
TEL AVIV הבורסה
STOCK לניירות ערך
EXCHANGE תל אביב
2021 Annual Report
TEL AVIV הבורסה
STOCK לניירות ערך
EXCHANGE תל אביב
LISTED TASE
THE CENTER FOR ISRAELI INNOVATION

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.

Annual report for 2021

Contents

Part 1	**Description of the Company's Business**
Part 2	**Board of Directors' Report on the Company's State of Affairs for 2021**
Part 3	**Consolidated Statements of Financial Position as of December 31, 2021**
	Separate Financial Information as of December 31, 2021
Part 4	**Additional Information on the company**
Part 5	**Annual Report on the Effectiveness of the Internal Control Over Financial Reporting and Disclosure for 2021**

TEL AVIV STOCK EXCHANGE
הבורסה לניירות ערך תל אביב

Part One

Description of the Company's Business



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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	7
1.3	Investments in the Company's Equity and Transactions in Its Shares	7
1.4	Dividends	7
Part Two - Other Information		
1.5	Financial Information Regarding the Company's area of Activity	9
1.6	Economic Environment and the Impact of External Factors on the Company's Activities	10
Part Three - Description of the Company's Business		
1.7	General information	27
1.8	Structure of the Area of Activities and Changes Occurring Therein	33
1.9	Restrictions, Legislation, Regulation and Special Constraints	33
1.10	Changes in the Scope of the Operations in the Area, and in Its Profitability	34
1.11	Developments in the Markets of the Area of Operations or Changes in the Characteristics of the Customers	38
1.12	Critical Factors that May Affect the Success in the Area of Operations and the Changes in These Factors	39
1.13	Key Entry and Exit Barriers of the Area of Operations	39
1.14	Substitutes for the Products in the Area of Operations and the Changes that are Occurring Therein	39
1.15	Structure of the Competition in the Area of Operations and the Changes that are Occurring Therein	40
1.16	Products and Services	40
1.17	Breakdown of Revenues and Profitability from Products and Services	45
1.18	New Products	58
1.19	Customers	60
1.20	Marketing and Distribution	61
1.21	Competition	62
1.22	Seasonality	67
1.23	Operating Capacity	67

Topic		Page
Part Four - Additional Information at the Company and Group Level		
1.24	Fixed Assets, Real Estate and Fixtures	67
1.25	Intangible Assets	68
1.26	Human Capital	68
1.27	Raw Materials and Suppliers	77
1.28	Working Capital	77
1.29	Investments	78
1.30	Financing	78
1.31	Taxation	78
1.32	Restrictions on and Supervision over the Company's Activity	79
1.33	Material Agreements	87
1.34	Cooperation Agreements	88
1.35	Legal Proceedings	89
1.36	Goals and Business Strategy	89
1.37	Likely Developments in the Coming Year	91
1.38	Risk Factors Discussion	92

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, the TASE Group 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 corporations[2] 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 645 companies that have issued equity and debt instruments, 577 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, insurance companies, provident funds, advanced study funds and others.

The added value inherent in the Company's activities as a central trading infrastructure are substantial. This value is reflected in the increase in value of companies as a result 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

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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.

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 final[3]. 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 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

[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.

Government Bonds to market makers approved for this purpose by the Ministry of Finance[4], and the settlement of transactions in Government Bonds executed on the MTS Israel system[5].

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.

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.

[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.

[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.

1.2 **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 **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 August 1, 2019 through to the end of 2021, 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 20.2 million, which was carried directly to the Company's equity in its financial statements. For further details, see note 18 C to the Company's consolidated financial statements as of December 31, 2021, which are included in this Periodic Report. In January and February 2022, the aforesaid shareholders sold additional Arrangement Shares for a total consideration of NIS 3.5 million, for which the Company received in January 2022 an amount of NIS 1.1 million and is expected to receive an additional NIS 1.5 million.

1.3.2 To the best of the Company's knowledge, from January 1, 2019 through the publication date of this Report, no 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 April 5, 2021, the Company paid a dividend of NIS 0.1823 per share, in a total amount of NIS 18,450 thousand.

1.4.1.1 On March 21, 2022, at the same time as it approved the Company's consolidated financial statements as of December 31, 2021, which are included in this Periodic Report, the Company's Board of Directors resolved to distribute a dividend in the amount of NIS 0.2229 per share, and in a total amount of NIS 22,735 thousand (gross). The record date for entitlement to receive the dividend and the payment date have been set for March 30, 2022 and April 7, 2022, respectively.

