumes in ETFs, compared to the trade in ETNs in the corresponding period last year, following the ETFs reform that took place at the end of 2018.
Government bonds	14,419	14,536	(1%)	
Derivatives	18,547	25,042	(26%)	The TA-35 index derivatives market was affected by the exiting of MAOF players. The foreign currency derivatives market was affected by Amendment 28 of the Joint Investment Trust Law; the Amendment, which permits mutual funds to conduct activity in non-traded futures to hedge their exposures to foreign currency, with effect from January 2019.
Mutual funds clearing	23,716	23,900	(1%)	
T-bills (Makams) and other	2,768	3,903	(29%)	The decrease in revenue is due to non-recurring revenue of NIS 1.5 million with respect to prior years recognized in 2018, which was partly offset by an increase in trading volumes.
Total	107,000	119,355	(10%)	



THE TEL-AVIV STOCK EXCHANGE LTD.

Board of Directors' Report on the Company's State of Affairs for 2020

1.4. Condensed quarterly statements of profit or loss for 2020 and for the fourth quarter of 2019 (NIS, in thousands)

Item	Jan-Mar 2020	Apr-Jun 2020	Jul-Sep 2020	Oct-Dec 2020	2020	Oct-Dec 2019
	(Unaudited)				(Audited)	(unaudited)
Revenue from services:						
Trading and clearing commissions	39,680	32,187	31,097	33,487	136,451	26,339
Listing fees and levies	14,977	14,765	14,856	15,289	59,887	14,209
Clearing House services	14,368	14,127	13,952	15,006	57,453	14,184
Data distribution and connectivity services	11,615	12,183	11,738	12,872	48,408	10,668
Other revenue	567	285	387	828	2,067	996
Total revenue from services	81,207	73,547	72,030	77,482	304,266	66,416
Cost of revenue						
Expenses with respect to employee benefits, net	36,391	34,568	34,989	33,407	139,355	34,298
Share-based payment expenses	414	370	250	246	1,280	418
Computer and communication expenses	6,288	6,850	6,736	6,879	26,753	6,148
Property taxes and building maintenance expenses	3,134	2,277	3,076	3,275	11,762	3,428
General and administrative expenses	2,375	2,205	2,504	2,289	9,373	2,791
Marketing expenses	1,430	3,981	2,693	2,994	11,098	1,942
Fee to the Israel Securities Authority	2,699	2,689	2,694	2,694	10,776	2,706
Depreciation and amortization expenses	10,871	10,968	11,126	11,545	44,510	11,057
Other expenses	18	-	1	568	587	79
Total cost of revenue	63,620	63,908	64,069	63,897	255,494	62,867
Profit before financing income (expenses), net	17,587	9,639	7,961	13,585	48,772	3,549
Financing income	(4,243)	3,785	(735)	1,603	410	(49)
Financing expenses	164	280	165	374	983	353
Total financing income (expenses), net	(4,407)	3,505	(900)	1,229	(573)	(402)
Profit before taxes on income	13,180	13,144	7,061	14,814	48,199	3,147
Taxes on income	2,950	3,114	1,692	3,539	11,295	317
Profit	10,230	10,030	5,369	11,275	36,904	2,830
Other comprehensive income:						
Remeasurement of net liability with respect to defined benefit, net of tax	7,890	(2,408)	(5,710)	(776)	(1,004)	(1,116)
Comprehensive income	18,120	7,622	(341)	10,499	35,900	1,714

1.5. Liquidity and Sources of Finance

1.5.1. Sources of finance

The Group's sources of finance are the Group's revenues from the various services that it provides. These revenues finance the ongoing activity of the Group, as well as the TASE Group's investment program.

The Group has balances of cash and financial assets as described below:

	December 31, 2020	December 31, 2019
Condensed statement of financial position	NIS, in thousands	
Cash, cash equivalents and financial assets	346,712	308,892

In addition, in 2020 TASE notified the bank that it will not be renewing the credit facility of up to NIS 30 million granted to it by the bank. Accordingly, the credit facility has not been renewed in 2021. For further details, see note 25 B to the consolidated financial statements of the Company as of December 31, 2020.

Moreover, the TASE Clearing House has been granted a credit facility by a banking corporation in an amount of NIS 30 million. At the request of the TASE Clearing House, the banking corporation will grant it credit in an amount of up to NIS 30 million against the deposit, in a pledged dedicated account of the TASE Clearing House with the banking corporation, of government bonds with a value of NIS 30 million and a lien in favor of the banking corporation. The term of the aforementioned credit facility is through December 31, 2021.

THE TEL-AVIV STOCK EXCHANGE LTD.

Board of Directors' Report on the Company's State of Affairs for 2020

1.5.2. Cash flows (NIS, in millions)

	Item	Data for the three months ended December 31		Explanations of the Company
		2020	2019	
Net cash from operating activities	Adjusted EBITDA	25.9	15.1	The increase in adjusted EBITDA is due to the higher revenue from services, primarily trading and clearing.
	Changes in working capital	(1.9)	11.1	The decrease in working capital is due to the timing of payments and receipts between the quarters, primarily in respect of employee benefits and trade and other payables.
	Financing and tax	(3.7)	(1.0)	The decrease is due mainly to taxes paid in the fourth quarter of 2020, in light of the higher profit.
	Total	20.3	25.2	
Net cash from (for) investing activities	Investments in property and equipment and in intangible assets and capitalized payroll costs	(14.5)	(9.5)	
	Acquisition (disposal) of financial assets, net	(1.4)	12.2	The decrease is mainly due to the realization of securities in the fourth quarter of 2019, in accordance with the policy for the investment of the Company's monetary reserves.
	Total	(15.9)	2.7	
Net cash for financing activities	Proceeds from shareholders within the framework of listing the Company's shares and the Ownership Restructuring	-	7.2	Proceeds received in the fourth quarter of 2019 within the framework of implementing the TASE ownership restructuring, in an amount of NIS 7.2 million – for further details, see note 18 B to the Company's consolidated financial statements as of December 31, 2020.
	Lease payments	(2.4)	(2.5)	
	Total	(2.4)	4.7	
Total increase in cash and cash equivalents		2.0	32.6	



THE TEL-AVIV STOCK EXCHANGE LTD.

Board of Directors' Report on the Company's State of Affairs for 2020

		Data for the year ended	Data for the year ended	Data for the year ended	Explanations of the Company
Item		31.12.2020	31.12.2019	31.12.2018	
Net cash from operating activities	Adjusted EBITDA	95.1	62.9	61.5	The increase in adjusted EBITDA in 2020, compared to 2019 and 2018, is due to the higher revenue from services, primarily trading and clearing.
	Changes in working capital	6.7	12.4	6.1	The change in working capital is due to the timing of payments and receipts between the periods, primarily in respect of employee benefits, and to the increase in deferred income from listing fees and levies.
	Financing and tax	(6.4)	5.8	3.7	The change is due mainly to tax payments, net in 2020, compared to tax receipts, net in 2018 and 2019.
	Total	95.4	81.1	71.3	
Net cash for investing activities	Investments in property and equipment and in intangible assets and capitalized payroll costs	(37.9)	(33.9)	(52.4)	The volume of investments in 2020 and 2019 stems from the work plan of the Company. The increase in investments in 2018 is due to an investment shortfall in previous years. In addition, in 2018 the Company began implementing the strategic plan that was adopted in 2017 and, during 2018, it began developing two material projects – Colocation and a Central Securities Lending Pool, which began to operate in June 2019 and November 2020, respectively.
	Acquisition of financial assets, net	(4.2)	(17.0)	(2.6)	Deposits in managed portfolios.
	Total	(42.1)	(50.9)	(55.0)	
Net Cash for financing activities	Proceeds from shareholders within the framework of listing the Company's shares and the Ownership Restructuring	3.7	29.4	9.9	Proceeds from the sale of shares within the framework of implementing the TASE Ownership Restructuring. In 2019, additional proceeds within the framework of the secondary offering and the initial listing of the shares, in an amount of NIS 16.2 million.
	Dividend paid	(8.8)	-	-	Commencing in 2019, the Company adopted a policy pursuant to which a dividend is paid in the subsequent year (for further details, see section 1.6.1).
	Lease payments	(9.9)	(9.7)	-	Initial application of IFRS 16 as from January 1, 2019.
	Total	(15.0)	19.7	9.9	
Total increase in cash and cash equivalents		38.3	49.9	26.2	

1.5.3. Adjusted profit and adjusted EBITDA data for the reported periods

Presented below are adjusted data for the profit and EBITDA (operating profit before interest, tax, depreciation and amortization). These data are based on the data in the Company's financial statements for the reported periods, after eliminating the effects of certain events and factors, as explained below, that are not typical of the Company's operating activities.

It is hereby clarified that the data presented below are not presented in accordance with generally accepted accounting principles and do not reflect the Company's cash flows from operating activities or its operating profits and profit and, accordingly do not constitute a substitute to the data in the Company's financial statements regarding the operating profit and/or the profit. Nevertheless, in the Company's opinion, these data enable a better comparison to be made of the Company's performance in the reported periods.

Presented below are the adjusted profit and adjusted EBITDA for 2020 and 2019:

Item	2020	2019	% change
	NIS, in thousands		
Adjusted profit for the year:			
Profit for year	36,904	17,558	110%
Adjustments:			
Share-based payment expenses	1,280	3,858	100%
Adjusted profit for the year	38,184	21,416	78%
Adjusted profit as percentage of total revenue for the year	13%	8%	52%
Adjusted EBITDA for the year:			
Profit (loss) before financing income, net	48,772	14,160	244%
Adjustments:			
Depreciation and amortization expenses	44,510	43,571	2%
Capital loss on disposal of property and equipment and intangible assets	587	1,358	(57%)
Share-based payment expenses	1,280	3,858	100%
Adjusted EBITDA for the year	95,149	62,947	51%
Adjusted EBITDA as percentage of total revenue for the year	31%	24%	

1.5.4. Customer credit

Most of the Company's revenue is collected on the date of providing the service or adjacent thereto. Revenues from trading and clearing, Clearing House and custodian services are collected through the Bank of Israel's settlement system (RTGS). Revenues from listing fees, examination fees, data distribution revenues (partly), leasing, etc. are collected mainly by means of bank transfers, credit card payments or check payments.

Most of the Company's revenue from annual levies is collected at the beginning of the year on "current month +30 days" terms.

Revenue from data distribution is collected on "current month +30 days" terms or on "current month +60 days" terms and the revenue from the use of indices and foreign ETF fees is collected at the beginning of each year in respect of the previous year.

The balance of trade receivables as of December 31, 2020 and December 31, 2019 amounted to NIS 12,854 thousand and NIS 13,776 thousand, respectively. The decrease is due mainly to the timing of collection.

1.5.5. Supplier credit

The credit granted to the Company by its suppliers is mainly "current month +30 days" or "current month +60 days" (including that received from suppliers of computer equipment).

The balance of trade payables as of December 31, 2020 and December 31, 2019 amounted to NIS 12,159 thousand and NIS 15,376 thousand, respectively. The decrease is due mainly to the timing of purchase engagements and of the supply of equipment and licenses.

1.6. Material events that occurred in the reporting period and thereafter

- 1.6.1. On April 16, 2020, a dividend of NIS 8,770 thousand (representing NIS 0.0877 per ordinary share) was paid to the Company's shareholders of record as of April 1, 2020.
- 1.6.2. On March 16, 2021, the Board of Directors of the Company decided on a dividend distribution, in accordance with the Company's policy, in an amount of NIS 18,450 thousand, representing NIS 0.1823 per ordinary share. The record date for entitlement to the dividend is March 25, 2021. The dividend is payable on April 5, 2021.
- 1.6.3. On March 10, 2021, the general meeting of the Company, after obtaining the approval of the Company's Board of Directors and Audit Committee (in its capacity as Compensation Committee), approved the updated compensation policy for officers in the Company, in accordance with the provisions of the Companies Law, for the years 2021-2023 ("the 2021-2023 compensation policy"). The 2021-2023 compensation policy is for a period of three years and provides for fixed and variable components of the officers' compensation and the correlation between such components, including parameters, threshold criteria, ranges and ceilings for the compensation components (based on the performance of the Company and the performance of the officer).
- 1.6.4. **Claim Against the Ministry of Finance Concerning Listing Fees**
On May 5, 2020, the Company filed a monetary claim by summary procedure with the Tel Aviv District Court against the State of Israel, the Ministry of Finance - Accountant General, in an amount of approximately NIS 20.13 million (including VAT), for default in payment of the listing fees payable by virtue of the TASE Rules in respect of government bonds that had been issued in the period from May 2013 through March 2020 (inclusive) within the framework of the Ministry of Finance's lending pool. To the date of this periodic report, the State submitted a statement of defense, rejecting the claims of the Company. The Court scheduled a hearing for April 11, 2021. To remove any doubts, it is hereby clarified that thus far the Company has not recognized in its financial statements income from the listing fees covered in the claim.
- 1.6.5. In July 2020, TASE-CH informed the Ministry of Finance that it does not wish to renew the agreement for the operation of the Ministry's lending pool beyond the additional year of the agreement. Accordingly, unless another understanding is

reached, the agreement will terminate in September 2021. In the opinion of the Company, in view of the consideration that is payable under said agreement, the termination of the agreement, in and of itself, is not expected to have a material effect on its business results.

1.6.6. Labor Dispute at TASE Declared by the New General Federation of Labor in Israel

On September 17, 2018, a labor dispute was declared at TASE by the New General Federation of Labor in Israel (the "Histadrut"). The nature of the dispute, according to the notice that was sent from the Histadrut, mainly concerns the implications of the transaction for the sale of the Company's shares on the employees' rights, and the signing of a new collective agreement to secure the economic rights and employment security of the employees.

On October 8, 2018, TASE filed a motion by a party in a collective dispute to the Tel Aviv Labor Tribunal against the Histadrut and TASE's Employees Committee, to cancel the collective dispute that was declared by them. On December 1, 2019, the Regional Labor Tribunal rejected TASE's ex parte motion, without adjudication of cause of action.

On December 15, 2019, the Tel Aviv Stock Exchange Ltd. appealed the ruling of the Regional Labor Tribunal from December 1, 2019 to the National Labor Tribunal. On March 3, 2020, a hearing of the appeal was held in the National Labor Tribunal, and the parties accepted the Tribunal's proposal of mediation with an external mediator regarding their disputes that are not related to the dispute that is the subject matter of the appeal. On July 16, 2020, the Histadrut announced the cancellation of the labor dispute. On the same date, the National Labor Tribunal ruled, at the consent of the parties, that, in view of the cancellation of the labor dispute and considering the problematic points found in the ruling of the Regional Labor Tribunal, the ruling is overturned. By virtue of this ruling, the appeal was withdrawn.

On May 20, 2019, a labor dispute was declared at TASE by the Histadrut, concerning the lack of agreement regarding the rate and date of the distribution of the annual bonus for 2017. In addition to the labor dispute that was declared, various sanctions have been imposed by TASE employees, which even led to a late opening of trading on TASE on May 21, 2019. Furthermore, trading on



TASE was suspended on June 7, 2020 as part of the sanctions imposed by the employees committee in the collective labor dispute.

On July 26, 2020, a special collective agreement (hereafter: "the special agreement") was signed between the Company, on the one hand, and the Histadrut and the employees committee, on the other hand. The special agreement provides, inter alia, for the distribution of annual bonuses to employees of the Company for the years 2017-2019. With the signing of the special agreement, this labor dispute, too, has come to an end. It should be noted that, considering the provisions that were included in the previous financial statements of the Company, the special agreement did not affect the financial results of the Company as of December 31, 2020.

- 1.6.7. On November 23, 2020, the Company announced that it is conducting negotiations with a group of investors for the promotion of a joint venture for the development and supply of a trading system in securities, based primarily on knowhow and technology in possession of the Company, to a foreign corporation that is designated to engage in the management of a stock exchange in Ukraine. One of the key conditions for the venture is the participation of the Government of Ukraine.
- 1.6.8. On December 15, 2020, Abu Dhabi Securities Exchange (ADX) and the Company signed a memorandum of understanding (MOU), the key purpose of which is the exploration of potential opportunities for regional collaboration in various fields of their operations, including the cross listing of securities, facilitating easy access between the two stock exchanges for both companies and investors, creating new fintech market infrastructure technologies and developing new products. It is hereby clarified that the MOU only addresses the formulation of an outline for contemplating potential collaborations between the parties (including the regulation of related aspects, such as transfer of data, confidentiality etc.) and that, to the date of the report, agreements have not yet been reached with regard to such collaborations, realizing the purpose of the MOU.
- 1.6.9. The Group has entered into a lease arrangement with respect to one of the floors in the building used by the Group, for a 5-year period that commenced in March 2016, which includes an extension option for a further 3 years. In November 2020, the renter informed the Company that it will not be exercising



the option and requested the termination of the lease on January 31, 2021. TASE has accepted the renter's request to terminate the lease as above.

1.6.10. Contemplated scheme for the transfer of surplus proceeds from the sale of Company shares by other shareholders:

For details regarding a contemplated two-fold and simultaneous scheme for the buyback of up to 19,148,109 shares of the Company that had been allotted to TASE members as part of the TASE ownership restructuring, concurrently with the allotment of new shares to the selling TASE members, at a ratio of one share for every acquired arrangement share, see the immediate reports of the Company from February 10, 2021 and March 4, 2021 (reference nos.: 2021-01-017251 and 2021-01-026832). To the date of the report, the matter is still under review and discussion with the Securities Authority.

2. Exposure to Risks and Their Management

Presented below are details of the financial risks, the operational risks and the other main risks to which the Group is exposed in the course of its operations:

2.1 General

The operations of the Group involve exposure to various financial risks, mainly – credit risk, liquidity risk and market risk. In addition, the operations of the Group also involve exposure to settlement risk, operational risk, business risk, and other risks, the materialization of which could lead to a loss and to a material reduction in the Group's equity.

The Group regularly reviews the risk mapping to ascertain that it encompasses all of its business activity and reflects developments and changes in the market conditions and in regulatory requirements.

No material changes occurred in the Group's risk profile in 2020 compared to the risk profile at the end of 2019, with the exception of a general risk introduced in relation to the coronavirus crisis.

As long as the coronavirus crisis persists, it constitutes, in itself, a general risk factor that has a medium effect on the operations of the Company (after consideration of various scenarios, their chances of realization, measures for mitigating and hedging the exposures etc.), which justifies the examination and assessment of its potential effects within the framework of the Company's risk management processes, as well as the implementation of measures for mitigating such potential effects. For a list of the exposures to risks and their management, see also the discussion of risk factors in section 1.38 of Part One - Description of the Company's Business, which is included in this Periodic Report.

The Group's exposures to financial risks arise mainly from the clearing operations performed by the Clearing Houses in which the Clearing Houses are obligated as a CCP, as well as from other operations of the Group (e.g. investment in securities). As a CCP, the Clearing Houses ensure the execution of transactions that were executed on TASE, in securities, including transfers to custody (on TASE) and transactions in securities that were executed within the trading framework of the MTS – Multilateral Trading System, transactions in the lending pool (in the case of the TASE Clearing House), and transactions in

derivatives (options and futures) (in the case of the MAOF Clearing House). Should a member of the TASE Clearing House or a member of the MAOF Clearing House (as the case may be) be unable to fulfill its obligations, the relevant Clearing House – as a CCP – will be obligated to fulfill the obligations of the Clearing House member toward the other Clearing House members, as well as to handle the exposures, if any, created for the Clearing House incidental to the default event in accordance with the Clearing House's By-Laws.

The officer responsible for managing the Company's market risks, as set forth in section 2.5.4 below, is the Chief Financial Officer, Mr. Yehuda van der Walde.

For details regarding the education and experience of Mr. Yehuda van der Walde, see Regulation 26 A of Part Four – Additional Information on the Company, which is included in this Periodic Report.

2.2 Regulatory Framework for Managing the Risks at the Clearing Houses

In April 2012, the Committee on Payments and Market Infrastructures (CPMI), which operates under the Bank of International Settlements, and the International Organization of Securities Commissions (IOSCO) published the PFMI (Principles for Financial Market Infrastructures) – a document setting out principles for international standards governing the activities of financial market infrastructures, including central counterparties. The document comprises 24 principles governing various aspects aimed at ensuring the proper functioning and financial stability of the financial market infrastructures.

In addition, in light of its responsibility for overseeing and controlling the activity of the Clearing Houses and for ensuring the stability and efficiency of the clearing system, as well as by virtue of the powers granted to it pursuant to Section 50C(b) of the Securities Law, the Israel Securities Authority has prescribed a directive for ensuring the proper functioning of the Clearing Houses, which adopts the principles determined in the PFMI document ("**the Clearing Houses' Stability Directive**").

The Securities Authority announced its adoption of the PFMI principles and recognition of the Clearing Houses as operating under the aforesaid international standards.

In June 2014, the Clearing Houses submitted an application to ESMA (the European Securities and Markets Authority) in order for them to be recognized as qualifying CCPs that comply with the rules of EMIR (the European Markets Infrastructure Regulation) and that are permitted to provide clearing services to European group members and trading platforms.

The ESMA recognition of the Clearing Houses as qualifying CCPs is subject to a double approval system – (a) approval that each Clearing House acts in accordance with the standards prescribed in the EMIR rules, including the adequacy of its corporate governance, risk management framework, etc.; and (b) approval that the regulation in Israel, with regard to the proper functioning of the Clearing Houses, is equivalent to the EMIR rules, including the effectiveness of existing oversight arrangements.

As of December 31, 2020, ESMA had given the Clearing Houses the temporary status of a qualifying clearing house, as is stated on ESMA's public websites. On March 26, 2020, ESMA gave notice that the recognition process had been extended until June 28, 2021.

2.3 **Risk Management**

The Company's Board of Directors has the final authority for risk management and it has established three lines of defense, the purpose of which is to assist it with managing the risks: the business lines – first line of defense, the risk management function – the second line of defense and the internal control function – the third line of defense.

The framework for the Group's risk management consists of establishing a policy and procedures and basing it on core principles that the Group sets out in its risk management policy, including: identifying and characterizing the risk profile, setting the risk appetite, establishing lines of defense for managing the risk and delineating spheres of responsibility, establishing reporting lines between the lines of defense and the various organs of the Group, and prescribing means for managing and mitigating the main risks.



The framework for the Group's risk management is aimed at establishing an effective risk management array so as to ensure the stability of the Group – while strengthening its ability to map, identify, monitor and manage its risks and thereby realize its strategic and business goals.

2.4 Significant Measures Taken in the Reporting Period to Improve and Upgrade the Risk Management Array

The Group acts to improve and upgrade the Group's risk management array in accordance with criteria customarily followed by financial market infrastructures in general and by clearing houses in particular, based on the guiding international standards prescribed by CPMI-IOSCO in the PFMI and based on the Clearing Houses' Stability Directive.

The main measures taken in the reporting period were as follows:

2.4.1 Development of the Lending Pool Collaterals Model at TASE-CH

On February 27, 2020, the Board of Directors of TASE-CH approved a methodology for the calculation of current collateral and additional collateral for the default waterfall in respect of the lending pool that commenced operating in November 2020.

2.4.2 Upgrading of the Scan Ranges Model of the Prices of Underlying Assets at MAOF-CH ("Scan Ranges")

On March 24, 2020, the Board of Directors of MAOF-CH approved an updated model for the calculation of the Scan Ranges. The updated Scan Ranges calculation model came into effect on April 1, 2020.

2.4.3 Periodic Report on the Backtesting of the Results of Models at TASE Group

In 2020, a report was formulated that consolidates and presents the backtesting findings in relation to the following models: the margin requirement model of MAOF-CH, the search ranges model and the haircuts model for Israeli government bonds/T-bills as regarding compliance with the collaterals requirement at the TASE Clearing Houses.

The report is drawn up in conformity with the PFMI requirements, the rules of the Securities Authority and the model risk management policy of the TASE Group and is presented to the Risk Management Committee periodically.

2.4.4 Mapping Survey of Misappropriation and Fraud Foci

In 2020, a specialized survey was conducted for the mapping of misappropriation and risk foci at TASE Group. The principals of the survey are planned to be presented to the Board of Directors of TASE in 2021.

2.5 Financial Risks

Presented below is a summary of the principal financial risks to which the Group is exposed in the course of its activity, as well as a summary of the measures that the TASE Group takes to manage and mitigate said risks:

2.5.1 Credit risk

Credit risk is the risk of the Company incurring a loss as a result of a counterparty, whether a financial institution providing custodian services for the Company's assets, or another debtor, being unable to meet its financial obligation when due, or at any time in the future.

Due to the Clearing Houses' undertaking to act as a CCP in transactions in securities, in transactions in derivatives or in transactions in the lending pool, as the case may be, each Clearing House has a material exposure to counterparty credit risk, which is the risk that a Clearing House member will not be able to meet its obligation in a transaction toward the Clearing House, when due or at any time in the future, and as a result the Clearing House will be required to fulfill the obligations of the defaulting Clearing House member toward the other Clearing House members, as stated. The MAOF Clearing House will be required to also attend to the open positions of the defaulting Clearing House member with respect to the transactions performed on TASE.

The Group manages and mitigates its exposure to credit risk using various measures to manage the risks that include, inter alia, setting qualification terms for membership of the Group, requiring collateral from the Clearing House members and allocating resources from its equity. For further details, see note 4 to the Company's consolidated financial statements as of December 31, 2020, which are included in this Periodic Report.

2.5.2 **Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its liquidity needs, on time and in full, either at the time of the default of one of the Clearing Houses' members, by virtue of each of them acting as a CCP, or for financing the ongoing activities.

The TASE Clearing House's material liquidity exposure at the time of a Clearing House member's default arises not just from the amount of the defaulting Clearing House member's obligations in the monetary clearing round of the Bank of Israel's "ZAHAV" system (a Hebrew acronym for Real Time Credits and Transfers) that the TASE Clearing House will be required to fulfill in place of the Clearing House member, provided that the latter has chargeable balances, but also from the need to quickly realize the financial resources standing at the TASE Clearing House's disposal for dealing with a default event for the purpose of fulfilling the aforementioned monetary obligations.

The MAOF Clearing House's material liquidity exposure arises due to the Clearing House being a CCP to transactions in derivatives, whereby it will be required to continue to meet its obligations in a transaction toward the other Clearing House member that has not defaulted, including the final settlement of the future cash flows in the transaction, provided that the terms and conditions for doing so in accordance with the MAOF Clearing House's by-laws are fulfilled.

The Group manages and mitigates its exposure to liquidity risk, inter alia, by maintaining liquid assets deposited as collateral, holding its own liquid assets, maintaining surplus liquidity against liquidity requirements, and so forth. For further details, see note 4 to the Company's consolidated financial statements as of December 31, 2020, which are included in this Periodic Report.

2.5.3 **Settlement risk**

Settlement risk is the risk that the settlement will not be properly completed, whereby the monetary consideration, the securities or the financial instrument will be transferred to the party to the transaction without the financial instrument, the securities, or the monetary consideration being received simultaneously from the counterparty to said transaction. The materialization of settlement risk could cause a material increase in the credit and liquidity exposures of the



Clearing Houses as a CCP. For further details, see note 4 to the Company's consolidated financial statements as of December 31, 2020, which are included in this Periodic Report.

2.5.4 **Market risk**

Market risk is the risk of loss that will be caused to the Group from changes in market prices (such as exchange rates, the Consumer Price Index, interest rates etc.), to the extent that these changes will cause a decrease in profit or a loss that will lead to a decrease in the Group's shareholders' equity.

In the ordinary course of business activities, the Group is exposed to market risk with respect to the holding of securities included in its investment portfolios (nostro) that are held for trading, such that a downturn in market prices has a direct effect on the Group's profit and loss, or with respect to the holding of deposits at variable interest or in foreign currency. The Group manages and mitigates its exposure to market risk, inter alia, by means of a conservative investment policy that is approved every year by the Company's Board of Directors. In accordance with the current policy of the Group, nostro portfolios may only include investments in Israeli government bonds, T-bills and cash.

For further details, see note 4 to the Company's consolidated financial statements as of December 31, 2020, which are included in this Periodic Report.

2.5.5 **Concentration risk**

Concentration risk is the risk of there being a relatively high exposure to a specific risk factor (for example: the underlying asset price, the security price, an issuer, etc.) and/or to a Clearing House member and/or to a TASE member, which might lead to an increase in the overall exposure to other risks (such as credit risk, market risk and liquidity risk).

The Group manages and mitigates its exposure to concentration risk, inter alia, under its policy for the management of concentration risk in the Group and the Group's investment policy.

2.5.6 Wrong-Way Risk (WWR)

Wrong-way risk is the risk that the exposure to a counterparty will increase as the probability of that counterparty's insolvency rises in light of the link/ positive correlation between them. The Group manages and mitigates its exposure to WWR, inter alia, under the Group's WWR management policy, including non-acceptance of securities that were issued by Clearing House members as qualifying collateral at the Clearing Houses of TASE.

2.5.7 Custodian risk

The risk of loss or damage to the assets held in custody as a result of negligence, fraud, misuse of the assets, improper management, defective documentation or insolvency of the custodian or of its agent. Custodian risks arise in light of the fact that the Group holds its assets and the assets of the members of the Clearing Houses, which are deposited as collateral, with commercial banking corporations (cash and securities included in the investments portfolio), with central securities depositories (CSDs) and other entities. Therefore, the Group is exposed to risks that are imposed upon it by these entities.

The Group manages and mitigates the custodian risk by means of holding assets with the Bank of Israel and with supervised entities and by means of diversifying the exposure by holding the assets in a number of banking corporations.

2.5.8 For details regarding the operational risks of the Group, see section 1.38 of Part One - Description of the Company's Business in this Periodic Report.

2.5.9 For details regarding other risks of the Group, see section 1.38 of Part One - Description of the Company's Business in this Periodic Report.

THE TEL-AVIV STOCK EXCHANGE LTD.

Board of Directors' Report on the Company's State of Affairs for 2020

2.6 Presented Below is a Note Relating to the linkage bases as of December 31, 2020 and December 31, 2019 (NIS, in thousands):

	31.12.2020					
	Foreign currency or linked thereto	CPI- linked	Unlinked	Assets and liabilities derived from clearing operations in respect of open derivative positions	Other items	Total as of 31.12.2020
	NIS, in thousands					
Assets:						
Current assets:						
Cash and cash equivalents and short-term investments	4,798	90,612	251,302	-	-	346,712
Trade receivables	656	-	12,198	-	-	12,854
Other receivables	2	2,070	261	-	4,116	6,449
Assets derived from clearing operations with respect to open derivative positions	-	-	-	353,193	-	353,193
Non-current assets:						
Property and equipment and intangible assets, net	-	-	-	-	451,196	451,196
Deferred taxes and other assets	-	-	-	-	14,808	14,808
Other long-term receivables	-	418	542	-	1,692	2,652
Total assets	5,456	93,100	264,303	353,193	471,812	1,187,864
Liabilities:						
Current liabilities:						
Trade payables	-	-	12,159	-	-	12,159
Current liabilities for employee benefits	-	-	32,013	-	-	32,013
Other payables	3	-	3,681	-	-	3,684
Current maturities of lease liabilities	-	4,302	-	-	-	4,302
Liabilities for current taxes	-	1,919	-	-	-	1,919
Deferred income from listing fees and levies	-	-	111	-	20,953	21,064
Liabilities derived from clearing operations with respect to open derivative positions	-	-	-	353,193	-	353,193
Non-current liabilities (including current maturities):						
Non-current liabilities for employee benefits	-	-	-	-	40,413	40,413
Lease liabilities	-	9,089	-	-	-	9,089
Deferred income from listing fees and levies	-	-	-	-	78,646	78,646
Other liabilities	-	-	542	-	-	542
Total liabilities	3	15,310	48,506	353,193	140,012	557,024
Excess assets over liabilities	5,453	77,790	215,797	-	331,800	630,840

THE TEL-AVIV STOCK EXCHANGE LTD.

Board of Directors' Report on the Company's State of Affairs for 2020

	31.12.2019					
	Foreign currency or linked thereto	CPI- linked	Unlinked	Assets and liabilities derived from clearing operations in respect of open derivative positions	Other items	Total as of 31.12.2019
	NIS, in thousands					
Assets:						
Current assets:						
Cash and cash equivalents and short-term investments	1,033	95,886	211,973	-	-	308,892
Trade receivables	975	-	12,801	-	-	13,776
Other receivables	-	3,095	210	-	3,281	6,586
Assets derived from clearing operations with respect to open derivative positions	-	-	-	351,742	-	351,742
Non-current assets:						
Property and equipment and intangible assets, net	-	-	-	-	457,543	457,543
Deferred taxes and other assets	-	-	541	-	14,061	14,602
Other long-term receivables	-	1,370	-	-	2,391	3,761
Total assets	2,008	100,351	225,525	351,742	477,276	1,156,902
Liabilities:						
Current liabilities:						
Trade payables	51	-	15,325	-	-	15,376
Current liabilities for employee benefits	-	-	33,121	-	-	33,121
Other payables	-	-	3,301	-	-	3,301
Current maturities of lease liabilities	-	9,728	-	-	-	9,728
Liabilities for current taxes	-	970	-	-	-	970
Deferred income from listing fees and levies	-	-	-	-	19,380	19,380
Liabilities derived from clearing operations with respect to open derivative positions	-	-	-	351,742	-	351,742
Non-current liabilities (including current maturities):						
Non-current liabilities for employee benefits	-	-	-	-	37,565	37,565
Lease liabilities	-	12,553	-	-	-	12,553
Deferred income from listing fees and levies	-	-	-	-	73,918	73,918
Other liabilities	-	-	541	-	-	541
Total liabilities	51	23,251	52,288	351,742	130,863	558,195
Excess assets over liabilities	1,957	77,100	173,237	-	346,413	598,707

2.7 Sensitivity Analyses

The TASE Group has cash reserves that are deposited with banks and invested in financial instruments. With regard to sensitivity analyses to changes in interest, see note 8 E to the Company's consolidated financial statements as of December 31, 2020, which are included in this Periodic Report.

2.8 Fair Value at Risk

Presented below are details regarding the adoption of the VaR model by the Company in accordance with the provisions of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

2.8.1 Details regarding the model

A VaR model is a statistical model that is customarily used for risk measurement and assessment. The purpose of the model is to estimate the maximum potential loss on a particular investment and/or on an investment portfolio during a defined time window ("the Holding Period"), at a given level of confidence. Like any statistical tool, VaR provides an estimate of risk within a framework of reasonable limits to this question. The Group calculates the VaR only on the securities in the investment portfolio and on the cash balances held in foreign currency, should there be any, viz. it does not calculate this value for assets and liabilities derived from clearing operations with respect to open derivative positions, since the Group does not recognize gains or losses from fair value adjustments on the positions. For further details, see note 7 to the Company's consolidated financial statements as of December 31, 2020, which are included in this Periodic Report.

For further details regarding the management of the rest of the Company's exposures to financial risks, see note 4 to the Company's consolidated financial statements as of December 31, 2020, which are included in this Periodic Report.

2.8.2 Description of the model

The methodology used by the Company for estimating the market risks has been approved by the Board of Directors in accordance with Clearing Houses' Stability Directive.

The methodology for estimating the market risks is calculated at the level of the individual asset included in the Company's investment portfolio and by applying "Monte Carlo Simulation" and "Historical Simulation" to the VaR model, with the risk estimate for each asset being higher than the absolute value of the result of each VaR model, due to the addition of a 30% "add-on" component (i.e., the aforesaid maximum value is multiplied by 1.3).

The calculation of the models is done at a confidence level of at least 99.9% and on the basis of a Holding Period of three days for securities and one day for cash balances held in foreign currency.

The models are recalculated every quarter as the profile of the market risk and its impact on the financial stability of the Company are not material to the extent of having to make the calculation more frequently, taking into consideration the mix of the securities included in the investment portfolio (Israeli government bonds and T-bills (Makams)) and also the other risk management measures available to the Company as set forth in note 4 D to the Company's consolidated financial statements as of December 31, 2020, which are included in this Periodic Report.

2.8.3 **Limitations of the model**

- a. As a rule, the Monte Carlo Simulation assumes that the risk factors are split in a normal manner. This assumption does not always hold true in real life.
- b. The Historical Simulation assumes that the historical behavior of the risk factors will repeat itself in the future, which might not be the case.
- c. A sudden change in a risk factor cannot be forecast in either of the simulation methods.
- d. Generally, the VaR model ignores the structure of potential losses which is greater than the defined confidence level (Tail Risk).
- e. Use of a Holding Period of three trading days for securities and a Holding Period of one day for foreign currency assumes that it is, and that it also will be, possible to realize and/or liquidate the assets within three days or one day, respectively.

2.8.4 Presented below are details of the VaR results for the periods ended on December 31, 2020 and December 31, 2019:

	As of 31.12.2020	Maximum value for 2020	Average for 2020
	NIS, in millions		
The VaR for the investment portfolio and the cash balance held in foreign currency	10.6	10.7	10.3
	As of 31.12.2019	Maximum value for 2019	Average for 2019
	NIS, in millions		
The VaR for the investment portfolio and the cash balance held in foreign currency	9.5	10.3	9.8

The model calculations are performed as of the end of every calendar quarter ("Quarterly Calculation Date") for each risk asset (security/foreign currency balance) included in the investment portfolio on the Quarterly Calculation Date ("Relevant Risk Asset").

For the purpose of backtesting the appropriateness of the model results, at every Quarterly Calculation Date a stand-alone comparison is performed for each Relevant Risk Asset, between (i) the results of the model for the asset as of the Quarterly Calculation Date and (ii) the rates of change in the price of the asset (in terms of the holding period pertaining to the asset) over the calendar quarter immediately following the Quarterly Calculation Date ("the Quarterly Sample"). A situation where, on a given date throughout the Quarterly Sample, the absolute value of the rate of reduction in the price of a Relevant Risk Asset is greater than the model result for that asset (as per the calculation for the end of the preceding calendar quarter), will be deemed as an "exception".

Backtesting of the model results as of December 31, 2019 (over Q1-2020) - For 20 risk assets no exceptions were detected, and for 3 risk assets (linked government bond 0529, the dollar and the Euro) one exception was detected (out of 63 comparative observations for each of the assets), this on the backdrop of the effects of the coronavirus outbreak on the financial markets.

Backtesting of the model results as of March 31, 2020, June 30, 2020 and September 30, 2020 (over Q2-2020, Q3-2020 and Q4-2020, respectively), revealed no exceptions.

3. Aspects of Corporate Governance

3.1 Donations

In the context of community assistance, the Company occasionally donates to various causes. However, as of the date of the Prospectus, the Company has not formulated a policy on the topic of donations and in 2020 no monetary donations were made in the name of the Company¹.

As part of a community support project, the Company employs youngsters who have dropped out of the education system for various reasons, with them being employed until the age of 19 or until their induction into the IDF (where relevant), whichever is the earlier. For community support considerations, these youngsters are employed even if they do not possess all the necessary qualifications for the relevant positions or tasks.

3.2 Details Regarding Directors Possessing Accounting and Financial Expertise

Pursuant to the provisions of the Companies Law and the regulations promulgated thereunder, the Company's Board of Directors has determined that the minimum number of directors possessing accounting and financial expertise that the Company requires is three such directors.

This determination was arrived at taking into consideration, inter alia, the Company's size, its type of activity, the number of members on its Board of Directors, and its complexity.

In the Company's opinion, taking into account all the relevant circumstances, as set forth below, the minimum number as determined above will enable the Board of Directors to fulfill the duties imposed upon it under the law and under its deeds of incorporation, and especially in relation to its responsibility for examining the Company's financial position and for preparing the Company's financial statements, even when a director possessing the aforesaid expertise is absent or ill.

In addition, the minimum number was determined taking into consideration the close accounting accompaniment provided by the Company's independent

¹ Excluding an amount from the welfare budget of the TASE employees, which, at the request of the employees committee has been donated to several societies selected by the TASE employees committee.

auditors, including their participation in meetings of the Board of Directors at which accounting issues are discussed and their availability to answer questions raised by the Board of Directors.