1.4.1.2 According to the Company's consolidated financial statements as of December 31, 2021, which are included in this Periodic Report, the Company has retained earnings of NIS 596 million, and this is – to remove any doubt – before taking into account the dividend declaration referred to above in Section 1.4.1.1.

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, 2021, 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.

On March 21, 2022, the Board of Directors of the Company decided, at the end of 3 years from the adoption of the dividend distribution policy, that, in view of the recent price levels of the Company's share and the volume of the Company's liquid balances, a dividend distribution policy no longer optimally coincides with the Company's current business profile. Accordingly, it has resolved to discontinue the dividend distribution policy with regard to the profits for 2022 and thereafter. In addition, the Board of Directors of the Company has instructed the Company to formulate a plan for the buyback of Company shares in an amount of up to NIS 100 million and for a period of up to two years. It is hereby clarified that, to the date of the report, the terms of the buyback plan have not yet been approved, and will be approved by the Board of Directors of the Company in the coming weeks, and that the adoption of the buyback plan, as above, will be subject to compliance with the distribution criteria, as required by the Companies Law and the liquidity directives that apply to the Company.

Upon the approval of a plan, as aforesaid, the Company will immediately publish an immediate report, as required by law. It is hereby clarified that the above information concerning the approval of the buyback plan constitutes forward-looking information that may be realized other than as described above or may not be realized at all, among others, as a result of a change in the market conditions and/or in the plans of the Company.

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):**

	2021	2020	% change
Revenues [1] – from external customers	**323,657**	**304,266**	**6%**
Fixed costs [2] – with respect to revenues from external customers (excluding depreciation)	175,068	168,873	4%
Fixed costs (non-cash) – depreciation expenses (including in respect of leases)	47,618	44,510	7%
Variable costs [3] – with respect to revenues from external customers	45,549	40,244	13%
Variable costs (non-cash) [4]	1,001	1,867	(46%)
Total expenses	**269,236**	**255,494**	**5%**
Profit before financing income, net	**54,421**	**48,772**	**12%**
Assets of the area at the end of the period [5]	**1,316,753**	**981,455**	**34%**
Liabilities at the end of the period [5]	**897,560**	**557,024**	**61%**

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

(2) 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.

(3) The variable costs primarily include marketing and consultancy expenses, and salary costs for bonuses and overtime.

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

(5) The increase in the balance of assets and liabilities in this area is due mainly to the increase in the balance of assets and liabilities derived from clearing operations with respect to open positions.

1.5.2 For explanations on the primary developments with respect to the data set forth above, see the Board of Directors' Report for 2021, 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 2021, 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 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 2020 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 Market Overview for 2021

In 2021, Trading on TASE was highly volatile, similarly to leading global exchanges, affected by the global spread of the coronavirus over the past two years, in waves of outbreak and abatement. 2021 was affected by the abatement of another wave (the fourth) in Israel that began in June 2021, and ended with concerns surrounding the outbreak of a new variant ("Omicron").

In the opinion of the Company, the main positive contributors to the TASE equity market in 2021 were:

- Curbing of the coronavirus, with Israel achieving the highest rate of vaccinated population, pioneering use of a third "booster" shot and administration of the vaccine to the younger population - youths and, more recently, also children.
- The Government support continued with the implementation of several steps, including: extension of the unemployment benefits period for individuals temporarily absent from work, this further to the aid of more than NIS 120 billion extended since March 2020 to businesses and households. In view of the reduction in the overall unemployment rate among those temporarily absent from work to less than 7.5% (starting in May 2021), in June 2021 the unemployment benefits were discontinued for individuals under the age of 45 temporarily absent from work and in October 2021 also for individuals over the age of 45. In early November 2021, the payment of isolation benefits to employees was extended by two months, until the end of 2021; the Ministry of Finance, together with the Labor Federation and the Employers' Representation jointly signed a "package deal", the first since 1984, which also includes support for the self-employed in the form of unemployment benefits and the gradual raising of the minimum wage in the economy; an aid program of NIS 60 million was approved for small- and medium-sized businesses affected by the coronavirus crisis, towards participation in the rent for 2020.
- Continued support by the Bank of Israel - maintained the market interest rate at a 0.1% low, similarly to the United States, despite the rise in the inflation rate to 2.8% in 2021 which, although within the target set by the Government (1%-3%), is the highest since 2009. The low interest rate contributed to extensive raising activity on the equity and bond markets; a plan for the purchase of government bonds on the secondary market in an amount of NIS 85 billion was completed in December 2021; in addition, the Bank of Israel extended, until the end of December 2021, the ad hoc provisions issued at the outset of the coronavirus crisis that provide exemptions to the banks. The exemptions include reduction of the minimum capital-credit ratio required of banks and expansion of the banks' exposure to the real estate and infrastructure sectors.
- Positive macroeconomic data - According to data published by the Central Bureau of Statistics, in 2021 the GDP rose by an annual 8.2%, following a 2.2% drop in 2020, and in the fourth quarter of 2021, the GDP surged by 16.6% (annualized) over the preceding quarter, reaching a record high. The CBS data also show that the GDP per capita rose by 6.4% in 2021, following a 3.9% reduction in 2020 - placing Israel fourth among the developed countries, after Ireland, the UK and France, and compared to an average 5% among OECD countries. The CBS data also show that the rate of employed persons temporarily absent from work due to the coronavirus, combined with the unemployed, dropped from the 65% peak of April 2020, settling at 5% in December 2021; The Composite State of the Economy Index, which plunged at the height of the crisis in March-April 2020, resumed an upward climb in 2021 at an average monthly rate of 0.2%, in line with the index's long-term trend; The international rating firm, S&P, ratified Israel's highest credit rating of AA- with a positive outlook (in May and November 2021), the international rating firm, Fitch, ratified Israel's credit rating of A+ with a positive outlook (in January and July 2021), and the international rating firm, Moody's, ratified Israel's credit rating of A1 with a stable outlook (in May 2021).

- The State Budget - The establishment of the Government in 2021, at the culmination of the fourth elections in less than two years, and the approval of the State budget for the years 2021 and 2022 in November 2021, close to three years after the approval of the previous budget, for 2019.

- Among the international positive contributors - In the United States, the interest rate was maintained at a record low of 0%-0.25% and the Federal Reserve continued its purchases of bonds (Government and mortgage-backed) in an amount of US$ 120 billion a month, and in the final quarter of 2021 started scaling back the purchases that will terminate in March 2022; The European Central Bank (ECB) maintained the interest rate at 0% and announced that it will continue to purchase government bonds until March 2022, albeit at the reduced volume of less than the EUR 80 billion a month practiced in recent months; Alongside expansionary monetary policies implemented by central banks globally, governments are extending budgeted aid in unprecedented amounts, most notably the United States, with an aid program totaling US$ 6 trillion since the onset of the coronavirus crisis. The substantial aid programs have kept the exchange rate of the U.S. dollar at a stable exchange rate of close to NIS 3.1, despite dollar purchases of more than US$ 35 billion by BoI in 2021; Full approval of Pfizer's coronavirus vaccine by the FDA in August 2021, and approval of the emergency use of the vaccine in children aged 5-11 in October 2021. In November 2021, Pfizer announced that it has developed a treatment for the coronavirus, which is pending FDA approval, and the administration of the third "booster" shot in the United States to the population over the age of 18 was approved.

In opposition, according to the Company's assessments, the main negative factors that affected the TASE equity market were:

- Negative macroeconomic data - The Government deficit for 2021 is expected to reach 4.5% of the GDP according to BoI forecasts, less than the deficit in 2020, which amounted to 12% as a result of the Government's substantial aid programs, but greater than the 3.7% deficit recorded in 2019, prior to the coronavirus crisis; a debt to GDP ratio of 70% at the end of 2021, as estimated by the Ministry of Finance, while lower than the 72% recorded at the end of 2020, is high in comparison to the 60% recorded in 2019, prior to the coronavirus crisis; the unemployment rate, including those temporarily absent from work due to the coronavirus crisis and the unemployed, remains high - 5% in December 2021, as compared to 3.3% shortly before the onset of the crisis; the inflation rate according to the CBS data was 2.8% in 2021, the highest rate since 2009; the Bank of Israel, which has been maintaining the interest rate in the economy at 0.1%, despite the rising rate of inflation, announced that it will be discontinuing the quantitative easing: a completed plan for the purchase of government bonds in an amount of NIS 85 billion will not be renewed, planned bond purchases of NIS 15 billion have already been halted in November 2020 at NIS 3.5 billion, a completed plan for the purchase of dollars in an amount of NIS 30 billion will not be renewed, and the long-term loans to banks against their extension of loans to small and medium businesses were discontinued at NIS 40 billion in August 2021.