Below are listed the names of the directors who possess accounting and financial expertise, noting in condensed form the facts in relation to each of them by virtue of which he/she is viewed as a director possessing accounting and financial expertise:

- Mr. Amnon Neubach – Chairman of the Board of Directors.
- Mr. Itzhak Halamish – external director, independent director, recommended by the Nominations Committee.
- Ms. Merav Ben Canaan Heller – external director, independent director, recommended by the Nominations Committee.
- Mr. Salah Saabneh – director
- Mr. Yoav Chelouche – external director, independent director, recommended by the Nominations Committee.
- Mr. Arik Steinberg – director.

All the directors listed above are familiar with the duties of the independent auditors, with the financial statement preparation processes and with the internal control systems of organizations (for details regarding the education and employment of these directors, see Regulation 26 of Part Four – Additional Information on the Company, which is included in this Periodic Report).

3.3 **Independent Directors**

In accordance with Sections 50B3(a) and (b) of the Securities Law, a majority of the Company's Board of Directors are to be independent directors, and at least three of these are to be directors recommended by an external Nominations Committee established specifically for this purpose by virtue of Amendment 63 to the Securities Law ("Recommended by the Committee").

As of the date of this report, four independent directors (of which three are Recommended by the Committee) are serving with the Company. The three directors Recommended by the Committee were also appointed as external directors, within the meaning of the term in the Companies Law, after the Company became a public company.

3.4 Internal Audit

3.4.1 Details of the internal auditor

Ms. Sharon Witkowski-Tabib (“**the Internal Auditor**”) has been serving in the aforesaid position with the Company since April 15, 2011 and with the Clearing Houses since May 5, 2011.

The Internal Auditor is a certified public accountant and a member of the Institute of Certified Public Accountants in Israel; she is also a member of the international Institute of Internal Auditors (IIA). The Internal Auditor has an MA in public administration and internal auditing and a BA in business administration, specializing in accounting and finance; she also holds the IIA's Certified Internal Auditor (CIA) certification and the Certification in Risk Management Assurance (CRMA).

The Internal Auditor fulfills the conditions prescribed in Section 146(b) of the Companies Law and the conditions prescribed in Sections 3(a) and 8 of the Internal Audit Law, 5752-1992.

The Internal Auditor provides external services to the Company under a services agreement with BDO Ziv Haft Consulting and Management Ltd. (“the Consulting Firm”). The Internal Auditor is a partner in the Consulting Firm and heads the Internal Audit and Risk Management Cluster at the Consulting Firm.

Neither the Internal Auditor nor the Consulting Firm have any material business connections or other material connections with the Company or with the Clearing Houses or with the Nominee Company or with any entity related to these.

The Internal Auditor has been appointed to the position of internal auditor at various other corporations.

3.4.2 Method of appointment

The appointment of the Internal Auditor was approved by the Company's Board of Directors (after the Audit Committee gave its approval thereto), and has been extended from time to time through April 15, 2023 (after the Audit Committee and the Company's Board of Directors gave their approval thereto).

The Internal Auditor's experience, qualifications, knowledge of the Company, and education, as well as the Group's satisfaction with the internal audit work that has been done until now (taking into account TASE's size, the scope of its operations and their complexity), are some of the reasons that the Board of Directors has approved the appointment.

3.4.3 Identity of the officer to whom the Internal Auditor reports

As resolved by the Company's Board of Directors, the officer to whom the Internal Auditor reports is the Chairman of the Company's Board of Directors.

3.5.4 Internal audit work plan

The Internal Auditor prepared an annual work plan for 2021, both for the Company and also for the Clearing Houses, with this being based on the multiyear work plan for the five years 2020-2024. The work plan for 2021 was discussed at the Company's Audit Committee and was approved by the Company's Board of Directors on February 18, 2021.

The work plan for 2021 was drawn up based on the Internal Auditor's knowledge of the Company, as well as on the operations mapping conducted by the Internal Auditor at TASE over the years:

- preliminary survey – June through September 2011;
- mapping the TASE Clearing House processes – November 2011 through January 2012;
- survey for mapping aspects of IT management at the Company – November 2014;
- mapping of activities and formulation of the multiyear internal audit program for the years 2015-2019;
- survey for the formulation of the multiyear internal audit program for the years 2020-2024;
- participation in meetings of the Board of Directors and the Audit Committee throughout the year;
- reviewing documents and various other supporting documentation throughout the year, including minutes from the different forums, risks studies, various reports, etc.;

- meetings and conversations with office holders the purpose of updating the annual program, including with the Chairman of the Board of Directors, the CEO and the Corporate Secretary.

The parties involved in drawing up the work plan are the Company's Management and also the Audit Committee and the Company's Board of Directors.

Following discussions held by the Internal Auditor with the Company's CEO and with the Chairman of the Company's Board of Directors, the internal audit work plan is presented to the Audit Committee and, following its approval by said Committee, it was brought before the Company's Board of Directors. The Audit Committee and the Company's Board of Directors approve any change to the work plan.

3.4.5 Audit of investee corporations

As stated above, the internal audit work plan for the Company and for the Clearing Houses is consolidated and multiyear – for 2020-2024. Every year, the Board of Directors approves the Group's work plan for the specific year.

3.4.6 Scope of the work

The scope of the internal audit hours performed at TASE and at the subsidiaries in 2020 was 1,040 hours.

3.4.7 Conduct of the audit in accordance with professional standards

The aforesaid internal audit is performed in conformity with the Internal Audit Law and professional standards generally accepted for internal audit, including the standards of the international Institute of Internal Auditors (IIA). The Company's Board of Directors has expressed its opinion that the Internal Auditor has complied with the requirements prescribed in the aforesaid professional standards, taking into consideration the professionalism of the Internal Auditor, her qualifications and her experience.

3.4.8 **Access to information**

The Internal Auditor was furnished with any document and any information in the possession of TASE and the subsidiaries, which was asked for by the Internal Auditor and was needed for the purpose of performing her duties. The Internal Auditor and her team are given free and constant access to the information.

3.4.9 **Internal audit reports**

The internal audit reports are drawn up and presented in writing. The audit reports are presented to the Chairman of the Company's Board of Directors, to the members of the Company's Audit Committee and to the Company's CEO.

Presented below are details of the dates when the internal audit reports were presented and the dates when the Company's Audit Committee discussed such findings in 2020:

Topic covered in the report	Date of report's final presentation	Date of Audit Committee discussion
Executives' salaries	10.6.2020	18.6.2020
Management of projects in the IT Department	30.6.2020	23.7.2020
Implementation of the Internal Audit recommendations	7.7.2020	23.7.2020
Listing for trade and updating the data of listed companies	30.8.2020	10.9.2020
Nominee Company	3.12.2020	24.12.2020

3.4.10 **Opinion of the Board of Directors concerning the Internal Auditor's activities**

In the opinion of the Company's Board of Directors, the scope, nature and continuity of the Internal Auditor's activities and her work program are reasonable in light of prevailing circumstances and are sufficient to attain the internal audit objectives of the Company.

3.4.11 **Remuneration**

The Internal Auditor's remuneration is based on a fixed hourly tariff and is paid by the Company to the Consulting Firm.

In the opinion of the Company's Board of Directors, the payment of such remuneration does not influence the professional judgment exercised by the Internal Auditor in performing the audit.

3.5 **Professional Fees of the Independent Auditors**

Presented below are the professional fees of the independent auditors with respect to audit services, services related to auditing and tax services, provided to the Company and to its subsidiaries in 2020:

Name of auditors	Service	Professional fees (NIS, in thousands)	Work hours
Brightman Almagor Zohar & Co., CPAs	Audit	450	2,463
	Tax and consulting services	31	64

Presented below are the professional fees of the independent auditors with respect to audit services, services related to auditing, including preparations for a prospectus, and tax services, provided to the Company and to its subsidiaries in 2019:

Name of auditors	Service	Professional fees (NIS, in thousands)	Work hours
Brightman Almagor Zohar & Co., CPAs	Audit	450	3,232
	Prospectus arrangements	625	1,405
	Tax and consulting services	61	239

4. **Effectiveness of the Internal Control Over the Financial Reporting and Disclosure (iSOX)**

Taking into account the date of the initial listing of the Company's shares, on August 1, 2019, the Company was subject – as of the date of the Report – to the obligation to attach a report regarding the assessment of the Board of Directors and management concerning the effectiveness of the internal control

over the financial reporting and over the disclosure, management declarations by the CEO and the most senior officer in the financial sphere regarding the effectiveness of the internal control over the financial reporting and over the disclosure – see Part Five of the Periodic Report for 2020 concerning the effectiveness of the internal control over financial reporting and disclosure. The obligation to attach the report of the independent auditors on the effectiveness of the internal control will apply from August 1, 2024.

5. The Company's Employees

The Board of Directors expresses its appreciation to the Company's Management and to the Group's employees for their dedicated work and their contribution to the Company's progress.

Date: March 16, 2021

PART 3

Consolidated Statements of Financial Position as of December 31, 2020

Separate Financial Information for 2020



This English version is only for convenience purposes. This is not an official translation and has no binding force. Whilst reasonable care and skill have been exercised in the preparation hereof, no translation can ever perfectly reflect the Hebrew version. In the event of any discrepancy between the Hebrew version and this translation, the Hebrew version shall prevail.

THE TEL-AVIV STOCK EXCHANGE LTD.

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

Contents

	<u>Page</u>
Auditors' Report	2
Financial Statements:	
Consolidated Statements of Financial Position	3-4
Consolidated Statements of Profit or Loss	5
Consolidated Statements of Comprehensive Income	6
Consolidated Statements of Changes in Equity	7-8
Consolidated Statements of Cash Flows	9-10
Notes to the Consolidated Financial Statements	11-93





**AUDITORS' REPORT TO THE SHAREHOLDERS OF
THE TEL-AVIV STOCK EXCHANGE LTD.**

We have audited the accompanying consolidated statements of financial position of The Tel-Aviv Stock Exchange Ltd. (hereafter - "the Company") as of December 31, 2020 and 2019, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2019. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with Generally Accepted Auditing Standards in Israel, including those prescribed by the 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 test 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 audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of the Company and its consolidated companies as of December 31, 2020 and 2019, and the results of their operations, changes in equity and their cash flows for each of the three years in the period ended in December 31, 2020, in conformity with International Financial Reporting Standards (IFRS) and with the provisions of the Securities Regulations (Annual Financial Statements) - 2010.

Brightman Almagor Zohar & Co.
Certified Public Accountants
A Firm in the Deloitte Global Network

Tel Aviv, Israel, March 16, 2021

Tel Aviv - Main Office

1 Azrieli Center Tel Aviv, 6701101 P.O.B. 16593 Tel Aviv, 6116402 | Tel: +972 (3) 608 5555 | info@deloitte.co.il

Jerusalem
3 Kiryat Ha'Mada
Har Hotzvim Tower
Jerusalem, 914510
D. BOX 45396

Tel: +972 (2) 501 8888
Fax: +972 (2) 537 4173
info-jer@deloitte.co.il

Haifa
5 Ma'aleh Hashichrur
P.O.B. 5648
Haifa, 3105502

Tel: +972 (4) 860 7333
Fax: +972 (4) 867 2528
info-haifa@deloitte.co.il

Eilat
The City Center
P.O.B. 583
Eilat, 8810402

Tel: +972 (8) 637 5676
Fax: +972 (8) 637 1628
info-eilat@deloitte.co.il

Nazareth
9 Marj Ibn Amer St.
Nazareth, 16100

Tel: +972 (73) 399 4455
Fax: +972 (73) 399 4455
info-nazareth@deloitte.co.il

TEL-AVIV STOCK EXCHANGE LTD.

Consolidated Statements of Financial Position

	Note	December 31,	
		2 0 2 0	2 0 1 9
		NIS, in thousands	NIS, in thousands
Assets			
Current assets			
Cash and cash equivalents	6 A	142,154	103,928
Financial assets at fair value through profit or loss	8	204,558	204,964
Trade receivables		12,854	13,776
Other receivables	11 B, 24 B	6,449	6,373
Current tax assets	16	-	213
		366,054	329,254
Assets derived from clearing operations with respect to open derivative positions	7	353,193	351,742
Total current assets		719,208	680,996
Non-current assets			
Cash restricted as to use	6 B	542	541
Other long-term receivables	11 B, 24 B	2,110	3,761
Property and equipment, net	10, 11	330,075	345,176
Intangible assets, net	12	121,121	112,367
Deferred tax assets	16	14,808	14,061
Total non-current assets		468,656	475,906
Total assets		1,187,864	1,156,902

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

TEL-AVIV STOCK EXCHANGE LTD.

Consolidated Statements of Financial Position

	Note	December 31,	
		2 0 2 0	2 0 1 9
		NIS, in thousands	NIS, in thousands
Liabilities and Equity			
Current liabilities			
Trade payables		12,159	15,376
Short-term liabilities for employee benefits	13	32,013	33,121
Other payables		3,684	3,301
Current maturities of lease liabilities	11 B	4,302	9,728
Current tax liabilities	16	1,919	970
Deferred income from listing fees and levies	14	21,064	19,380
		75,141	81,876
Liabilities derived from clearing operations with respect to open derivative positions	7	353,193	351,742
Total current liabilities		428,334	433,618
Non-current liabilities			
Non-current liabilities for employee benefits	13	40,413	37,565
Lease liabilities	11 B	9,089	12,553
Deferred income from listing fees and levies	14	78,646	73,918
Other liabilities	6 B	542	541
Total non-current liabilities		128,690	124,577
Equity			
Remeasurement of net defined benefit liability		(17,909)	(16,905)
Share-based payments reserve	15	32,518	31,238
Other capital reserves	18 C	46,802	43,079
Retained earnings		569,429	541,295
Total equity		630,840	598,707
Total liabilities and equity		1,187,864	1,156,902

March 16, 2021

**Date of
Financial Statements
Approval**

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

TEL-AVIV STOCK EXCHANGE LTD.

Consolidated Statements of Profit or Loss

	Note	Year Ended December 31,		
		2 0 2 0	2 0 1 9	2 0 1 8
		NIS, in thousands	NIS, in thousands	NIS, in thousands
Revenue from services:	20			
Trading and clearing commissions		136,451	107,000	119,355
Listing fees and levies		59,887	54,678	46,525
Clearing House services		57,453	52,331	49,605
Data distribution and connectivity services		48,408	42,419	34,954
Other revenue		2,067	3,573	5,166
Total revenue from services		304,266	260,001	255,605
Costs:				
Employee benefits expenses	21 A	139,355	132,973	129,270
Share-based payments expenses	15	1,280	3,858	-
Computer and communications expenses		26,753	23,819	26,024
Property taxes and building maintenance expenses		11,762	12,602	12,994
General and administrative expenses		9,373	9,122	8,829
Marketing expenses		11,098	7,858	5,452
Fee to the Israel Securities Authority		10,776	10,680	10,506
Operating expenses for nominee company		-	-	448
Depreciation and amortization expenses	21 B	44,510	43,571	32,672
Reversal of impairment provision		-	-	(85,108)
Other expenses		587	1,358	896
Total costs		255,494	245,841	141,983
Profit before financing income, net		48,772	14,160	113,622
Financing income		410	9,975	(899)
Financing expenses		983	1,006	161
Total financing income (expense), net	22	(573)	8,969	(1,060)
Profit before tax on income		48,199	23,129	112,562
Taxes on income	16	11,295	5,571	26,140
Profit for the year		36,904	17,558	86,422
Basic earnings per share in NIS	23	0.368	0.176	0.864
Diluted earnings per share in NIS	23	0.358	0.174	0.864

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

TEL-AVIV STOCK EXCHANGE LTD.

Consolidated Statements of Comprehensive Income

	Year Ended December 31,		
	2020	2019	2018
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Profit for the year	36,904	17,558	86,422
Other comprehensive income (loss):			
Items that will not be subsequently reclassified to profit or loss, net of tax:			
Remeasurement of net liability with respect to defined benefit, net of tax	(1,004)	(12,574)	4,763
Comprehensive income for the year	35,900	4,984	91,185

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

TEL-AVIV STOCK EXCHANGE LTD.

Consolidated Statements of Changes in Equity

	Share-based payments reserve	Remeasurement of net defined benefit liability	Revaluation Reserve for- Available- for-Sale Financial Assets	Other Capital Reserves	Retained Earnings	Total
	NIS, in thousands	NIS, in thousands	NIS, in thousands	NIS, in thousands	NIS, in thousands	NIS, in thousands
Balance as of January 1, 2018	27,380	(9,094)	2,099	3,200	500,630	524,215
Effect of changes in accounting policies resulting from the application of new standards:						
IFRS 9 "Financial Instruments"	-	-	(2,099)	-	2,099	-
IFRS 15 "Revenue from Contracts with Customers"	-	-	-	-	(65,414)	(65,414)
Balance at January 1, 2018 after retroactive adjustments	27,380	(9,094)	-	3,200	437,315	458,801
Profit for the year	-	-	-	-	86,422	86,422
Other comprehensive income for the year	-	4,763	-	-	-	4,763
Total comprehensive income for the year	-	4,763	-	-	86,422	91,185
Receipts from shareholders within the framework of implementing the ownership restructuring, net (see note 18 C)	-	-	-	9,907	-	9,907
Balance at December 31, 2018	27,380	(4,331)	-	13,107	523,737	559,893
Balance at January 1, 2019	27,380	(4,331)	-	13,107	523,737	559,893
Profit for the year	-	-	-	-	17,558	17,558
Other comprehensive loss for the year	-	(12,574)	-	-	-	(12,574)
Total comprehensive income (loss) for the year	-	(12,574)	-	-	17,558	4,984
Share-based payment	3,858	-	-	-	-	3,858
Company's share in the first-time listing of the shares (see note 18 C).	-	-	-	16,190	-	16,190
Receipts from shareholders within the framework of implementing the ownership restructuring, net (see note 18 C)	-	-	-	13,782	-	13,782
Balance at December 31, 2019	31,238	(16,905)	-	43,079	541,295	598,707

TEL-AVIV STOCK EXCHANGE LTD.

Consolidated Statements of Changes in Equity

	Share-based payments reserve	Remeasurement of net defined benefit liability	Revaluation Reserve for- Available- for-Sale Financial Assets	Other Capital Reserves	Retained Earnings	Total
	NIS, in thousands	NIS, in thousands	NIS, in thousands	NIS, in thousands	NIS, in thousands	NIS, in thousands
Balance at January 1, 2020	31,238	(16,905)	-	43,079	541,295	598,707
Profit for the year	-	-	-	-	36,904	36,904
Other comprehensive loss for the year	-	(1,004)	-	-	-	(1,004)
Total comprehensive income (loss) for the year	-	(1,004)	-	-	36,904	35,900
Dividend paid	-	-	-	-	(8,770)	(8,770)
Share-based payment	1,280	-	-	-	-	1,280
Receipts from shareholders within the framework of implementing the ownership restructuring, net (see note 18 C)	-	-	-	3,723	-	3,723
Balance as of December 31, 2020	32,518	(17,909)	-	46,802	569,429	630,480

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

TEL-AVIV STOCK EXCHANGE LTD.

Consolidated Statements of Cash Flows

	Year Ended December 31,		
	2020	2019	2018
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Cash Flows from Operating Activities:			
Profit for the year	36,904	17,558	86,422
Share-based payments expenses	1,280	3,858	-
Tax expenses recognized in profit or loss	11,295	5,571	26,140
Net financing expense (income) recognized in profit or loss	573	(8,969)	1,060
Depreciation and amortization	44,510	43,571	32,672
Reversal of impairment provision	-	-	(85,108)
Loss from disposal of property and equipment and intangible assets	587	1,358	280
	95,149	62,947	61,466
Changes in asset and liability items:			
Decrease (increase) in trade receivables and other receivables	2,514	(607)	(1,408)
Decrease (increase) in receivables with respect to open derivative positions	(1,451)	543,659	844,169
Increase (decrease) in trade payables and other payables	(2,637)	1,176	(3,282)
Increase in deferred income from listing fees and levies	6,412	5,726	2,660
Increase (decrease) in payables with respect to open derivative positions	1,451	(543,659)	(844,169)
Increase in employee benefits related liabilities	436	6,083	8,084
	101,838	75,325	67,520
Interest received	5,008	6,110	5,058
Interest paid	(723)	(637)	(154)
Tax receipts (payments) – operating activities	(10,694)	332	(1,171)
	(6,409)	5,805	3,733
Net cash provided by operating activities	95,429	81,130	71,253
Cash Flows from Investing Activities:			
Acquisition of property and equipment	(11,145)	(6,416)	(20,388)
Proceeds from the disposal of property and equipment	-	192	41
Acquisitions of intangible assets	(11,161)	(11,850)	(14,962)
Refund for overpaid development levies	-	-	1,788
Payments with respect to costs capitalized to property and equipment and to intangible assets	(15,583)	(15,838)	(18,892)
Acquisition of financial assets at fair value through profit or loss, net	(4,206)	(17,032)	(2,633)
Net cash used in investing activities	(42,095)	(50,944)	(55,046)
Cash Flows from Financing Activities:			
Lease payments	(9,929)	(9,739)	-
Dividend paid	(8,770)	-	-
Company's share in the first-time listing of the shares	-	15,600	-
Receipts from shareholders within the framework of implementing the ownership restructuring, net	3,723	13,782	9,907
Net cash provided by (used in) financing activities	(14,976)	19,643	9,907
Net increase in cash and cash equivalents	38,358	49,829	26,114
Cash and cash equivalents, beginning of the year	103,928	54,363	28,095
Effect of changes in exchange rates on cash balances held in foreign currency	(132)	(264)	154
Cash and cash equivalents, end of the year	142,154	103,928	54,363

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



TEL-AVIV STOCK EXCHANGE LTD.

Consolidated Statements of Cash Flows

Year Ended December 31,

2020	2019	2018
NIS, in thousands	NIS, in thousands	NIS, in thousands

APPENDIX A – NON-CASH ACTIVITIES:

Acquisition of property and equipment and intangible assets, under short-term credit	4,159	4,320	5,630
Increase in right-of-use assets and lease liabilities (*)	1,133	5,372	-
Increase in receivables for lease and lease liabilities (*)	165	2,256	-

(*) For further details regarding lease liabilities, see note 11 B.

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



TEL-AVIV STOCK EXCHANGE LTD.

Notes to the Financial Statements

NOTE 1 - GENERAL:

- A. The Tel-Aviv Stock Exchange ("TASE"), a company limited by shares, was incorporated in Israel, in 1953, and its registered office is at 2 Ahuzat Bayit Street, Tel Aviv. TASE is engaged in managing a securities stock exchange and in related activities.

The TASE Clearing House Ltd. ("TASE-CH") is a wholly owned subsidiary of TASE (see note 9 below). TASE-CH was acquired by TASE in September 2006 from 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 a wholly owned subsidiary of TASE (see note 9 below) and is engaged primarily in issuing options and futures ("derivatives") and providing clearing services for these derivatives.

The Tel-Aviv Stock Exchange Nominee Company Ltd. ("Nominee Company") is wholly owned by TASE (see note 9 below) and was incorporated in Israel on October 25, 2017. The Nominee Company is engaged in holding securities for others and in performing the actions required for this in accordance with the provisions of the law.

All that reported in these financial statements regarding the activity of both TASE-CH and MAOF-CH is subject to the By-Laws of each clearing house.

With respect to clearing houses' operations, the terms used in these financial statements shall have the meaning they have in the Securities Law, 1968, TASE's Rules, the Regulations pursuant thereto, and the Clearing Houses' By-Laws.

As of December 31, 2020, TASE has 23 members, consisting of 14 banks (including the Bank of Israel), 6 non-bank members ("NBM's") and 3 remote members (as of December 31, 2019, TASE had 24 members).

In 2020, the Board of Directors of TASE approved two new members: an NBM acting on its own account (nostro) only and a bank. The two new TASE members will commence their operations in 2021, upon completion of the necessary operational, technological and corporate governance preparations.

As of December 31, 2020, TASE-CH has 17 members, consisting of 12 banks (including the Bank of Israel), 4 NBM's and a custodial member (as of December 31, 2019, TASE-CH had 17 members).

As of December 31, 2020 and 2019, MAOF-CH has 10 members, consisting of 9 banks and one NBM.

Operating segments are identified on the basis of internal reports regarding the components of the Group, which are regularly reviewed by the Group's chief operating decision-maker in order to allocate resources and assess the performance of the operating segments. The reports that are sent to the chief operating decision-maker in the TASE Group are for all the Group activities as described above. Therefore, the TASE Group has a single area of activity which is reported as a single reportable segment, and that is the area of trading and clearing of transactions in securities.

With respect to a model regarding the allocation of income and expenses of TASE, MAOF-CH, TASE-CH and the Nominee Company ("the Group") between the Group companies, see note 24 C (2) (a).

On August 1, 2019, the Company's shares were listed on the Tel-Aviv Stock Exchange for the first time and the Company became a public company as defined in the Companies Law, 1999.

TEL-AVIV STOCK EXCHANGE LTD.

Notes to the Financial Statements

NOTE 1 - GENERAL (CONT.):

- B. On July 30, 2015, the general meeting resolved to approve an outline in principle for an arrangement program between the TASE members at that time, and also between them and TASE, for the purpose of implementing a restructuring of TASE and turning it into a company that is entitled to distribute dividends, having a share capital comprising only one class of shares. This is to be done by allocating shares to the TASE members in accordance with an allocation table to be decided upon ("the Allocation Table"). In accordance with the outline in principle that was approved as stated, the parameters included in the model, for the purpose of establishing entitlement to the share allocation, relates to anyone that was a TASE member on June 30, 2015.

On April 6, 2017, the Securities Law (Amendment No. 63), 2017, which deals with changes in the ownership structure of TASE, was passed ("TASE Restructuring Law", "Law"). The aim of the Law is to change the ownership structure of TASE, while transforming it into a "for profit" company, and to expand the TASE membership base and to make TASE accessible to a larger number of parties. Another aim of the Law is to lay the infrastructure for future strategic collaborations with foreign stock exchanges and strategic investors.

The main points of the Law are as follows:

With the TASE restructuring and upon the corporate governance arrangements in the aforementioned Securities Law amendment taking effect, the provisions prescribed in the Securities Law prohibiting the distribution of TASE profits will be revoked, so as to permit TASE to become a "for profit" company entitled to distribute profits to its owners.

- Prescribing terms for obtaining a stock exchange license in Israel. In accordance with the transitional provisions set forth in the Law, the license granted to the Tel-Aviv Stock Exchange prior to the Law taking effect will be deemed a license granted to it pursuant to the provisions of the Law.
- Prescribing terms for obtaining a clearing house license in Israel. In accordance with the transitional provisions set forth in the Law, TASE-CH and MAOF-CH will be deemed as having been granted a license pursuant to the provisions of the Law.
- Setting a proscription against TASE engaging in the provision of services giving rise to a substantive concern regarding a conflict of interests with its business of managing a securities trading system.
- Setting a proscription against a holding of five percent or more in TASE without receipt of a permit from the Israel Securities Authority, setting a proscription against control of TASE without a permit and setting a proscription against control of a clearing house without a permit. In accordance with the transitional provisions set forth in the Law, TASE will be deemed as having been granted a permit to control the clearing houses under its control prior to the Law taking effect pursuant to the provisions of the Law.
- Prescribing corporate governance arrangements.
- Imposing an obligation on clearing houses to provide services to every stock exchange or clearing member and not to unreasonably refuse to provide such services.
- Prescribing a provision stating that if an entity has sold means of control in TASE, which it held prior to the date that the change in the TASE ownership structure was approved, and if the sale proceeds exceeded the value of the means of control sold, the seller will transfer to TASE an amount equivalent to the difference between the sale proceeds and the value of the means of control sold. For this purpose, "value of the means of control sold" – the means of control sold as a percentage of the total means of control in TASE on the arrangement's approval date multiplied by the TASE equity according to its 2015 financial statements, in an amount of NIS 508 million. TASE may make use of sums transferred to it pursuant to this clause in order to reduce the fees TASE charges and to invest in technological infrastructure, and for these purposes alone.

TEL-AVIV STOCK EXCHANGE LTD.

Notes to the Financial Statements

NOTE 1 - GENERAL (CONT.):

B. (Cont.):

On September 7, 2017, the Tel Aviv District Court approved the demutualization arrangement of TASE in accordance with Section 350 of the Companies Law, the main principles of which are detailed below: replacing TASE's present Articles of Association with a new version of the Articles of Association that conforms with the provisions of the TASE Restructuring Law.

In addition, it was prescribed that the authorized share capital of TASE will be 150,000,000 ordinary shares having no par value. Within the framework of the arrangement, TASE allocated 94,000,000 ordinary shares to the TASE members in accordance with the Allocation Table, for no consideration – for further details, see note 18. Likewise, TASE allocated 6,000,000 shares to a trustee for TASE employees and service providers, for no consideration. The allocation of shares to TASE employees was done within the framework of the compensation plan, which had been approved by the organs of TASE, in accordance with the principles set forth in note 15 A.

- C. Pursuant to a prospectus for an initial public offering by way of a secondary offering of Company shares, dated July 24, 2019, and pursuant to a supplementary notice dated July 29, 2019, on August 1, 2019, 100,000,000 ordinary shares with no par value, existing in the Company's share capital, were listed on TASE, of which 31,717,504 shares were offered in a secondary offering to institutional investors in Israel and overseas, as well as to the public in Israel, and approval was received for the listing of up to 8,429,797 ordinary shares that will result from the exercise of warrants allotted to the Company's CEO and to officers of the Company.

Regarding the indemnification for the pricing underwriter ("the Prospectus Indemnification"), see note 17 E.

For additional information regarding Receipts from shareholders within the framework of the TASE Restructuring Law, see note 18 C.

D. The Coronavirus Crisis

The outbreak of the coronavirus in China in January 2020 and its spreading into a "global pandemic" resulted in uncertainty and strong fluctuations in the capital markets, which were exacerbated by its effects on global economic activities.

To the date of this report, the significant negative effects of the coronavirus crisis on the operating results of the Company in 2020 cannot be estimated, as, in principle, the Company is not directly affected by the prices of the securities, but rather by the trading and clearing turnovers of securities and derivatives (which reached record highs in March 2020).

TEL-AVIV STOCK EXCHANGE LTD.

Notes to the Financial Statements

NOTE 1 - GENERAL (CONT.):

D. The Coronavirus Crisis (Cont.):

To the date of the report, the Company has an operational and technological solution in place that facilitates the operation of TASE and the Clearing Houses with a significantly lower number of employees that are required to be present at the sites of the Company for the operation of the core trading and clearing systems. It should be noted that the restrictions imposed in Israel to date by virtue of the Emergency Regulations do not categorically prohibit the opening of workplaces, but rather stipulate various limitations that are primarily designed to reduce the number of employees in the workplaces and to encourage remote work, in both the public and the private sectors. At any rate, even the broadest application of the Regulations exempts a number of employers, including those operating in the capital market, such as the Company (alongside banks, Stock Exchange members, fund managers, rating firms and more).

In view of the aforesaid and since, to the date of the report, the potential effects of the coronavirus crisis on the main income channels of the Company (trading and clearing commissions, custodial services etc.) stem primarily from the macro implications of the crisis on the local and the global economy, the Company is unable to quantify the extent of possible reduction in its income in the event of the persistence and/or exacerbation of this crisis (and, as stated above, to the date of the report, such negative effects are not evident, with the exception of the more marginal revenue channels, i.e. other than trading and clearing of securities, custodian services etc., such as revenue from the portfolio of investments in government bonds and revenue from the rental of space and holding of events).

Nevertheless, it is not unreasonable to assume that the persistence and exacerbation of the uncertainty could lead to reduced volumes of activity in the primary market (both equity and debt) that will in turn entail a decline in revenues from examination and listing fees with respect to new securities. Furthermore, it is not unreasonable to assume that, in the event of erosion in the prices of listed securities in 2021, the revenues of the Group from custodial services could be impacted to some extent, as these are derived from the value of the securities held, and if price levels are not corrected by the end of 2021, this could adversely impact the volume of fees from companies in 2022, which are derived from the value of the securities listed as of December 2021. Additionally, persisting uncertainty, in general, and in the capital market, in particular, could defer the launching of new products or services until the smoke clears.

Finally, it should be noted that in the aftermath of the crisis recovery will be gradual. At this stage and in the absence of clear criteria for the implementation and continuity of the "exit strategy" that has been declared by the Israeli Government, the duration of the recovery period and the volumes of trading and capital-raising in the recovery period cannot be estimated, more so as these depend, among others, on the progression of the recovery, the volatility of the markets and the pace at which the public returns to invest, directly or indirectly, in securities that are listed on TASE.

The difficulties of making such an assessment are demonstrated by events in the past year, where the significant increase in morbidity rates following the lifting of most restrictions led the Government to suspend the opening of the market and reinstate certain restrictions, culminating in the imposition of a near complete lockdown during the holidays. As morbidity rates reduced, in the middle of October 2020, a plan was announced for the gradual lifting of restrictions based on predetermined morbidity targets, which was also subject to occasional changes, followed by another comprehensive lockdown at the beginning of 2021. A similar scenario of a rise in morbidity rates and the reinstatement of restrictions on activities and businesses was witnessed in multiple countries. Such events emphasize the obstacles to assessing the duration of the crisis and/or the rate of recovery therefrom.

E. 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.

TEL-AVIV STOCK EXCHANGE LTD.

Notes to the Financial Statements

NOTE 1 - GENERAL (CONT.):

F. Definitions:

Company or TASE	- The Tel-Aviv Stock Exchange Ltd.
The Group	- The Company and its subsidiaries (as defined below).
Subsidiaries	- Companies controlled (as defined by IFRS 10) by the Company, whose financial statements are fully consolidated with those of the Company.
Investees	- Subsidiaries. See note 9 below – list of investees.
Related parties	- As defined by IAS 24 – “Related Parties”.
Interested parties	- As defined in the 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.

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

C. Operating Cycle:

The Group's operating cycle is 12 months.

D. Format for Reporting Expenses in Profit or Loss:

Group expenses in the Statement of Profit or Loss and Other Comprehensive Income are reported based on the nature of the expenses. The Group estimates, because of its organizational structure, that the classification of expenses in this manner is more reliable and relevant than any classification by function of expense.

E. Foreign Currency:

(1) Functional Currency and Presentation Currency:

The financial statements of each of the Group companies are drawn up in the currency of the primary economic environment in which it operates ("functional currency"). The consolidated financial statements of the Group have been prepared in New Israeli Shekels ("NIS"), which is the functional currency of all the Group companies, and are rounded to the nearest thousand.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

E. Foreign Currency (Cont.):

(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 the transaction date. At the end of each reporting period, foreign currency monetary items are translated using the closing rate. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(3) Recognition of exchange differences:

Exchange differences are recognized in profit or loss in the period in which they arise. Income and expenses from exchange differences are presented in the "Other financing income (expenses)" item.

F. Cash and Cash Equivalents:

Cash and cash equivalents include cash in hand, deposits held at call with banks and term deposits with original maturities of three months or less that are not restricted as to use.

G. Consolidated Financial Statements:

The consolidated financial statements of the Group include the financial statements of the Company and the entities that the Company directly controls. An investor company controls the investee company, when it is exposed, or has rights, to variable returns from its involvement with the investee, when it has the power over the investee and when it has the ability to use its power to affect its return.

For consolidation purposes, intercompany transactions, balances, income, and expenses have been fully eliminated.

H. Property and Equipment:

(1) General:

Property and equipment are tangible items that are held for the supply of services, or for rent to others, which are expected to be used over more than one period. The property and equipment include one floor of a building let to external tenants, which cannot be sold separately. As to the termination of a lease, see note 11 C (1).

Property and equipment assets are reported at cost in the Statements of Financial Position, less accumulated depreciation and accumulated 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.

TEL-AVIV STOCK EXCHANGE LTD.

Notes to the Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

H. Property and Equipment (Cont.):

(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:

	Estimated Useful Lives	Depreciation Rates
Property and equipment:		
Building	15-50 years	2%-6.7% (mainly 2%)
Computer systems and related equipment	4-15 years	6.7%-25% (mainly 20%)
Equipment and systems	7-30 years	3.33%-14% (mainly 6.67%)
Furniture	8-30 years	3.3%-12.5% (mainly 12.5%)
Right-of-use assets:		
Leased land (*)	98-1,000 years	0.1%-1.02% (mainly 0.75%)
Backup facility	6.5 years	15.4%
Communication lines	2 years	50%

(*) For information on leased land, see paragraph J below. In addition, the Company has land that it owns freehold, which is not depreciated.

Residual values, the depreciation method and the useful lives of the assets are reviewed by management at every financial 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 upon sale or retirement, and is recognized in profit or loss, under other income or expenses.

TEL-AVIV STOCK EXCHANGE LTD.

Notes to the Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

I. Intangible Assets:

(1) General:

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

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

Software and licenses 4-10 years (mainly 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 in profit or loss as incurred.

An intangible asset generated internally as part of the Company's development of software and computer systems is recognized if, and only if, all of the following terms are complied with:

- the technical feasibility of completing the asset so that it will be available for use or for sale;
- the Group's intention to complete the asset and use it or sell it;
- the Group's ability to complete the asset and use it or sell it;
- how the asset will generate future economic benefits can be determined;
- the availability to the Group of adequate technical, financial and other resources to complete the development and to use the asset or sell it; and,
- the ability to measure reliably the expenditure attributable to the asset during its development.

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 finite 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.):

J. Leases:

The Accounting Policy Applied Through January 1, 2019 for Leases is as Follows:

Lease arrangements are classified as a finance lease when the terms of the contract substantially transfer all the risks and rewards incident to ownership to the lessee. All other leases are classified as operating leases.

Finance Lease:

Land leases are classified as finance 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 period of a lease. Land is leased for periods of 98 years to 999 years (mainly 140 years).

Operating Lease:

Rental income and expenses from an operating lease are recognized over the period of the lease on a straight-line basis.

The Accounting Policy Being Applied Since January 1, 2019 for Leases is as Follows:

The Company accounts for a contract as a lease when, under the terms of the contract, it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(1) The Company as lessee

For transactions in which the Company is the lessee, on the commencement date of the lease ("the Commencement Date"), the Company recognizes the right-of-use asset against a lease liability, with the exception of lease transactions for a period of less than 12 months, and lease transactions with a low-value underlying asset, where the Company has elected to recognize the lease payments as an expense in profit or loss on a straight-line basis, over the lease term. In measuring the lease liabilities, the Company has chosen to apply the exemption set forth in the Standard and has not separated lease components from non-lease components, such as management services, maintenance services and so forth, that are included in the same transaction.

On the Commencement Date, a lease liability includes all the lease payments that have not yet been paid, discounted using the Company's incremental interest rate (as the discount rate implicit in the lease cannot be readily determined). Subsequent to the Commencement Date, the Company measures the lease liability using the effective interest method.

The right-of-use asset on the Commencement Date is recognized at the amount of the lease liability, plus lease payments paid on or prior to the Commencement Date, with the addition of transaction costs incurred. The right-of-use asset is measured using the cost model and is depreciated over the asset's useful life or over the lease term, whichever is shorter.

If indicators of impairment are present, the Company tests the right-of-use asset for impairment in accordance with the provisions of IAS 36. See paragraph K below.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

J. Leases (Cont.):

The Company remeasures the lease liability (against an adjustment to the right-of-use asset) when:

- A change has been made in the lease term. In such a case, the lease liability is remeasured by discounting the revised lease payments, using a revised discount rate.
- A change has been made in the future lease payments resulting from a change in an index (for example, lease payments that are linked to the consumer price index). In such a case, the lease liability is measured by discounting the revised lease payments, using the original discount rate.
- A lease amendment has been made that is not treated as a separate lease. In such a case, the lease liability is remeasured by discounting the revised lease payments, using a revised discount rate.

The right-of-use asset is presented in the "Property and equipment" item in the Statement of Financial Position and the lease liability is presented as a separate item in the Statement of Financial Position.

(2) CPI-linked lease payments

On the Commencement Date, the Company uses the CPI rate existing at such date to calculate the future lease payments.