- Internationally, 2021 was characterized by the global and local outbreak of the Delta variant in waves, alongside the wider administration of vaccines. The markets, after suffering multiple restrictions and lockdowns in 2020, started to recover and achieve some positive growth, while inflation rates started to climb on the backdrop of disruptions in the chain of supply and trading restrictions, combined with a growing demand for commodities. Consequently, the prices of natural gas (TTF) and oil (WTI) soared during the year by more than 250% and 55%, respectively, the shekel revalued in relation to the U.S. dollar, which reached a 26-year record low, and in relation to the Euro, which reached a 21-year historic low - a revaluation that encumbers the economy's export income; following the rise of the inflation rate to 4% in 2021 in developed economies alongside a 5% growth in GDP projected by the International Monetary Fund, central banks have initiated monetary contraction: while some central banks started raising the interest rate, other central banks, such as the ECB, are maintaining the low interest

rate and continuing the monetary expansion, and the Federal Reserve is maintaining the low interest rate but withdrawing from the expansionary monetary policy, including bond purchases.

It should be noted that, in late November 2021, as the fourth coronavirus wave was wreaking havoc in Europe, the World Health Organization announced the detection of a new variant of concern in Africa ("Omicron"). The growing concern surrounding the spreading of the variant and the rising morbidity rates, has led many countries to reinstate the restrictions on flights and tourism, to which the markets reacted with price drops in equity indices and reduced commodity prices.

To complete the picture, it should be noted that, after the reporting period, in the first quarter of 2022, trading volumes on TASE were strong and relatively volatile. The Company believes that these resulted, among others, from local and international investors' looking forward to the inclusion of TASE-listed shares in the Europe Index of MSCI, a company that edits and publishes various international indices (and that, in early March 2022 announced its decision not to carry out the said move), and from Russia's war on Ukraine since late February 2022.

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 2020 and 2021 and in the fourth quarter of 2020 and 2021:

	2021	2020	% change	Three months ended 31.12.2021	Three months ended 31.12.2020	% change
Shares	39.8%	52.9%	(25%)	37.5%	46.6%	(20%)
Corporate bonds (2)	54.8%	66.5%	(18%)	58.1%	59.4%	(22%)
Government bonds – shekel (3)	100.3%	124.1%	(19%)	107%	94.9%	13%
Government bonds – linked (4)	78.3%	89.9%	(13%)	67.5%	69.9%	(3%)
Treasury-bills	62.4%	98.4%	(37%)	67.7%	53.6%	26%

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

(2) The velocity of trading does not include data of corporate bonds traded on TACT institutional/TASE UP.

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

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

In the opinion of the Company, the reduced velocity of trading in 2021 compared to 2020 is primarily explained by the reduced uncertainty, thanks to the development of coronavirus vaccines and treatments, alongside expansionary measures taken by governments and central banks to curb the effects of the coronavirus crisis, 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 decrease in 2021 in the share of quote generators, including market makers, in equity trading on TASE, compared to 2020. In 2021, the share of quote generators, including market makers, in bonds trading increased moderately compared to 2020.

Additionally, the data of the Company show a substantial increase in 2021 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 2020 and prior years.

Key local factors that have affected the activities at TASE, in the Company's opinion[6]

1.6.1.4 Interest rate of the Bank of Israel

In 2021, the economy's interest rate remained unchanged at 0.1% (the rate set in April 2020).

The inflation rate in 2021 totaled 2.8%, the highest rate since 2009.

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, as part of the economy's recovery from coronavirus crisis and the resuming of positive growth, alongside the need to issue bonds at relatively low interest rates as a way of refinancing existing debt. The banks and non-banking credit companies extended more credit, with a corresponding increase in debt raising.

1.6.1.5 Israel's credit rating[7]

Despite the coronavirus crisis and its various implications, in May and November 2021 S&P ratified Israel's credit rating at AA- with a stable outlook, the highest-ever rating. In January and July 2021, Fitch, too, ratified Israel's credit rating at A+ with a stable outlook. In May 2021, Moody's also ratified an A1 credit rating for Israel, with a stable outlook.