In transactions where the Company is a lessee, changes in the amount of the future lease payments resulting from changes in the CPI are capitalized (without changing the discount rate applicable to the lease liability) to the balance of the right-of-use asset and recognized as an adjustment to the balance of the lease liability, only to the extent that the change in cash flows stems from a change in the CPI (i.e., on the effective date of the adjustment of the lease payments). The effect of the change of the CPI on current payments is carried to profit or loss.

(3) Subleases

In transactions where the Company leases an underlying asset (primary lease) and then leases out the same underlying asset to a third party (sublease), the Company examines whether the risks and rewards incidental to ownership of the right-of-use asset have been transferred, among other things, by comparing the sublease term to the useful life of the right-of-use asset under the primary lease.

If all the risks and rewards incidental to ownership of the right-of-use asset have been substantially transferred, the Company accounts for the sublease as a finance lease; otherwise, the sublease is treated as an operating lease.

If the sublease is classified as a finance lease, on the Commencement Date, the leased asset is derecognized against the recognition of a "receivables with respect to a finance lease" asset, which is included under "Other receivables" and the "Other long-term receivables", at the present value of the balance of lease receipts from the sublease, discounted at the same discount rate that is used for the primary lease liability (as the discount rate implicit in the sublease cannot be readily determined).

(4) The Company as lessor in an operating lease

Income from lease fees for an operating lease are recognized on the straight-line basis over the lease term.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

K. Impairment of Tangible and Intangible Assets (Except for Financial Assets):

At the end of each reporting period, the Group reviews the book value of its tangible and intangible 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 to which the asset belongs.

Intangible assets with an indefinite useful life and intangible assets that are not yet available for use are tested for impairment once a year, or more frequently, whenever there are indicators of impairment.

The recoverable amount is the higher of the fair value, less realization costs, and value in use. To assess value in use, estimated future cash flows are discounted to present value using the pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset with respect to which the estimated future cash flows have not been adjusted.

Where the recoverable amount of an asset (or of the cash-generating unit) is estimated to be less than its book value, the book 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 reversed, the book value of the asset is increased to the revised estimate of its recoverable amount, but not more than the book 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 in profit or loss.

Regarding the reversal of an impairment loss on the building, see note 11.

L. Financial Assets and Financial Liabilities:

(1) Financial Assets and Financial Liabilities (Except for Clearing Operations):

(a) Financial Assets – General:

Financial assets are recognized in the Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

Investments in financial assets are initially recognized at their fair value. Transaction costs with respect to financial assets at fair value through profit or loss are charged as an immediate expense to profit or loss.

Debt instruments are measured at amortized cost when the following two conditions are met:

- the Group's business model is to hold the assets with the aim of collecting contractual cash flows; and
- the contractual terms of the asset stipulate specific dates on which the contractual cash flows that constitute principal and interest payments only will be received.

All other financial assets are measured at fair value through profit or loss.

TEL-AVIV STOCK EXCHANGE LTD.

Notes to the Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

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

(1) Financial Assets and Financial Liabilities (Except for Clearing Operations) (Cont.):

(b) Financial Assets Measured at Amortized Cost:

Trade receivables, deposits and other receivables, which have fixed or determinable payment terms, and are not quoted in an active market, are classified as financial assets measured at amortized cost. These assets are not measured using the effective interest method as the interest to be recognized thereon is not material.

(c) Financial Assets at Fair Value through Profit or Loss:

Financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period. Any profit or loss arising from changes in the fair value is recognized in profit or loss in the period in which the change occurred. The net profit or loss recognized in profit or loss incorporates any interest that has accrued with respect to the financial asset.

(d) Impairment of Financial Assets:

Regarding trade and other receivables, the Group recognizes an impairment provision according to the expected credit losses over the lifetime of the instrument, when there has been a significant increase in the credit risk since the date of their initial recognition. If, conversely, the credit risk of the financial instrument has not increased significantly since the date of the initial recognition, the Group measures the impairment provision according to the likelihood of a default event in the following 12 months. The test of whether to recognize an impairment provision according to the expected credit losses over the lifetime of the contact is based on the risk of default from the date of initial recognition and not only when there is objective evidence of impairment on the reporting date or when the default has actually occurred.

(e) Financial Liabilities at Amortized Cost:

Trade payables and other payables that are classified as financial liabilities at amortized cost are initially measured at fair value, less transaction costs. After initial recognition, these financial liabilities are not remeasured using the effective interest method, as any interest to be recognized is not material.

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

(a) General:

The Tel Aviv Stock Exchange Clearing House Ltd. is a wholly owned subsidiary of TASE. As a Central Counterparty (CCP), TASE-CH ensures the execution of transactions in securities that are cleared on TASE-CH, which were executed on TASE (other than derivatives), including transfers to custody (on TASE), transactions in securities that were executed on MTS – Multilateral Trading System (“on-exchange transactions in securities”) and transactions in the lending pool, provided that the terms relating thereto are fulfilled in accordance with the TASE-CH By-Laws. Should a Clearing member be unable to fulfill its obligations (“default event”), TASE-CH will be obligated to fulfill the defaulting member’s obligations to the other Clearing members, with respect to the on-exchange transactions in securities executed by it, by virtue of its undertaking as a CCP and in accordance with the TASE-CH By-Laws.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

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

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

(a) General (Cont.):

The MAOF Clearing House Ltd. is a wholly owned subsidiary of TASE. As a Central Counterparty (CCP), MAOF-CH ensures the execution of transactions in derivatives (options and futures) ("on-exchange transactions in derivatives"), provided that the terms relating thereto are fulfilled in accordance with the MAOF-CH By-Laws. Should a Clearing member be unable to fulfill its obligations ("default event"), MAOF-CH will be obligated to attend to the open derivative positions of the defaulting member and to fulfill said member's obligations to the other Clearing members, with respect to the on-exchange transactions in derivatives executed by it, by virtue of its undertaking as a CCP and in accordance with the MAOF-CH By-Laws.

Assets and liabilities with respect to financial instruments arising from the aforementioned clearing operations on the Clearing House are recorded in the financial statements of each Clearing House on the settlement date, as these are transactions executed in the regular way, apart from assets and liabilities with respect to positions in derivative financial instruments on MAOF-CH that are recorded on the trade date.

Positions in derivative financial instruments on MAOF-CH arising from transactions in options and futures are recorded as receivables and payables relating to open derivative positions. (see note 7). 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.

Cash provided by the member as collateral to secure all its obligations to each of the Clearing Houses, as well as the income therefrom, are deposited in a separate account that is managed in the name of each of the Clearing Houses and is charged in favor of the Clearing Houses. The Clearing Houses' rights in the collateral are charge rights alone and not ownership rights. Only the Clearing Houses may operate the account and the member may not withdraw cash from the account without the approval of the Clearing Houses. At the time of a default event, TASE-CH and MAOF-CH may make use of the assets deposited as collateral in order to fulfill the obligations of the defaulting member, with this being done in the order prescribed in each of the Clearing Houses' By-Laws, as the case may be, for realizing the collateral. Accordingly, these amounts are not presented as an asset and a liability in the financial statements.

(b) Fair Value of Financial Instruments:

The fair value of financial instruments is based on market prices (determining price) on TASE at the end 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 accepted 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 8 C), except with regard to derivatives where the last trading day of the year is their expiration date – in which case the fair value is determined according to their intrinsic value.

TEL-AVIV STOCK EXCHANGE LTD.

Notes to the Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

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

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

(c) Offset of Financial Instruments:

Financial assets and financial 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.

In order to meet the conditions for offsetting financial assets and financial liabilities, the offset right cannot be dependent on any future event and must be enforceable in the ordinary course of business, in the event of bankruptcy, insolvency or credit default.

(d) Transfer of a Financial Asset Eligible for Retirement:

The Nominee Company is engaged in the registration of securities in the name of the Nominee Company in the securities register of the issuing company, depositing them with the clearing house, and handling corporate actions and payments – ongoing handling of the rights attached to the securities.

Within the framework of its operations, the Nominee Company reserves the contractual right to receive the cash flows from the financial asset that was received, but takes upon itself a contractual obligation to pay these cash. Assets and liabilities with respect to financial instruments that arise from the operations of the Nominee Company, as stated above, are not recorded in the financial statements as they are treated as a transfer of a financial asset eligible for retirement.

In some cases, TASE-CH handles corporate events, in the same manner that the Nominee Company handles corporate actions. The Clearing House reserves the contractual right to receive the cash flows from the financial asset that was received, but takes upon itself a contractual obligation to pay these cash flows. Assets and liabilities with respect to financial instruments that arise from the operations of the Clearing House, as stated above, are not recorded in the financial statements as they are treated as a transfer of a financial asset eligible for retirement.

M. Taxes on Income:

(1) General:

Tax expenses (tax income) comprise the total of current tax, and any changes in deferred tax balances, except the current tax relating to items that are recognized directly in equity.

TEL-AVIV STOCK EXCHANGE LTD.

Notes to the Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

M. Taxes on Income (Cont.):

(2) Current Tax:

Current tax expenses are calculated based on the taxable income of the Company and its consolidated subsidiaries for the reporting period. Taxable income differs from pretax income, due to the 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 Tax:

The Group companies recognize deferred tax, as detailed below, with respect to 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 derecognized, based on tax rates and tax laws that have been enacted or substantively enacted by reporting date. Deferred tax liabilities are recognized generally 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 income that will be available, against which the deductible temporary difference can be utilized.

In computing deferred tax, any tax that would apply when realizing the investment in consolidated subsidiaries is 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.

N. Revenue Recognition:

Revenues arising from contracts with customers are recognized in profit or loss when control of the asset or service has been transferred to the customer. The price of the transaction is the consideration amount that is expected to be received under the terms of the contract, less the amounts collected on behalf of third parties (such as taxes).

When determining the amount of the revenue from contracts with customers, the Group examines whether it is operating as a principal supplier or as an agent in the contract. The Group is a principal supplier when it controls the merchandise or service that has been promised prior to its delivery to the customer. In such cases, the Group recognizes the gross amount of the consideration in revenue. In cases in which the Group operates as an agent, it recognizes the net amount in revenue, after deducting the amounts due to the principal supplier.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

N. Revenue Recognition (Cont.):

(1) Revenue from Trading and Clearing Commissions:

Revenue with respect to trading and clearing commissions includes handling commissions and fees that TASE collects from its members, which are recognized at a point in time, on the date of completion of the clearing action of transactions in securities or of transactions in derivatives.

(2) Revenue from Listing Fees and Levies:

(a) Revenue from securities listing fees:

Revenue with respect to listing fees is recognized over time over an estimate of the period in which the customer's securities are listed on TASE, and this is because the customer simultaneously receives and consumes the benefits provided by the Group as the Group performs these listing services.

To determine the revenue recognition period with respect to the listing fees, the Group classified the securities that are listed into a number of main groups with similar patterns of activity. These groups mainly include shares, ETFs and ETNs, and corporate and government bonds. For each of these groups an average lifetime was determined for the purpose of spreading the revenue recognition. This lifetime was based on an estimate made by the Company, including with the assistance of an independent outside consultant, of the average number of years for which similar securities in the relevant group were listed in the past. The Company will examine, in subsequent periods, the need to update the balance of the amortization period of the deferred income, which will be treated as a change in an estimate and is recognized prospectively.

As of January 1, 2018, the Company set the amortization period of the deferred income with respect to the shares, ETFs and ETNs group at 13 years and with respect to the corporate and government bonds group at 10 years. Commencing on January 1, 2019, the amortization period of the deferred income with respect to the group of bonds is calculated based on the contractual life stipulated in the issued bond, and for corporate bonds is limited to a maximum of 13 years. Additionally, the Company uses an estimate to shorten the amortization period in respect of early redemptions anticipated over the term of the bond, by multiplying the term of the bond by an early redemption factor (of 0.93-0.95). Amounts received from customers prior to the completion of the aforesaid performance obligation by the Company are presented under the "Deferred income from listing fees" item and are recognized as revenue in profit or loss at the time of satisfying the performance obligation.

Existence of a significant financing component:

In order to measure the transaction price, the Group adjusts the promised consideration for the effects of the time value of the money if the timing of the payments that was agreed between the parties provides the customer or the Group with a significant financing benefit. In assessing whether a contract includes a significant financing component, the Group examines, among other things, the anticipated period between the time of it transferring the promised services to the customer and the time of the customer paying for these services and the reason for the timing difference.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

N. Revenue Recognition (Cont.):

(2) Revenue from Listing Fees and Levies (Cont.):

(a) Revenue from securities listing fees (Cont.):

Within the framework of listing services, the consideration from customers for listing fees is received in advance and is nonrefundable. Since these are the customary terms of payment in the sector and since the purpose of collecting the payment in advance is not to obtain a significant financing benefit but to ensure that the customer meets its obligations, thereby providing assurance to the public that the securities will continue to be traded on TASE in subsequent periods, it has been determined that the contract does not contain a significant financing component.

(b) Revenue from annual levies:

Revenue with respect to annual levies is recognized over time over the current year, as the customer receives and consumes the benefits provided by the Group as the Group performs these services.

(c) Revenue from checking fees:

The majority of the income from prospectus and outline checking fees is recognized over time over a period of one month, over the period in which the Group provides these services.

(3) Revenue from Clearing Services:

Revenue with respect to Clearing House services mainly includes custodian services, transfer actions and Clearing House services for post-listing corporate events. Revenue with respect to custodian services is recognized over time over the course of a month. Revenue with respect to transfer actions and Clearing House services for corporate events is recognized at a point in time on the date of completion of the clearing of the actions.

(4) Revenue from Data Distribution and Connectivity Services:

Revenue with respect to the data distribution and connectivity services includes mainly the distribution of information from TASE's trading systems via real-time information stations in Israel and overseas and through the distribution of information files, revenue from charging for the use of the TASE indices, as well as revenue from communication lines and hosting services. Revenue with respect to information stations is recognized over time, over a period of one month. Revenue with respect to the use of TASE indices is recognized over time, over the current year; revenue with respect to the distribution of information files is recognized at a point in time on the date of transfer of the files, and revenue from communication lines and hosting services is recognized over time, over a period of one month.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

O. Provisions:

Provisions are recognized when the Group has a present legal or constructive obligation because of a past event and it is probable, at a level of "more likely than not", 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 the management's best estimate of the consideration required to settle the present obligation on reporting date, taking into account the risks and uncertainties surrounding the obligation. The provision is measured using the cash flows projected to be needed to settle the present obligation.

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

P. Share-Based Payments:

Share-based payments to employees and others, which are settled in the equity instruments of the Group, are measured at their fair value at the grant date. On the grant date, the Group measures the fair value of the capital instruments that are granted, using models for evaluating share-based payments (for details about the method of measuring the fair value of share-based payments, see note 15). When the capital instruments that are granted do not vest until those employees complete a defined period of service, during which the employees may also be required to meet certain performance conditions, the Group recognizes expenses for the share-based payment arrangements in the financial statements over the vesting period against the increase in equity, under the item "Capital reserve with respect to share-based payment transactions". At the end of each reporting period, the Group estimates the number of capital instruments that are expected to vest. A change in the estimate with respect to prior periods is recognized in profit or loss over the rest of the vesting period.

Q. Employee Benefits:

(1) Post-Employment Benefits:

Post-employment benefits granted by the Group include mainly 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 (mainly under the cost of intangible assets within the framework of self-development costs of computer software) on the date of providing the work services for which the obligation to make a contribution arises.

Expenses with respect to defined benefit plans are recognized in profit or loss or capitalized under the cost of assets (within the framework of self-development costs 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 Group's liability with respect to the defined benefit plan is determined by discounting the plan's expected future cash flows, using a discount rate that conforms with market returns on high quality corporate bonds, denominated in the currency in which the benefits will be paid with respect to the plan, and having maturity periods that are almost identical to the expected settlement dates of the plan. In accordance with the Group's accounting policy, net interest cost is included in employee benefits expenses, in the Statement of Profit or Loss.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Q. Employee Benefits (Cont.):

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

Actuarial gains and losses with respect to remeasurement are recognized in other comprehensive income, as incurred. Actuarial gains and losses recognized in other comprehensive income will not be reclassified later to profit or loss.

Plan assets are measured at fair value. Interest income on plan assets is determined using the discount rate of the commitment at the beginning of the period and is recognized in 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 in other comprehensive income and will not be reclassified later to profit or loss.

The Group's liability with respect to a defined benefit plan, which is presented in the Statement of Financial Position, comprises the present value of the obligation for the defined benefit, net of the fair value of the plan assets.

(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. Expenses with respect to these benefits are recognized in profit or loss or are capitalized to the cost of assets (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 with respect to the benefits by market returns on high quality corporate bonds, denominated in the currency in which the other long-term employee benefits will be paid, and having maturity periods that are almost identical to the expected settlement dates of these benefits.

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

(3) Short-Term Employee Benefits:

Short-term employee benefits (including social) are benefits that are expected to be fully paid before 12 months after the end of the period in which the employee provides the related service. The benefits that the Company expects to pay are measured on an undiscounted basis and the expense is recognized upon the provision of the related service by the employee.

Provisions for short-term employee benefits with respect to bonuses are recognized whenever there is a current legal or constructive obligation to pay them for a past service and the obligation can be reliably estimated.

These benefits are recognized in profit or loss or capitalized under the cost of assets (self-development costs of computer software) on the date they arise. The difference between the sum of short-term benefits the employee is eligible to receive, and the amount paid in respect thereof is recognized as a liability.

TEL-AVIV STOCK EXCHANGE LTD.

Notes to the Financial Statements

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 in profit or loss when the Group cannot withdraw the offer.

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

The Group classifies cash flows from interest and dividends as received, and cash flows with respect to interest paid, as cash flows that were used for, or provided by, operating activities. Cash flows with respect to 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. Dividends paid by the Group are classified as cash flows used in financing activities.

S. Earnings per Share:

The Company calculates the basic earnings per share with respect to the profit or loss attributable to the Company's shareholders by dividing the profit or loss attributable to the holders of the Company's ordinary shares by the weighted average number of ordinary shares in circulation during the reporting period. To calculate the diluted earnings per share the Company adjusts the profit or loss attributable to holders of the ordinary shares, and the weighted average of the shares in circulation, for the impact of all the dilutive potential shares. As part of the diluted earnings per share, the Company takes into account dilutive potential shares such as warrants for executives.

T. Standards, Amendments to Standards and Interpretations Issued that are not Relevant to the Group:

As of the financial statement date, other interpretations and additional amendments to standards had been issued, which Company management estimates are not relevant to the Group.

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

Key Factors for Uncertainty in an Estimate:

When preparing the financial statements, Company 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, might also affect the Company's financial position and operating results.

The estimates and underlying assumptions are regularly reviewed 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.

TEL-AVIV STOCK EXCHANGE LTD.

Notes to the Financial Statements

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

The Following are Areas, the Valuation of Which in the Financial Statements Requires Estimations and Approximations, and which Group 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 that 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 book value of the obligation of the Group to make retirement, severance and pension payments. The Group estimates the discount rate at least once a year, at the end of every year and, additionally, at the end of every interim reporting period in which a significant change occurred in the discount rate relative to the period prior thereto, based on the return on high quality corporate 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 13.

B. Share-Based Payment:

Share-based payments for managers' services are measured on the basis of the fair value of the Company's equity instruments on the grant date. The fair value of warrants to managers is determined using the binomial model, which is based on share price and exercise price data and on assumptions concerning expected volatility, expected lifespan and expected dividend. As the Company was a private company on grant date, the share price on grant date included in the model was based on a valuation of the Company that was performed by an external appraiser using the discounted anticipated cash flows model, while taking into consideration assumptions regarding discount, growth rate and standard deviation. For further details, see note 15.

C. Determining the Existence of a Significant Financing Component:

For the purpose of assessing whether a contract includes a significant financing component, the Group examines, among other things, the anticipated period between the time of it transferring the promised goods or services to the customer and the time of the customer paying for these goods or services and the reason for the timing difference. Within the framework of listing services, the consideration from customers for listing fees is received in advance and is nonrefundable. Since these are the customary terms of payment in the sector and since the purpose of collecting the payment in advance is not to obtain a significant financing benefit but to ensure that the customer meets its obligations, thereby providing assurance to the public that the securities will continue to be traded on TASE in subsequent periods, it has been determined that the contract does not contain a significant financing component.

Were it to be determined that said consideration includes a significant financing component, the Company would recognize an increase in financing expenses in parallel with an increase in revenues over the period that the revenue recognition is spread.

D. Determining the Recognition Period for Revenues from Listing Fees

For the purpose of determining the revenue recognition period for listing fees, the Group relies on an external economic study that divided the different securities into a number of main categories, with an average lifespan – based on historical data – being determined for each of these categories.

A change in the category division method or in the determined average lifespan would result in a change in the amount recognized in revenue over the periods.

NOTE 4 - THE FINANCIAL RISKS MANAGEMENT POLICY:

The operations of the TASE Group ("the Group") involve exposure to various financial risks, mainly – credit risk, liquidity risk and market risk; but also involve exposure to settlement risk and other risks (business risk, operational risk, etc.), the materialization of which could lead to a loss and to a material reduction in the Group's equity.

The Group's exposures arise mainly from the clearing operations performed by TASE-CH and MAOF-CH ("the Clearing Houses") in which the Clearing Houses are obligated as a CCP, as well as from other operations of the Group (e.g., investment in securities). As a CCP, TASE-CH ensures the execution of transactions in securities and lending transactions on the lending pool that are cleared on TASE-CH, which were executed on TASE. MAOF-CH ensures transactions in derivatives (options and futures) that are cleared on MAOF-CH, which were executed on TASE. Should a member of either TASE-CH or MAOF-CH be unable to fulfill its obligations, the relevant Clearing House will be obligated to fulfill its undertaking as a CCP toward the other Clearing members and to fulfil the defaulting Clearing member's obligations, as well as to handle the exposures, if any, created for the Clearing House incidental to the default event in accordance with the Clearing House's By-Laws. In this regard, transactions in securities also include transfers to custody (on TASE) and transactions in securities that were executed within the trading framework of the MTS – Multilateral Trading System ("on-exchange transactions in securities").

In order that the Group will be able to fulfill the undertaking of the Clearing Houses as a CCP and attain its strategic and business goals, the Group's risk management policy is designed to establish an effective organization-wide risk management setup to ensure its stability, while strengthening its ability to identify, monitor and manage its risks.

The Clearing Houses' risk management is consistent with international standards, as prescribed for financial market infrastructures by CPMI-IOSCO (PFMI), and with the Israel Securities Authority's directive to ensure the proper functioning of TASE-CH and MAOF-CH that was issued under Section 50C(b) of the Securities Law ("Clearing Houses' Stability Directive"), this being in accordance with the declaration made by the Israel Securities Authority regarding this on June 29, 2017.

Presented below is a summary of the main financial risks to which Group is exposed in the course of its aforementioned activity, as well as a summary of the various measures taken by it to manage and mitigate those risks:

A. Credit Risk:

(1) Risk Profile:

Credit risk is the risk of a counterparty, whether a Clearing member, custodian bank, or other entity, being unable to meet fully its financial obligation when due, or at any time in the future.

With regard to the Clearing Houses' undertaking to act as a CCP in transactions in securities, in lending transactions on the lending pool or in transactions in derivatives, as the case may be, each Clearing House has a material exposure to counterparty credit risk, which is the risk that a Clearing member will not be able to meet its obligation in a transaction toward the Clearing House, when due or at any time in the future, and as a result the Clearing House will be required to fulfill the obligations of the defaulting Clearing member toward the other Clearing members, as stated. MAOF-CH will be required to also attend to the open positions of the defaulting Clearing member with respect to the derivative transactions performed.

The realization of credit risk in general, and counterparty credit risk in particular, might also lead to the realization of liquidity risk, as set forth in paragraph B of this note below.

TEL-AVIV STOCK EXCHANGE LTD.

Notes to the Financial Statements

As of December 31, 2020 and December 31, 2019, MAOF-CH's open positions as a CCP (at fair value after netting) amounted to NIS 353 million and NIS 352 million, respectively. For further details, see note 8.

NOTE 4 - THE FINANCIAL RISKS MANAGEMENT POLICY (CONT.):

A. Credit Risk (Cont.):

(1) Risk Profile (Cont.):

TASE-CH's current credit exposure as a CCP is equal to the total amount of the current exposures for each of its members, with each of the exposures being calculated as the total difference between the monetary value of the buy transactions and the monetary value of the sell transactions on the trading date – provided that the difference is positive. The size of the exposure at December 31, 2020 and December 31, 2019 is NIS 674 million and NIS 254 million, respectively. No assets and liabilities are recognized in the financial statements for these balances as they are recorded on the settlement date of the transaction, and not on the trade date of the transaction, being transactions carried out in a regular way, as noted in note 2 L (2) (a).

In addition, the Clearing House's credit exposure may increase in the event of a Clearing member's default due both to a decrease in the value of the collaterals and to a decrease in the value of the securities that the Clearing House receives as a result of the non-fulfillment of the defaulting Clearing member's obligations.

The Group's exposure to the other credit risks is not material due both to its current assets (see note 8 B) and to it having an investment policy which restricts the exposure to credit risk in its investment portfolio (see paragraph D (2) of this note below).

(2) Risk Management and Mitigation Measures

(a) Minimum Qualification Terms for Membership of TASE-CH and MAOF-CH:

Every TASE member seeking to be accepted as a TASE-CH or MAOF CH Clearing member is required to comply with the membership qualification terms and the other obligations imposed on it pursuant to the By-Laws of the Clearing Houses, which include an undertaking by every member (apart from the Bank of Israel and a custodial member) to participate in the Clearing Houses' Default Funds, to deposit collateral with respect to its contribution to the Default Funds, to deposit margin with respect to transactions in derivatives and to deposit additional collateral with respect to its activity at the Clearing Houses, should it be requested to do so.

TASE-CH or MAOF CH Clearing members are subject to continuous supervision over their financial stability (with the exception of the Bank of Israel), with members that are banks being supervised by the Supervisor of Banks, by means of the directives of the Supervisor of Banks, and members that are not banks being subject to supervision by TASE, by means of the full array of requirements in TASE's Rules, which include, inter alia, minimum capital and liquidity requirements, requirements for the establishment of an adequate risk management setup, requirements to ensure all proper corporate governance, and so forth.

For information on the number of TASE members and members of the Clearing Houses, see Note 1 A.

NOTE 4 - THE FINANCIAL RISKS MANAGEMENT POLICY (CONT.):

A. Credit Risk (Cont.):

(2) Risk Management and Mitigation Measures

(b) Financial Resources:

- **Collateral Deposited with the Clearing Houses:**

Clearing members of TASE-CH (except for the Bank of Israel and a custodial member) and clearing members of MAOF-CH are required to deposit collateral with the Clearing Houses' Default Funds. In addition, clearing members of MAOF-CH have margin requirements with respect to transactions performed for the exposure arising from those transactions and clearing members of TASE-CH are required to deposit collaterals for their activities in the lending pool in TASE-CH.

The assets serving as collateral, as referred to above, are charged in favor of the Clearing Houses. By virtue of the Securities Law, a charge on securities or funds, which serve to guarantee the obligations of a Clearing member toward TASE, is also valid toward other creditors of the Clearing member. The charge will be deemed to be a first-ranking fixed charge, granted by the Clearing member in favor of the Clearing House, if the Clearing House has control over the assets in one of the ways prescribed in the law. In addition, it is provided that the realization of the charge in favor of the Clearing Houses can be done by the Clearing House itself, without a court order or an order of the chief judgment enforcement officer, subject to the terms and conditions stipulated in the law.

On the occurrence of a default event, TASE-CH and MAOF-CH may make use of the assets deposited as collateral in order to fulfill all the obligations of the defaulting Clearing member, in accordance with the collateral realization order prescribed in the By-Laws of each of the Clearing Houses, as the case may be.

- **The Clearing Houses' Default Funds**

The Default Fund of each of the Clearing Houses is updated every quarter but is monitored on a daily basis and can be updated at times other than those stated in the By-Laws, at the discretion of the Clearing House and subject to the terms and conditions stipulated in its By-Laws. The methodology for determining the size of the Default Funds and the manner of allocating them between the Clearing members is set out in detail in each of the Clearing House's By-Laws.

In the reporting period, collateral for the Default Funds was deposited by the members of the Clearing Houses, as required.

NOTE 4 - THE FINANCIAL RISKS MANAGEMENT POLICY (CONT.):

A. Credit Risk (Cont.):

(2) Risk Management and Mitigation Measures (Cont.):

(b) Financial Resources (Cont.):

- **Margin at MAOF-CH:**

The margin requirements at MAOF-CH is calculated according to the results from a model of an array of scenarios, as specified in the MAOF-CH By-Laws, which is used to assess the maximum cost that would be required to close a portfolio that includes options and futures as a result of volatility in the prices of the underlying assets and/or volatility in the standard deviation. The margin requirement also includes an amount that is set at the level of the net monetary charge that a Clearing member would be expected to pay on the following trading day with respect to the premium on options it had acquired on the current trading day and net of the premium to be received with respect to options it had written or sold.

The margin requirements for 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 the margin within a prescribed timeframe.

The margin requirements were deposited by MAOF-CH members during the reporting period, as required.

- **Lending pool collaterals in TASE-CH**

The collateral requirement in respect of the activities of a Clearing member in the lending pool in TASE-CH comprises minimum collaterals for a single lending transaction and additional collaterals for the portfolio of lending transactions.

Borrowing members will secure their obligations by depositing the aforesaid collaterals in cash.

- **Credit Risk Management and Mitigation Measures with Respect to Pending Transactions and Default Transactions at TASE-CH:**

A member of TASE-CH to whose debit a pending transaction or default transaction has been recorded, as defined in TASE-CH's By-Laws, is required to deposit cash collateral as prescribed in TASE-CH's By-Laws by the date on which the settlement is actually carried out.

The exposure with respect to pending transactions and default transactions as of December 31, 2020 and December 31, 2019 amounted to NIS 3,386 thousand and NIS 1,203 thousand, respectively.

TEL-AVIV STOCK EXCHANGE LTD.

Notes to the Financial Statements

NOTE 4 - THE FINANCIAL RISKS MANAGEMENT POLICY (CONT.):

A. Credit Risk (Cont.):

(2) Risk Management and Mitigation Measures (Cont.):

(b) Financial Resources (Cont.):

• Contribution Against Default Waterfall Allocated from the Clearing Houses' Equity

After realizing all the collateral given by the defaulting Clearing member, and prior to realizing the collateral deposited by other Clearing members, the Clearing Houses are obligated to pay, with respect to the obligations of the defaulting Clearing member, from their own resources, an amount equivalent to the higher of either 25% of their total capital requirements with respect to credit risk, market risk, operational risk and business continuity and reorganization, or the sum of NIS 7.5 million, with this being in accordance with the Clearing Houses' Stability Directive.

A contribution against default waterfall allocated from each of the Clearing Houses' equity is included within the framework of each of the Group's capital and liquidity requirements, as detailed in note 5.

The following table presents details of the total financial resources held by Group and by each of the Clearing Houses for the purpose of coping with a Clearing member's default:

	December 31,	
	2020	2019
	NIS, in millions	NIS, in millions
Total margin requirements with MAOF-CH	1,678	1,537
Total collateral required to be deposited in the MAOF-CH Default Fund (*)	629	562
Total collateral required to be deposited in the TASE-CH Default Fund (*)	1,616	796
Contribution against default waterfall allocated from the Group's equity (**)	27	26
Total financial resources	3,950	2,921

(*) At the financial statements' approval date, the total collateral required to be deposited in the Default Fund of MAOF-CH and TASE-CH amounts to NIS 629 million and NIS 1,616 million, respectively.

(**) The total resources that are allocated out of the equity of the Group with respect to MAOF-CH and TASE-CH as of December 31, 2020 amount to NIS 7.5 million and NIS 19.5 million, respectively (December 31, 2019 – NIS 7.5 million and NIS 18.3 million, respectively).

(c) Haircuts on the Value of Collateral:

The Group deals with the exposure to a decrease in the value of the collateral deposited by its members through "haircuts" to determine the maximum value serving as collateral. The Group has a methodology for determining the maximum value of treasury bills and Government of Israel bonds that is based on Value at Risk (VaR), which conforms to international standards and the Clearing Houses' Stability Directive, as referred to above.



NOTE 4 - THE FINANCIAL RISKS MANAGEMENT POLICY (CONT.):

A. Credit Risk (Cont.):

(2) Risk Management and Mitigation Measures (Cont.):

(d) Netting Clearing Member's Obligations:

The Clearing Houses' By-Laws provide that, in the event of a member not fulfilling its obligations toward the Clearing Houses and in other instances detailed in the By-Laws, the Clearing Houses have the right to set off any obligation of a member toward them, of any type whatsoever, including with respect to their positions with different expiration dates against any obligation of the Clearing Houses toward that member.

(e) Additional Statutory Protections Regarding the Clearing Houses' Stability and the Settlement Finality:

The Securities Law states that a TASE member, that buys securities on TASE which are cleared by TASE-CH or by MAOF-CH, is not entitled to the securities so purchased, unless the Clearing House has received the full consideration for them, with title to the securities being conferred on the Clearing House if the aforementioned full consideration has not been received. Likewise, the Securities Law states that a TASE member, that sells securities on TASE which are cleared by the Clearing House, is not entitled to the consideration received at the time of their sale, unless it has transferred to TASE-CH the securities that were sold as aforesaid.

In accordance with the protection so prescribed in the Securities Law, TASE-CH has established a DVP (Delivery Versus Payments) clearing mechanism, which is intended to execute the transfer of the consideration simultaneously with the receipt of the securities, and vice versa, thereby also mitigating the exposure to settlement risk, as set forth in paragraph C of this note below.

Additionally, the Securities Law prescribes, with regard to the settlement finality, that a clearing order given to the Clearing House and a clearing action carried out by it cannot be canceled, other than in accordance with the Clearing House's rules. Such protection is also granted in the case of insolvency proceedings being instigated against a Clearing member that is a party to such an order or action, or against an officer serving with such a member, and all as stipulated in the law. Moreover, the Securities Law specifies that nothing in the insolvency laws is to be deemed as prejudicing the arrangements prescribed in the Clearing House's rules, including early termination arrangements, net calculation arrangements, fair value determination arrangements, and all as prescribed in the Securities Law.

(f) Policies, Procedures and Processes Followed by the Group and the Clearing Houses:

The Group has policies, procedures and processes aimed at identifying, monitoring, estimating and managing its exposures to credit risk, in particular a policy and procedures that exist at each of the Clearing Houses to manage a Clearing member's default; these outline how the Clearing House will manage and react to a Clearing member default event, including the risks that have to be covered and the manner in which the Clearing Houses will use the protections at their disposal by virtue of the Securities Law and the Clearing Houses' By-Laws.

TEL-AVIV STOCK EXCHANGE LTD.

Notes to the Financial Statements

NOTE 4 - THE FINANCIAL RISKS MANAGEMENT POLICY (CONT.):

B. Liquidity Risk:

(1) Risk Profile:

Liquidity risk is the risk that the Group will not be able to meet its liquidity needs, on time and in full, either at the time of the default of one of the Clearing Houses' member's, by virtue of each of them acting as a CCP, or for financing the Group's ongoing activities.

TASE-CH's material liquidity exposure at the time of a Clearing member's default arises not just from the amount of the defaulting Clearing member's obligations in the monetary clearing round of the Bank of Israel's "ZAHAV" system (a Hebrew acronym for Real Time Credits and Transfers) that TASE-CH will be required to fulfill in place of the Clearing member, provided that the latter has chargeable balances, but also from the need to realize the financial resources standing at TASE-CH's disposal for dealing with a default event, as detailed in paragraph A (2) (b) of this note above, for the purpose of fulfilling the aforementioned monetary obligations.

MAOF-CH's material liquidity exposure arises due to the Clearing House being a CCP to transactions, whereby it will be required to continue to meet its obligations in a transaction toward the other Clearing member that has not defaulted, including the final settlement of the future cash flows in the transaction, provided that the terms and conditions for doing so in accordance with the Clearing House's By-Laws are fulfilled. In addition, the Clearing House is exposed to liquidity risk upon a Clearing member's default due to the need to speedily realize the financial resources standing at its disposal – as detailed in paragraph A (2) (b) of this note above.

The Group does not have a material liquidity risk exposure with respect to its ongoing activities, despite the liquidity requirements for net liquid assets by the amount of the capital requirements with respect to contribution against default waterfall of each Clearing House and by the amount of the equity requirement with respect to business continuity and reorganization, which is calculated as the amount of the forecasted operating expenses for six months' activity – see note 5 for the Group's capital adequacy and liquidity adequacy.

The expected maturity dates for most of the financial liabilities arising from the clearing activities undertaken by TASE-CH are one day after the date of the financial statements.

The expected maturity dates for most of the financial liabilities arising from the clearing activities undertaken by MAOF-CH (payables with respect to open positions) are as follows:

	December 31,	
	2020	2019
	NIS, in thousands	NIS, in thousands
Up to one month after the date of the Statement of Financial Position	280,098	146,368
1-2 months	25,249	162,349
2-3 months	6,640	20,389
Up to one year	41,206	22,636
Total financial liabilities from clearing activities (*)	353,193	351,742

(*) The total of the aforesaid financial liabilities from clearing activities and their expected maturity dates match the total of the financial assets from clearing activities and their expected maturity dates.

The expected maturity dates for the trade and other payables are within a period of up to two months.



TEL-AVIV STOCK EXCHANGE LTD.

Notes to the Financial Statements

NOTE 4 - THE FINANCIAL RISKS MANAGEMENT POLICY (CONT.):

B. Liquidity Risk (Cont.):

(1) Risk Profile (Cont.):

The following table provides details of the expected maturity dates for lease liabilities based on the undiscounted cash flows of the lease liabilities. The cash flows are for both interest and principal.

	December 31,	
	2020	2019
	NIS, in thousands	NIS, in thousands
Up to one year after the date of the Statement of Financial Position	4,530	10,065
Second year	3,306	4,118
Third year	2,688	2,961
Fourth year	2,552	2,568
Fifth year	851	2,568
Sixth year	-	856
Total undiscounted cash flows of lease liabilities (*)	13,927	23,136

(*) The incremental interest rate used to discount the future lease payments in calculating the balance of the lease liability as of December 31, 2020 and December 31, 2019, as shown in the Statement of Financial Position, ranges from 1.0% to 2.4% and from 0.53% to 1.4%, respectively (on the date of initial application of the Standard, it ranges from 1.17% to 1.83%). The aforesaid discount rates are based on the nominal interest rate applicable to discounting lease contracts, in accordance with the financing risk of the Company and the average duration of the lease contracts.

(2) Risk Management and Mitigation Measures:

(a) Liquid Assets Deposited as Collateral:

Within the context of the margin requirement at MAOF-CH and of the requirement for the deposit of collateral in the Default Fund at each of the Clearing Houses, Clearing members may deposit assets that are Government of Israel bonds, treasury bills and cash, thus ensuring a liquid mix of collateral that can be realized relatively quickly in the case of a Clearing member's default. As part of the requirement for the deposit of collateral in the Default Fund, every Clearing member is required to deposit collateral in cash at a rate of at least 25% of its total contribution to the Default Fund.

The aforementioned cash is deposited in an account at the Bank of Israel, with this being in order to ensure quick and assured access to such collateral and in order to mitigate other risks arising from depositing the collateral with commercial banks (e.g., credit risk).

(b) Holding Liquid Assets and Minimum Liquidity Buffer:

As of December 31, 2020, the Group holds particularly liquid assets, part of which is allocated in favor of the each of the Clearing Houses' minimum requirement, as referred to in note 5, whereby 96% of the Group's financial assets (excluding assets stemming from clearing activity with respect to open positions) are immediately liquid assets (cash and Government of Israel bonds), of which 39% is in cash.

NOTE 4 - THE FINANCIAL RISKS MANAGEMENT POLICY (CONT.):

B. Liquidity Risk (Cont.):

(2) Risk Management and Mitigation Measures (Cont.):

(c) Guaranteed Liquidity Line from the Bank of Israel and a Credit Facility from a Commercial Bank:

In July 2017, the Clearing Houses entered into a pre-guaranteed liquidity repo agreement with the Bank of Israel to quickly liquidate the securities collateral deposited by the Clearing members with respect to their contribution to the Default Funds of each of the Clearing Houses and as part of MAOF-CH's margin requirement, with this being in accordance with guiding international standards published by CPMI-IOSCO and the Clearing Houses' Stability Directive, as referred to above. The agreement is valid for five years from the date of its signature.

In addition, TASE-CH has been granted a credit facility by a commercial bank in an amount of up to NIS 30 million, against a charge of securities, valid until December 31, 2021, in order to provide additional and fast liquidity on the occurrence of a Clearing member's default, as set forth in paragraph A (2) (b) of this note above. In the reporting period, TASE-CH did not need to make use of the aforesaid credit facility. With regard to charges, see note 25 A.

C. Settlement Risk:

(1) Risk Profile:

Settlement risk is the risk that the settlement will not be properly completed, whereby the monetary consideration, the securities or the financial instrument will be transferred to the party to the transaction without the financial instrument, the securities, or the monetary consideration, as the case may be, being received simultaneously from the counterparty to said transaction. The materialization of settlement risk could cause a material increase in the credit and liquidity exposures of the Clearing Houses as a CCP.

(2) Risk Management and Mitigation Measures:

In order to mitigate the risk inherent in the monetary settlement at each of the Clearing Houses, this settlement is carried out on the Bank of Israel's system for performing bank transfers: the "ZAHAV" system (a Hebrew acronym for Real Time Credits and Transfers), which is an advanced system for the settlement of shekel payments in Israel, in real time and with finality (RTGS: Real Time Gross Settlement).

In order to mitigate the risk inherent in the transactions' settlement at the Clearing House, the settlement is done using a DVP (Delivery Versus Payments) settlement mechanism, whereby the clearing of the securities is done in synchronization with the monetary settlement on the Bank of Israel's "ZAHAV" system. TASE-CH will not clear transactions (neither the monetary consideration nor the securities), in which a Clearing member has sold securities, if it possesses insufficient securities to carry out those transactions at the time prescribed in the By-Laws (pending transactions) – as to how the Clearing House copes with such instances, see paragraph A (2) (b) of this note above.

The Group has a policy, accepted practices and procedures aimed at mitigating the settlement risks, including the establishment of communication procedures for transmitting alerts and notifications relating to the results of clearings performed or expected to be performed.

NOTE 4 - THE FINANCIAL RISKS MANAGEMENT POLICY (CONT.):

D. Market Risk:

(1) Risk Profile:

Market risk is the risk of loss that will be caused to the Group from changes in market prices (such as exchange rates, the Consumer Price Index and interest rates), to the extent that these changes will cause a decrease in net profit or a loss that will lead to a decrease in the Group's shareholders' equity.

In the ordinary course of business activities, the Group is exposed to market risk with respect to the holding of securities included in its investment portfolios that are held for trading, such that a downturn in market prices has a direct effect on the Group's profit and loss, or with respect to the holding of deposits at variable interest or in foreign currency. For further details regarding the exposure level, see note 8.

The Group's operations (other than monetary investments) do not involve a material exposure to linkage basis risk.

(2) Risk Management and Mitigation Measures:

Measures for Managing and Mitigating the Market Risk Inherent in the Group's Investment Portfolio:

In order to manage and mitigate these risks, the Group has an investment policy that is approved every year by the Board of Directors. The policy prescribes that the Group's monetary balances are to be invested in Government of Israel bonds, whose inherent credit risk is not material. The Group also restricts the duration of the portfolio and the repayment period, as well as limiting its exposure to changes in interest rates. In addition, the Group maintains a minimum capital buffer, both at the Group level and also at the level of each of the Clearing Houses, to absorb losses with respect to the possible materialization of market risk in the investment portfolio, with this being within the framework of the capital adequacy model that the Group is required to have in accordance with the Israel Securities Authority's directive – see details in note 5.

NOTE 5 - THE GROUP'S CAPITAL ADEQUACY AND LIQUIDITY ADEQUACY REQUIREMENTS:

The Group's capital adequacy and liquidity adequacy requirements are prescribed in the Clearing Houses' Stability Directive issued by the Israel Securities Authority. The requirements include the allocation of capital with respect to the Clearing House's exposure to credit risks (other than upon the occurrence of a Clearing member's default), market risk on the Clearing House's investment portfolio (interest risk and exchange rate risk), operational and legal risks, and to ensure business continuity and the reorganization of its business. Moreover, the requirements include, as stated, a minimum requirement with respect to the Clearing House's participation in the order of realizing collateral upon the occurrence of a Clearing member's default, at a rate of 25% of the aforementioned risks or NIS 7.5 million, whichever is the greater.

In the absence of any regulatory directive, the TASE capital adequacy and liquidity adequacy requirements are determined using internal models that were approved by TASE's Board of Directors. Generally, the calculation of TASE's requirements, as referred to above, shares the same fundamentals as the calculation of the requirements prescribed for the Clearing Houses in the Clearing Houses' Stability Directive, other than the calculation of the capital requirement with respect to market risk and the definition of qualifying capital.

TEL-AVIV STOCK EXCHANGE LTD.

Notes to the Financial Statements

NOTE 5 - THE GROUP'S CAPITAL ADEQUACY AND LIQUIDITY ADEQUACY REQUIREMENTS (CONT.):

A. Capital Adequacy – Capital Requirements, Qualifying Capital Base and the Group's Capital Adequacy Position as of Reporting Date:

	December 31,	
	2020	2019
	NIS, in thousands	
Capital requirements with respect to the risk components:		
Credit risk	35,562	36,027
Market risk	6,138	5,919
Legal and operational risk (*)	40,994	37,902
Business continuity and reorganization (**)	113,284	109,000
Contribution against default waterfall	27,019	25,825
Total capital requirements with respect to the risk components	222,997	214,673
Capital base components		
Retained earnings	569,429	541,295
Other capital reserves	46,802	43,079
Remeasurement of net defined benefit liability	(17,909)	(16,905)
Share-based payments reserve	32,518	31,238
Less:		
Intangible assets (***)	(110,197)	(102,434)
Total qualifying capital base	520,643	496,273
Capital surplus (qualifying capital base, less requirements)	297,646	281,600

(*) A capital allocation equivalent to 15% of the average gross income in the last twelve quarters.

(**) A capital allocation equivalent to six months' operating expenses (on an annual basis) with the necessary adjustments.

(***) On December 31, 2019, TASE began allocating capital on all the property and equipment, net balance in accordance with the standards prescribed by the Basel Committee and also began allocating capital on deferred tax receivable attributable to timing differences. Deferred taxes for which a capital allocation as aforesaid was computed will not be deducted from the capital. The effect of the above on the capital surplus resulted in a NIS 7 million reduction in the capital surplus. The revision is being applied prospectively.

TEL-AVIV STOCK EXCHANGE LTD.

Notes to the Financial Statements

NOTE 5 - THE GROUP'S CAPITAL ADEQUACY AND LIQUIDITY ADEQUACY REQUIREMENTS (CONT.):

B. Liquidity Adequacy – Liquidity Requirements, Net Liquid Asset Base and Liquidity Adequacy Position as of Reporting Date:

	December 31,	
	2020	2019
	NIS, in thousands	NIS, in thousands
Liquidity requirements with respect to the risk components:		
Business continuity and reorganization	113,284	109,000
Contribution against default waterfall	27,019	25,825
Total requirements for liquid assets	140,303	134,825
Eligible liquid assets		
Cash and cash equivalents	142,154	103,928
Securities portfolio at fair value	204,558	204,964
Less – amortization coefficients on the assets	(10,631)	(9,478)
Credit line (*)	-	30,000
Less – current liabilities	(54,183)	(62,530)
Net liquid assets	281,898	266,884
Liquidity surplus (net liquid assets, less requirements)	141,595	132,059

(*) Regarding the cancellation of a credit line, see note 25 B.

C. TASE-CH's Capital Adequacy and Liquidity Adequacy as of Reporting Date:

	December 31,	
	2020	2019
	NIS, in thousands	NIS, in thousands
Capital adequacy position:		
Total capital requirements	97,595	91,624
Total qualifying capital base	154,579	136,349
Total capital surplus	56,984	44,725
Liquidity adequacy position:		
Total liquidity requirements	72,284	68,482
Total net liquid assets	140,880	128,427
Total liquidity surplus	68,596	59,945



TEL-AVIV STOCK EXCHANGE LTD.

Notes to the Financial Statements

NOTE 5 - THE GROUP'S CAPITAL ADEQUACY AND LIQUIDITY ADEQUACY REQUIREMENTS (CONT.):

D. MAOF-CH's Capital Adequacy and Liquidity Adequacy as of Reporting Date:

	December 31,	
	2020	2019
	NIS, in thousands	NIS, in thousands
Capital adequacy position:		
Total capital requirements	37,500	37,500
Total qualifying capital base	48,050	45,103
Total capital surplus	10,550	7,603
Liquidity adequacy position:		
Total liquidity requirements	20,744	21,565
Total net liquid assets	45,907	43,007
Total liquidity surplus	25,163	21,442

NOTE 6 - CASH:

A. Composition of Cash and Cash Equivalents:

	Interest Rate, December 31,	December 31,	
	2020	2020	2019
	%	NIS, in thousands	NIS, in thousands
Cash at banks		12,965	21,222
Short-term deposits	Primarily 0.05	129,189	82,706
Total cash and cash equivalents		142,154	103,928

B. Cash Restricted as to Use (under Non-current assets)

The cash restricted as to use held by TASE is a deposit held in a TASE account as collateral for a lease, as described in note 11 C.

C. Regarding liquidity risk management, see note 4 B.

NOTE 7 - RECEIVABLES AND PAYABLES RELATING TO OPEN DERIVATIVE POSITIONS:

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

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

The amount of these assets and liabilities is calculated, after offsetting the fair value of the amounts of liabilities of a Clearing member to MAOF-CH against the fair value of the amount of liabilities of MAOF-CH to that member, in relation to the 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 the 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 MAOF-CH, which also takes into account the offsetting of debits and credits resulting from the members' open positions with different expiration dates, see note 8 D below.

- B.** The final expiration date of derivatives issued by MAOF-CH, up to reporting date is up to December 2021 for warrants (mostly up to the end of January 2021).

As to the maturity dates of the derivatives, see note 4 B (1).

- C.** Regarding the MAOF-CH Default Fund and related collateral, and collateral for derivative transactions of the Clearing members or under their responsibility, see note 4 A (2) (b).

TEL-AVIV STOCK EXCHANGE LTD.

Notes to the Financial Statements

NOTE 8 - FINANCIAL INSTRUMENTS:

A. Significant Accounting Policies:

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

B. Financial Instrument Balances, by Category:

	December 31,	
	2020	2019
	NIS, in thousands	NIS, in thousands
Financial assets (*):		
Financial assets measured at amortized cost:		
Cash and cash equivalents	142,154	103,928
Trade and other receivables	15,187	16,865
Other long-term receivables	418	1,369
Cash restricted as to use	542	541
Financial assets at fair value through profit or loss:		
Assets derived from clearing operations – receivables with respect to open derivative positions	353,193	351,742
Financial assets held for trading (**)	204,558	204,964
	716,052	679,409
Presented in the Statement of Financial Position under:		
Current assets	715,092	677,499
Non-current assets	960	1,910
	716,052	679,409
Financial liabilities:		
Financial liabilities measured at amortized cost:		
Trade and other payables	13,254	16,408
Lease liabilities	13,391	22,281
Other liabilities	542	541
Financial liabilities at fair value through profit or loss:		
Liabilities derived from clearing operations – payables with respect to open derivative positions	353,193	351,742
	380,371	390,972
Presented in the Statement of Financial Position under:		
Current liabilities	370,740	377,878
Non-current liabilities	9,631	13,094
	380,371	390,972

(*) The book 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.

(**) The composition of the investment portfolio includes treasury bills and Government of Israel bonds, see note 4 D (2).



TEL-AVIV STOCK EXCHANGE LTD.

Notes to the Financial Statements

NOTE 8 - FINANCIAL INSTRUMENTS (CONT.):

C. Fair Value of Financial Instruments:

- (1) The financial instruments of the Group include mainly cash and cash equivalents (including cash restricted as to use), financial assets held for trading, trade receivables, other receivables, trade payables, other payables, lease liabilities and other liabilities and assets and liabilities with respect to open derivative positions.

The balances of the Group's financial instruments, excluding lease liabilities, in the Statement of Financial Position as of December 31, 2020 and 2019 closely reflect their fair values. In accordance with accounting standards, fair value calculation is not required for lease liabilities.

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

Fair value hierarchy levels 1 to 3 are based on the degree to which the fair value is observable:

- Level 1** - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2** - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- Level 3** - fair value measurements are those derived from valuation techniques that are not based on observable market data (unobservable inputs).

The above classification is determined on the basis of the lowest level input (assumption) which 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 Open Derivative Positions	Financial Assets at Fair Value Through Profit or Loss – Held for Trading
	NIS, in thousands	NIS, in thousands
December 31, 2020:		
Level 1	274,238	204,558
Level 2	149,779	-
	424,017	204,558
Offset between Level 1 instruments, and Level 2 instruments, in the position of the same member on the same expiration date (see note 7 A above)	(70,824)	-
Total balance reported in the Statement of Financial Position	353,193	204,558
December 31, 2019:		
Level 1	223,536	204,964
Level 2	169,345	-
	392,881	204,964
Offset between Level 1 instruments, and Level 2 instruments, in the position of the same member on the same expiration date (see note 7 A above)	(41,139)	-
Total balance reported in the Statement of Financial Position	351,742	204,964



TEL-AVIV STOCK EXCHANGE LTD.

Notes to the Financial Statements

NOTE 8 - FINANCIAL INSTRUMENTS (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 Open Derivative Positions Measured at Level 2:

The fair value of open derivative 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 of the underlying asset.

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

D. 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 with respect to open derivative positions reported in the Statement of Financial Position have been calculated, after offsetting the fair value of the liabilities of the Clearing member to MAOF-CH, against the fair value of all liabilities of 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, with respect to Open Derivative Positions	Amounts Offset in the Statement of Financial Position	Assets / Liabilities with respect to Open Derivative Positions, net, in the Statement of Financial Position
	NIS, in thousands	NIS, in thousands	NIS, in thousands
December 31, 2020:			
Warrants (*)	635,732	282,539	353,193
December 31, 2019:			
Warrants (*)	580,950	229,208	351,742

(*) As of December 31, 2020 and December 31, 2019, there were no open positions with regard to futures.

TEL-AVIV STOCK EXCHANGE LTD.

Notes to the Financial Statements

NOTE 8 - FINANCIAL INSTRUMENTS (CONT.):

D. Offsets of Financial Assets and Financial Liabilities (Cont.):

Following is information on financial assets and liabilities, available for offset, by counterparty to a transaction:

Financial assets, available for offset, with respect to a transaction's counterparty:

Counterparty	Assets Regarding Open Derivative Positions, net, in the Statement of Financial Position	Amounts to be Offset in the Event of Default	Margin Amounts (*)	Net Total
	NIS, in thousands	NIS, in thousands	NIS, in thousands	NIS, in thousands
December 31, 2020:				
Member B'	228,651	494	228,157	-
Member F'	49,756	3,015	46,741	-
Other members	74,786	35,649	39,137	-
	353,193	39,158	314,035	-
December 31, 2019:				
Member B'	287,990	989	287,001	-
Member H'	27,616	21,981	5,635	-
Other members	36,136	34,426	1,710	-
	351,742	57,396	294,346	-

(*) Margin amounts are reported in an amount that does not exceed the balance of assets with respect to open derivative positions, after all offsets in the event of default. The current margin requirement is higher than that shown in the table, and totals, as of December 31, 2020, NIS 1,678 million (as of December 31, 2019, NIS 1,537 million).

Financial liabilities, available for offset, with respect to a transaction's counterparty:

Counterparty	Liabilities Regarding Open Derivative Positions, net, in the Statement of Financial Position	Amounts to be Offset in the Event of Default	Net Total
	NIS, in thousands	NIS, in thousands	NIS, in thousands
December 31, 2020:			
Member H'	180,656	1,546	179,110
Member A'	121,175	25,371	95,804
Other members	51,362	12,241	39,121
	353,193	39,158	314,035
December 31, 2019:			
Member C'	208,749	6,807	201,942
Member A'	74,433	11,823	62,610
Other members	68,560	38,766	29,794
	351,742	57,396	294,346



TEL-AVIV STOCK EXCHANGE LTD.

Notes to the Financial Statements

NOTE 8 - FINANCIAL INSTRUMENTS (CONT.):

E. Interest Risks:

The Group has monetary surpluses that are placed in bank deposits and investments in financial instruments yielding variable interest rates and thus has a cash flows exposure to changes in interest.

The following table details the impact of a +/- 0.25% and a +/- 0.5% change in interest on the aforementioned financial instruments (before the tax effect):

December 31, 2020			December 31, 2019		
Total Variable Interest Rate Instruments	Change of +/- 0.25%	Change of +/- 0.5%	Total Variable Interest Rate Instruments	Change of +/- 0.25%	Change of +/- 0.5%
NIS, in millions					
132.6	0.3	0.7	86.1	0.2	0.4

In addition, the Group has investments (government bonds) in financial instruments yielding fixed interest rates, which are measured at fair value through profit or loss, and is therefore exposed to changes in the fair value as the result of changes in the interest rates.

The following table details the impact of a +/- 0.25% and a +/- 0.5% change in the fair value of bonds, (before the tax effect):

December 31, 2020			December 31, 2019		
Total Fixed Interest Rate Instruments	Change of +/- 0.25%	Change of +/- 0.5%	Total Fixed Interest Rate Instruments	Change of +/- 0.25%	Change of +/- 0.5%
NIS, in millions					
201.2	2.2	4.4	201.6	2.2	4.4

NOTE 9 - INVESTMENTS IN INVESTEEES:

Subsidiaries:

A. General:

Name of Company	Country of Incorporation	Rate of Holding of Equity and Voting Rights as of December 31, 2020 and 2019
MAOF Clearing House Ltd.	Israel	100% (*)
Tel-Aviv Stock Exchange Clearing House Ltd.	Israel	100%
Tel-Aviv Stock Exchange Nominee Company Ltd.	Israel	100%

(*) TASE-CH holds 1 share of the 3,000,079 issued and paid up shares of MAOF-CH (the remaining shares are held by TASE).

- B. With regard to TASE's decision to provide a credit line to TASE-CH and to MAOF-CH, see note 24 D (1).
 With regard to the grant of a loan to TASE-CH, see note 24 C (2) (b).
 With regard to officers of TASE and the Clearing Houses' indemnification and their exemption from liability, see note 17.
 With regard to officers of TASE and the Clearing Houses' professional liability insurance, see note 24 D (2).



TEL-AVIV STOCK EXCHANGE LTD.

Notes to the Financial Statements

NOTE 10 - LAND RIGHTS:

- A. In 2007, the Company signed agreements for the acquisition of title, possession, use and leasehold rights to land designated for the construction of a new building for 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 relocated to its new offices in July 2014.

During January 2016, the Company pledged and/or charged all its rights in the land that serves as the TASE offices by granting a lien, in an unlimited amount, in favor of a banking corporation with which it had entered into an agreement for the receipt of a credit facility.

In 2020, TASE informed the bank that it will not be renewing the credit facility that had been extended to it by the bank until December 31, 2020. Accordingly, the credit facility has not been renewed in 2021 and on January 31, 2021 a letter was received from the Land Registry Office in Tel Aviv, confirming the approval of the mortgage cancellation as well as a letter from the Registrar of Companies and Partnerships confirming the lifting of a pledge in the Company on January 10, 2021.

For additional information, see note 25 (B).

B. Composition:

	December 31,	
	2020	2019
	NIS, in thousands	NIS, in thousands
Freehold land	19,510	19,510
Land under capital lease (lease rights for various periods ending 2107-3003)	37,966	38,203
	57,476	57,713

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



TEL-AVIV STOCK EXCHANGE LTD.

Notes to the Financial Statements

NOTE 11 - PROPERTY AND EQUIPMENT:

A. Composition and Changes:

(1) Property and Equipment:

	Freehold Land and Building (1) (2) (3)	Computer Systems and Related Equipment	Equipment and Systems	Furniture	Total
	NIS, in thousands	NIS, in thousands	NIS, in thousands	NIS, in thousands	NIS, in thousands
Cost:					
Balance, January 1, 2020	244,651	85,083	48,458	7,388	385,580
Acquisitions during the year	344	9,228	211	21	9,804
Disposals during the year	-	(1,505)	(84)	(85)	(1,674)
Balance, December 31, 2020	244,995	92,806	48,585	7,324	393,710
Cost:					
Balance, January 1, 2019	244,733	93,014	47,345	7,309	392,401
Acquisitions during the year	33	5,904	1,163	153	7,253
Disposals during the year	(115)	(13,835)	(50)	(74)	(14,074)
Balance, December 31, 2019	244,651	85,083	48,458	7,388	385,580
Accumulated Depreciation:					
Balance, January 1, 2020	25,443	53,020	17,391	2,160	98,014
Depreciation for the year	4,658	8,589	3,197	402	16,846
Disposals during the year	-	(1,340)	(82)	(39)	(1,461)
Balance, December 31, 2020	30,101	60,269	20,506	2,523	113,399
Accumulated Depreciation:					
Balance, January 1, 2019	20,790	58,269	13,944	1,759	94,762
Depreciation for the year	4,654	8,481	3,465	402	17,002
Disposals during the year	(1)	(13,730)	(18)	(1)	(13,750)
Balance, December 31, 2019	25,443	53,020	17,391	2,160	98,014
Depreciated Cost:					
December 31, 2020	214,894	32,537	28,079	4,801	280,311
December 31, 2019	219,208	32,063	31,067	5,228	287,566

NOTE 11 - PROPERTY AND EQUIPMENT (CONT.):

A. Composition and Changes (Cont.):

(1) Property and Equipment (Cont.):

- (1) See note 10 for information on land rights.
- (2) During 2013, the Group recognized an impairment loss of NIS 92.5 million for the building under 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.

Group management re-examined the primary indicators as of June 30, 2018, as relevant to the likelihood of recovering the impairment of the property and equipment, that was recorded in 2013. The aforesaid recoverable amount is the greater of the asset's fair value less costs to sell and its value in use. Accordingly, within the framework of examining the recoverable amount of the asset, Company management examined whether any changes had taken place in the fair value of the asset since the impairment provision had been recorded in 2013, and also examined the value of the Company's operations, which constitute a single cash generating unit and include the asset. The recoverable amount of TASE was determined on the basis of value in use, which was calculated according to an estimate of the anticipated future cash flows according to the work plan. For the purpose of determining value in use, Group management used an estimate of the value in use produced by an independent, external assessor, with the required knowledge, experience and expertise.

The calculation of the value in use was based on an estimate of the anticipated future cash flows according to the work plan for the next five years, which was approved by Company management. The real post-tax discount rate according to which the cash flows were discounted is 8%. Cash flow forecasts for the period exceeding five years will be estimated using a real fixed growth rate of 3%, which constitutes the average long-term growth rate. The value in use as of June 30, 2018 came to NIS 507 million, compared with the book value of the cash-generating unit in the Company's financial statements of NIS 348 million, before the reversal of the impairment provision.

Accordingly, the recoverable amount was determined according to the value in use, and, in the second quarter of 2018, TASE reversed the full impairment provision in an amount of NIS 85.1 million before the effect of taxes on income. The reversal of the impairment provision has been recognized in profit or loss under "Reversal of Impairment Provision".

- (3) As a result of the initial application of IFRS 16, on January 1, 2019, lands under capitalized leases with a depreciated cost of NIS 38,440 thousand were reclassified from "property and equipment" to "right -of-use assets".

TEL-AVIV STOCK EXCHANGE LTD.

Notes to the Financial Statements

NOTE 11 - PROPERTY AND EQUIPMENT (CONT.):

A. Composition and Changes (Cont.):

(2) Right-of-Use Assets:

	Leased Land	Backup Facility	Communication Lines	Motor Vehicles	Total
	NIS, in thousands	NIS, in thousands	NIS, in thousands	NIS, in thousands	NIS, in thousands
Cost:					
Balance, January 1, 2020	39,522	15,267	11,870	661	67,320
Additions	-	-	232	901	1,133
Disposals	-	(77)	(31)	(310)	(418)
Balance, December 31, 2020	39,522	15,190	12,071	1,252	68,035
Cost:					
Balance, January 1, 2019	39,522	-	-	-	39,522
Initial application of IFRS 16	-	10,424	11,383	659	22,466
Additions	-	4,843	527	2	5,372
Disposals	-	-	(40)	-	(40)
Balance, December 31, 2019	39,522	15,267	11,870	661	67,320
Accumulated Depreciation:					
Balance, January 1, 2020	1,319	2,411	5,610	370	9,710
Depreciation	237	2,400	5,838	393	8,868
Disposals	-	-	-	(307)	(307)
Balance, December 31, 2020	1,556	4,811	11,448	456	18,271
Accumulated Depreciation:					
Balance, January 1, 2019	1,082	-	-	-	1,082
Depreciation	237	2,411	5,650	370	8,668
Disposals	-	-	(40)	-	(40)
Balance, December 31, 2019	1,319	2,411	5,610	370	9,710
Depreciated Cost, December 31, 2020	37,966	10,379	623	796	49,764
Depreciated Cost, December 31, 2019	38,203	12,856	6,260	291	57,610



TEL-AVIV STOCK EXCHANGE LTD.

Notes to the Financial Statements

NOTE 11 - PROPERTY AND EQUIPMENT (CONT.):

A. Composition and Changes (Cont.):

(3) Presentation in the Statement of Financial Position

	December 31,	
	2020	2019
	NIS, in thousands	NIS, in thousands
Presentation in the Statement of Financial Position:		
Property and equipment	280,311	287,566
Right-of-use assets	49,764	57,610
	330,075	345,176

B. Additional Details of Right-of-Use Assets and Lease Liabilities:

(1) Amounts Recognized in Profit or Loss:

	Year Ended December 31	
	2020	2019
	NIS, in thousands	NIS, in thousands
Depreciation expenses with respect to right-of-use assets	8,868	8,668
Interest expenses with respect to lease liabilities	352	383
Interest income with respect to receivables for sublease	(32)	(34)
Expenses relating to short-term leases	280	292

(2) Financial Asset from Sublease of Right-of-Use Assets:

	December 31	
	2020	2019
	NIS, in thousands	NIS, in thousands
Other receivables		
Receivables for sublease – current maturities	980	1,372
Other long-term receivables		
Receivables for sublease	418	1,369

TEL-AVIV STOCK EXCHANGE LTD.

Notes to the Financial Statements

NOTE 11 - PROPERTY AND EQUIPMENT (CONT.):

B. Additional Details of Right-of-Use Assets and Lease Liabilities (Cont.):

(3) Changes in the Liabilities Arising from Financing Activities (Lease Liabilities):

	NIS, in thousands
Balance, January 1, 2019	
Initial application of IFRS 16	24,392
Cash flows from financing activities	(9,739)
Additions, net	7,628
Balance, December 31, 2019	22,281
Balance, January 1, 2020	22,281
Cash flows from financing activities	(9,929)
Additions, net	1,039
Balance, December 31, 2020	13,391

Regarding expected maturity dates with respect to lease liabilities, see note 4 B.

C. Operating Lease Arrangements:

(1) General:

The Group has entered into a lease arrangement with respect to one of the floors in the building used by the Group, for a 5-year period that commenced in March 2016, which includes an extension option for a further 3 years.

In November 2020, the renter informed the Company that it will not be exercising the option and requested the termination of the lease on January 31, 2021. TASE has accepted the renter's request to terminate the lease as above.

(2) Minimum Future Lease Fees Receivable with respect to Non-Voidable Operating Leases:

	December 31,	
	2020	2019
	NIS, in thousands	NIS, in thousands
In the first year	62	752
In the second year through the third year	-	169
	62	921

(3) Amounts Recognized in Profit or Loss:

	Year Ended December 31,		
	2020	2019	2018
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Income from operating lease	860	986	971

TEL-AVIV STOCK EXCHANGE LTD.

Notes to the Financial Statements

NOTE 12 - INTANGIBLE ASSETS:

Composition and Changes:

	Software and Licenses	Goodwill	Total
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Cost:			
Balance, January 1, 2020	246,433	492	246,925
Acquisitions	12,341	-	12,341
Capitalization of expenses – software development for internal use	15,583	-	15,583
Disposals during the year	(384)	-	(384)
Balance, December 31, 2020	273,973	492	274,465
Cost:			
Balance, January 1, 2019	234,251	492	234,743
Acquisitions	9,703	-	9,703
Capitalization of expenses – software development for internal use	15,838	-	15,838
Disposals during the year	(13,359)	-	(13,359)
Balance, December 31, 2019	246,433	492	246,925
Accumulated Amortization:			
Balance, January 1, 2020	134,558	-	134,558
Amortization	18,796	-	18,796
Disposals during the year	(10)	-	(10)
Balance, December 31, 2020	153,344	-	153,344
Accumulated Amortization:			
Balance, January 1, 2019	128,791	-	128,791
Amortization	17,901	-	17,901
Disposals during the year	(12,134)	-	(12,134)
Balance, December 31, 2019	134,558	-	134,558
Amortized Cost:			
December 31, 2020	120,629	492	121,121
December 31, 2019	111,875	492	112,367



TEL-AVIV STOCK EXCHANGE LTD.

Notes to the Financial Statements

NOTE 13 - EMPLOYEE BENEFITS:

A. Composition:

	December 31,	
	2020	2019
	NIS, in thousands	NIS, in thousands
Post-employment benefits under defined benefit plans (see paragraph B(1)(f) below):		
Retirement and termination benefits obligation	37,575	34,479
Pension liability	1,009	1,097
	38,584	35,576
Other long-term employee benefits (see paragraph C below):		
Vacation benefits not utilized	13,059	11,020
Seniority benefits	1,829	1,989
	14,888	13,009
Short-term employee benefits (see paragraph E below)	18,954	22,101
	72,426	70,686
Presentation in the Statement of Financial Position:		
Liabilities for employee benefits:		
Current	32,013	33,121
Non-current	40,413	37,565
	72,426	70,686

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 employees at the time of their 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 calculated 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 credit method.

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 calculation, discounted at a real interest rate of 0.19% that conforms to the real market return on high quality corporate bonds for the period calculated (compared with a discount rate of 0.1% as at December 31, 2019).



TEL-AVIV STOCK EXCHANGE LTD.

Notes to the Financial Statements

NOTE 13 - EMPLOYEE BENEFITS (CONT.):

B. Post-Employment Benefits (Cont.):

(1) Defined Benefits Plans (Cont.):

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

	December 31,	
	2020	2019
	%	%
Nominal discount rate (*)	2.53	2.48
Forecasted rates of salary increases:		
Employees (in nominal terms)	3.7	3.6
Executives (in real terms)	2	2
Forecasted inflation rates	1.51	1.52
Rates of turnover:		
Employees – severance pay	0.1	0.5
Employees – vacation and seniority benefits	2.3	0.5
Executives	-	-
Rate of retirement benefits on resignation	100	100

(*) The discount rate is based on the return on corporate bonds with the same term as the liabilities.

(c) Sensitivity Analysis of the Main Actuarial Assumptions as of December 31, 2020:

The following sensitivity analysis on the defined benefit obligation 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 the assumptions:

	December 31		December 31	
	2020	2019	2020	2019
	One percent increase		One percent decrease	
	NIS, in thousands	NIS, in thousands	NIS, in thousands	NIS, in thousands
Discount rate	(10,922)	(10,927)	12,603	12,743
Expected salary rises	12,461	12,511	(10,903)	(10,852)



TEL-AVIV STOCK EXCHANGE LTD.

Notes to the Financial Statements

NOTE 13 - EMPLOYEE BENEFITS (CONT.):

B. Post-Employment Benefits (Cont.):

(1) Defined Benefits Plans (Cont.):

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

	Year Ended December 31,		
	2020	2019	2018
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Opening balance	112,392	95,756	100,097
Current service cost	3,561	3,561	3,511
Interest cost	2,819	3,766	3,418
Actuarial losses (gains) with respect to remeasurements:			
Arising from changes in financial assumptions	613	16,699	(9,439)
Arising from past experience	(535)	(44)	1,417
Arising from changes in demographic assumptions	705	(144)	-
Benefits paid with respect to severance compensation	(3,867)	(6,959)	(3,008)
Benefits paid with respect to pensions	(242)	(243)	(240)
Closing balance	115,446	112,392	95,756

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

	Year Ended December 31,		
	2020	2019	2018
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Opening balance	76,816	77,791	77,095
Interest income from plan assets (*)	1,428	1,921	1,828
Actuarial gains (losses) with respect to the remeasurement of the return on plan assets	(521)	181	(1,837)
Deposits by the employer	3,673	3,802	3,713
Benefits paid	(4,534)	(6,879)	(3,008)
Closing balance	76,862	76,816	77,791

(*) After a transfer of benefits totaling NIS 469 thousand in 2020, NIS 1,212 thousand in 2019 and NIS 874 thousand in 2018.



TEL-AVIV STOCK EXCHANGE LTD.

Notes to the Financial Statements

NOTE 13 - EMPLOYEE BENEFITS (CONT.):

B. Post-Employment Benefits (Cont.):

(1) Defined Benefits Plans (Cont.):

(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,		
	2020	2019	2018
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Present value of funded obligations	114,437	111,295	94,660
Fair value of plan assets	(76,862)	(76,816)	(77,791)
	37,575	34,479	16,869
Present value of unfunded obligations	1,009	1,097	1,096
Net liability derived from obligation for defined benefits	38,584	35,576	17,965

(2) Defined Contribution Plans:

Plans with respect to 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' committee 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 Chief Executive Officer, 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 with respect to the defined contribution plans in the year ended December 31, 2020 amounted to NIS 3,444 thousand (2019 – NIS 3,275 thousand and 2018 – NIS 3,089 thousand).

C. Other Long-Term Employee Benefits:

(1) Vacation:

In accordance with the special collective agreement between the Company and the TASE's employees committee, the number of vacation days per year that each employee is entitled to is determined according to the seniority of the employee and his age.

In addition, under the collective 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.



TEL-AVIV STOCK EXCHANGE LTD.

Notes to the Financial Statements

NOTE 13 - EMPLOYEE BENEFITS (CONT.):

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

(1) Vacation (Cont.):

A special collective agreement ("the New Labor Agreement") that was signed in 2017 prescribes, inter alia, a ceiling for the accumulation of vacation days by Company employees engaged under the collective agreement.

The quota of vacation days of Company employees engaged under personal employment agreements and limits on their accumulation are prescribed as part of the personal agreements.

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 despite this obligation being 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 Company does not have an unconditional right to defer settlement of the liability after 12 months from the end of the reporting period.

Main actuarial assumptions for vacation pay at the end of the reporting period are:

	December 31,	
	2020	2019
	%	%
Discount rate	0.62	0.64
Forecasted rates of salary increases:		
Employees (in nominal terms)	4.2	4
Executives (in real terms)	2	2

(2) Seniority Grant:

Company employees customarily receive seniority grants totaling between NIS 1 thousand and NIS 8 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 8 thousand.

D. Termination Benefits:

Personal employment agreements 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 policy – see note 2 Q above.

NOTE 13 - EMPLOYEE BENEFITS (CONT.):

E. Short-Term Employee Benefits:

Short-term employee benefits include, mainly, liabilities to employees with respect to salary and benefits with respect to bonus payments.

(1) Compensation Policy and Compensation Plan for the Officers:

On April 17, 2018 and on September 6, 2018, following receipt of the approval of the Company's Audit Committee, Compensation Committee and Board of Directors, the compensation policy for officers of TASE for 2018-2020 was approved at the general meeting.

The compensation policy defines and specifies the Company's policy in relation to remunerating the Company's officers for the years 2018, 2019 and 2020. It results from combining the provisions of Amendment 20 that applies to debenture companies with the broad principles that the Company's Board of Directors saw fit to adopt with regard to the compensation of the Company's officers, while taking into consideration the special characteristics of the Company. The various compensation components are intended to encourage the continued employment of the officers at the Company, and to enable the employment of new, high-quality officers, who will be able to contribute to the Company and to advance its goals.

In the period of the policy, the Company is entitled to grant equity compensation to the officers who report to the Company CEO, in accordance with the terms set forth in the compensation policy.

On April 17, 2018, after receipt of the approval of TASE's Board of Directors, the Company's Audit Committee and its Compensation Committee, the compensation plan for the years 2018-2020 for the Chairman of the Board of Directors and the CEO of TASE was approved at the general meeting of the Company. The plan includes a monetary bonus based on quantitative and qualitative criteria. The compensation plan is in accordance with the compensation policy that was approved, as set forth above.

On March 29, 2018, the Board of Directors approved the compensation plan for the officers of the Company who report to the CEO. The plan includes a monetary bonus and long-term equity compensation.

The compensation plan was drawn up in accordance with the Company's compensation policy as set forth above. Within the framework of the compensation plan, officers of the Company who report to the CEO will be granted up to 4.2 million warrants to purchase Company shares in consideration for the payment of an exercise price and subject to certain eligibility terms and conditions. The share warrants to be granted pursuant to the plan will not be listed on TASE and their exercise will be contingent, inter alia, on the listing of the Company's shares on TASE.

The main goals of the equity compensation plan are:

- The creation of a layer of long-term compensation and the retention of the offerees.
- The provision of an incentive to increase the value of the Company over the long term.
- The provision of an incentive to help complete the process of listing the Company's shares for trading.
- The creation of shared interests between the offerees and the Company's shareholders.
- The granting of competitive compensation relative to the market.

NOTE 13 - EMPLOYEE BENEFITS (CONT.):

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

(1) Compensation Policy and Compensation Plan for the Officers (Cont.):

On July 4, 2018 the officers of the Company who report to the CEO were granted 4,179,797 warrants to purchase shares of the Company, in accordance with the aforementioned compensation plan.

On April 11, 2019, the Company's Board of Directors approved an amendment to the Plan (which was contingent upon the revision of the Company's compensation policy), which, among other things, canceled the plan's provisions that conditioned the exercise of the warrants on the listing of the Company's shares. In addition, an alternative mechanism was set forth for determining the value of the benefit to the offerees in the event that the Company's shares are not listed on the TASE. On May 1, 2019, the general meeting of the Company approved the updating of the Company's Compensation Policy pursuant to the aforesaid.

Regarding the measurement of the fair value, recognition of expenses and vesting terms of the warrants, see note 15 B.

As to the adoption of a compensation policy for the years 2021-2023 after the reporting date, see note 27 B.

(2) Retention Plan for the CEO:

On May 1, 2019, the Company's general meeting, after receiving the approval of the Company's Compensation Committee and Board of Directors, approved a retention plan for the Company CEO that includes the following three components:

- (a)** A monthly additional payment that will be paid partly starting from the June 2019 salary and partly starting from the January 2022 salary.
- (b)** The provision of a retention loan to the CEO of NIS 3.5 million ("the Loan") for a period of 5 years starting on June 1, 2019 ("the Loan Term"). If the CEO continues to work at the Company until the end of the Loan Term (namely, until May 30, 2024), the entire Loan will convert into a one-time bonus for the CEO. If, before the end of the Loan Term, the CEO gives notice of his resignation, the CEO will return the full amount of the Loan to the Company. If employment relations come to an end prior to the end of the Loan Term, at the initiative of TASE and under ordinary circumstances, the CEO will be entitled to convert a pro rata portion of the Loan into a bonus. The Loan will bear annual imputed interest (in accordance with the provisions of section 3(i) of the Income Tax Ordinance), the cost of which the Company will bear, including the tax gross-up in respect thereof. The Company will recognize the expense over the Loan Term on a straight-line basis.
- (c)** The approval of an equity-based compensation plan for the CEO, pursuant to which 4,250,000 warrants – exercisable into shares of the Company and vesting in one installment five years from the date of the allocation – will be granted. The warrants for the CEO that are allocated under the equity compensation plan will not be listed on TASE.

On a theoretical assumption of the full exercise of the warrants for the CEO and on the assumption of an allocation of the maximum possible number of shares that will result from the exercise of the warrants for the CEO, the exercise shares for the CEO will constitute 4.08% of the Company's issued share capital (immediately following the allocation), and 3.92% assuming full dilution.