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 rates[8]

In 2021, the U.S. dollar weakened by 3.3% in relation to the shekel, further to the 7% devaluation in 2020.

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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://www.gov.il/he/Departments/General/israels-credit-rating

8 https://www.boi.org.il/he/markets/foreigncurrencymarket/Pages/Default.aspx

In 2021, the euro weakened by 10.8% in relation to the shekel, compared to the 1.7% revaluation in 2020.

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.

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

1.6.1.7 In 2021, the NASDAQ 100 Index and the S&P 500 Index increased by 27%, each[9], compared to a 48% surge of the NASDAQ 100 Index and a 16% increase of the S&P 500 Index in 2020.

1.6.1.8 At the end of 2021, 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 298 billion at the end of 2021, and their average daily trading volume at the end of 2021 came to NIS 363 million a day (excluding off-exchange transactions), constituting 27% 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 Share trading on TASE in 2021 was characterized by price rises and strong trading volumes, boosted by the efficient nationwide coronavirus vaccination campaign as well as by the support of the Government and the Bank of Israel (BoI).

Trading on TASE was volatile, similarly to leading global exchanges, affected by the global spread of the coronavirus over the past two years, in waves of outbreak and abatement. 2021 was affected by the abatement of another wave (the fourth) in Israel that began in June 2021, and ended with concerns surrounding the outbreak of a new variant ("Omicron"). In 2021, prices rose across all leading indices and in late August 2021 the equity market's market cap crossed the NIS 1 trillion mark, an historic high. This year, for the first time, the market cap of each of the companies in the TA-125 Index crossed the NIS 1 billion mark.

The leading equity indices broke their pre-corona record and the market cap of the shares crossed the NIS 1 trillion mark for the first time. The TA-35 Index increased by 32% in 2021, while the TA-90 and TA-SME60 indices rose by 33% and 30%, respectively.

In 2021, TA-Construction rose by 75%, riding the surging demand for housing, TA-Banks5 rose by 68%, and TA Oil & Gas rose by 62% on the backdrop of the soaring global commodity prices.

[9] https://finance.yahoo.com/.

Technology companies, which enjoyed price hikes in 2020, reaching a historic record in December 2020, continued to rise in 2021 - the TA Tech-Elite and TA-Technology indices increased by 9% and 11%, respectively, in 2021, following their 39% surge in 2020.

It should be noted that the growing concern, at the end of 2021, surrounding the spread of a new variant had an averse effect on TA-Biomed, which in the full year 2021 dropped by 9%, after growing by 18% in 2020.

Over the past five years, 2017 to 2021, TA-Real Estate and TA-Technology have been holding the lead, with a cumulative yield of 177%, each.

1.6.3.2 Trading in equities was strong in 2021, reaching an average daily volume of NIS 1.9 billion - similar to the average daily trading volume in 2020 and 44% over the average daily trading volume in 2019, shortly before the onset of the coronavirus crisis. Trading volatility reduced in 2021 - in January and December 2021 the average daily trading volume exceeded NIS 2 billion, whereas in March and July 2021 the average daily trading volume was less than NIS 1.7 billion. The strong trading volumes in 2021 were boosted by the return of foreign investors into TASE's equity market, as reflected in BoI data: in 2021, foreign residents made net share purchases of NIS 12.9 billion on TASE, following net sales of NIS 4.8 billion and NIS 1.3 billion in 2020 and 2019, respectively.

Capital raising on the Israeli equity market totaled NIS 25.8 billion in 2021, similarly to the record amount raised from the public in 2007. Of this amount, NIS 10.5 billion was raised in 94 IPOs - representing the highest number of new issuers since 1993.

1.6.3.3 The following table shows the numbers of public offerings and total proceeds in the equity market in 2020 and 2021:

	Number of Offerings					
	2021	**2020**	**% change**	**Three months ended 31.12.2021**	**Three months ended 31.12.2020**	**% change**
Public offerings[1]	170	115	48%	31	42	(26%)
Public offerings of new companies (IPOs) included in public offerings [2]	94	27	248%	10	15	(33%)
Private placements	145	121	20%	27	33	(18%)
Total	**315**	**236**	**33%**	**58**	**75**	**(23%)**

(1) Including TASE UP.

(2) The number of new companies does not include companies that were listed without raising capital.