Regarding the measurement of the fair value and vesting terms of the warrants, see note 15 C.

TEL-AVIV STOCK EXCHANGE LTD.

Notes to the Financial Statements

NOTE 13 - EMPLOYEE BENEFITS (CONT.):

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

(3) Related Parties:

For information regarding current liabilities for employee benefits granted to related parties, see note 24.

NOTE 14 - DEFERRED INCOME FROM LISTING FEES AND LEVIES:

A. Change in Balance of Deferred Income for a Period of More Than One Year:

	Year Ended December 31	
	2020	2019
	NIS, in thousands	NIS, in thousands
Opening balance	92,808	87,124
Income recognized from the fulfillment of performance obligations with respect to amounts included in the opening balance	(18,895)	(16,713)
Additional income recognized with respect to progress in the fulfillment of a performance obligation during the year	(2,504)	(2,519)
Amounts received during the year	27,312	24,916
Closing balance	98,721	92,808

B. Adjustment to the Balances Presented in the statement of Financial Position:

	Year Ended December 31	
	2020	2019
	NIS, in thousands	NIS, in thousands
Balance with respect to deferred income for a period of more than one year	98,721	92,808
Balance with respect to deferred income for a period of up to one year	989	490
Total deferred income from listing fees and levies	99,710	93,298

Presented in the statement of financial position:

Under current liabilities	21,064	19,380
Under non-current liabilities	78,646	73,918
	99,710	93,298

TEL-AVIV STOCK EXCHANGE LTD.

Notes to the Financial Statements

NOTE 14 - DEFERRED INCOME FROM LISTING FEES AND LEVIES (CONT.):

B. Adjustment to the Balances Presented in the statement of Financial Position (Cont.):

Transaction prices allocated to performance obligations that have yet to be fulfilled or have been partially fulfilled:

	Forecast for recognition of income				Total of Amounts of Performance Obligations That Have Yet to be Fulfilled (or Have Been Partially Fulfilled)
	Up to 1 Year	1-2 Years	2-5 years	Over 5 Years	
	NIS, in thousands				
December 31, 2020	21,064	16,750	34,417	27,479	99,710
December 31, 2019	19,380	15,628	32,532	25,758	93,298

NOTE 15 - SHARE-BASED PAYMENT:

A. Granting of Shares to Employees:

In February 2017, the principles of a special collective agreement were finalized, whereby it was agreed – inter alia – that shares would be granted to employees with respect to a change in the ownership structure.

On September 13, 2017, TASE allocated 6,000,000 ordinary shares, having no par value, to a trustee for TASE employees and service providers, for no consideration. The allocation of shares to TASE employees was done within the framework of the compensation plan, which had been approved by the organs of TASE and was made under the “capital gains with a trustee” track pursuant to Section 102 of the Income Tax Ordinance.

The shares allocated under the plan are ordinary shares ranking pari passu with the existing shares in accordance with the new Articles of Association, subject to the restrictions set forth below, and including the right to any dividend, bonus shares, rights issue or any other benefit or award that will be granted with respect to the Company's other ordinary shares.

With effect from the date of allocating the shares until the end of a 4-year period from the allocation date, or until the date of a public offering, whichever is the earlier, a participant will not be entitled to exercise the voting rights attached to the shares allocated to him under the plan, including any bonus shares that may be granted in respect thereto, and he will not be entitled to participate in the general meetings of TASE's shareholders or to vote by any means whatsoever (including by means of the trustee) at such general meetings, by virtue of the shares allocated under the plan or by virtue of bonus shares that may be granted in respect thereof.

Any manner of transfer of the shares is prohibited for a period of 24 months from the allocation date. In addition, so long as a public offering does not take place during the 4-year period from the allocation date, a participant will not be entitled to sell or transfer shares that were allocated to him under the plan during an addition 24-month period from the end of lock-up period.



TEL-AVIV STOCK EXCHANGE LTD.

Notes to the Financial Statements

NOTE 15 - SHARE-BASED PAYMENT (CONT.):

A. Granting of Shares to Employees (Cont.):

Should a public offering take place before the end of 4 years from the allocation date, the following provisions will apply:

From the date of the public offering until the end of a 12-month period from the date of the public offering – a participant will not be entitled to sell or transfer shares that were allocated to him under the plan. Effective from end of 12 months from the date of the public offering until the end of 24 months from the date of the public offering – a participant will be entitled to sell or transfer shares in a quantity representing up to 50% of the number of shares allocated to him under the plan.

Effective from end of 24 months from the date of the public offering – a participant will be entitled to sell or transfer all the shares allocated to him under the plan.

The fair value was determined by an independent, external appraiser possessing recognized professional qualifications. The fair value was assessed using the DCF (Discounted Cash Flows) method, deducting a discount for lack of marketability based on the lock-up period and the expected issuance date. The cash flows were estimated for a 5-year period based on TASE's operating results for the first half of 2017 and management's forecast for the second half of 2017 and subsequent years, and on additional assumptions. The key assumptions used in calculating the fair value were a real discount rate of 8% and a growth rate of 3% per representative year.

The fair value obtained from the DCF model was reduced by 9.1%, with respect to a discount for lack of marketability of the shares in accordance with the Finnerty model (a deduction computed according to the following data: the date on which the shares' lock-up period is expected to end; from the end of two years until the end of five years from the allocation date subject to the Company's offering date; the standard deviation for similar companies is 22%-23%).

The grant was performed without the need for vesting terms and, accordingly, the Company recorded the full expense with respect to the plan in 2017, in an amount of NIS 27.4 million. The expense was charged against a capital reserve for share-based payment transactions.

The shares were granted under the capital gains track and therefore no tax asset has been recorded with respect to the expense.

B. Granting of Warrants to Executives:

On July 4, 2018, 4,179,797 warrants to purchase the Company's shares were allotted to the officers in accordance with the compensation plan for the years 2018-2020 for officers who report to the CEO.

The following table shows the number of warrants that were allotted under this plan:

Description of the Plan	Grant Date	Number of Warrants Granted	Expiration Date	Vesting and Other Terms	Exercise Price (1)	Fair Value as of the Grant Date – NIS Thousands
Warrants granted to officers who report to the CEO	March 29, 2018	4,179,797	July 3, 2022	(2)	5.75	4,539

(1) The exercise price of the warrants will not be collected but will be used to determine the amount of the monetary benefit and the number of shares that will be allotted in practice.

Following a dividend distribution on April 16, 2020, the exercise price of the warrants was adjusted from NIS 5.75 to NIS 5.66 per share.

NOTE 15 - SHARE-BASED PAYMENT (CONT.):

B. Granting of Warrants to Executives (Cont.):

- (2) The warrants will vest gradually in three equal installments, after one year, two years and three years from the allotment date. If the employer-employee relations between the officer and the Company terminate, he will be entitled to exercise only the warrants whose vesting date has passed prior to the date of termination of employer-employee relations, plus a pro-rata share of the next annual installment, whose vesting date falls after the date of termination of employer-employee relations (should there be any). The vesting and exercise of the warrants were contingent on the listing of the Company's shares on the Tel-Aviv Stock Exchange Ltd. This condition was cancelled from April 11, 2019 as part of an amendment of the compensation plan for officers – for further details, see note 13 E above.

The warrants were granted to the officers in accordance with the provisions of Section 102 of the Income Tax Ordinance, under the capital gains track. Expenses with respect to the plan are not allowable for tax purposes and therefore no tax asset has been recorded with respect to the expenses.

Estimate of the fair value of the warrants:

The fair value of the warrants that were granted as stated above was estimated using the binomial model. The following table shows the parameters that were used when applying the model:

Component	
Share price on the grant date (NIS) (1)	5.47
Exercise price (NIS)	5.75
Exercise coefficient	2.2
Expected volatility of the share price (2)	25.66%
Lifespan of the warrants (in years)	4.17
Risk-free interest rate	0.73%
Expected dividend rate (3)	0%

- (1) The value of the share is based on a valuation of the Company's equity capital as determined by an external assessor.
- (2) The Company was a private company and no data existed regarding a historical standard deviation, hence the expected volatility was determined on the basis of historical volatility of traded stock exchanges with values of up to NIS 8 billion.
- (3) Since the exercise price of the warrants is adjusted for the full dividend that the Company will distribute over the exercise period, the expected dividends were not included in the valuation and a dividend rate of 0% was assumed.

TEL-AVIV STOCK EXCHANGE LTD.

Notes to the Financial Statements

NOTE 15 - SHARE-BASED PAYMENT (CONT.):

B. Granting of Warrants to Executives (Cont.):

Estimate of the fair value of the warrants (cont.):

The Group recognizes share-based payment arrangements in the financial statements as an expense over the vesting period against an increase in equity, under the "Capital reserve with respect to share-based payment transactions" item. The vesting of the warrants in accordance with the compensation plan that was approved until December 31, 2018 was contingent on the listing of the Company's shares on the Tel-Aviv Stock Exchange Ltd. Therefore, no expense with respect to share-based payments was recognized in the consolidated financial statements as of December 31, 2018. According to the amendment of the plan from April 11, 2018 (see also note 13 E above), the vesting is not dependent on a listing and, therefore, the Company began to recognize an expense from a share-based payment on the basis of the fair value as determined on the original grant date, and for the duration of the vesting starting from May 1, 2019 (the approval date by the general meeting of the amendment of the compensation plan).

The cumulative expense from the original grant date, which was initially recognized in 2019, amounted to approximately NIS 3.4 million (including approximately NIS 1.8 million for the period from the original grant date to December 31, 2018).

B. Granting of Warrants to Executives (Cont.):

Additional information on warrants granted:

	December 31, 2020		December 31, 2019	
	No. of warrants	Weighted average exercise price	No. of warrants	Weighted average exercise price
Warrants granted to executives:				
In circulation at beginning of period	4,179,797	5.75	4,179,797	5.75
Exercised	(1,691,999)	5.66	-	-
In circulation at end of period	2,487,798	5.66	4,179,797	5.75
Exercisable at end of period	1,094,532	5.66	-	5.75

On January 4, 2021, 71,339 unvested warrants of a retiring executive have been forfeited. Additionally, a further 220,000 warrants have been exercised after the reporting date.

C. Granting of Warrants to the CEO:

On July 4, 2019, 4,250,000 warrants to purchase the Company's shares were allotted in accordance with the abovementioned equity-based compensation plan.

TEL-AVIV STOCK EXCHANGE LTD.

Notes to the Financial Statements

NOTE 15 - SHARE-BASED PAYMENT (CONT.):

C. Granting of Warrants to the CEO (Cont.):

The following table shows the number of warrants that were allocated under the abovementioned plan:

Plan Description	Grant Date	Number of Warrants Granted	Expiry Date	Vesting and Other Conditions	Exercise Price (1)	Fair Value on the Grant Date
NIS, in thousands						
Warrants granted to the CEO	May 1, 2019	4,250,000	July 3, 2026	(2)	12	2,743

- (1) The exercise price of the warrants will not be collected but will serve to determine the amount of the monetary benefit and the number of shares that will be allocated in practice. Following a dividend distribution on April 16, 2020, the exercise price of the warrants was adjusted from NIS 12 to NIS 11.91 per share.
- (2) The warrants will be fully vested at the end of 5 years from the allocation date, subject to the CEO serving in his position until that date.

The warrants were granted to the CEO in accordance with the provisions of section 102 of the Income Tax Ordinance, under the Capital Gains Track. The expenses that will be recorded with respect to the plan are not recognized for tax purposes, and therefore a tax asset has not been recorded with respect to the expenses.

Estimate of the fair value of the warrants:

The fair value of the warrants that were granted, as stated above, has been estimated using the binomial model. Below are the parameters that were used when applying the model:

Component

Share price on the grant date (NIS) (1)	6.36
Exercise price (NIS)	12
Exercise coefficient	2.8
Expected volatility of the share price (2)	25%
Lifespan of the warrants (in years)	7
Risk-free interest rate	1.65%
Expected dividend rate (3)	0%

- (1) The value of the share is based on a valuation of the Company's equity capital as determined by an external appraiser.
- (2) The volatility has been estimated on the basis of data of similar companies, and has been calculated as a simple average of the annualized standard deviations of traded stock exchanges in ranges of up to NIS 10 billion over a trading period of 7 years (according to the expected lifespan of the warrants.)
- (3) Since the exercise price of the warrants is adjusted for the full dividend that the Company will distribute over the exercise period, the expected dividends have not been included in the valuation, and a dividend rate of 0% has been assumed.

The Group recognizes share-based payment arrangements in the financial statements as an expense over the vesting period against an increase in equity, under the "Capital reserve with respect to share-based payment transactions" item.

TEL-AVIV STOCK EXCHANGE LTD.

Notes to the Financial Statements

NOTE 16 - TAXES ON INCOME:

A. Deferred Tax Balances:

(1) Composition and Changes:

	Financial Assets at Fair Value Through Profit or Loss	Property and Equipment and Intangible Assets	Provisions (Mostly for Employee Benefits)	Deferred Taxes with respect to Deferred Income	Total
	NIS, in thousands	NIS, in thousands	NIS, in thousands	NIS, in thousands	NIS, in thousands
As of January 1, 2019	1,296	(16,576)	7,552	20,151	12,423
Changes in the reporting year:					
In profit or loss	(1,327)	(2,493)	395	1,308	(2,117)
In other comprehensive income	-	-	3,755	-	3,755
As of December 31, 2019	(31)	(19,069)	11,702	21,459	14,061
Changes in the reporting year:					
In profit or loss	505	(2,523)	1,016	1,449	447
In other comprehensive income	-	-	300	-	300
As of December 31, 2020	474	(21,592)	13,018	22,908	14,808

(2) Presentation of Deferred Tax Balances in the Statement of Financial Position:

Deferred tax balances are presented in the Statement of Financial Position under non-current assets as "Deferred tax assets".

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

	December 31,	
	2020	2019
	NIS, in thousands	NIS, in thousands
Subsidiaries	109,203	87,666



TEL-AVIV STOCK EXCHANGE LTD.

Notes to the Financial Statements

NOTE 16 - TAXES ON INCOME (CONT.):

C. Amounts for Which Deferred Tax Assets Have Not Been Recognized:

The balance of capital losses for tax purposes for which deferred tax assets have not been recognized as of December 31, 2020 is NIS 2,655 thousand. The balance of business losses for tax purposes for which deferred tax assets have not been recognized as of December 31, 2020 is NIS 789 thousand.

D. Taxes on Income Recognized Directly in Capital:

In 2019, current taxes in the amount of NIS 590 thousand with respect to the initial listing of the shares were recognized directly in capital.

E. Income Tax Expenses Recognized in Profit or Loss:

	Year Ended December 31,		
	2020	2019	2018
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Current tax:			
Current tax	11,988	3,913	5,018
Taxes for prior years	(246)	(459)	(43)
Total current tax	11,742	3,454	4,975
Deferred tax:			
Deferred tax expense (income) – recognition and reversal of temporary differences	(451)	2,255	21,165
Tax for prior years	4	(138)	-
Total deferred tax	(447)	2,117	21,165
Total expenses for taxes on income	11,295	5,571	26,140

F. Tax Relating to Components of Other Comprehensive Income:

	Amount Before Tax	Tax Effect	Amount Net of Tax
	NIS, in thousands	NIS, in thousands	NIS, in thousands
As of December 31, 2020:			
Actuarial loss with respect to the defined benefit plan	(1,304)	300	(1,004)
As of December 31, 2019:			
Actuarial loss with respect to the defined benefit plan	(16,330)	3,756	(12,574)
As of December 31, 2018:			
Actuarial gain with respect to the defined benefit plan	6,186	(1,423)	4,763

TEL-AVIV STOCK EXCHANGE LTD.

Notes to the Financial Statements

NOTE 16 - TAXES ON INCOME (CONT.):

G. Effective Tax:

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

	Year Ended December 31,		
	2020	2019	2018
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Pretax income	48,199	23,129	112,562
Statutory tax rate	23%	23%	23%
Tax expense, at statutory tax rate	11,086	5,320	25,889
Tax increase (savings) with respect to:			
Income liable to special tax rates	25	22	(51)
Tax losses and benefits for which deferred tax is not recognized	161	122	67
Tax benefits for which deferred tax assets were not recognized in the past, for which taxes have been recognized in the reporting period	(213)	(154)	-
Differences between tax laws and accounting principles	95	(162)	(37)
Expenses which are not recognized for deduction, net (*)	383	1,020	315
Tax – prior years	(242)	(597)	(43)
Taxes on income, as reported in profit or loss	11,295	5,571	26,140

(*) Includes NIS 294 thousand and NIS 887 thousand in 2020 and 2019, respectively, with respect to non-deductible share-based payments.

H. Additional Information:

(1) Corporate Tax Rate:

The tax rate relevant to the Company for the years 2018-2020 is 23%.

On January 12, 2012, Amendment 188 of the Income Tax Ordinance (New Version), 1961 ("the Ordinance") was published in the official Gazette. Among other matters, Amendment 188 amended Section 87A of the Ordinance whereby it was prescribed in a temporary provision that Accounting Standard No. 29 – "Adoption of International Financial Reporting Standards (IFRS)", published by the Israel Accounting Standards Board, would not apply in determining the taxable income for the tax years 2010 through 2011, even if this standard was applied in the financial statements ("the Temporary Provision"). On July 31, 2014, Amendment 202 of the Ordinance was published, within the framework of which the validity of the Temporary Provision was extended to the 2012 and 2013 tax years. Due to the legislative proceedings on this matter not having been completed, Company management believes that the Temporary Provisions that were established will ultimately be extended to also cover the tax years from 2014 through 2020.



NOTE 16 - TAXES ON INCOME (CONT.):

H. Additional Information (Cont.):

(2) Tax Assessments:

The Company and its subsidiaries – the MAOF Clearing House Ltd. and the Tel Aviv Stock Exchange Clearing House Ltd. have received tax assessments that are considered final up to and including the 2014 tax year. The Nominee Company has not received final tax assessments since its incorporation.

NOTE 17 - CONTINGENT LIABILITIES:

A. Indemnification of Officers:

TASE is under an obligation to indemnify officers of TASE and TASE-CH. MAOF-CH is under an obligation to indemnify its officers.

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

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

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

The obligation to indemnify will apply with respect to any liability or expense that is indemnifiable in accordance with the law.

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

On July 3, 2019 the shareholders' meetings of the Company (after obtaining the approvals of the Board of Directors and the Audit Committee, also in its capacity as Compensation Committee) approved an amended version of the indemnity letter ("the 2019 Indemnity Letter"). The cancellation of the indemnity letter previously provided by the Company to officers in TASE-CH was also approved at the same time. A new letter of indemnity will be issued directly by TASE-CH to the officers of TASE-CH.

The maximum indemnity payable under the 2019 Indemnity Letter with respect to a financial liability that is imposed on an officer toward another person, on an aggregate basis, based on all letters of indemnification that have and/or will be issued by the Company, from one or more of the events detailed in the 2019 Indemnity Letter ("Financial Liability to a Third Party"), shall not exceed an aggregate amount equivalent to 25% of the equity of the Company as per its most recent financial statements published prior to the actual date of payment of the indemnity. Additionally, under the 2019 Indemnity Letter, the indemnity will cover reasonable legal expenses as part of investigation proceedings and legal or administrative proceedings, including reasonable litigation expenses, with respect to damages payable to victims of administrative breaches and with respect to any other liability or expense for which indemnity is permitted by law.

On July 10, 2019, the shareholders' meeting of TASE-CH and MAOF-CH (after obtaining the approvals of their respective boards of directors and audit committees, also in their capacity as compensation committees), approved indemnity letters to officers thereof, under principles similar to those of the 2019 Indemnity Letter.



TEL-AVIV STOCK EXCHANGE LTD.

Notes to the Financial Statements

NOTE 17 - CONTINGENT LIABILITIES (CONT.):

A. Indemnification of Officers (Cont.):

Notwithstanding the above, the maximum indemnity, in the aggregate, from a Financial Liability to a Third Party under the 2019 indemnity letter of TASE-CH was set at the higher of the following: (a) NIS 10 million or (b) 25% of the total equity of TASE-CH plus the total secondary equity, as defined in the resolution, as per the most recent financial statements of TASE-CH, published prior to the actual payment date. The maximum indemnity, in the aggregate, with respect to a Financial Liability to a Third Party under the 2019 indemnity letters of MAOF-CH was set at the higher of the following: (a) NIS 5 million or (b) 25% of the total equity of MAOF-CH as per the most recent financial statements of MAOF-CH published prior to the actual payment date.

B. Exemption from Liability Granted to Officers:

TASE's general meeting has resolved, subject to the provisions of the Companies Law, to relieve TASE's directors and other officers of liability for any damage caused or to be caused due to a breach of their duty of care to TASE.

TASE-CH's general meeting has resolved, subject to the provisions of the Companies Law, to relieve TASE-CH's directors and other officers of liability for any damage caused or to be caused due to a breach of their duty of care to TASE-CH.

MAOF-CH's general meeting has resolved, subject to the provisions of the Companies Law, to relieve MAOF-CH's directors and other officers of liability for any damage caused or to be caused due to a breach of their duty of care to MAOF-CH.

In view of the changes in the corporate governance directives that apply to the Company and to TASE-CH and MAOF-CH, stemming from Amendment No. 63 of the Securities Law, the shareholders' meetings of the Company on July 3, 2019 and the shareholders' meetings of TASE-CH and MAOF-CH on July 10, 2019, (after obtaining the approvals of their respective boards of directors and their audit committees, also in their capacity as compensation committees), and including the Nominee Company, approved the granting of an exemption to officers in each company from liability for damages resulting from a breach of the duty of care, subject to the provisions and qualifications of the law.

- C. Because of the field of their operations, the Group companies receive, in the ordinary course of business, inquiries from traded companies and/or from shareholders of traded companies, which include various claims. Some of the inquiries may lead to lawsuits being filed. The Group companies may incur amounts with respect to their operations. In cases where the extent of liability with respect to the above is not material and/or cannot be reasonably estimated, no provision is made in the financial statements.

D. Labor Dispute at TASE by the Histadrut (the New General Federation of Labor in Israel):

On September 17, 2018, a labor dispute was declared at TASE by the Histadrut (the New General Federation of Labor in Israel). The nature of the dispute, according to the notice that was sent from the Histadrut, mainly concerns the implications of the transaction for the sale of the Company's shares on the employees' rights, and the signing of a new collective agreement to secure the economic rights and employment security of the employees.

On October 8, 2018, TASE filed an ex parte motion in a collective dispute to the Tel Aviv Labor Tribunal against the Histadrut and TASE's employees committee, to cancel the collective dispute that was declared by them. On December 1, 2019, the Regional Labor Tribunal rejected TASE's ex parte motion, without adjudication of cost of action.

NOTE 17 - CONTINGENT LIABILITIES (CONT.):

D. Labor Dispute at TASE by the Histadrut (the New General Federation of Labor in Israel) (Cont.):

On December 15, 2019, the Tel Aviv Stock Exchange Ltd. appealed the ruling of the Regional Labor Tribunal from December 1, 2019 to the National Labor Tribunal. On March 3, 2020, a hearing of the appeal was held in the National Labor Tribunal, and the parties accepted the Tribunal's proposal of mediation with an external mediator regarding their disputes that are not related to the dispute, which is the subject matter of the appeal. On July 16, 2020, the Histadrut announced the cancellation of the labor dispute. On the same date, the National Labor Tribunal ruled, at the consent of the parties, that, in view of the cancellation of the labor dispute and considering the problematic points found in the ruling of the Regional Labor Tribunal, the ruling is overturned. By virtue of this ruling, the appeal was withdrawn.

On May 20, 2019, a labor dispute was declared at TASE by the Histadrut and the Employees Committee concerning the lack of agreement regarding the rate and date of the distribution of the annual bonus for 2017 for the employees. In the framework of the labor dispute that was declared, various sanctions have been imposed by TASE employees, which even led to a late opening of trading on TASE on May 21, 2019. Furthermore, trading on TASE was suspended on June 7, 2020 as part of the sanctions imposed by the employees committee in the collective labor dispute.

On July 26, 2020, a special collective agreement (hereafter: "the special agreement") was signed between the Company, on the one hand, and the Histadrut and TASE's Employees Committee, on the other hand. The special agreement provides, inter alia, for the distribution of annual bonuses to employees of the Company for the years 2017-2019. With the signing of the special agreement, this labor dispute, too, has come to an end.

It should be noted that, considering the provisions that have been included in the financial statements of the Company to date, the special agreement did not have an effect on the financial results of the Company.

TEL-AVIV STOCK EXCHANGE LTD.

Notes to the Financial Statements

NOTE 17 - CONTINGENT LIABILITIES (CONT.):

E. Indemnity for the Pricing Underwriter ("the Prospectus Indemnification")

For the purposes of the marketing and distribution of the Sale Shares, on July 29, 2019 the Company and the holders of the Sale Shares entered into an agreement with the pricing underwriter ("the Pricing Underwriter") for the secondary offering ("the Underwriting Agreement"). The offering of shares in Israel was carried out in accordance with the prospectus (the "Israeli Shares"), while the offering of shares outside Israel (the "International Shares") was carried out on the basis of a designated disclosure document, which consisted primarily of a translation into English of an advanced draft prospectus (the "International Disclosure Package"). In the Underwriting Agreement, the Company has undertaken to indemnify the Pricing Underwriter (including related entities, its officers and employees and anyone acting on its behalf) for claims, liabilities and losses resulting directly or indirectly from a misstatement in the prospectus in relation to the offering of the Israeli Shares (the "Prospectus Indemnification") or in the International Disclosure Package, or from the violation of laws or regulations of foreign countries (i.e., outside Israel and the United States) in which the Sale Shares have been offered or sold. The indemnification undertaking does not apply to a misstatement originating in information provided to the Company by the Pricing Underwriter or by the holders of the Sale Shares for the purpose of inclusion in the prospectus or in the International Disclosure Package.

Notwithstanding the aforesaid, considering the provisions of Section 34.A of the Securities Law, the Underwriting Agreement stipulates restrictions for the maximum amount payable under the Prospectus Indemnification undertaking, so that it will not exceed the overall consideration paid for the Sale Shares, and for the suspension of the undertaking where an amount was paid that represents 25% of the Company's equity as per its most recent financial statements approved prior to the payment date and the Company's Board of Directors determines that an additional payment could impede the ability of the Company to meet its existing and anticipated obligations as they fall due, this until such concern is lifted. It is further stipulated that the payment of the Prospectus Indemnification is subject to additional restrictions that are set out in the Securities Law (primarily, certain qualifications to the payment of the indemnification concerning the good faith of the Pricing Underwriter and regarding a reckless or malicious action).

NOTE 18 - SHARE CAPITAL AND OTHER CAPITAL RESERVES:

A. Composition:

	Year Ended December 31		Year Ended December 31	
	2020	2019	2020	2019
	Authorized		Issued and Paid-Up	
Ordinary shares having no par value	150,000,000	150,000,000	101,062,434	100,000,000

B. Change in the Paid-Up Capital

The paid-up capital as of December 31, 2018 and December 31, 2019 amounts to 100,000,000 ordinary shares having no par value.

	Number of shares
Balance as of January 1, 2020	100,000,000
Warrants exercised into shares of the Company (*)	1,062,434
Ordinary shares having no par value	101,062,434

(*) For further details see note 15 B.



NOTE 18 - SHARE CAPITAL AND OTHER CAPITAL RESERVES (CONT.):

C. Other Capital Reserves:

(1) Sale agreement with Manikay and other investors

In December 2017 the Company contacted all of its shareholders, inviting them to submit an offer for the sale and transfer of their shares in the Company, on the basis of a valuation of the Company (100%) of NIS 500 million (i.e. NIS 5 per share), where the Company would be entitled to assign the offers submitted to any third party that it sees fit. In response to this request, the Company received offers from 21 shareholders ("the Selling Shareholders") with respect to 71,717,499 shares, constituting 71.72% of the Company's issued share capital.

On April 16, 2018, the Company entered into an agreement for the sale of the Company's shares (as amended on August 8, 2018) ("the Sale Agreement with Manikay") with a foreign company registered in Delaware, USA, Manikay Partners LLC ("Manikay").

Under the Sale Agreement with Manikay, it was agreed that on the date of closing the transaction Manikay would purchase 19,999,999 shares from the Selling Shareholders at a rate of 19.99% of the Company's issued share capital ("the Purchased Shares"), for consideration of NIS 5.51 per share, and for a total of approximately NIS 110,200,000, and, of this sum, a total of NIS 10.2 million would be paid to the Company (reflecting the amount in excess of NIS 5 per share), and the balance of NIS 100 million would be distributed among the Selling Shareholders.

The balance of the shares of the Selling Shareholders, namely 51.72%, will be earmarked for investors that will be found by Manikay and approved by the Company ("the Additional Investors"), and some will be deposited in trust ("the Trust Shares") with a trustee whose identity will be determined by agreement between the parties ("the Trustee"), pursuant to a trust agreement that will be agreed between the parties (and with the approval of the Securities Authority) ("the Trust Agreement"), at the rates and under the terms set forth below. The Trust Agreement will include an arrangement that ensures that one director at the Company will be a candidate that is recommended by Manikay.

It was also agreed that the Trust Agreement will reflect the following:

- (a) Every Additional Investor will enter into an agreement with the Company to purchase the Company's shares, based on the principles of the Sale Agreement, mutatis mutandis.
- (b) The price per share is NIS 5 and will be paid on the closing date.
- (c) Every Additional Investor is entitled to receive shares in an amount not exceeding 4.99% of the Company's issued share capital. The balance of the Trust Shares will continue to be held by the Trustee until the earlier of December 31, 2019 and the execution of a public offering of the Company's shares, as decided by the Company, within the framework of which at least 31,717,504 Trust Shares will be sold at a net share price that is not less than NIS 5.51 ("Approved IPO"); in the event that the net share price (that is, net of underwriting and distribution commissions that will be paid by the Additional Investor) in the Approved IPO exceeds NIS 5.51 per share, the surplus amount will be distributed equally between the Additional Investor and the Company.
- (d) Every Additional Investor will be entitled to sell, in the Approved IPO, all or some of the Company's shares that it has purchased.

NOTE 18 - SHARE CAPITAL AND OTHER CAPITAL RESERVES (CONT.):

C. Other Capital Reserves (Cont.):

(1) Sale agreement with Manikay and other investors (cont.)

- (e) If an Approved IPO has not been carried out by December 31, 2019, the Trust Shares will be sold or distributed to each person, subject to each person not holding shares constituting more than 4.99% of the Company's issued share capital.
- (f) The Trust Shares will not be sold or transferred until the earlier of December 31, 2019 and the closing of an Approved IPO.

Manikay has undertaken not to initiate or promote, and even to object to, any offer or decision: (a) to change the name of the Company or its subsidiaries, and (b) to sell or transfer the Company's significant operations or its core business, unless such a process is required by law or pursuant to a provision of a competent authority, or it has been approved and recommended by the Company's Board of Directors with the support of all the independent directors serving at the Company at that time. In addition, Manikay has undertaken not to enter into voting agreements with any person, other than in accordance with the provisions of the Sale Agreement or the Trust Agreement, to support and exercise its voting rights in such a way that will ensure that the majority of the members of the Company's Board of Directors will be Israeli citizens and residents, to support a voting process for the public that will be completed by December 31, 2019 with a share price that will ensure that the sellers of the shares receive no less than NIS 5.51 per share (together, "Manikay's Undertakings").

In August 2018, at Manikay's suggestion and in accordance with the terms of the Sale Agreement with Manikay, the Company entered into four sale agreements with four Additional Investors: Sunsuper, Novo Nordisk, Dalton and Moelis, pursuant to which each of the Additional Investors purchased 12,929,375 shares in the Company (12.93% of the issued share capital) for a consideration of NIS 5 per share, and for a total of NIS 64.6 million, which will be divided among the Selling Shareholders, with each Additional Investor holding, directly or indirectly, shares at a rate of 4.69% of the issued share capital, and the balance of the shares that were purchased by each Additional Investor, at a rate of 8.23% of the issued share capital per Additional Investor will be held by Mr. Moshe Terry as Trustee under the terms of the Trust Agreement. For these purposes, it was agreed that after an Approved IPO has been carried out, the balance of the shares that are held by the Trustee (at a rate of up to 1.2% of the issued share capital) will be returned to the Additional Investors, such that every Additional Investor will hold 4.99% of the Company's share capital. In addition, the Additional Investors took upon themselves undertakings that are similar to Manikay's Undertakings.

On August 27, 2018, after holding permits were received from the Securities Authority for Manikay and for each of the Additional Investors, as well as for Mr. Moshe Terry as Trustee for 32,917,504 Trust Shares, the Sale Agreement with Manikay was closed, the sale agreements with the Additional Investors were closed, and trust deeds and irrevocable instructions between each of the Additional Investors and Mr. Moshe Terry, as Trustee, were signed, in the format set forth in the Sale Agreement with Manikay, pursuant to all of which, Mr. Terry was authorized, inter alia, to sell the Trust Shares at a net share price of not less than NIS 5.51, and to exercise the voting rights attached to the Trust Shares independently, at his discretion, and for the benefit of the Company, including, without derogating from the generality of the aforesaid, in accordance with that which is described above. In addition, at the same time, the Company received the excess consideration of NIS 10.2 million, which was credited directly to equity, net of costs.

NOTE 18 - SHARE CAPITAL AND OTHER CAPITAL RESERVES (CONT.):

C. Other Capital Reserves (Cont.):

(1) Sale agreement with Manikay and other investors (cont.)

As stated in note (c) above, the Company is entitled to 50% of the net consideration (after deduction of costs, as agreed with the sellers) that is received for the shares sold in the secondary offering, in excess of NIS 5.51 per share. The price per share set in the secondary offering is NIS 7.1. The total consideration to the holders of the Sale Shares and the Company received under the secondary offering based on the aforesaid share price is approximately NIS 225.2 million. The Company's share of the net consideration amounted to approximately NIS 15.5 million, which the Company intends to use for investment in technological infrastructures.

The amounts received by the Company, as above, total approximately NIS 16.2 million, after the tax benefit, and were carried directly to the equity of the Company in its financial statements as of December 31, 2019.

(2) Proceeds from Shareholders Within the Framework of Implementing the Ownership Restructuring

At the offering date, there were 22,282,501 shares that had been held by shareholders prior to the date of approval of the restructuring arrangement in TASE. In accordance with the TASE Restructuring Law, and to the extent that the consideration from their sale exceeds the value of the means of control sold pursuant to the Law and as stated in note 1 B above, the excess consideration will be transferred to TASE to be used for the purposes stipulated in the Law.

In 2019, the shareholders realized 2,793,528 shares held by them prior to the date of approval of the restructuring arrangement in TASE, in consideration of approximately NIS 28.1 million.

In 2020, the shareholders realized 340,864 shares held by them prior to the date of approval of the restructuring arrangement in TASE, in consideration of approximately NIS 5.5 million.

As stated in note 1 B and in accordance with the TASE Restructuring Law, the consideration in excess of NIS 5.08 per share is to be transferred to TASE. Accordingly, in 2019 and 2020 NIS 13.8 million and NIS 3.7 million, respectively. The aforesaid amount was carried directly to the equity of the Company in its financial statements as of December 31, 2019 and as of December 31, 2020.

As of December 31, 2020, to the best of the Company's knowledge, 19,148,109 shares are held by shareholders that had held them prior to the date of approval of the restructuring arrangement in TASE. The price of the share as of March 14, 2021 (shortly before the financial statements' approval date) was NIS 19.88. In accordance with the TASE Restructuring Law and as stated in note 1 B above, if the shareholders should realize the shares that are held by them, the consideration in excess of NIS 5.08 per share will be transferred to TASE to be used for the purposes stipulated in the Law. Such excess consideration will be carried directly to the equity of the Company.

TEL-AVIV STOCK EXCHANGE LTD.

Notes to the Financial Statements

NOTE 19 - DIVIDEND DISTRIBUTION:

On April 16, 2020, a dividend of NIS 8,770 thousand (representing NIS 0.0877 per share), pursuant to the Board of Directors' resolution from March 24, 2020. The exercise price of the warrants granted to officers who report to the CEO was adjusted from NIS 5.75 to NIS 5.66 per share. Additionally, the exercise price of the warrants granted to the CEO was adjusted from NIS 12 to NIS 11.91 per share.

On March 16, 2021, the Company's Board of Directors decided on a dividend distribution of NIS 18,450 thousand (representing NIS 0.1823 per share) to the shareholders. For additional information, see note 27.

NOTE 20 - ADDITIONAL DETAILS REGARDING REVENUE FROM SERVICES:

A. Major Customers:

The following table shows the percentage of revenue from major customers where the revenue from them constitutes over 10% of all the Group revenue.

	Year Ended December 31,					
	2020		2019		2018	
	NIS, in thousands	%	NIS, in thousands	%	NIS, in thousands	%
Customer A	42,390	13.9	32,980	12.7	34,560	13.5
Customer B	40,663	13.4	32,928	12.7	35,700	14.0
Customer C	35,790	11.8	32,062	12.3	33,749	13.2

B. Composition of Trading and Clearing Commissions:

	Year Ended December 31,		
	2020	2019	2018
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Commission for trading and clearing securities, excluding derivatives:			
Shares (*)	49,150	32,434	33,976
Bonds (*)	35,711	29,535	32,534
Mutual funds	26,594	23,716	23,900
Other	3,055	2,768	3,903
	114,510	88,453	94,313
Commission for trading and clearing derivatives:			
TA Index options	16,242	13,751	19,158
Dollar/shekel options	4,910	3,784	4,958
Other derivatives	789	1,012	926
	21,941	18,547	25,042
	136,451	107,000	119,355

(*) Including ETNs and ETFs.



TEL-AVIV STOCK EXCHANGE LTD.

Notes to the Financial Statements

NOTE 20 - ADDITIONAL DETAILS REGARDING REVENUE FROM SERVICES (CONT.):

C. Split of Revenues by Timing of the Provision of the Services:

	Year Ended December 31,		
	2020	2019	2018
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Revenue recognized at a point in time	195,108	157,548	156,418
Revenue recognized over time	109,158	102,453	99,187
Total	304,266	260,001	255,605

NOTE 21 - ADDITIONAL DETAILS REGARDING COST OF REVENUE:

A. Employee Benefit Expenses:

	Year Ended December 31,		
	2020	2019	2018
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Salary (including grants and severance payments)	146,650	139,607	139,954
Other non-current employee benefits	(109)	516	18
Defined contribution plan expenses	3,444	3,275	3,089
Defined benefit plan expenses	4,953	5,413	5,101
	154,938	148,811	148,162
Less – amounts capitalized to intangible assets and property and equipment (see note 12)	(15,583)	(15,838)	(18,892)
	139,355	132,973	129,270

B. Depreciation and Amortization:

	Year Ended December 31,		
	2020	2019	2018
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Property and equipment	16,846	17,002	15,498
Right-of-use assets	8,868	8,668	-
Depreciation of property and equipment (see note 11)	25,714	25,670	15,498
Amortization of intangible assets (see note 12)	18,796	17,901	17,174
	44,510	43,571	32,672



TEL-AVIV STOCK EXCHANGE LTD.

Notes to the Financial Statements

NOTE 22 - FINANCING INCOME (EXPENSES), NET:

Composition:

	Year Ended December 31,		
	2020	2019	2018
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Financing expenses:			
Bank fees and commissions	232	247	161
Interest and linkage expense –Tax Authority	107	106	-
Lease financing expenses	320	349	-
Other financing expenses	324	304	-
	<u>983</u>	<u>1,006</u>	<u>161</u>
Financing income:			
Net gain (loss) from financial assets	223	9,819	(1,436)
Interest income – short-term bank deposits	174	112	37
Interest and linkage income –Tax Authority	-	9	221
Interest income – employee loans	9	35	35
Other financing income	4	-	244
	<u>410</u>	<u>9,975</u>	<u>(899)</u>
	<u>(573)</u>	<u>8,969</u>	<u>(1,060)</u>

NOTE 23 - EARNINGS PER SHARE:

Basic and Diluted Earnings per Share

	Year Ended December 31,		
	2020	2019	2018
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Profit used to compute basic and diluted earnings per share from continuing operations	36,904	17,558	86,422
Weighted average number of ordinary shares used to compute basic earnings per share	100,414,891	100,000,000	100,000,000
Warrants granted as part of share-based payment arrangements	2,718,315	1,014,349	-
Weighted average number of ordinary shares used to compute diluted earnings per share (*)	103,133,206	101,014,349	100,000,000
Basic earnings per share	0.368	0.176	0.864
Diluted earnings per share	0.358	0.174	0.864

(*) On January 4, 2021, 71,339 unvested warrants of a retiring executive have been forfeited.