	Amounts Raised (NIS millions)					
	2021	**2020**	**% change**	**For the three months ended 31.12.2021**	**For the three months ended 31.12.2020**	**% change**
Public offerings [1]	18,818	12,123	55%	2,880	4,939	(42%)
Public offerings of new companies (IPOs) included in public offerings	10,490	4,616	127%	656	2,475	(73%)
Private placements	7,186	4,216	70%	1,286	1,713	(25%)
Exercise of warrants [2]	411	505	(19%)	66	282	(77%)
Total	**26,415**	**16,844**	**57%**	**4,232**	**6,934**	**(39%)**

(1) Including TASE UP.

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

In the years 2020 and 2021, 27 and 94 new companies, respectively, joined through their respective IPOs, varying both in their businesses and their size. In addition, in 2020 and 2021, 3 and 2 companies, respectively, were dual-listed and began trading in parallel on TASE. At the same time, in 2020 and 2021, 17 and 13 stock companies, respectively, were delisted. For further details see Sections 1.10.2 and 1.10.3 below.

Additionally, after the date of the Periodic Report, an additional 7 new companies performed an IPO, one company joined dual-listing on TASE, 6 supplemental prospectuses for IPOs of shares 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 2021, a change took place in high-tech companies' perception of capital raising on TASE and their acceptance into the institutional market. This year, 65% of the new issuers are high-tech companies, i.e., 52 companies from the Technology, Cleantech and Biomed Sectors and 9 R&D partnerships joined TASE, as compared to 13 high-tech companies and 5 R&D partnerships that performed an IPO in 2020.

In 2021, for a second consecutive year, most IPOs were book-building IPOs: 77 new companies carried out such IPOs in 2021, raising NIS 9.6 billion, accounting for 92% of the IPO amounts raised.

In 2021, two international underwriters led 3 global offerings in a total amount of NIS 1.5 billion that were concurrently offered to institutional investors in Israel and overseas. Jefferies led the offering of Nayax and UBS led the offerings of Retailors and Terminal X.

In the second half of 2021, 9 R&D partnerships were issued on TASE (further to the 5 issued in 2020) under the directives from May 2019 that allow the listing of R&D (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).

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.

The following table shows the yields of the main equity indices in 2020 and 2021 (percentages):

	Rate of change			Market Cap as of December 31		
	Q4 2021	2021	2020	2021 (NIS billions)	2020 (NIS billions)	
Market Cap Indices						
TA-35	9.8%	32.0%	(10.9%)	605	453	A share index of the 35 companies with the highest market capitalization on the exchange that meet the index criteria.
TA-90	13.3%	33.1%	18.1%	314	230	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	10.6%	31.1%	(3.0%)	919	682	An index that includes all the shares in the TA-35 and TA-90 Indices.
TA-SME60	9.7%	29.7%	15.6%	67	37	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	4.6%	8.7%	39.3%	269	211	An index that includes all the shares includes 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	13.2%	53.3%	(7.6%)	225	144	An index that includes all the shares includes in the following 3 sectors: banks, insurance and financial services, which meet the index criteria.
TA-Real Estate	20.5%	53.4%	(4.6%)	239	153	An index that includes the shares included in the real estate and construction sector, which meet the index criteria.
TA-Oil & Gas	15.9%	61.7%	(44.8%)	29	19	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 Trading in bonds concluded with price rises in most leading indices, similarly to the trading in the equity market and in line with the global trend. The prices of CPI-linked corporate and government bonds increased by 7% to 9%, influenced by the anticipated rise of the inflation rate in Israel. The Consumer Price Index rose by 2.8% in 2021, having dropped by 0.7% in 2020. The prices of currency-linked corporate bonds rose by 5.7% due to the anticipated revaluation of the U.S. dollar in relation to the shekel, as a result of the Bank of Israel's announcement of a US$ 30 billion dollar purchasing plan in January 2021, which has been completed, and the anticipated earlier raising of the Federal Reserve's interest rate. Price rises also characterized corporate shekel bonds - bonds included in the Tel Bond-Shekel Index rose by 3%, while the bonds included in Tel Bond-Yield Shekel rose by 6.7%, in compensation for their rating.