The 4,250,000 warrants granted to the CEO (see note 15 C above) were not included in the 2019 diluted earnings per share computation as their effect was anti-dilutive in said year. The 4,179,797 warrants granted to officers who report to the CEO (see note 15 B above) were not included in the 2018 diluted earnings per share computation as their effect was anti-dilutive in said year.



TEL-AVIV STOCK EXCHANGE LTD.

Notes to the Financial Statements

NOTE 24 - INTERESTED AND RELATED PARTIES:

A. Benefits to Interested Parties (*):

	Year Ended December 31,		
	2020	2019	2018
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Short-term benefits	4,114	3,333	2,926
Post-employment benefits	139	128	126
Share-based payment	531	356	-
Salary and related expenses for the CEO (**)	4,784	3,817	3,052
Number of individuals	1	1	1
Fees of directors, not employed by the Company (***) (****)	1,666	1,942	1,907
Number of individuals	7	8	6

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

(**) Regarding the compensation model for the CEO, see note 13 E (2)

(***) Also includes a bonus to the Chairman of the Board of Directors, the qualitative portion of which is subject to the general meeting's approval.

(****) On December 20, 2016, the organs of TASE resolved to make changes in the terms of the position of Chairman of the Board of Directors, whereby this position would be defined – from January 1, 2017 – as Non-Executive Chairman of the Board of Directors, with the holder engaging in managing the work of the Board of Directors and its committees.

B. Balances with Interested and Related Parties:

(1) Balances with Interested Parties: (1)

	December 31,	
	2020	2019
	NIS, in thousands	NIS, in thousands
Under current assets:		
Other receivables – MAOF-CH (2)	4,528	4,099
Other receivables – Nominee Company (2)	571	960
Under non-current assets:		
Long-term loan – TASE-CH	60,294	60,655
Under current liabilities:		
Other payables – TASE-CH (2)	7,427	2,494

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

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



TEL-AVIV STOCK EXCHANGE LTD.

Notes to the Financial Statements

NOTE 24 - INTERESTED AND RELATED PARTIES (CONT.):

B. Balances with Interested and Related Parties (Cont.):

(2) Balances with Key Management Personnel:

	December 31,	
	2020	2019
	NIS, in thousands	NIS, in thousands
Under current assets:		
Other receivables (*)	700	700
Under non-current assets:		
Other long-term receivables (*)	1,692	2,392
Under current liabilities: (**)	1,149	927

(*) Regarding a loan to the CEO, see note 13 E (2).

(**) Includes a bonus to the Chairman of the Board of Directors, which is subject to the general meeting's approval.

C. Transactions with Interested and Related Parties:

(1) Transactions with Interested Parties:

	Year Ended December 31,		
	2020	2019	2018 (*)
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Revenue from services	-	-	120,535
Cost of revenue	-	-	(2,850)
Financing income, net	-	-	(104)

(*) Further to that stated in note 1 B above with regard to the restructuring of TASE and the sale transaction with Manikay and additional investors, the holdings of the TASE members, that held – immediately after the approval of TASE's restructuring arrangement – more than 5% of all the means of control in TASE, fell with the closing of the sale agreements with Manikay and the additional investors on August 27, 2018 to less than 5% and, from the aforesaid date, hence they are no longer interested parties in TASE.

TEL-AVIV STOCK EXCHANGE LTD.

Notes to the Financial Statements

NOTE 24 - INTERESTED AND RELATED PARTIES (CONT.):

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

(2) Transactions with Related Parties:

	Year Ended December 31,		
	2020	2019	2018
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Transactions with subsidiaries:			
Participation in revenue and expenses in accordance with the distribution model: (a)			
Participation in revenue			
TASE-CH	(153,213)	(130,043)	(131,874)
MAOF-CH	2,439	1,751	2,338
Nominee Company	(9)	(6)	-
Participation in expenses			
TASE-CH	99,124	94,119	90,103
MAOF-CH	24,758	26,454	23,195
Nominee Company	5,026	4,267	4,813
Initiation/balance fees			
TASE-CH	27,760	26,832	26,362
MAOF-CH	(8,644)	(10,360)	(3,019)
Nominee Company	(2,854)	(2,358)	(3,269)
Share-based payments			
TASE-CH	546	1,409	-
MAOF-CH	115	386	-
Nominee Company	28	107	-
Financing income with respect to a loan to TASE-CH (b)	2,201	2,765	3,273
Expenses with respect to annual fees paid to the Nominee Company	(14)	(8)	-

(a) Distribution Model:

TASE and the other Group companies are closely interconnected. This as TASE provides the companies with their required operational infrastructure (information technology, human resources, management, etc.).

At the beginning of 2015, TASE's Board of Directors and TASE-CH's Board of Directors and MAOF-CH's Board of Directors approved a model for distributing the income, expenses, and profit between TASE, TASE-CH and MAOF-CH (the "distribution model").

Consequently, the allocation of income and expenses of the Group between the Group companies, commencing from 2014, has been prepared in accordance with the distribution model, which reflects the scope of activities of each of the companies.

NOTE 24 - INTERESTED AND RELATED PARTIES (CONT.):

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

(2) Transactions with Related Parties (Cont.):

(a) Distribution Model (Cont.):

In formulating the distribution model, an allocation was made of three main parameters: income, expenses and the distribution of the economic profits of the Group between the companies.

As part of the income allocation, all specific income of the Group's companies was identified and assigned. The mixed income was divided according to the ratio between trading and clearing, according to a model based on market prices.

As part of the expense allocation, all specific expenses of the various departments were identified and assigned. For the allocation of costs and services that were provided centrally by TASE (including salaries) to all the Group's companies, various principles were considered and determined for the distribution of the said expenses (such as the ratio of income and head counts).

As part of the process of distributing the economic profit among the Group's companies, consideration was given to the link between the Group's companies taking part together in any specific line of business over time that creates a breakeven point between them that would allow all the Group's companies to share in all activities. Up to December 31, 2017, the profitability index used as the allocation key under the distribution model is a rate of return on equity. Since January 1, 2018, as part of the validation of the distribution model, the profitability index was updated and is based on the operating profit margin of the Group, since this model is more suitable to the market price principles as defined in the OECD guidelines.

(b) Provision of a Loan to TASE-CH:

On December 15, 2015, TASE granted a loan to TASE-CH pursuant to an agreement signed between those companies on December 8, 2015 and which was approved by the Board of Directors of TASE and by the Board of Directors of TASE-CH on November 26, 2015. Pursuant to the above agreement, TASE has granted a loan to TASE-CH in an amount of NIS 60 million, under the following terms:

- The rights by virtue of the loan are subordinate to those of other creditors of TASE-CH.
- No collateral will be provided against the loan.
- The term until the maturity of the loan is 10 years.
- Early repayment of the loan will only be permitted after the elapse of five years and only at the demand of TASE-CH.
- The loan is linked to the consumer price index and bears annual interest (at a rate of 4.25% per year).

NOTE 24 - INTERESTED AND RELATED PARTIES (CONT.):

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

(1) TASE Resolutions on Providing a Credit Line to TASE-CH and to MAOF-CH:

In 2004, TASE approved the grant of a loan to TASE-CH, which would not exceed NIS 50 million, in the event that TASE-CH required such funds to meet its liabilities. It was also resolved to authorize a committee of the Board of Directors to determine when the loan would 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 TASE and TASE-CH. Concurrently, in 2004 TASE-CH authorized its CEO to apply for and obtain a loan from TASE, which would not exceed NIS 50 million, as required.

In early 2009, TASE approved the grant of a loan to MAOF-CH, which would not exceed NIS 50 million, and provided that the total loan to MAOF-CH and to TASE-CH together, as above, would not exceed NIS 50 million, in the event that MAOF-CH required such funds in order to meet its liabilities. It was also resolved to authorize the abovementioned committee of the Board of Directors to determine when the loan would be granted and the amount of the loan, subject to the above limitations. The loan would be made available at the same rate of interest as the Bank of Israel charges the banks, unless otherwise agreed between TASE and MAOF-CH. Concurrently, in 2009, MAOF-CH authorized its CEO to apply for and obtain a loan from TASE which would not exceed NIS 50 million, as required.

Since the approvals that were granted in 2004 and 2009, respectively, and up to the date of approving these financial statements, no such loans have been requested or granted.

As stated above, TASE is under no obligation to the Clearing Houses to provide the loan.

(2) Officers' and Professional Liability Insurance:

On September 6, 2018, after receiving the approval of the Company's Board of Directors and the Audit Committee, the general meeting of the Company approved the Company's acquisition of liability insurance for directors and officers of the Company and its subsidiaries, for a period of one year commencing August 1, 2018 and ending July 31, 2019.

Each of the policies (the officers' liability insurance policy and the professional liability insurance policy) has a liability limit of USD 50 million (per incident and in aggregate), and an annual premium for both policies together of USD 184 thousand. In addition, the insurance coverage was expanded in the officers' liability policy to provide suitable coverage for a public company, on the date of closing the IPO, for an additional annual premium of approximately USD 7 thousand.

In addition, an engagement in a "Run Off" officers' liability insurance policy was approved to cover past activity up to the date of change of ownership, for an insurance period of 7 years from the date of change of ownership. This policy has a liability limit of up to USD 50 million (per incident and in aggregate), in exchange for a premium for the entire insurance period of 7 years, in the amount of approximately USD 107 thousand.

Each of the subsidiaries will bear its pro-rata share of the cost of the premiums in accordance with the principles of the distribution model set forth in section C (2) (a) above.

NOTE 24 - INTERESTED AND RELATED PARTIES (CONT.):

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

(2) Officers' and Professional Liability Insurance (Cont.):

On July 31, 2019, after receiving the approval of the Company's Board of Directors and Audit Committee, also in its capacity as the Compensation Committee, the general meeting of the Company approved the Company's acquisition of professional liability insurance and liability insurance for directors and officers of the Company and its subsidiaries, for a period of one year commencing on August 1, 2019 and ending on July 31, 2020.

Each of the policies (the officers' liability insurance policy and the professional liability insurance policy) has a liability limit of US\$ 50 million (per incident and in aggregate), and an annual premium for both policies together of US\$ 252 thousand (as compared to approximately US\$ 184 thousand in the corresponding period last year). The officers' liability insurance policy has been adjusted to cover the operations of a public company and includes the requisite expansions and additions. Additionally, the acquisition of an additional layer of insurance in the officers' liability insurance for the Clearing Houses (TASE-CH and MAOF-CH) was approved, in an amount of up to US\$ 10 million (per incident and in aggregate) in excess of the liability limit of up to US\$ 50 million, for an annual premium of approximately US\$ 22 thousand.

Additionally, the acquisition of a designated insurance policy for the offering (Public Offering of Securities Insurance – POSI) was approved to cover the process of the offering and the prospectus for a period of 7 years from issuance date, with a coverage amount of up to US\$ 30 million (per incident and in aggregate), in consideration for the payment of a premium of approximately US\$ 127 thousand for the entire 7-year insurance period.

Each of the subsidiaries will bear its pro-rata share of the cost of the premiums in accordance with the principles of the distribution model set forth in section C (2) (a) above. The subsidiaries will not bear the cost of the premium with respect to the POSI policy.

On July 29, 2020, following the approval by the general meeting of the Company of an amendment to the Company's Compensation Policy for 2018-2020 concerning officers' liability insurance, the Company's Audit Committee (in its capacity as the Compensation Committee) and Board of Directors, approved the Company's acquisition of professional liability insurance and liability insurance for directors and officers of the Company and its subsidiaries, for a period of one year commencing on August 1, 2020 and ending on July 31, 2021.

The officers' liability insurance policy has a liability limit of US\$ 40 million (per incident and in aggregate) and the professional liability insurance policy has a liability limit of US\$ 50 million (per incident and in aggregate), and an annual premium for both policies together of US\$ 521 thousand. Additionally, the acquisition of an additional layer of insurance in the officers' liability insurance for the clearing houses (TASE-CH and MAOF-CH) was approved, in an amount of up to US\$ 10 million (per incident and in aggregate) in excess of the liability limit of up to US\$ 40 million, for an annual premium of approximately US\$ 40 thousand.

Each of the subsidiaries will bear its pro-rata share of the cost of the premiums in accordance with the principles of the distribution model set forth in section C (2) (a) above.

- (3)** Regarding the indemnification of officers and an exemption from liability granted to officers, see note 17 above.
- (4)** Regarding an agreement with the Bank of Israel, see note 4 B (2) (c).

TEL-AVIV STOCK EXCHANGE LTD.

Notes to the Financial Statements

NOTE 25 - CHARGES:

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

In April 2008, a first-ranking fixed charge 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 TASE-CH takes such a loan in the future, it will deposit the collateral in favor of the bank in said Account.

TASE-CH has not made any use of the Account since it was opened, and no assets have been deposited with the bank.

For further details regarding a liquidity line from a commercial bank, see note 4 B (2) (c).

- B.** During January 2016, TASE pledged and/or charged, in favor of the banking corporation as collateral for the repayment of all the debts secured by the credit agreement, by way of a lien in an unlimited amount, all its rights in the land that serves as the TASE offices, which is designated as Section 74 and Section 71 of Parcel 6920 in Tel Aviv-Jaffa. Likewise, all TASE's contractual rights in the land designated as parts of Section 45 and parts of Sections 47-49 of Parcel 6920 in Tel Aviv-Jaffa have also been pledged in favor of the banking corporation.

The agreement with the banking corporation permits TASE, upon fulfillment of certain conditions, to lease the TASE building, in the event of the mortgage being foreclosed.

As part of the terms and conditions for the credit, it has been agreed that the banking corporation will give its consent for a mortgage to be created against the land, for a lien on the contractual rights and for a caveat to be registered on the land, for the purpose of securing additional credit, which TASE might take from the banking corporation and/or from another financial institution (the "Other Lender"). All these will also be first-ranking (*pari passu*) and in an unlimited amount, provided that the total amount of TASE's indebtedness and liabilities to the banking corporation and to the Other Lender do not exceed 65% of the value of the land according to an up-to-date valuation that is to be furnished by TASE to the banking corporation at every relevant examination date.

On January 13, 2020, the Company signed an amendment letter for the reduction of the Company's credit facility granted to it by the banking corporation, effective from December 31, 2019. As provided by the amendment letter, the aforesaid credit facility has been reduced from NIS 50 million to a credit facility of NIS 30 million. The credit facility credit facility is valid until December 31, 2020.

In 2020, TASE informed the bank that it will not be renewing the credit facility that had been extended to it by the bank until December 31, 2020. Accordingly, the credit facility has not been renewed in 2021 and on January 31, 2021 a letter was received from the Land Registry Office in Tel Aviv, confirming the approval of the mortgage cancellation as well as a letter from the Registrar of Companies and Partnerships confirming the lifting of a pledge in the Company on January 10, 2021.

To December 31, 2020, the Company has not utilized the credit facility.

NOTE 26 COMMITMENTS:

In May 2019, TASE entered into an agreement with the Israeli Professional Football Leagues Administration 2014 Ltd. (the "Administration") for primary sponsorship over three seasons of matches (as defined in the Code of the Israel Football Association) commencing in the 2019/2020 season and ending in the 2021/2022 season, for a total consideration of NIS 12.3 million, payable in installments. In return, the Administration has committed to a minimum volume of advertising in the various media, as set out in the above agreement.

NOTE 27 - EVENTS AFTER THE END OF REPORTING PERIOD:

A. Dividend

On March 16, 2021, the Board of Directors of the Company decided on the distribution of a dividend to the shareholders in an amount of NIS 18,450 thousand (representing NIS 0.1823 per share). The record date was set as March 25, 2021 and payment has been scheduled for April 5, 2021. The exercise price of the warrants granted to officers who report to the CEO will be adjusted from NIS 5.66 to NIS 5.48 per share. Additionally, the exercise price of the warrants granted to the CEO will be adjusted from NIS 11.91 to NIS 11.73 per share.

B. Compensation Policy

On March 10, 2021, the general meeting of the Company, after obtaining the approval of the Company's Board of Directors and Audit Committee (in its capacity as Compensation Committee), approved the updated compensation policy for officers in the Company, in accordance with the provisions of the Companies Law, for the years 2021-2023 (hereafter: "the 2021-2023 compensation policy"). The 2021-2023 compensation policy is for a period of three years and provides for fixed and variable components of the officers' compensation and the correlation between such components, including parameters, threshold criteria, ranges and ceilings for the compensation components (based on the performance of the Company and the performance of the officer).

This English version is only for convenience purposes. This is not an official translation and has no binding force. Whilst reasonable care and skill have been exercised in the preparation hereof, no translation can ever perfectly reflect the Hebrew version. In the event of any discrepancy between the Hebrew version and this translation, the Hebrew version shall prevail.

THE TEL-AVIV STOCK EXCHANGE LTD.

SEPARATE FINANCIAL INFORMATION FOR 2020

[Contents](#)

	<u>Page</u>
Special Report of the Auditors	2
Financial Statements:	
Financial Position Data	3
Profit or Loss Data	4
Other Comprehensive Income or Loss Data	5
Cash Flow Data	6
Supplementary Information to the Separate Financial Information	7-21



To
The Shareholders of
The Tel-Aviv Stock Exchange Ltd.
2 Achuzat Bayit St.
Tel Aviv

Dear Sirs,

Re: Special Report of the Auditor on Separate Financial Information pursuant to Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 5730-1970

We have audited the separate financial information that was prepared in accordance with Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 5730-1970 of The Tel-Aviv Stock Exchange Ltd. (hereafter - "the Company") as of December 31, 2020 and 2019 and for each of the three years in the period ended on December 31, 2020. The board of directors and management are responsible for the separate financial information. Our responsibility is to express an opinion on this separate financial information based on our audit.

We conducted our audit in accordance with Generally Accepted Auditing Standards in Israel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the separate financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the separate financial information. An audit also includes assessing the accounting principles used in the preparation of the separate financial information and significant estimates made by the board of directors and management, as well as evaluating the overall separate financial information presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the separate financial information is prepared, in all material respects, in accordance with the provisions of Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

Brightman Almagor Zohar & Co.
Certified Public Accountants
A Firm in the Deloitte Global Network

Tel Aviv, Israel, March 16, 2021

Tel Aviv - Main Office

1 Azrieli Center Tel Aviv, 6701101 P.O.B. 16593 Tel Aviv, 6116402 | Tel: +972 (3) 608 5555 | info@deloitte.co.il

Jerusalem
3 Kiryat Ha'Mada
Har Hotzvim Tower
Jerusalem, 914510
D. BOX 45396

Tel: +972 (2) 501 8888
Fax: +972 (2) 537 4173
info-jer@deloitte.co.il

Haifa
5 Ma'aleh Hashichrur
P.O.B. 5648
Haifa, 3105502

Tel: +972 (4) 860 7333
Fax: +972 (4) 867 2528
info-haifa@deloitte.co.il

Eilat
The City Center
P.O.B. 583
Eilat, 8810402

Tel: +972 (8) 637 5676
Fax: +972 (8) 637 1628
info-eilat@deloitte.co.il

Nazareth
9 Marj Ibn Amer St.
Nazareth, 16100

Tel: +972 (73) 399 4455
Fax: +972 (73) 399 4455
info-nazareth@deloitte.co.il

THE TEL-AVIV STOCK EXCHANGE LTD.
FINANCIAL POSITION DATA

	Supplementary Information	December 31,	
		2 0 2 0	2 0 1 9
		NIS, in thousands	NIS, in thousands
Assets			
Current assets			
Cash and cash equivalents	B	94,302	72,581
Financial assets at fair value through profit or loss	C(6)	51,573	52,018
Trade receivables		12,784	13,733
Other receivables		11,526	12,104
Total current assets		170,185	150,436
Non-current assets			
Restricted cash		542	541
Investment in subsidiaries		142,240	120,788
Other long-term receivables		2,110	3,761
Property and equipment, net		330,075	345,176
Intangible assets, net		120,629	111,875
Deferred tax assets	D(1)	14,543	14,076
Long-term loan to a subsidiary		60,294	60,655
Total non-current assets		670,433	656,872
Total assets		840,618	807,308
Liabilities and Equity			
Current liabilities			
Trade payables		12,155	15,376
Short-term liabilities for employee benefits		32,013	33,121
Current maturities of lease liabilities		4,302	9,728
Current tax liabilities		880	231
Deferred income with respect to listing fees and levies		20,959	19,380
Other payables		10,779	6,188
Total current liabilities		81,088	84,024
Non-current liabilities			
Non-current liabilities for employee benefits		40,413	37,565
Lease liabilities		9,089	12,553
Deferred income with respect to listing fees and levies		78,646	73,918
Other liabilities		542	541
Total Non-current liabilities		128,690	124,577
Equity			
Remeasurement of net defined benefit liability		(17,909)	(16,905)
Share-based payments reserve		32,518	31,238
Other capital reserves		46,802	43,079
Retained earnings		569,429	541,295
Total equity		630,840	598,707
Total liabilities and equity		840,618	807,308

March 16, 2021

Date of approval of the separate
financial information

The accompanying supplementary information an integral part of the separate financial information.

THE TEL-AVIV STOCK EXCHANGE LTD.
PROFIT OR LOSS DATA

	Supplementary Information	Year ended December 31,		
		2 0 2 0	2 0 1 9	2 0 1 8
		NIS, in thousands	NIS, in thousands	NIS, in thousands
Revenue from services:				
Trading and clearing commissions		34,132	25,483	27,468
Listing fees and levies		45,262	40,404	33,270
Data distribution and connectivity services		47,756	41,781	34,954
Other revenue		1,870	3,078	3,320
		129,020	110,746	99,012
Revenue from initiation fees, net from investees		16,261	14,113	20,074
Total revenue from services		145,281	124,859	119,086
Cost of revenue:				
Employee benefits expenses		69,730	65,661	65,648
Share-based payments expenses		591	1,956	-
Computer and communications expenses		11,338	10,226	10,579
Rent, property taxes and building maintenance expenses		5,904	6,311	6,599
Administrative, fee and general expenses		9,592	9,300	8,810
Marketing expenses		4,913	3,491	2,147
Depreciation and amortization expenses		24,007	23,780	14,631
Reversal of impairment provision		-	-	(85,108)
Other expenses		498	619	733
Total costs		126,573	121,344	24,039
Profit before financing income, net				
		18,708	3,515	95,047
Financing income		2,367	4,682	3,505
Financing expenses		859	807	153
Total financing income, net		1,508	3,875	3,352
Profit after financing income, net		20,216	7,390	98,399
Company's share in profits of investees		21,452	11,792	10,834
Profit before tax on income		41,668	19,182	109,233
Taxes on income	D	4,764	1,624	22,811
Profit for the year		36,904	17,558	86,422
Basic earnings per share (NIS)				
		0.368	0.176	0.864
Diluted earnings per share (NIS)				
		0.358	0.174	0.864

The accompanying supplementary information an integral part of the separate financial information.

THE TEL-AVIV STOCK EXCHANGE LTD.
OTHER COMPREHENSIVE INCOME OR LOSS DATA

Supplementary Information	Year ended December 31,		
	2020	2019	2018
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Profit for the year	36,904	17,558	86,422
Other comprehensive income (loss):			
Items that will not be subsequently reclassified to profit or loss, net of tax:			
Remeasurement of net liability with respect to defined benefit, net of tax	(1,004)	(12,574)	4,763
Comprehensive income for the year	35,900	4,984	91,185

The accompanying supplementary information an integral part of the separate financial information.



THE TEL-AVIV STOCK EXCHANGE LTD.
CASH FLOW DATA

	Year ended December 31,		
	2020	2019	2018
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Cash Flows from Operating Activities			
Profit for the year	36,904	17,558	86,422
Share-based payments expenses	1,280	3,858	-
Tax expenses recognized in profit or loss	4,764	1,624	22,811
Net financing income recognized in profit or loss	(1,508)	(3,875)	(3,352)
Reversal of impairment provision	-	-	(85,108)
Loss from disposal of property and equipment and intangible assets	587	1,358	280
Depreciation and amortization	44,510	43,571	32,672
Company's share in profits of investees	(21,452)	(11,793)	(10,834)
	65,085	52,301	42,891
Changes in Asset and Liability Items			
Decrease in trade receivables and other receivables	3,196	553	6,479
Increase (decrease) in trade payables and other payables	1,940	(1,548)	1,377
Increase in employee benefits related liabilities	436	6,083	8,084
Increase in deferred income with respect to listing fees and levies	6,307	5,684	2,660
	11,879	10,772	18,600
Interest received	3,824	3,908	3,636
Interest paid	(684)	(614)	(152)
Tax receipts (payments) - operating activities	(4,745)	1,456	1,533
	(1,605)	4,750	5,017
Net cash provided by operating activities	75,359	67,823	66,508
Cash Flows from Investing Activities			
Investments in property and equipment	(11,145)	(6,416)	(20,388)
Proceeds from the disposal of property and equipment	-	192	41
Investments in intangible assets	(11,161)	(11,850)	(14,962)
Refund with respect to overpaid development levies	-	-	1,788
Payments with respect to development costs capitalized to property and equipment and to intangible assets	(15,583)	(15,838)	(18,892)
Acquisition of financial assets at fair value through profit or loss, net	(655)	(20,002)	(510)
Net cash used in investing activities	(38,544)	(53,914)	(52,923)
Cash Flows from Financing Activities			
Lease payments	(9,929)	(9,739)	-
Dividend paid	(8,770)	-	-
Company's share in the first-time listing of the shares	-	15,600	-
Receipts from shareholders within the framework of implementing the ownership restructuring, net	3,723	13,782	9,907
Net cash provided by (used in) financing activities	(14,976)	19,643	9,907
Net increase in cash and cash equivalents	21,839	33,552	23,492
Cash and cash equivalents at beginning of the year	72,581	39,194	15,575
Effect of changes in exchange rates on cash balances held in foreign currency	(118)	(165)	127
Cash and cash equivalents at end of the year	94,302	72,581	39,194

The accompanying supplementary information an integral part of the separate financial information.

THE TEL-AVIV STOCK EXCHANGE LTD.
CASH FLOW DATA

Year ended December 31,

2020

2019

2018

NIS, in
thousands

NIS, in
thousands

NIS, in
thousands

Appendix A – Non-Cash Activities:

Acquisition of property and equipment with short-term credit	4,159	4,320	5,630
Increase in right-of-use assets and lease liabilities (*)	1,133	5,372	-
Increase in receivables for lease and lease liabilities (*)	165	2,256	-

(*) For further details regarding lease liabilities, see note 11 B to the consolidated financial statements.

THE TEL-AVIV STOCK EXCHANGE LTD.

CASH FLOW DATA

A. General

(1) General:

- a. The separate financial information of the Company has been drawn up in accordance with Section 9(c) and the Tenth Addendum of the Securities Regulations (Periodic and Immediate Reports), 5730-1970

This separate financial information should be read in conjunction with the consolidated financial statements as of December 31, 2020 and the accompanying notes.

As to the allocation of income and expenses between TASE and the MAOF Clearing House, the TASE Clearing House and the Nominee Company, see Section E2.

- b. On July 30, 2015, the general meeting resolved to approve an outline in principle for an arrangement program between the TASE members at that time, and also between them and TASE, for the purpose of implementing a restructuring of TASE and turning it into a company that is entitled to distribute dividends, having a share capital comprising only one class of shares. This is to be done by allocating shares to the TASE members in accordance with an allocation table to be decided upon (hereafter - "the Allocation Table"). In accordance with the outline in principle that was approved as stated, the parameters included in the model, for the purpose of establishing entitlement to the share allocation, relate to anyone that was a TASE member on June 30, 2015.

On April 6, 2017, the Securities Law (Amendment No. 63), 2017 was published, which deals with changes in the ownership structure of TASE (hereafter - "TASE Restructuring Law"). The aim of the Law is to change the ownership structure of TASE, while transforming it into a "for profit" company, and to expand the TASE membership base and to make TASE accessible to a larger number of parties. Another aim of the Law is to lay the infrastructure for future strategic collaborations with foreign stock exchanges and strategic investors.

The main points of the Law are as follows:

- With the TASE restructuring and upon the corporate governance arrangements in the aforementioned Securities Law amendment taking effect, the provisions prescribed in the Securities Law prohibiting the distribution of TASE profits will be revoked, so as to permit TASE to become a "for profit" company entitled to distribute profits to its owners.
- Prescribing terms for obtaining a stock exchange license in Israel. In accordance with the transitional provisions set forth in the Law, the license granted to the Tel-Aviv Stock Exchange prior to the Law taking effect will be deemed a license granted to it pursuant to the provisions of the Law.
- Prescribing terms for obtaining a clearing house license in Israel. In accordance with the transitional provisions set forth in the Law, TASE-CH and MAOF-CH will be deemed as having been granted a license pursuant to the provisions of the Law.
- Setting a proscription against TASE engaging in the provision of services giving rise to a substantive concern regarding a conflict of interests with its business of managing a securities trading system.
- Setting a proscription against a holding of five percent or more in TASE without receipt of a permit from the Israel Securities Authority, setting a proscription against control of TASE without a permit and setting a proscription against control of a clearing house without a permit. In accordance with the transitional provisions set forth in the Law, TASE will be deemed as having been granted a permit to control the clearing houses under its control prior to the Law taking effect pursuant to the provisions of the Law.

THE TEL-AVIV STOCK EXCHANGE LTD.

CASH FLOW DATA

A. General (contd.)

(1) General (contd.):

b. (contd.)

- Prescribing corporate governance arrangements.
- Imposing an obligation on clearing houses to provide services to every stock exchange or clearing member and not to unreasonably refuse to provide such services.
- Prescribing a provision stating that if an entity has sold means of control in TASE, which it held prior to the date that the change in the TASE ownership structure was approved, and if the sale proceeds exceeded the value of the means of control sold, the seller will transfer to TASE an amount equivalent to the difference between the sale proceeds and the value of the means of control sold. For this purpose, "value of the means of control sold" – the means of control sold as a percentage of the total means of control in TASE on the arrangement's approval date, multiplied by the TASE equity according to its 2015 financial statements, in the amount of NIS 508 million. TASE may make use of sums transferred to it pursuant to this clause in order to reduce the fees TASE charges and to invest in technological infrastructure, and for these purposes alone.

On September 7, 2017, the Tel Aviv District Court approved the demutualization arrangement of TASE in accordance with Section 350 of the Companies Law, the main principles of which are detailed below: replacing TASE's present Articles of Association with a new version of the Articles of Association that conforms with the provisions of the TASE Restructuring Law.

In addition, it was prescribed that the authorized share capital of TASE will be 150,000,000 ordinary shares having no par value. Within the framework of the arrangement, TASE allocated 94,000,000 ordinary shares to the TASE members in accordance with the Allocation Table, for no consideration. Likewise, TASE allocated 6,000,000 shares to a trustee for TASE employees and service providers, for no consideration. The allocation of shares to TASE employees was done within the framework of the Compensation Plan, which had been approved by the organs of TASE, in accordance with the principles set forth in note 15 (A) of the consolidated financial statements.

- c. Pursuant to a prospectus for an initial public offering by way of a secondary offering of Company shares, dated July 24, 2019, and pursuant to a supplementary notice dated July 29, 2019, on August 1, 2019, 100,000,000 ordinary shares with no par value, existing in the Company's share capital, were listed on TASE, of which 31,717,504 shares were offered in a secondary offering to institutional investors in Israel and overseas, as well as to the public in Israel, and approval was received for the listing of up to 8,429,797 ordinary shares that will result from the exercise of options allotted to the Company's CEO and to officers of the Company.

Regarding the indemnification for the pricing underwriter ("the Prospectus Indemnification"), see note 17 E to the consolidated financial statements as of December 31, 2020.

For details of the proceeds from shareholders within the framework of implementing the ownership restructuring, see note 18 C to the consolidated financial statements as of December 31, 2020.

- d. With regard to the effect of the coronavirus outbreak, see note 1 D to the consolidated financial statements as of December 31, 2020.

THE TEL-AVIV STOCK EXCHANGE LTD.

CASH FLOW DATA

A. General (contd.)

- (2) 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.

(3) Definitions:

Company or TASE	-	The Tel-Aviv Stock Exchange Ltd.
Investees	-	As defined in note 1 C to the consolidated financial statements of the Company as of December 31, 2020.
The Clearing Houses	-	The Tel-Aviv Stock Exchange Clearing House Ltd. (hereafter - "TASE-CH") and the MAOF Clearing House Ltd. (hereafter - "MAOF-CH").
Nominee Company	-	The Tel Aviv Nominee Company Ltd. (hereafter - "the Nominee Company").
The Group	-	The Company, Tel-Aviv Stock Exchange Clearing House Ltd., MAOF Clearing House Ltd. and The Tel Aviv Nominee Company Ltd.

(4) Accounting policies:

- a. The separate financial information was drawn up in accordance with the accounting policies that are set out in note 2 to the consolidated financial statements of the Company, with the exception of the amounts of the assets, the liabilities, the expenses and the cash flows with respect to Investees, as described below:
 - (1) The assets and liabilities reflect their amounts in the consolidated financial statements that are attributable to the Company itself as a parent company, excluding investments in Investees.
 - (2) Investments in Investees are presented as the net amount of total assets less the total liabilities, the amount of which in the consolidated financial statements of the Company includes financial data for the Investees, including goodwill.
 - (3) The amounts of income and expenses reflect the income and the expenses that are included in the consolidated financial statements, which are attributable to the Company itself as a parent company, excluding amounts of income and expenses with respect to Investees.
 - (4) The share of the Company in the results of Investees is presented as the net amount of total revenue less total expenses, the amount of which in the consolidated financial statements of the Company includes operating results of Investees.
 - (5) The amounts of cash flows reflect the amounts that are included in the consolidated financial statements, which are attributable to the Company itself as a parent company, excluding cash flow amounts with respect to Investees.
 - (6) A loan granted to an investee is presented in the amount that is attributable to the Company itself as a parent company.
 - (7) Balances, income and expenses with respect to transactions with investees, which were eliminated in the consolidated financial statements, are measured and presented under the relevant items in the financial position data and the profit or loss and comprehensive income data.

THE TEL-AVIV STOCK EXCHANGE LTD.
CASH FLOW DATA

A. General (contd.)

(4) Accounting policies (contd.):

b. Standards, amendments to standards and interpretations published, which are not applicable to the Group:

As of the date of the financial statements, additional interpretations and additional amendments to standards had been published that, in the opinion of the Company's management, are not relevant to the Group.

B. Cash

(1) Composition of cash and cash equivalents:

	December 31,	
	2 0 2 0	2 0 1 9
	NIS, in thousands	NIS, in thousands
Cash and cash equivalents denominated in NIS	89,643	72,102
Cash and cash equivalents denominated in other currencies	4,659	479
Total cash and cash equivalents	94,302	72,581

(2) Restricted cash:

Restricted cash held by TASE is a deposit held in a TASE account as collateral for an operating lease, as described in Note 11C to the consolidated financial statements of the Company.

THE TEL-AVIV STOCK EXCHANGE LTD.
CASH FLOW DATA

C. Financial Assets and Liabilities

(1) Balances of financial instruments:

	December 31,	
	2020	2019
	NIS, in thousands	NIS, in thousands
Financial assets (*):		
Cash and cash equivalents	94,302	72,581
Financial assets - held for trading (**)	51,573	52,018
Trade and other receivables	20,194	22,553
	<u>166,069</u>	<u>147,152</u>
Non-current assets:		
Long-term loan to a subsidiary	60,294	60,655
Restricted cash	542	541
Other long-term receivables	418	1,369
	<u>61,254</u>	<u>62,565</u>
	<u>227,323</u>	<u>209,717</u>
Financial liabilities:		
Financial liabilities measured at amortized cost	20,350	19,342
Lease liabilities – current maturities	4,302	9,728
	<u>24,652</u>	<u>29,070</u>
Non-current liabilities:		
Other liabilities	542	541
Lease liabilities	9,089	12,553
	<u>9,631</u>	<u>13,094</u>
	<u>34,283</u>	<u>42,164</u>

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

(**) The composition of the investment portfolio includes Israeli government T-bills and bonds (see note 6 below).

(2) Fair value of financial instruments:

The financial instruments of the Company include mainly cash and cash equivalents (including restricted cash), marketable securities, trade receivables, other receivables, loans, trade payables and other payables.

The balances of the Company's financial instruments (excluding the long-term loan) in the Statement of Financial Position as of December 31, 2020 and 2019 closely reflect their fair values.

Presented below are details of the long-term loan to TASE-CH:

	Carrying amount		Fair value	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	NIS, in thousands	NIS, in thousands	NIS, in thousands	NIS, in thousands
Long-term loan to TASE-CH	60,294	60,655	63,926	65,672

The fair value of the financial instruments that are presented in the statement of financial position at fair value is based on quoted prices (record rate), as determined in the trading on the Stock Exchange at the end of the reporting period.

C. Financial Assets and Liabilities (contd.)

(3) Risk management objectives and policy:

The operations of TASE involve exposure to various financial risks, mainly: credit risk, liquidity risk and market risk, but also involve exposure to other risks (e.g. business risk, operational risk, etc.), the materialization of which could lead to a loss and to a material reduction in TASE's equity.

The risk management policy of TASE is designed to establish an effective organization-wide risk management setup to ensure its stability, while strengthening its ability to identify, monitor and manage its risks.

(4) Credit risk management:

Credit risk is the risk of a counterparty, a custodian bank or another debtor, being unable to fully meet its obligations when due, or at any time in the future.

The Company's exposure to credit risk is immaterial, both in view of its current mix of assets (see Section 1 above) and in view of the investment policy that limits the exposure to credit risk in its portfolio (see Section 6 below).

(5) Liquidity risk management:

Liquidity risk is the risk that the Company will not be able to meet its liquidity needs, on time and in full, for financing its operating activities.

As of December 31, 2020, close to 64% of the Company's financial assets are immediate liquid assets (cash and Israeli Government bonds).

The Company has liquid current assets and on the other hand - the balance of the Company's liabilities reflects a mix of liabilities with manageable maturities - relating mostly to liabilities to employees and trade receivables.

The expected maturity dates for the trade and other payables are within a period of up to two months.

For details of the expected maturity dates of lease liabilities, based on the undiscounted cash flows of the lease liabilities, see note 4 B (1) to the consolidated financial statements.

For details of the risk management and mitigation measures that are employed by the Company in managing the exposure to liquidity risk and for additional information on liquidity risks relating to the operations of the clearing houses, lines of defense and risk management measures, see note 4 B (2) to the consolidated financial statements.

(6) Market risk management:

Market risk is the risk of loss that may be caused to the Company from changes in market prices (such as exchange rates, the Consumer Price Index and interest rates), to the extent that these changes cause a decrease in net profit or a loss that leads to a decrease in TASE's equity.

In the ordinary course of business, the Company is exposed to market risk with respect to the holding of securities included in its investment portfolios that are held for trading, such that a downturn in market prices has a direct effect on the Company's profit and loss, or with respect to the holding of deposits at variable interest or in foreign currency. The Company is also exposed to a linkage basis risk with respect to a CPI-linked loan granted to a subsidiary.

In order to manage and mitigate these risks, the Group has an investment policy that is approved every year by the Board of Directors. The policy prescribes that the Company's monetary balances are to be invested in Israeli government bonds, whose inherent credit risk is not material. The Group also restricts the average duration of the portfolio and the repayment period, as described in note 4 D (2) to the consolidated financial statements.

THE TEL-AVIV STOCK EXCHANGE LTD.
CASH FLOW DATA

C. Financial Assets and Liabilities (contd.)

(6) Market Risk Management (contd.):

Exposure as of December 31, 2020 and 2019:

Presented below is the composition of the securities and cash investment portfolio:

	December 31,	
	2020	2019
	NIS, in thousands	NIS, in thousands
Israeli Government treasury bills and bonds	51,573	52,018
Cash and cash equivalents	94,302	72,581
Restricted cash	542	541
	146,417	125,140

(7) Interest Risks:

The Company has monetary surpluses that are placed in bank deposits and investments in financial instruments yielding variable interest rates, giving rise to a cash flow exposure to changes in interest.

The following table details the impact of a +/- 0.25% and a +/- 0.5% change in interest on the aforementioned financial instruments (before the tax effect):

December 31, 2020			December 31, 2019		
Total variable-interest-rate instruments	Change of +/- 0.25%	Change of +/- 0.5%	Total variable-interest-rate instruments	Change of +/- 0.25%	Change of +/- 0.5%
NIS, in millions					
92.9	0.2	0.5	75.4	0.2	0.4

In addition, the Company has investments in financial instruments (government bonds) yielding fixed interest rates, which are measured at fair value through profit or loss, and is therefore exposed to changes in fair value as a result of changes in the interest rates.

The following table details the impact of a +/- 0.25% and a +/- 0.5% change in the fair value of the aforesaid bonds (before the tax effect):

December 31, 2020			December 31, 2019		
Total fixed-interest-rate instruments	Change of +/- 0.25%	Change of +/- 0.5%	Total fixed-interest-rate instruments	Change of +/- 0.25%	Change of +/- 0.5%
NIS, in millions					
48.2	0.4	0.9	48.6	0.4	0.9

Additionally, the operations of the Company do not involve a material exposure to linkage basis risks.

The Company granted a CPI-linked, fixed interest, loan to a subsidiary, with respect to which the Company has an immaterial exposure to changes in the CPI and in interest rates. For additional information on the loan, see Section E (2) (b).

THE TEL-AVIV STOCK EXCHANGE LTD.
CASH FLOW DATA

D. Income Taxes:

(1) Deferred tax balances:

Composition and movement:

	Financial assets at fair value through profit or loss	Property and equipment and intangible assets	Deferred taxes with respect to deferred income	Provisions (mainly with respect to employee benefits)	Total
	NIS, in thousands	NIS, in thousands	NIS, in thousands	NIS, in thousands	NIS, in thousands
Balance as of January 1, 2019	147	(16,576)	20,151	7,552	11,274
Movement in the reporting year:					
Movement in profit or loss in the reporting year	(163)	(2,493)	1,308	395	(953)
Movement in other comprehensive income in the reporting year	-	-	-	3,755	3,755
Balance as of December 31, 2019	(16)	(19,069)	21,459	11,702	14,076
Movement in the reporting year:					
Movement in profit or loss in the reporting year	225	(2,524)	1,449	1,017	167
Movement in other comprehensive income in the reporting year	-	-	-	300	300
Balance as of December 31, 2020	209	(21,593)	22,908	13,019	14,543

(2) Timing differences on investments in subsidiaries, without recognition of any deferred tax liability:

	December 31,	
	2020	2019
	NIS, in thousands	NIS, in thousands
Subsidiaries	109,203	87,666

(3) Tax relating to components of other comprehensive income:

	Amount before tax	Tax effect	Amount net of tax
	NIS, in thousands	NIS, in thousands	NIS, in thousands
As of December 31, 2020:			
Actuarial loss with respect to defined benefit plan	(1,304)	300	(1,004)
As of December 31, 2019:			
Actuarial loss with respect to defined benefit plan	(16,330)	3,756	(12,574)
As of December 31, 2018:			
Actuarial gain with respect to defined benefit plan	6,186	(1,423)	4,763

THE TEL-AVIV STOCK EXCHANGE LTD.
CASH FLOW DATA

D. Income Taxes (contd.):

(4) Income tax expenses recognized in profit or loss:

	Year ended December 31,		
	2020	2019	2018
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Current assets:			
Current assets	5,414	1,571	2,011
Tax benefit with respect to previous years	(118)	(384)	(153)
Total current assets	5,296	1,187	1,858
Deferred taxes:			
Deferred tax expense (income) with respect to recognition and reversal of temporary differences	(171)	1,091	21,150
Deferred tax income with respect to previous years	4	(138)	-
	(167)	953	21,150
Participation in expenses by the Clearing Houses			
Income from current participation in tax expenses by the Clearing Houses	(330)	(559)	(197)
Income (expenses) from participation in tax expenses by the Clearing Houses in previous years	(35)	43	-
	(365)	(516)	(197)
Total tax expenses	4,764	1,624	22,811

(5) Amounts for Which Deferred Tax Assets Were Not Recognized:

The balance of capital losses for tax purposes for which deferred tax assets were not recognized as of December 31, 2020 is approximately NIS 1,774 thousand.

(6) Income Taxes Recognized Directly in Equity

In 2019, current taxes of approximately NIS 590 thousand with respect to the first-time listing of the shares were carried directly to equity.

(7) Supplementary Information:

The Company has been issued tax assessments that are considered as final through tax year 2014.

THE TEL-AVIV STOCK EXCHANGE LTD.
CASH FLOW DATA

E. Balances, Commitments and Material Transactions with Investees:

(1) Balances with investees:

	Year ended	
	December 31,	
	2020	2019
	NIS, in thousands	NIS, in thousands
Among current assets - other receivables (*):		
Subsidiaries	5,099	5,059
Among non-current assets:		
Long-term loan to TASE-CH - see Section E 2 (b) below	60,294	60,655
Among current liabilities - other payables (*):		
Subsidiaries	7,427	2,494

(*) The balances are not linked to the CPI and do not bear interest.

(2) Transactions with investees:

	Year ended December 31,		
	2020	2019	2018
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Transactions with subsidiaries:			
Participation in income and expenses pursuant to the distribution model: (see section (a). below)			
Participation in revenue			
Participation in revenue - TASE-CH	(153,213)	(130,043)	(131,874)
Participation in revenue - MAOF-CH	2,439	1,751	2,338
Participation in revenue - Nominee Company	(9)	(6)	-
Participation in expenses			
Participation in expenses - TASE-CH	99,124	94,119	90,103
Participation in expenses - MAOF-CH	24,758	26,454	23,195
Participation in expenses - Nominee Company	5,026	4,267	4,813
Initiation/balancing fees			
Initiation fees - TASE-CH	27,760	26,832	26,362
Balancing fees - MAOF-CH	(8,644)	(10,360)	(3,019)
Balancing fees - Nominee Company	(2,854)	(2,358)	(3,269)
Share-based payments			
Share-based payments - TASE-CH	546	1,409	-
Share-based payments - MAOF-CH	115	386	-
Share-based payments - Nominee Company	28	107	-
Interest income and linkage differences on long-term loan from TASE (b)	2,201	2,765	3,273
Expenses with respect to annual fees to the Nominee Company	(14)	(8)	-

E. Balances, Commitments and Material Transactions with Investees (contd.):

(2) Transactions with investees (contd.):

(a) Distribution model:

TASE and the other Group companies are closely interconnected. This as TASE provides the companies with their required operational infrastructure (information technology, human resources, management, etc.).

At the beginning of 2015, TASE's Board of Directors and TASE-CH's Board of Directors and MAOF-CH's Board of Directors approved a model for distributing the income, expenses, and profit between TASE, TASE-CH and MAOF-CH ("the distribution model").

Consequently, the allocation of income and expenses of the Group between the Group companies, commencing from 2014, has been prepared in accordance with the distribution model, which reflects the scope of activities of each of the companies.

In formulating the distribution model, an allocation was made of three main parameters: income, expenses and the distribution of the economic profits of the Group between the companies.

As part of the income allocation, all specific income of the Group's companies was identified and assigned. The mixed income was divided according to the ratio between trading and clearing, according to a model based on market prices.

As part of the expense allocation, all specific expenses of the various departments were identified and assigned. For the allocation of costs and services that were provided centrally by TASE (including salaries) to all the Group's companies, various principles were considered and determined for the distribution of the said expenses (such as the ratio of income and head counts).

As part of the process of distributing the economic profit among the Group's companies, consideration was given to the link between the Group's companies taking part together in any specific line of business over time that creates a breakeven point between them that would allow all the Group's companies to share in all activities. Up to December 31, 2017, the profitability index used as the allocation key under the distribution model is a rate of return on equity. Since January 1, 2018, as part of the validation of the distribution model, the profitability index was updated and is based on the operating profit margin of the Group, since this model is more suitable to the market price principles as defined in the OECD guidelines.

(b) Provision of a Loan to TASE-CH:

On December 15, 2015, TASE granted a loan to TASE-CH pursuant to an agreement signed between those companies on December 8, 2015 and which was approved by the Board of Directors of TASE and by the Board of Directors of TASE-CH on November 26, 2015. Pursuant to the above agreement, TASE has granted a loan to TASE-CH in an amount of NIS 60 million, under the following terms:

- The rights by virtue of the loan are subordinate to those of other creditors of TASE-CH.
- No collateral will be provided against the loan.
- The term until the maturity of the loan is 10 years.
- Early repayment of the loan will only be permitted after the elapse of five years and only at the demand of TASE-CH.
- The loan is linked to the consumer price index and bears annual interest (at a rate of 4.25% per year).

E. Balances, Commitments and Material Transactions with Investees (contd.):

(3) Additional information on Transactions with Investees:

(a) TASE Resolutions on Providing a Credit Line to TASE-CH and to MAOF-CH:

In 2004, TASE approved the grant of a loan to TASE-CH, which would not exceed NIS 50 million, in the event that TASE-CH required such funds to meet its liabilities. It was also resolved to authorize a Committee of the Board of Directors to determine when the loan would 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 TASE and TASE-CH. Concurrently, in 2004 TASE-CH authorized its CEO to apply for and obtain a loan from TASE, which would not exceed NIS 50 million, as required.

In early 2009, TASE approved the grant of a loan to MAOF-CH, which would not exceed NIS 50 million, and provided that the total loan to MAOF-CH and to TASE-CH together, as above, would not exceed NIS 50 million, in the event that MAOF-CH required such funds in order to meet its liabilities. It was also resolved to authorize the abovementioned Committee of the Board of Directors to determine when the loan would be granted and the amount of the loan, subject to the above limitations. The loan would be made available at the same rate of interest as the Bank of Israel charges the banks, unless otherwise agreed between TASE and MAOF-CH. Concurrently, in 2009, MAOF-CH authorized its CEO to apply for and obtain a loan from TASE which would not exceed NIS 50 million as required.

Since the approvals that were granted in 2004 and 2009, respectively, and up to the date of approving the separate financial information, no such loans have been requested or granted.

TASE is under no obligation to the Clearing Houses to provide the aforesaid loans.

(b) Officers', Professional Liability and Issuance Insurance:

On September 6, 2018, after receiving the approval of the Company's Board of Directors and Audit Committee, the general meeting of the Company approved the Company's acquisition of liability insurance for directors and officers of the Company and its subsidiaries, for a period of one year commencing on August 1, 2018 and ending on July 31, 2019.

Each of the policies (the officers' liability insurance policy and the professional liability insurance policy) has a liability limit of USD 50 million (per incident and in aggregate), and an annual premium for both policies together of USD 184 thousand. In addition, the insurance coverage was expanded in the officers' liability policy to provide suitable coverage for a public company, on the date of completion of the IPO, for an additional annual premium of approximately USD 7 thousand.

In addition, an engagement in a "Run Off" officers' liability insurance policy was approved to cover past activity up to the date of change of ownership, for an insurance period of 7 years from the date of change of ownership. This policy has a liability limit of up to USD 50 million (per incident and in aggregate), in exchange for a premium for the entire insurance period of 7 years, in the amount of approximately USD 107 thousand.

On July 31, 2019, after receiving the approval of the Company's Board of Directors and Audit Committee, also in its capacity as the Compensation Committee, the general meeting of the Company approved the Company's acquisition of professional liability insurance and liability insurance for directors and officers of the Company and its subsidiaries, for a period of one year commencing on August 1, 2019 and ending on July 31, 2020.

E. Balances, Commitments and Material Transactions with Investees (contd.):

(3) Additional information on Transactions with Investees (contd.):

(b) Officers', Professional Liability and Issuance Insurance (contd.):

Each of the policies (the officers' liability insurance policy and the professional liability insurance policy) has a liability limit of USD 50 million (per incident and in aggregate), and an annual premium for both policies together of USD 252 thousand (as compared to approximately USD 184 thousand in the corresponding period last year). The officers' liability insurance policy has been adjusted to cover the operations of a public company and includes the requisite expansions and additions. Additionally, the acquisition of an additional layer of insurance in the officers' liability insurance for the Clearing Houses (TASE-CH and MAOF-CH) was approved, in an amount of up to USD 10 million (per incident and in aggregate) in excess of the liability limit of up to USD 50 million, for an annual premium of approximately USD 22 thousand.

Additionally, the acquisition of a designated insurance policy for the offering (Public Offering of Securities Insurance – POSI) was approved to cover the process of the offering and the prospectus for a period of 7 years from issuance date, with a coverage amount of up to USD 30 million (per incident and in aggregate), in consideration for the payment of a premium of approximately USD 127 thousand for the entire 7-year insurance period.

Each of the subsidiaries will bear its pro-rata share of the cost of the premiums in accordance with the principles of the distribution model set forth in section E (2) (a) above. The investees will not bear the cost of the premium with respect to the POSI policy.

On July 29, 2020, following the approval by the general meeting of the Company of an amendment to the Company's Compensation Policy for 2018-2020 concerning officers' liability insurance, the Company's Audit Committee (in its capacity as the Compensation Committee) and Board of Directors, approved the Company's acquisition of professional liability insurance and liability insurance for directors and officers of the Company and its subsidiaries, for a period of one year commencing on August 1, 2020 and ending on July 31, 2021.

The officers' liability insurance policy has a liability limit of US\$ 40 million (per incident and in aggregate) and the professional liability insurance policy has a liability limit of US\$ 50 million (per incident and in aggregate), and an annual premium for both policies together of US\$ 521 thousand. Additionally, the acquisition of an additional layer of insurance in the officers' liability insurance for the clearing houses (TASE-CH and MAOF-CH) was approved, in an amount of up to US\$ 10 million (per incident and in aggregate) in excess of the liability limit of up to US\$ 40 million, for an annual premium of approximately US\$ 40 thousand.

Each of the subsidiaries will bear its pro-rata share of the cost of the premiums in accordance with the principles of the distribution model set forth in note E (2) (a) above.

(c) See note 17 to the consolidated financial statements of the Company as of December 31, 2020 for information regarding indemnification of officers and exemption from liability granted to officers.

(d) See note 4 B.(2)(c) to the consolidated financial statements of the Company as of December 31, 2020 regarding an agreement with the Bank of Israel.

(4) Charges:

During January 2016, TASE mortgaged and/or pledged, in favor of a banking corporation as collateral for the repayment of all the debts secured by the credit agreement, by way of a lien in an unlimited amount, all its rights in the land that serves as the TASE offices, which is designated as Section 74 and Section 71 of Block 6920 in Tel Aviv-Jaffa. Likewise, all TASE's contractual rights in the land designated as parts of Section 45 and parts of Sections 47-49 of Block 6920 in Tel Aviv-Jaffa have also been pledged in favor of the banking corporation.

E. Balances, Commitments and Material Transactions with Investees (contd.):

(4) Charges (contd.):

The agreement with the banking corporation permits TASE, upon fulfillment of certain conditions, to lease the TASE building, in the event of the mortgage being foreclosed.

As part of the terms and conditions for the credit, it has been agreed that the banking corporation will give its consent for a mortgage to be created against the land, for a lien on the contractual rights and for a caveat to be registered on the land, for the purpose of securing additional credit, which TASE might take from the banking corporation and/or from another financial institution (hereafter - "the other lender"). All these will also be first-ranking (pari passu) and in an unlimited amount, provided that the total amount of TASE's indebtedness and liabilities to the banking corporation and to the other lender do not exceed 65% of the value of the land according to an up-to-date valuation that is to be furnished by TASE to the banking corporation at every relevant examination date.

On January 13, 2020, the Company signed an amendment letter for the reduction of the Company's credit facility granted to it by the banking corporation, effective from December 31, 2019. As provided by the amendment letter, the aforesaid credit facility has been reduced from NIS 50 million to a credit facility of NIS 30 million. To date, the Company has not utilized the credit facility. The credit facility is valid until December 31, 2020.

In 2020, TASE informed the bank that it will not be renewing the credit facility that had been extended to it by the bank until December 31, 2020. Accordingly, the credit facility has not been renewed in 2021 and on January 31, 2021 a letter was received from the Land Registry Office in Tel Aviv, confirming the approval of the mortgage cancellation as well as a letter from the Registrar of Companies and Partnerships confirming the lifting of a pledge in the Company on January 10, 2021.

As of December 31, 2020, the Company has not utilized the credit facility.

F. Contingent Liabilities:

See note 17 to the consolidated financial statements.

G. Events After the End of the Reporting Period:

As to the Board of Directors' decision to distribute a dividend after the end of the reporting period and with regard to the compensation policy, see note 27 to the consolidated financial statements.



הבורסה
לניירות ערך
תל אביב
TEL AVIV
STOCK
EXCHANGE

PERIODIC REPORT FOR 2020

Part Four - Additional Information on the Company

PART 4

Additional Information on the Company



THE TEL-AVIV STOCK EXCHANGE LTD.

Additional Information on the Company

This English version is only for convenience purposes. This is not an official translation and has no binding force. Whilst reasonable care and skill have been exercised in the preparation hereof, no translation can ever perfectly reflect the Hebrew version. In the event of any discrepancy between the Hebrew version and this translation, the Hebrew version shall prevail.

Regulation 10A: Condensed Quarterly Statements of Comprehensive Income

Attached herein is the Company's consolidated statement of comprehensive income for each of the quarters of 2020, in interim report format (see Section 1.3 of the Board of Directors' Report as of December 31, 2020 above).

Regulation 11: List of Investments in Subsidiaries and Affiliate Companies

The following table specifies the Group's holdings in subsidiaries and related companies as of December 31, 2020:

Holding company (directly or indirectly)	Name of company	Total par value	Percentage holding of the company in equity and voting	Net asset value as of December 31, 2020 (NIS, in thousands)
The Company	The Tel-Aviv Stock Exchange Clearing House Ltd.	NIS 30,000,002	100%	94,777
The Company	MAOF Clearing House Ltd. ¹	NIS 3,000,079	100%	48,050
The Company	The Tel-Aviv Stock Exchange Nominee Company Ltd.	-	100%	(587)

Presented below is the balance of the Company's loans to subsidiaries and affiliate companies and details of other investments

Name of company	Percentage holding as of December 31, 2020	Balance of loans/ capital notes as of December 31, 2020 (NIS)	Terms of the loans
The Tel-Aviv Stock Exchange Clearing House Ltd.	100%	(60,294)	- The rights by virtue of the loan are subordinate to those of other creditors of TASE-CH. No collateral was provided against the loan. - The period to maturity of the loan is 10 years (granted in December 2015) - The loan is linked to the CPI and bears annual interest at a rate of 4.25%. - Early repayment of the loan can be made at the demand of TASE-CH.

¹ One share of MAOF Clearing House Ltd. is held by the Tel-Aviv Stock Exchange Clearing House Ltd.

THE TEL-AVIV STOCK EXCHANGE LTD.

Additional Information on the Company

The following table specifies the intercompany balances (*), as included in the accounts of the Group companies as of December 31, 2020 (NIS, in thousands)

In the accounts of the company	Intercompany balances (**)
The Tel-Aviv Stock Exchange Clearing House Ltd.	7,427
MAOF Clearing House Ltd. ²	(4,528)
The Tel-Aviv Stock Exchange Nominee Company Ltd.	(571)

* Asset / liability in the accounts of the company.

** Repaid close to the date of this Periodic Report.

Regulation 13: Revenues of Subsidiaries and Affiliate Companies and the Company's Income Therefrom

Profits (Losses) of Subsidiaries and Related companies, Dividend, Interest and Management Fees Received from Subsidiaries and Affiliate Companies³

Profits (losses) - (NIS, in thousands) in 2020

Name of company	Profit (loss) before tax	Profit (loss) after tax	Comprehensive income (loss) for the year
TASE-CH	24,125	18,591	18,591
MAOF-CH	3,866	2,947	2,947
Nominee Company	(8)	(86)	(86)

2020

Name of company	Dividend (NIS, in thousands)	Interest income (expenses) (NIS, in thousands)
TASE-CH	-	* (2,563)
MAOF-CH	-	-
Nominee Company	-	-

* Excluding Linkage to the CPI.

Regulation 20: Trading on TASE

During 2020, 1,062,434 Company shares, with no par value, were listed as a result of the exercise of warrants by officers of the Company.

² One share of MAOF Clearing House Ltd. is held by the Tel-Aviv Stock Exchange Clearing House Ltd.

³ For details regarding the model for the distribution of revenues, expenses and profits between the Company and the Clearing Houses, see Section 1.17.2 of Part One - "Description of the Company's Business", above, and note 21 to the consolidated financial statements of the Company as of December 31, 2020 above.

THE TEL-AVIV STOCK EXCHANGE LTD.

Additional Information on the Company

Regulation 21: Compensation for Interested Parties and Senior Officers

- A. The following table shows details of the compensation⁴ given to each of the five highest paid senior officers of the Company or a corporation under its control, in connection with their service at the Company or at a corporation under its control, in 2020 (NIS, in thousands):

Name	Position	Position Percentage	Rate of Holding of Company's Equity*	Salary **	Bonus Approved and Payable for 2020	Share-Based Payment	Management Fees	Consulting Fees	Sum Total
Ittai Ben-Zeev	CEO	100%	-	3,483	770	531	-	-	4,784
Yehuda van der Walde	EVP	100%	0.27%	***1,163	195	123	-	-	1,481
Sraya Orgad	EVP	100%	-	1,150	195	123	-	-	1,468
Hani Shitrit-Bach	EVP	100%	-	1,126	166	105	-	-	1,397
Meirav Leshem	EVP	100%	0.04%	1,137	195	61	-	-	1,393

* Not fully diluted.

** Including salary benefits.

*** Including differences with respect to 2019.

Below are additional details in connection with the compensation recipients set forth above:

(1) Ittai Ben-Zeev

Mr. Ittai Ben-Zeev ("the CEO") has served as CEO of the Company since January 1, 2017, and until July 5, 2018 he also served as a director of the Company.

Following are details of the CEO's employment:

- (a) Pursuant to his employment agreement (as amended), the CEO's period of employment at the Company is not limited in time. Either party may terminate the agreement upon 90 days' advance written notice, subject to generally accepted exceptions.

The CEO's gross monthly salary is NIS 155,000, following its update with effect from June 2019 as set out in and subject to subsection (f) below (linked to the increase in the CPI - NIS 125,000 linked to the CPI for November 2016 and the balance is linked to the CPI for April 2019). It should be noted that the CEO's salary includes a recreation pay component, and the CEO is not entitled to a payment of additional recreation pay.

⁴ "Compensation" – includes an undertaking to provide compensation, directly or indirectly, and including a monetary amount and anything else that is a monetary equivalent, salary, bonus, management fees, consultancy fees, rental fees, commission, interest, share-based payment, retirement compensation that is not a pensionary payment, benefit and any other benefit, all except a dividend. The compensation amounts in the table are shown in cost terms to the Company.

(b) Salary benefits and contributions:

The Company provides the CEO with a company car and bears the full cost of the vehicle expenses (excluding parking tickets and/or fines), and the tax gross-up in respect of the usage value of the vehicle.

The CEO is entitled to 25 paid vacation days per year, and 23 sick days per year. The CEO is entitled to other benefits that are standard practice at the Company, such as refunds of reasonable expenses, telephones, internet, professional license fees, participation in conferences/seminars, participation in Company trips, three daily newspapers, annual medical check-ups, gifts, etc. The Company or the CEO will bear the costs of the tax in respect of the value of the benefits (as applicable) in accordance with the provisions of the employment agreement.

In addition, contributions by the Company and the CEO to managers' insurance/pension funds/provident funds ("**the Funds**"), severance pay, incapacity and contributions to an advanced study fund, at the standard rates, will be made in connection with the CEO's employment.

(c) Bonuses:

The CEO's employment agreement states that from time to time the Company will consider granting bonuses to the CEO, at the full and absolute discretion of the Company, subject to certain conditions.

Accordingly, on April 17, 2018 (after obtaining the approval of the Company's Board of Directors, Audit Committee and Compensation Committee), the general meeting of the Company approved a compensation plan for the CEO and the Chairman of the Board of Directors that includes a monetary bonus, according to which, subject to meeting certain targets, the CEO is entitled to receive an annual bonus of up to 6 monthly salaries in 2018 to 2020. In addition, the CEO is included in the 2021 bonuses plan for the payment of an annual bonus of up to 6 monthly salaries. For further details, see section 1.26.8 of Part One, "Description of the Company's Business", above.

(d) Termination of the CEO's employment:

On the termination of his employment at the Company, for any reason whatsoever, the CEO will be entitled to receive all the monies that have accumulated in his favor in the Funds (unless his right to receive severance pay has been revoked or reduced) and the advanced study fund as set forth above (with this being subject to fulfilment of the undertaking given by the CEO to the Company within the framework of the loan in the event of retirement, as set forth in section F(2) below). It should be noted that the Company's contributions to the Funds are instead of severance pay in accordance with the provisions of the General Approval concerning Employers' Contributions to Pension Funds and Insurance in Lieu of Severance Pay under section 14 of the Severance Pay Law, 1973 ("**the General Approval; 'Section 14 of the Severance Pay Law'**"). In addition, in the event that the Company decides to terminate the CEO's employment at the Company (other than in circumstances in which it is possible under the law to revoke the CEO's right to severance pay), the CEO will be entitled to an adjustment grant in an amount equal to three months' salary (without benefits).

THE TEL-AVIV STOCK EXCHANGE LTD.

Additional Information on the Company

Under the employment agreement, obligations have been imposed on the CEO in connection with his employment by entities connected to the Company for a period of 12 months, as well as a confidentiality undertaking, without any time limit.

- (e) The provisions of the Collective Agreement (as set forth in section 1.26.11 of Part One - "Description of the Company's Business", above; "**the Collective Agreement**") do not apply to the CEO.

- (f) Retention plan for the CEO

On May 1, 2019, the general meeting of the Company (after receiving the approval of the Compensation Committee and the Board of Directors) approved a retention plan for the CEO of the Company, which comprises three components, as follows:

- (1) accordingly, and as set out above, an additional monthly payment of NIS 30 thousand per month is paid to the CEO starting from the June 2019 salary, which, subject to the law, does not constitute a basis for any social benefit contributions (pension, provident, advanced study, but does include a component for severance pay) or for any bonuses. Starting from the January 2022 salary, the CEO will be paid an additional monthly payment of NIS 33 thousand per month, which, subject to the law, will not constitute a basis for any social benefit contributions (pension, provident, advanced study, but does include a component for severance pay) or for any bonuses;
- (2) the provision of a retention loan to the CEO of NIS 3.5 million ("**the Loan**") for a period of 5 years (valid from the date of its granting on June 1, 2019). If the CEO continues to work at the Company until the end of the five-year period from the date of the granting of the Loan, the entire Loan will convert into a one-time bonus for the CEO. If, before the end of the period, the CEO gives notice of his resignation, the CEO must return the full amount of the Loan to the Company. The Loan will bear annual imputed interest (in accordance with the provisions of Section 3(i) of the Income Tax Ordinance), the cost of which the Company will bear, including the tax gross-up in respect of it. The Loan and the bonus amount (should there be any) do not constitute a basis for any social benefits or for any bonuses, and they will not be taken into account for the purpose of salary calculations or for the purpose of severance pay, vacation pay, sick pay and notice pay;
- (3) approval of an equity-based compensation plan for the CEO, pursuant to which 4,250,000 warrants that are convertible into shares of the Company at a price that reflects a Company valuation of NIS 1.2 billion, which will vest in one installment five years from the date of the allocation, have been approved to be allocated to a trustee for the CEO. For further details regarding the equity-based compensation plan for the CEO, see section 1.26.8.1 of Part One, "Description of the Company's Business", above.



- (g) It should be noted that the retention plan for the CEO has been approved, as required, by the organs of the Company and its general meeting, as it is not in accordance with the Company's compensation policy. The CEO's other terms of employment do not deviate from the Company's compensation policy.

(2) Yehuda van der Walde

Mr. Yehuda van der Walde has served as Executive Vice President in the role of head of the Finance and Administration Department since February 23, 2018.

Mr. van der Walde's gross monthly salary is NIS 65,000 (linked to the increase in the CPI for November 2019). The period of Mr. van der Walde's employment is unlimited in time, and either party may terminate the agreement during the second year of his employment, upon 60 days' advance written notice, and from the third year of his employment, upon 90 days' advance written notice, subject to generally accepted exceptions. The Company provides a car for Mr. van der Walde's use, and it bears all the costs of the vehicle, including maintenance expenses (but excluding in respect of the tax value of the vehicle). Mr. van der Walde is entitled to participation in expenses and salary benefits as is standard practice at the Company.

In the event of dismissal, Mr. van der Walde will be entitled to an adjustment grant in an amount equal to three months' salary (other than in circumstances in which it is possible under the law to deny severance pay).

Mr. van der Walde is included in the 2018 to 2020 compensation plan for an annual bonus payment of up to 3 monthly salaries, and is also included in the 2021 bonuses plan for an annual bonus payment of up to 6 monthly salaries. In addition, on July 4, 2018 Mr. van der Walde was allocated 640,737 warrants that are convertible into the Company's shares in favor of a trustee, within the framework of the equity compensation policy for officers who report to the CEO (with, following the exercise of some of these, 213,292 remaining to the credit of Mr. van der Walde at the Reporting Date). For further details regarding these compensation plans, see section 1.26.8 of Part One, Description of the Company's Business, included in this Periodic Report.

The provisions of the Collective Agreement do not apply to Mr. van der Walde. It should be noted that Mr. van der Walde's terms of employment do not deviate from the Company's compensation policy.

(3) Sraya Orgad

Mr. Sraya Orgad has served as Executive Vice President for Strategy and Business Development since January 1, 2015.

Mr. Orgad's gross monthly salary is NIS 65,000 (linked to the increase in the CPI for November 2019). The period of Mr. Orgad's employment is unlimited in time, and either party may terminate the agreement upon 90 days' advance written notice, subject to generally accepted exceptions.

The Company provides a car for Mr. Orgad's use, and it bears all the costs of the vehicle, including maintenance expenses (but excluding in respect of the tax value of the vehicle). Mr. Orgad is entitled to participation in expenses and salary benefits as is standard practice at the Company.

In the event of dismissal, Mr. Orgad will be entitled to an adjustment grant in an amount equal to three months' salary (other than in circumstances in which it is possible under the law to deny severance pay).

Mr. Orgad is included in the 2018 to 2020 compensation plan for an annual bonus payment of up to 3 monthly salaries, and is also included in the 2021 bonus plan for an annual bonus payment of up to 6 monthly salaries. In addition, on July 4, 2018 Mr. Orgad was allocated 642,947 warrants that are convertible into the Company's shares in favor of a trustee, within the framework of the equity compensation policy for officers who report to the CEO. For further details regarding these compensation plans, see section 1.26.8 of Part One, Description of the Company's Business, included in this Periodic Report.

The provisions of the Collective Agreement do not apply to Mr. Orgad. It should be noted that Mr. Orgad's terms of employment do not deviate from the Company's compensation policy.

(4) Hanna (Hani) Shitrit-Bach

Ms. Hani Shitrit-Bach has served as Executive Vice President, in the role of head of the Economic Department, since October 2, 2011.

Ms. Shitrit-Bach's gross monthly salary is NIS 65,695 (linked to the increase in the CPI for August 2013). The period of Ms. Shitrit-Bach's employment is unlimited in time, and either party may terminate the agreement upon 90 days' advance written notice, subject to generally accepted exceptions. The Company provides a car for Ms. Shitrit-Bach's use, and it bears all the costs of the vehicle, including maintenance expenses and tax to a certain level in respect of part of the charge of the vehicle value. Ms. Shitrit-Bach is entitled to participation in expenses and salary benefits as is standard practice at the Company.

In the event of dismissal, Ms. Shitrit-Bach will be entitled to an adjustment grant in an amount equal to three months' salary (other than in circumstances in which it is possible under the law to deny severance pay).

Ms. Shitrit-Bach is included in the 2018 to 2020 compensation plan for an annual bonus payment of up to 3 monthly salaries, and is also included in the 2021 bonus plan for an annual bonus payment of up to 6 monthly salaries. In addition, on July 4, 2018 Ms. Shitrit-Bach was allocated 544,310 warrants that are convertible into the Company's shares in favor of a trustee, within the framework of the equity compensation policy for officers who report to the CEO (with, following the exercise of some of these, 324,310 remaining to the credit of Ms. Shitrit-Bach at the Reporting Date). For further details regarding these compensation plans, see section 1.26.8 of Part One, Description of the Company's Business, included in this Periodic Report.

The provisions of the Collective Agreement do not apply to Ms. Shitrit-Bach. It should be noted that Ms. Shitrit-Bach's terms of employment do not deviate from the Company's compensation policy.

(5) Meirav Leshem

Ms. Meirav Leshem has served as Executive Vice President in the role of General Counsel and Head of the Legal Department since January 1, 2018.

Ms. Leshem's gross monthly salary is NIS 65,000 (linked to the increase in the CPI for November 2019). The period of Ms. Leshem's employment is unlimited in time, and either party may terminate the agreement upon 90 days' advance written notice, subject to generally accepted exceptions. In addition to the monthly salary, the Company makes a payment to Ms. Leshem, in lieu of a car, in accordance with a vehicle tariff, and car expenses to which she is entitled, as specified in the managers' benefits and related extras procedure. Ms. Leshem is entitled to participation in expenses and salary benefits as is standard practice at the Company.

In the event of dismissal, Ms. Leshem is entitled to an adjustment grant in an amount equal to three months' salary (other than in circumstances in which it is possible under the law to deny severance pay).

Ms. Leshem is included in the 2018 to 2020 compensation plan for an annual bonus payment of up to 3 monthly salaries, and is also included in the 2021 bonus plan for an annual bonus payment of up to 6 monthly salaries. In addition, on July 4, 2018 Ms. Leshem was allocated 315,791 warrants that are convertible into the Company's shares in favor of a trustee, within the framework of the equity compensation policy for officers who report to the CEO. For further details regarding these compensation plans, see section 1.26.8 of Part One, Description of the Company's Business, included in this Periodic Report.

The provisions of the Collective Agreement do not apply to Ms. Leshem. It should be noted that Ms. Leshem's terms of employment do not deviate from the Company's compensation policy.

THE TEL-AVIV STOCK EXCHANGE LTD.

Additional Information on the Company

- B. Below are details of the compensation given in 2020 by the Company or corporations under its control, to any interested party in the Company that is not included in the compensation recipients set forth above (NIS, in thousands):

Name	Position	Position Percentage	Rate of Holding of Company's Equity	Salary	Bonus Approved and Payable for 2020	Share-Based Payment	Management Fees	Consulting Fees	Sum Total
Amnon Neubach	Chairman of the Board of Directors	**	-	-	*308	-	617	-	925

(*) Subject to approval by the general meeting.

(**) In accordance with the management agreement between the Company and a company wholly owned by Mr. Neubach, dated May 11, 2014 (**"the Management Agreement"**), it was determined that Mr. Neubach would devote the majority of his effort and time, as well as his work capacity, his skills and his expertise, to the advancement of TASE and its interests, and that he would devote the time required to perform his role to the best of his ability. However, in the framework of an addendum to the agreement, dated December 9, 2016, it was determined that from January 1, 2017, Mr. Neubach's role would be defined as a non-executive chairman of the Board of Directors, with a scope of 8 days per month.

(6) Amnon Neubach

The Company receives management services under an agreement valid from April 2, 2014 between the Company and a company owned and controlled by Mr. Amnon Neubach (**"the Management Company"**), as amended on December 29, 2016 (together: **"the Services Agreement"**). Under the Services Agreement, the following provisions, inter alia, were set forth:

- The Management Company will provide the Company with management services via Mr. Neubach, who will serve in the position of non-executive chairman of the Board of Directors, with a scope of eight days per month (**"the Chairman Services"**) (until December 31, 2016, Mr. Neubach served as executive chairman of the Board of Directors, in a full-time position). Mr. Neubach may engage in other occupations, as set out in the Services Agreement.
- In consideration for the Chairman Services, the Company pays the Management Company a total of NIS 50,000 per month, plus VAT, as required by law (linked to the CPI for December 2016) (**"the Monthly Consideration"**).
- Either party may terminate the Services Agreement, for any reason, upon written notice sent to the other party 90 days in advance. Notwithstanding the aforesaid, the Company may cease the engagement in the Services Agreement with immediate effect and without advance notice under certain circumstances (including circumstances in which, if Mr. Neubach were an employee, he would not be entitled to severance pay) or in the event of Mr. Neubach's failure to comply with the qualification conditions set forth in the law for service as the chairman of the Board of Directors of the Company.

In addition, in the event of the cessation of Mr. Neubach's services as the chairman of the Board of Directors of the Company, for any reason, the Services Agreement will be cancelled immediately on the said cessation of service.

- (d) The Services Agreement stipulates that, from time to time, the Company will consider granting bonuses to the Management Company, at the Company's full and absolute discretion, subject to certain conditions. Accordingly, on April 17, 2018, the general meeting of the Company approved a compensation plan for the CEO and the Chairman of the Board of Directors that includes a monetary bonus, according to which, subject to meeting certain targets, the CEO is entitled to receive an annual bonus of up to 6 monthly salaries in 2018 to 2020. In addition, the Chairman of the Board of Directors is included in the 2021 bonus plan for an annual bonus payment of up to 6 monthly salaries, subject to the necessary approvals. For further details, see section 1.26.8 of Part One, Description of the Company's Business, above.
- (e) The Management Company is entitled to a reimbursement of expenses incurred during the performance of the Services, including overseas travel and lodging expenses.
- (f) In the Services Agreement, restrictions were imposed concerning Mr. Neubach's employment at entities connected to the Company for a period of 12 months, as well as a confidentiality undertaking, unlimited in time.
- (g) The officers' liability and officer's indemnification insurance arrangements that will apply at the Company from time to time will also apply to Mr. Neubach, as an officer at the Company.

It should be noted that the provisions of the Services Agreement do not deviate from the Company's compensation policy.

- C. Directors' remuneration and related expenses that do not deviate from the standard practice, that were paid by the Company to all the directors of the Company, other than the Chairman of the Board of Directors (including in respect of the service of some of the directors of the TASE Clearing Houses), amounted to a total of NIS 742 thousand in 2020.

On August 9, 2018, the Company's Board of Directors, after receiving the approval of the Company's Audit Committee and Compensation Committee, approved the payment of remuneration to all the directors serving at the Company and that will serve at the Company from time to time, including the independent directors (as defined in section 50B1 of the Securities Law), but excluding the chairman of the Board of Directors, Mr. Amnon Neubach, who is employed under a separate services agreement, annual remuneration and participation remuneration in an amount equal to the "set amount" as set forth in the Companies Regulations (Rules regarding Remuneration and Expense Reimbursement of External Directors), 2000, including concerning an expert external director, in accordance with the Company's ranking as set forth in these regulations. It is hereby clarified that all the directors at the Company are entitled to exemption, indemnification and senior officers' insurance, as is standard practice at the Company from time to time. In addition, on February 28, 2019, the general meeting approved a reimbursement of expenses directly related to the participation in the Board of Directors for a director that does not live in the State of Israel, in lieu of the annual remuneration and the participation remuneration.

THE TEL-AVIV STOCK EXCHANGE LTD.

Additional Information on the Company

Regulation 22: Transactions with Controlling Shareholders or in which Controlling Shareholders Have a Personal Interest

From the date of its incorporation until the publication date of the Periodic Report, there has been no shareholder that is defined as a controlling shareholder of the Company.

Regulation 24: Holdings of Interested Parties and Senior Officers

To the best of the knowledge of the Company and the Company's Board of Directors, the securities that interested parties and senior officers at the Company hold in the Company or in any of its subsidiaries or in its affiliate company, close to the date of the Report, are as set forth below:

Holder No.	Holder's Name	Type of Holder	Name, Class and Series of Security	Latest Quantity of Securities	Holding Rate (%)		Fully Diluted Holding Rate (%)	
					Equity	Voting	Equity	Voting
1.	Manikay Global	Interested party	TASE ordinary share, with no par value	19,999,999	19.76	19.76	18.58	18.58
2.	Ittai Ben-Zeev	CEO	TASE CEO, warrant	4,250,000	-	-	3.95	3.95
3.	Hana Shitrit-Bach	Officer	TASE EVPs, warrant	324,310	-	-	0.3	0.3
4.	Yehuda Menachem van der Walde	Officer	TASE ordinary share, with no par value	272,086	0.27	0.27	0.45	0.45
			TASE EVPs, warrant	213,292	-	-	-	-
5.	Sraya Orgad	Officer	TASE EVPs, warrant	642,947	-	-	0.6	0.6
6.	Adi Barkan	Officer	TASE EVPs, warrant	178,586	-	-	0.17	0.17
7.	Orly Grinfeld	Officer	TASE EVPs, warrant	155,697	-	-	0.14	0.14
8.	Meirav Leshem	Officer	TASE ordinary share, with no par value	44,359	0.04	0.04	0.33	0.33
			TASE EVPs, warrant	315,791	-	-	-	-
9.	Viacheslav Fradin	Officer	TASE ordinary share, with no par value	70,103	0.07	0.07	0.15	0.15
			TASE EVPs, warrant	90,824	-	-	-	-
10.	Uri Shavit	Officer	TASE ordinary share, with no par value	184,063	0.18	0.18	0.36	0.36
			TASE EVPs, warrant	203,672	-	-	-	-
11.	Zohar Sela	Officer	TASE ordinary share, with no par value	11,686	0.01	0.01	0.01	0.01

THE TEL-AVIV STOCK EXCHANGE LTD.

Additional Information on the Company

Regulation 24A: Authorized Share Capital, Issued Share Capital and Convertible Securities

The authorized share capital of the Company as of the date of the Report is 150,000,000 ordinary shares, with no par value.

Until September 2017, the Company was a limited liability company, with no share capital.

Upon the conclusion of the arrangement for the restructuring of TASE (as defined in Section 1.1.1.2 Part One, "Description of the Company's Business"), on September 7, 2017, the Company became a company with an ordinary share capital that has no par value.

The arrangement for the restructuring of TASE sets the authorized share capital of the Company at 150,000,000 ordinary shares, with no par value.

The issued and paid-up share capital of the Company as of the date of the Report is 101,202,091 ordinary shares, with no par value.

To the date of the Report, the Company has allotted to a trustee on behalf of the Company CEO 4,250,000 non-listed warrants that are exercisable into up to 4,250,000 ordinary shares of the Company with no par value (subject to adjustments.). Additionally, the Company has allotted to a trustee on behalf of the officers who report to the CEO 4,179,797 non-listed warrants that are exercisable into up to 4,179,797 ordinary shares of the Company with no par value (subject to adjustments.). At the Reporting Date, further to the exercise of some of the warrants and the forfeiture of some of the other warrants, due to the retirement of an officer, the balance of unexercised warrants in circulation amounts to 2,196,459 warrants. For further details, see sections 1.26.8.1 and 1.26.8.3 of Part One, Description of the Company's Business, above.

Regulation 24B: Company's Shareholder Register

The Company's shareholder register, close to the Reporting Date, is as follows:

Name	Identification No.	Address	Number of Shares
The Tel-Aviv Stock Exchange Nominee company Ltd.	515736817	2 Ahuzat Bayit Street, Tel Aviv	101,202,091

Regulation 25A: Registered Address, Telephone and Facsimile

Name of Company: The Tel-Aviv Stock Exchange Ltd.

Registered Address of the Entity: #2 Achuzat Bayit St., Tel Aviv-Jaffa

No. with Companies' Registrar: 520020033

E-mail: sigalb@tase.co.il

Telephone no.: 076-8160571

Facsimile no.: 076-8160331

THE TEL-AVIV STOCK EXCHANGE LTD.

Additional Information on the Company

Regulation 26: Board of Directors of the Company

Name ID no. Date of birth Citizenship	Address for the service of process	Member of Board of Directors' committees; independent director/ external director as defined in the Companies Law - Yes/No;	Employee of the Company, of a subsidiary thereof, of a related company thereof or of an interested party therein - position or positions held by the director as aforesaid	Date of commence ment of office as director in the Company	Education and occupation in the past 5 years, including the professions or areas for which the education was acquired, the institution where education was acquired and the academic degree or diploma held by the director, and details of the entities in which he/she serves as director	To the best knowledge of the Company and the other directors therein, is the director related to another interested party in the Company - Yes/No, specify details	Does the Company consider the director to possess accountin g and financial expertise ?
Amnon Neubach 003432432 April 14, 1944 Israeli	#12 HaMa'agal St., Kiryat Ono	The Company's Risk Management Committee. He is not an external and/or an independent director, but is qualified to serve as external director.	No.	April 1, 2014	<u>Education:</u> BA in Economics and Business Administration, Bar Ilan University. MA in Economics, Bar Ilan University. <u>Occupation in the past 5 years:</u> Serves as Chairman of the Board of Directors of the Company, Chairman of the Board of Directors of MAOF-CH (since May 15, 2014), Chairman of the Board of Directors of TASE-CH (since May 29, 2014). <u>Other corporations in which he serves as a director:</u> Chairman of the Board of Directors of TASE-CH, Chairman of the Board of Directors of MAOF-CH, Chairman of the Board of Directors of Aims Management Ltd., A.A. Neubach Ltd., Neubach Family Assets Ltd., member of the Board of Directors of the Ammunition Hill Heritage Site Corporation and Chairman of the Finance Committee (voluntary).	No	Yes
Meirav Ben Cnaan Heller 029641883 September 19, 1972, Israeli	#38 Shimon Ben Tzvi St., Givatayim	External director and independent director recommended by the Nominating Committee . Member of the Company's Audit Committee	No.	December 9, 2016	<u>Education:</u> BA in Accounting and Business Administration - College of Management. Certified Public Accountant. <u>Occupation in the past 5 years:</u> VP Finance and Business Development, Alon Israel Group (real estate, energy in Israel and overseas, transportation, finance, retail);	No	Yes



THE TEL-AVIV STOCK EXCHANGE LTD.

Additional Information on the Company

(including when acting as the Compensation Committee and as the Committee for the Review of the Financial Statements) and member of the Company's Risk Management Committee.

business consulting; member of the Classification Committee of the Government Companies Authority.

Other corporations in which she serves as a director:

TASE-CH, MAOF-CH, Migdal Insurance Company Ltd., Divergon General Partner 1 Ltd., Halman Aldubi Urban Renewal Limited Partnership, Mei Givatayim Ltd., MBC Financial Services (2017) Ltd., Classification Committee of the Government Companies Authority.

External director and independent director recommended by the Nominating Committee . Chairman of the Audit Committee (including when acting as the Compensation Committee and as the Committee for the Review of the Financial Statements) and member of the Company's Risk Management Committee.

Education:

BSc in Mathematics and Physics, Hebrew University of Jerusalem;
MSc in Business Administration - Operations Research, Tel Aviv University;
LLM, Legal studies, Bar Ilan University;
LLB, Netanya College.
MA in Talmud, Bar Ilan University.

Occupation in the past 5 years:

Manager of companies.

Other corporations in which he serves as a director:

TASE-CH, MAOF-CH, Arad Investment & Industrial Development Ltd., Boyer Brothers Trade and Investments Company Ltd. (director and CEO), Yavne Company Maintenance and Management Services Ltd., I. Halamish Holdings Ltd. (director and CEO).

Member of the Board of Trustees of the Netanya Academic College.

Itzhak Halamish
007812795
August 22, 1948
Israeli

#17
HaAdmor of Ruzhyn St.
Bnei Brak

No.

December 9, 2012

No

Yes

Salah Saabneh
23231632
May 12, 1968
Israeli (U.S. resident)

1280 5th Ave., 6BC,
New-York,
NY 10029

No.

Partner and Manager in the Manikay Group

September 6, 2018

No

Yes

Education:

LLB, Hebrew University of Jerusalem.
LLM, Georgetown University.
MBA, Columbia University.

Occupation in the past 5 years:

Partner and Manager in an investment management firm, Manikay Partners LLC.

Additional entities in which he serves as director:

None.



THE TEL-AVIV STOCK EXCHANGE LTD.

Additional Information on the Company

Yoav Chelouche 031157746 July 18, 1953 Israeli	#53/A Lamerchav St., Ramat Hasharon	External director and independent director recommended by the Nominating Committee . Member of the Audit Committee (including when acting as the Compensation Committee and as the Committee for the Review of the Financial Statements).	No.	February 28, 2019	<u>Education:</u> MBA, Business Administration, INSEAD (European Institute of Business Administration); BA in Accounting and Statistics, Tel Aviv University. <u>Occupation in the past 5 years:</u> Managing Partner at Aviv Venture Capital Fund. Director in companies, investor in emerging technology companies and mentor for entrepreneurs. <u>Other corporations in which he serves as a director:</u> TASE Clearing House; MAOF Clearing House; Tower Semiconductor Ltd.; Check Point Software Technologies Ltd.; Malam Team Ltd.; Shufersal Ltd., Yunsen Ltd.; Aviv Venture Capital Fund; Cogni Ltd. (formerly, Shieldox Security Ltd.); ScaleMP Ltd.; Extend Ltd.; Bioplasmar Ltd.; Vessl Therapeutics Ltd.	No	Yes
Bruria Gross-Prushansky 051218410 August 16, 1952 Israeli	#23 HaGvura St., Herzliya	Indepoendent director. Member of Audit Committee (including when acting as the Compensation Committee and as the Committee for the Review of the Financial Statements).	No.	June 16, 2020	<u>Education:</u> Executive MBA, Tel Aviv University; LLB, Tel Aviv University; Criminology and Political Science (non degree) Studies, Bar Ilan University <u>Occupation in the past 5 years:</u> Through the end of 2020 – legal counsel responsible for the legal management of M&A activity at Matrix IT Group. Currently – self-employed providing similar legal services.	No	No
Arik Steinberg 59222661 January 28, 1965 Israeli	#19 HaEtsel St., Ramat Hasharon	No.	No.	June 16, 2020	<u>Education:</u> Economics and Political Science (non-degree) Studies, Tel Aviv University. <u>Occupation in the past 5 years:</u> Service as a director of various companies. <u>Other corporations in which he serves as a director:</u> Paz Oil Ltd.; Leumi Partners Ltd.; REE Automotive Ltd.; SH.O.E.GE.T. Consulting & Investments Ltd.; SH.O.E.GE.T. Real Estate Ltd.;	No	Yes

THE TEL-AVIV STOCK EXCHANGE LTD.

Additional Information on the Company

Regulation 26a: Senior Officers of the Company

a. Name:	Ittai Ben-Zeev
ID no.:	032166225
Date of birth:	February 23, 1975
Commencement of office:	January 1, 2017
Position in the Company, in a subsidiary or in an interested party therein:	Company CEO, director in the Nominee Company.
Business experience in the past 5 years:	His office. Previously: Member of Management - Senior VP, Director of Capital Markets Division, Bank Leumi Le Israel Ltd. (" Bank Leumi "). Deputy Director of Capital Markets Division, Bank Leumi. Director in Leumi Capital Market Services. Director in Leumi LSI, United States. Director in Leumi BLUK, United Kingdom.
Education:	LLB, Tel Aviv University. Analyst Program graduate - Merrill Lynch. Executive Education Program graduate - INSEAD France. Directors' Program graduate - Interdisciplinary Center.
Is he an interested party in the Company:	No
Is he a relative of another senior officer or of another interested party in the Company:	No
b. Name:	Hanna Shitrit-Bach
ID no.:	056098122
Date of birth:	October 14, 1959
Commencement of office:	June 2, 2011
Position in the Company, in a subsidiary or in an interested party therein:	EVP, Head of Economics Department.
Business experience in the past 5 years:	Her office.
Education:	BA in Economics and Sociology, Hebrew University of Jerusalem. MBA, Hebrew University of Jerusalem.
Is she an interested party in the Company:	No
Is she a relative of another senior officer or of another interested party in the Company:	No
c. Name:	Reuven (Robby) Goldenberg
ID no.:	057314320
Date of birth:	November 2, 1961
Commencement of office:	March 15, 2012 (terminated his service on January 5, 2021)
Position in the Company, in a subsidiary or in an interested party therein:	EVP, Head of Trading, Derivatives and Indexes.
Business experience in the past 5 years:	His office. Previously: Director of MAOF Clearing House. Also lectures at the School of Business Administration of Tel Aviv University.
Education:	BA in Accounting and Economics, Tel Aviv University. MBA, Tel Aviv University.



THE TEL-AVIV STOCK EXCHANGE LTD.

Additional Information on the Company

Is he an interested party in the Company:	No
Is he a relative of another senior officer or of another interested party in the Company:	No
d. Name:	Yaniv Pagot
ID no.:	025026386
Date of birth:	December 5, 1972
Commencement of office:	January 5, 2021
Position in the Company, in a subsidiary or in an interested party therein:	EVP, Head of Trading, Derivatives and Indexes.
Business experience in the past 5 years:	Economic consultant, chief strategist, director and member of the Investment Committee at Ayalon Insurance Group
Education:	BA in Economics and Business Administration, Haifa University. MBA, Technion. Holds a portfolio manager's license (conditional)
Is he an interested party in the Company:	No
Is he a relative of another senior officer or of another interested party in the Company:	No
e. Name:	Sraya Orgad
ID no.:	25723842
Date of birth:	March 19, 1974
Commencement of office:	January 1, 2015
Position in the Company, in a subsidiary or in an interested party therein:	EVP, Head of Business Development and Strategy Department.
Business experience in the past 5 years:	His office. Additionally: Lectures at the College of Management's Accounting Department on aspects of the capital market and of the work of the Securities Authority. Lectures at the School of Business Administration of the Hebrew University of Jerusalem.
Education:	LLB, Haifa University. European Master in Law and Economics, European Union, Rotterdam University.
Is he an interested party in the Company:	No
Is he a relative of another senior officer or of another interested party in the Company:	No
f. Name:	Yehuda Menachem van der Walde
ID no.:	028570364
Date of birth:	July 25, 1971
Commencement of office:	February 23, 2018
Position in the Company, in a subsidiary or in an interested party therein:	EVP, Head of Finance and Administration.
Business experience in the past 5 years:	His office. Previously: CFO in Alon Blue Square Israel Ltd., director in the public companies, Blue Square Real Estate Ltd., Dor Alon Energy in Israel (1988) Ltd., Naaman Group (N.V.) Ltd. and other companies in the Alon Blue Square Israel Ltd. group.



THE TEL-AVIV STOCK EXCHANGE LTD.

Additional Information on the Company

Education:	BA in Accounting and Economics, Bar Ilan University. MA in Accounting, Bar Ilan University.
Is he an interested party in the Company:	No
Is he a relative of another senior officer or of another interested party in the Company:	No
g. Name:	Meirav Leshem
ID no.:	022647317
Date of birth:	October 29, 1966
Commencement of office:	March 2, 2017
Position in the Company, in a subsidiary or in an interested party therein:	EVP - Legal Counsel and Head of the Legal Department.
Business experience in the past 5 years:	Her office. Previously: Head of Division in the Company's Legal Department.
Education:	LLB, Hebrew University of Jerusalem. MA in Hebrew Literature, Ben Gurion University. MBA, Israel Institute of Technology.
Is she an interested party in the Company:	No
Is she a relative of another senior officer or of another interested party in the Company:	No
h. Name:	Uri Shavit
ID no.:	059596726
Date of birth:	June 12, 1965
Commencement of office:	February 14, 2017
Position in the Company, in a subsidiary or in an interested party therein:	EVP, Head of IT and Operation Department. Head of IT Department, TASE-CH. Head of IT Department, MAOF-CH.
Business experience in the past 5 years:	His office. Previously: Project Manager of the merger of the Arab-Israeli Bank into Bank Leumi. CEO of Leumi Capital Market Services Ltd. (a subsidiary of Bank Leumi).
Education:	BA in Economics and Political Science, Tel Aviv University. MA in Public Policy, Tel Aviv University. CIO Program, Off-Campus Programs Division of the Israel Institute of Technology.
Is he an interested party in the Company:	No
Is he a relative of another senior officer or of another interested party in the Company:	No
i. Name:	Orly Grinfeld
ID no.:	029731544
Date of birth:	December 19, 1972
Commencement of office:	March 19, 2017
Position in the Company, in a subsidiary or in an interested party therein:	EVP, Manager of TASE-CH and MAOF-CH and CEO of the Nominee Company.
Business experience in the past 5 years:	Her office. Previously: Israel Railways - Chief Risk Management Officer.
Education:	BA in Accounting, Tel Aviv University. MBA, Ben Gurion University.
Is she an interested party in the Company:	No

THE TEL-AVIV STOCK EXCHANGE LTD.

Additional Information on the Company

Is she a relative of another senior officer or of another interested party in the Company:	No
j. Name:	Adi Barkan
ID no.:	038724001
Date of birth:	June 17, 1976
Commencement of office:	July 1, 2015
Position in the Company, in a subsidiary or in an interested party therein:	EVP, Compliance and Enforcement Officer of the Company. Compliance and Enforcement Officer of TASE-CH. Compliance and Enforcement Officer of MAOF-CH.
Business experience in the past 5 years:	Her office. Previously: Director of MAOF-CH.COO Securities, Psagot Investments House.
Education:	BA in Accounting and Management, College of Management. MBA, Tel Aviv University.
Is she an interested party in the Company:	No
Is she a relative of another senior officer or of another interested party in the Company:	No
k. Name:	Viacheslav Fradin
ID no.:	304132350
Date of birth:	July 15, 1977
Commencement of office:	February 8, 2016
Position in the Company, in a subsidiary or in an interested party therein:	EVO, Chief Risk Officer in the Company and the Clearing Houses.
Business experience in the past 5 years:	His office. Previously: Executive risk management positions in leading banks in Israel and in CEE.
Education:	BA in Accounting and Economics, Tel Aviv University. MBA, Tel Aviv University.
Is he an interested party in the Company:	No
Is he a relative of another senior officer or of another interested party in the Company:	No
l. Name:	Zohar Sela
ID no.:	037212818
Date of birth:	September 20, 1979
Commencement of office:	January 1, 2021
Position in the Company, in a subsidiary or in an interested party therein:	EVP, Head of Human Resources
Business experience in the past 5 years:	2017-2020 – Head of Human Resources at the Company. 2010-2017 – Head of the Organizational and Recruitment Processes Department at the Company.
Education:	BBA , specializing in Human Resources, College of Management. MA Organizational Consulting and Development, College of Management.
Is she an interested party in the Company:	No
Is she a relative of another senior officer or of another interested party in the Company:	No
m. Name:	Sharon Witkowski-Tabib



THE TEL-AVIV STOCK EXCHANGE LTD.

Additional Information on the Company

ID no.:	024963589
Date of birth:	April 14, 1970
Commencement of office:	April 15, 2011
Position in the Company, in a subsidiary or in an interested party therein:	Internal Auditor of the Company, of the Clearing Houses and of the Nominee Company.
Business experience in the past 5 years:	Her office. Previously: Partner and Head of Internal Audit and Risk Management at BDO Ziv Haft Consulting & Management Ltd.
Education:	BBA (Accounting and Finance), College of Management. MA in Public Administration, Bar Ilan University.
Is she an interested party in the Company:	No
Is she a relative of another senior officer or of another interested party in the Company:	No.

Regulation 27: Independent Auditors of the Entity

Brightman Almagor Zohar & Co. of #1 Azrieli Center, Tel Aviv.

Regulation 29: Recommendations and Resolutions of the Board of Directors and Resolutions of a Special General Meeting

1. On March 24, 2020, the Company's Board of Directors resolved to distribute a dividend of NIS 0.0877 per share in a total amount of NIS 8.77 million (gross). Said dividend was distributed on April 16, 2020.
2. On March 16, 2021, at the same time as approving the Company's annual consolidated financial statements as of December 31, 2020, which are included in this Periodic Report, the Company's Board of Directors resolved to distribute a dividend of NIS 0.1823 per share in a total amount of NIS 18,450 thousand (gross). The record date for entitlement to receive the dividend was set for March 25, 2021 and the payment date was set for April 5, 2021.
3. At the Company's Extraordinary General Meeting held on July 29, 2020, it was resolved to amend the provisions of the Company's compensation policy for the years 2018 through 2020 in relation to the terms of the Company's officers' liability insurance. For further details, see the Company's immediate report dated June 24, 2020 (reference no. 2020-01-066411).
4. At the Company's Extraordinary General Meeting held on March 10, 2021, it was resolved to approve the Company's updated compensation policy for the years 2021 through 2023. For further details, see the Company's immediate report dated January 27, 2021 (reference no. 2021-01-012072).



Regulation 29A: Resolutions of the Company

1. Officers' liability insurance

For details regarding officers' liability insurance policies, see section 1.26.12 of Part One, Description of the Company's Business.

2. Officers' indemnification undertaking

For details regarding indemnity letters for officers' events, see section 1.26.13 of Part One, Description of the Company's Business.

3. Officers' Exemption

For details regarding deeds of exemption for officers, see section 1.26.14 of Part One, Description of the Company's Business.

Date: March 16, 2021

PART 5

Annual Report on the Effectiveness of the Internal Control Over Financial Reporting and Disclosure for 2020



This English version is only for convenience purposes. This is not an official translation and has no binding force. Whilst reasonable care and skill have been exercised in the preparation hereof, no translation can ever perfectly reflect the Hebrew version. In the event of any discrepancy between the Hebrew version and this translation, the Hebrew version shall prevail.

Annual Report on the Effectiveness of the Internal Control Over Financial Reporting and Disclosure in accordance with Regulation 9B of the Securities Regulations (Periodic and Immediate Reports), 1970

Management, under the supervision of the Board of Directors, of The Tel-Aviv Stock Exchange Ltd. ("the Corporation"), is responsible for setting and maintaining proper internal control over financial reporting and disclosure in the Corporation.

For this purpose, the members of management are:

1. Ittai Ben Zeev, CEO
2. Yehuda van der Walde, EVP, Head of Finance and Administration
3. Orly Grinfeld, EVP, Head of Clearing
4. Yaniv Pagot, EVP, Head of Trading
5. Viacheslav Fradin, EVP, Chief Risk Officer
6. Uri Shavit, EVP, Chief Information Officer
7. Hani Shitrit, EVP, Head of Listings
8. Adi Barkan, EVP, Chief Compliance Officer
9. Sraya Orgad, EVP, Chief Strategy Officer
10. Meirav Leshem, EVP, General Counsel
11. Zohar Sela, EVP, Head of Human Resources

Internal control over financial reporting and disclosure consists of controls and procedures existing at the Corporation, designed by, or under the supervision of, the CEO and the most senior financial officer, or by anyone actually performing such functions, under the supervision of the Board of Directors of the Corporation, which are designed to provide reasonable assurance regarding the reliability of the financial reporting and the preparation of the reports in accordance with the provisions of the law, and to ensure that information which the Corporation is required to disclose in reports that it publishes pursuant to the provisions of the law is gathered, processed, summarized and reported within the time frames and in the format set forth in the law.

Internal control includes, inter alia, controls and procedures designed to ensure that information which the Corporation is required to disclose as above, is gathered and transferred to the management of the Corporation, including the CEO and the most senior financial officer, or anyone actually performing such functions, in order to enable timely decision-making in reference to the disclosure requirements.

In view of its inherent limitations, internal control over financial reporting and disclosure is not designed to provide absolute assurance of the prevention or detection of a misstatement or omission of information in the reports.

Management, under the supervision of the Board of Directors, has examined and assessed the internal control over financial reporting and disclosure in the Corporation and its effectiveness.

The assessment of the effectiveness of the internal control over financial reporting and disclosure performed by management, under the Board of Directors' supervision, included:

Mapping and identification of the accounts and the business processes that the Company considers as highly material to the financial reporting and disclosure; and the testing of key controls and examination of the effectiveness of the controls: the internal control components included controls over the preparation and closing process of the financial reporting, controls at the level of the organization, general controls over the IT systems and controls in business processes: revenue from trading and clearing commissions, Clearing House services and listing fees and levies, intangible assets and payroll and payroll and liabilities to employees.

Based on the assessment of the effectiveness that was performed by management under the supervision of the Board of Directors, as described above, the Board of Directors and management of the Corporation have concluded that the internal control over the financial reporting and disclosure in the Corporation as of December 31, 2020 is: effective.

Management Statements:

(a) Statement of the CEO in accordance with Regulation 9B(d)(1) of the Reports Regulations:

Management Statement

Statement of the CEO

I, Ittai Ben-Zeev, represent that:

1. I have reviewed the financial statements and other financial information included in the reports of The Tel-Aviv Stock Exchange Ltd. ("**the Corporation**") for 2020 ("**the Reports**").
2. To my knowledge, the Reports do not contain any misstatement of a material fact or omit to disclose a material fact necessary to make the representations made therein, in light of the circumstances under which such representations were included, not misleading with respect to the period covered by the Reports;
3. To my knowledge, the financial statements and other financial information included in the Reports fairly reflect, in all material respects, the financial position, results of operations and cash flows of the Corporation as of and for the periods covered in the Reports;
4. I have disclosed to the Corporation's auditor, the Board of Directors, the Audit Committee and the Financial Statements Review Committee of the Corporation, based on my most current assessment of the internal control over financial reporting and disclosure:
 - a. All significant deficiencies and material weaknesses in the setting or the operation of the internal control over financial reporting and disclosure, which are reasonably likely to adversely affect the Corporation's ability to gather, process, summarize and report financial information in a manner that could cast a doubt on the reliability of the financial reporting and preparation of the financial statements in conformity with the provisions of the law; and –
 - b. Any fraud, whether or not material, that involves the CEO or anyone reporting to him directly or that involves other employees who play a significant role in internal control over financial reporting and disclosure;
5. I, myself or jointly with others at the Corporation:
 - a. Have set controls and procedures or confirmed the setting of controls and procedures under my supervision, which are designed to ensure that material information in reference to the Corporation, including its subsidiaries, as defined in the Securities Regulations (Annual Financial Statements), 2010, is presented to me by others in the Corporation and in the subsidiaries, particularly during the preparation of the Reports; and –
 - b. Have set controls and procedures or confirmed the setting of controls and procedures under my supervision, which are designed to reasonably ensure the reliability of the financial reporting and the preparation of the financial statements in conformity with the provisions of the law, including in conformity with generally accepted accounting principles;
 - c. I have assessed the effectiveness of the internal control over the financial reporting and disclosure and presented in this report the conclusions of the

Board of Directors and management regarding the effectiveness of the internal control as of the date of the Reports.

Nothing in the stated above detracts from my responsibility or from the responsibility of any other person under any law.

March 16, 2021

(b) Statement of the most senior financial officer in accordance with Regulation 9B(d)(2) of the Reports Regulations:

Management Statement

Statement of the most senior financial officer

I, Yehuda van der Walde, represent that:

1. I have reviewed the financial statements and other financial information included in the reports of The Tel-Aviv Stock Exchange Ltd. (**"the Corporation"**) for 2020 (**"the Reports"**).
2. To my knowledge, the financial statements and the other financial information included in the Reports do not contain any misstatement of a material fact or omit to disclose a material fact necessary to make the representations made therein, in light of the circumstances under which such representations were included, not misleading with respect to the period covered by the Reports;
3. To my knowledge, the financial statements and other financial information included in the Reports fairly reflect, in all material respects, the financial position, results of operations and cash flows of the Corporation as of and for the periods covered in the Reports;
4. I have disclosed to the Corporation's auditor, the Board of Directors, the Audit Committee and the Financial Statements Review Committee of the Corporation, based on my most current assessment of the internal control over financial reporting and disclosure:
 - a. All significant deficiencies and material weaknesses in the setting or the operation of the internal control over financial reporting and disclosure, insofar as it relates to the financial statements and to the other financial information included in the Reports, which are reasonably likely to adversely affect the Corporation's ability to gather, process, summarize and report financial information in a manner that could cast a doubt on the reliability of the financial reporting and preparation of the financial statements in conformity with the provisions of the law; and –
 - b. Any fraud, whether or not material, that involves the CEO or anyone reporting to him directly or that involves other employees who play a significant role in internal control over financial reporting and disclosure;
5. I, myself or jointly with others at the Corporation:
 - a. Have set controls and procedures or confirmed the setting of controls and procedures under my supervision, which are designed to ensure that material information in reference to the Corporation, including its subsidiaries, as defined in the Securities Regulations (Annual Financial Statements), 2010, insofar as it pertains to the financial statements and to other financial information included in the Reports, is presented to me by others in the Corporation and in the subsidiaries, particularly during the preparation of the Reports; and –
 - b. Have set controls and procedures or confirmed the setting of controls and procedures under my supervision, which are designed to reasonably ensure the reliability of the financial reporting and the preparation of the financial statements in conformity with the provisions of the law, including in conformity with generally accepted accounting principles;

- c.** I have assessed the effectiveness of the internal control over the financial reporting and disclosure, insofar as it related to the financial statements and to the other financial information included in the Reports; my conclusions regarding my assessment as above have been presented to the Board of Directors and are incorporated in this report.

Nothing in the stated above detracts from my responsibility or from the responsibility of any other person under any law.

March 16, 2021

The Tel-Aviv Stock Exchange Ltd. (“the Company”)
Voting Ballot in accordance with the Companies Regulations (Voting Ballots and Position Papers), 2005 (“the Regulations”)

Part One

1. **Company name:** The Tel-Aviv Stock Exchange Ltd.

2. **Type of general meeting and the time and location of its convening:**

Annual meeting, on Tuesday, May 25, 2021 at 15:00, at the offices of the Company at 2 Ahuzat Bayit St., Tel Aviv, on the 11th Floor in Room 1101. If a quorum is not present half an hour after the time set for the opening of the meeting, the meeting shall be adjourned to Tuesday, June 1, 2021, at the same place and at the same time.

3. **List of topics on the agenda that may be voted upon by the voting ballot:**

3.1 **Appointment of auditors and a report on their fees for 2020**

Wording of the proposed resolution - To appoint the Brightman Almagor Zohar Accounting Firm as the auditors of the Company.

For information on the auditors' fees for 2020, see section 3.5 to the Board of Directors' Report as of December 31, 2020, which is included in the Company's Periodic Report for 2020 published on March 16, 2021 (reference no.: 2021-01-036231) (hereafter: “**the 2020 Periodic Report**”).

3.2 **Approval of a discretionary bonus to Mr. Amnon Neubach, Chairman of the Board of Directors of the Company**

Wording of the proposed resolution - To approve the granting of a discretionary bonus to Mr. Neubach, for predefined qualitative metrics set out in the Company's compensation plan for the years 2018 to 2020, in an amount equal to 3 times the Monthly Consideration (as defined below), totaling approximately NIS 154 thousand (hereafter: “**the Proposed Bonus to the Chairman**”), all as set out in section 4 below (hereafter: “**Resolution of the Proposed Bonus to the Chairman**”).

4. **Summary of relevant facts for topic 3.2 above**

4.1 On May 11, 2014, the Company entered into a services agreement with a management company (hereafter: “**the Management Company**”) that is fully owned and controlled by Mr. Neubach (as amended on December 29, 2016) (hereafter: “**the Services Agreement**”), under which Mr. Neubach provides services as a non-executive Chairman of the Company's Board of Directors, at a monthly scope of 8 days. Pursuant to the provisions of the Services Agreement, Mr. Neubach is entitled to a Monthly Consideration of NIS 50,000, plus VAT, as required by law (linked to the CPI for December 2016) (above and hereafter: “**the Monthly Consideration**”).

4.2 On April 17, 2018, the Company's general meeting approved, among others, a compensation plan for the years 2018-2020 (hereafter: “**the Compensation Plan**”), pursuant to which, for each of

the years the Management Company shall be entitled to an annual bonus of up to six times the Monthly Consideration, of which up to three times the Monthly Consideration shall be determined on the basis of a company-wide, quantitative criterion, which is the “pre-tax profit” of the Company as per its financial statements for the bonus year, and up to three times the Monthly Consideration shall be determined on the basis of pre-defined qualitative criteria. The entitlement to a bonus for the qualitative component shall be determined based on assessments by the Audit Committee (in its capacity as Compensation Committee) and the Board of Directors, in relation to Mr. Neubach’s fulfillment of qualitative criteria, such as: contribution to increasing the Company’s profits and its success, risk management and compliance, leadership and staff management, professionalism, character, efficiency, responsibility, involvement, initiative and people skills, contribution to the realization of the Company’s strategic plan and its work plans, as well as the advancement and implementation of processes.

- 4.3 On March 16, 2021, after obtaining the approval of the Compensation Committee on March 11, 2021, the Board of Directors of the Company approved the granting of a discretionary bonus to the Management Company for 2020, of 3 times the Monthly Consideration, amounting to approximately NIS 154 thousand. Solely for the purpose of a complete perspective, it should be noted that the calculation that had been prepared pursuant to the provisions of the Compensation Plan and based on the data of the annual financial statements as of December 31, 2020, for the purpose of determining the Management Company’s eligibility to a bonus for the profit target (amounting to approximately NIS 154 thousand) was also examined and approved at the aforesaid meeting.

5. Time and place for perusal of the complete text of the proposed resolutions:

The complete text of the proposed resolutions is available for perusal at the offices of the Company at 2 Ahuzat Bayit St., Tel Aviv, Tel: 076-8160571, during customary office hours, this until the date of the meeting.

6. The majority required to pass the resolution that is on the agenda:

The majority required to pass the resolutions that are set forth in section 3.1 - 3.2 above, is a simple majority of all the votes of the shareholders present at the meeting, that are entitled to vote and that voted thereat, without taking abstentions into account:

7. A voting ballot of an unregistered shareholder (i.e., a person that shares are registered on his behalf with a Stock Exchange member and such shares are included in the Shareholders’ Register in the name of a Nominee Company) (“**an Unregistered Shareholder**”), shall only be valid if accompanied by a confirmation of ownership or if a confirmation of ownership has been delivered to the Company via the electronic voting system.

8. A shareholder may indicate the manner of voting in relation to each proposed resolution that is included on the voting ballot, by means of marking the “for”, “against” or “abstain” column alone, and without any change, deletion, omission, addition or qualification with regard to the wording of the proposed resolution. Voting by ballot with regard to any proposed resolution that is accompanied by a change, shall be disqualified and shall not be taken into account in any manner whatsoever for the purpose of voting on the aforesaid proposed resolution. If a shareholder has not marked the column of his choice with regard to any proposed resolution, he shall be considered as having abstained in the vote on that resolution.
9. A voting ballot shall be valid for a shareholder pursuant to Section 177(2) of the Companies Law (i.e., a person registered as a shareholder in the Shareholders’ Register), only if it is accompanied by a photocopy of an ID certificate, passport or certificate of incorporation.
10. The voting ballot and the documents that have to be attached thereto (**“the Attached Documents”**), as specified in the voting ballot, should be delivered to the Company’s offices up to 4 hours prior to the time of convening the Meeting. For this purpose, the “time of delivery” is the time at which the voting ballot and the Attached Documents arrive at the Company’s offices.
11. An Unregistered Shareholder may also vote by way of an electronic voting ballot that would be transmitted to the Company via the electronic voting system (**“the Electronic Voting System”**) up to 6 hours prior to the time of the meeting.
12. The address of the Company for the delivery of the voting ballots and the position papers: Company Secretariat, at the offices of the Company at 2 Ahuzat Bayit St., Tel Aviv.
13. Final date for the submission of position papers to the Company: up to 10 days prior to the date of the meeting.
14. Final date for the issue of the Board of Directors’ response to the position papers: up to 5 days prior to the date of the meeting.
15. The distribution addresses of the websites of the Israel Securities Authority and the Tel-Aviv Stock Exchange Ltd. where the text of the voting ballot and the position papers can be found:

Distribution website of the Israel Securities Authority: <http://www.magna.isa.gov.il/>
Website of the Tel-Aviv Stock Exchange Ltd.: <http://maya.tase.co.il/>
16. A shareholder whose shares are registered with a Stock Exchange member is entitled to receive the confirmation of ownership from the Stock Exchange member through whom he holds his shares, at the branch of the Stock Exchange member or by mail to his address, if so requested. A request for this purpose shall be made in advance with respect to a specific securities account.

An Unregistered Shareholder may give instructions for the transmission of his confirmation of ownership to the Company via the Electronic Voting System.
17. An Unregistered Shareholder may receive by Email, at no cost, a link to the text of the voting ballot and the position papers on the distribution website, from the Stock Exchange member

through whom he holds his shares, unless he has notified the Stock Exchange member that he does not wish to receive such link or that he wishes to receive voting ballots by post for a fee; a notice concerning voting ballots shall also apply to position papers.

18. One shareholder or more, holding shares constituting at least five percent of total voting rights in the Company, as well as anyone holding such percentage of the total voting rights that are not held by the controlling shareholder in the Company, as defined in Section 268 of the Companies Law, may peruse the voting ballots and the voting records transmitted to the Company via the Electronic Voting System, as set out in Regulation 10 of the Regulations.

Number of shares representing 5% of total voting rights in the Company: 5,060,104.55 ordinary shares of NIS 1 par value each.

Number of shares representing 5% of total voting rights in the Company not held by the controlling shareholder: 5,060,104.55 ordinary shares of NIS 1 par value each.

19. Adding a topic to the agenda

Following the publication of this voting ballot, it is possible that there may be changes to the agenda, including the addition of a topic to the agenda, making the publication of position papers likely. The up-to-date agenda and position papers published in the Company's reports can be viewed on the distribution website.

One shareholder or more, holding shares constituting at least 1% of the voting rights at the special meeting of the Company, may request the Board of Directors, up to 7 days after calling the meeting, to include a topic on the agenda of the meeting, provided that the topic is suitable to be discussed at the special meeting.

Should the Board of Directors find that a topic that was requested to be included on the agenda is suitable to be discussed at the special meeting, the Company shall prepare an updated agenda and an amended voting ballot, should this be required, and shall publish them not later than 7 days after the last date for furnishing a request for the inclusion of an additional topic on the agenda, as referred to above.

A shareholder will indicate his manner of voting in relation to the topics that are on the agenda by means of the form that is the second part of this voting ballot, and if the shareholder is voting by virtue of a power of attorney (i.e., by representative), the aforesaid information shall be provided for both the issuer and the recipient of the power of attorney.

Voting Ballot - Part Two

Company name: **The Tel-Aviv Stock Exchange Ltd.**

The address of the Company (for the delivery and mailing of the voting ballots): The offices of the Company at 2 Ahuzat Bayit St., Tel Aviv, to the care of Signal Berliner Levinson, Company Secretary.

Company no.: 52-002003-3

Date of meeting: Tuesday, May 25, 2021 at 15:00.

Type of meeting: annual.

Record date: Sunday, April 25, 2021.

(Up to here to be filled by the Company)

Details of the shareholder

Name of shareholder (Hebrew/English) - _____

I.D. no. - _____

If the shareholder does not hold an Israeli I.D. -

Passport no. - _____

Country of issuance - _____

Expiration date - _____

If the shareholder is a corporation -

Corporation no. - _____

Country of incorporation - _____

Manner of Voting

No. of topic on the agenda	Manner of Voting ¹		
	For	Against	Abstain
3.1			
3.2			

Date: _____

Signature: _____

For shareholders holding shares through a Stock Exchange member (under Section 177(1)) - this voting ballot is valid only when accompanied by a confirmation of ownership, unless voting is effected by means of the Electronic Voting System.

For shareholders who are registered in the Company's Shareholders' Register - the voting ballot is valid when accompanied by a photocopy of an I.D. certificate/passport/certificate of incorporation.

¹ **Non-marking will be deemed as abstaining on such topic.**