The exception to the rule in 2021 were fixed-interest Government shekel bonds, primarily 10-year bonds, which decreased by 6% by the end of October 2021. A turnaround started in November 2021, following the price drops in the equity market that shifted investors' preferences to more solid channels. Overall, in 2021 the prices of these bonds dropped by 4%, similarly to the trading trends in U.S. treasury bonds. The yield-to-maturity of 10-year government shekel bonds on TASE rose from 0.8% at the beginning of 2021 to 1.5% at the end of October 2021, ultimately dropping to 1.3% at the end of 2021. A similar trend characterized the 10-year U.S. treasury bonds - their yield-to-maturity rose from 0.9% at the beginning of 2021 to 1.6% at the end of October 2021 and then down to 1.5% at the end of the year. The increase in the yield-to-maturity of those bonds reflects the higher rate of inflation and the ensuing expectation of the investors of the raising of the interest rate.

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

1.6.4.2 The following table shows the yields of the main bond indices (corporate and government) in 2020 and 2021 (in percent):

	Annual Yield 2021	Annual Yield 2020	Q4 Yield 2021	Q4 Yield 2020	
Government Bonds					
CPI-Linked Government Bonds (Galil)	7.4%	1.2%	3.1%	1.7%	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)	(1.0%)	1.5%	0.9%	(0.2%)	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 [(1)]					
CPI-Linked Corporate Bonds	8.7%	0.0%	1.5%	3.4%	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	8.4%	(0.2%)	1.5%	3.7%	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	7.4%	0.1%	1.1%	2.6%	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	8.1%	(1.7%)	1.1%	3.5%	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	9.4%	(6.6%)	1.1%	4.6%	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	3.0%	(0.1%)	0.8%	2.1%	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.
Currency-Linked Bonds Corporate Bonds	5.7%	(2.8%)	(2.6%)	(1.5%)	The Currency-Linked Bonds - Corporate Index consists of all the currency-linked corporate bonds traded on TASE.

(1) Bonds listed on TASE UP and structured bonds.

1.6.4.3 The following table shows data of government bond redemptions in 2020 and 2021 (NIS billions):

	2021	2020	% change	Three months ended 31.12.2021	Three months ended 31.12.2020	% change
Shekel bonds	66.8	47.4	41%	27.3	7.2	279%
CPI-linked bonds	22.6	15.3	48%	1.8	6.6	(73%)
Total redemptions	**89.4**	**62.7**	**43%**	**29.1**	**13.8**	**111%**

1.6.4.4 The following table shows data regarding corporate bond issues in 2020 and 2021 (NIS millions and percent):

	2021		2020		Q4 2021		Q4 2020	
Total raised through corporate bonds[1]	95,092		67,513		39,965		12,257	
Of which: corporate bonds in Israel[2]	81,433	100%	54,416	100%	36,744	100%	11,005	100%
Financial sector	27,723	57%	12,147	22%	20,874	57%	1,763	16%
Within the financial sector – banks	20,044	49%	9,321	17%	18,164	49%	400	4%
Non-financial sector	53,710	43%	42,269	78%	15,870	43%	9,242	84%
Within the non-financial sector – real estate	32,057	29	26,082	48%	10,828	29%	5,985	54%
Energy and gas exploration	7,451	5%	13,930	26%	1,899	5%	9,930	90.2%
TASE UP – debt raised overseas	13,438		11,255		3,221		1,002	
Structured bonds	221		1,592		0		0	
Exercise of warrants	0		250		0		250	

(1) Excluding non-listed bonds.

(2) Includes offerings in Israel on TASE UP.

1.6.4.5 Total capital raised by way of corporate bonds on the Israeli bonds market (excluding TASE UP and structured bonds) resumed an upward trend in 2021, totaling NIS 78 billion, after dropping to NIS 52 billion in 2020 and compared to NIS 69 billion in 2019, shortly before the onset of the coronavirus crisis.

The higher raising volumes in 2021 also applied to companies in the non-financial sector, which raised NIS 52 billion from the public - 30% more than the amount raised in 2020, stemming from the resuming of production activities and the need to refinance marketable bonds in view of the low interest rate in the economy, and in financial sector companies, which raised NIS 26 billion from the public - more than double the amount raised in 2020, driven by the growing demand for banking credit and non-banking credit.

Redemptions of marketable corporate bonds (non-financial sector and financial sector) totaled NIS 46 billion this year, as compared to redemptions of NIS 53 billion and NIS 43 billion in 2020 and 2019, respectively. The increase in capital raised by the business sector, despite the drop in the volume of redemptions, testifies to the expansion of activities in the market. This year, too, capital was raised mainly for the purpose of refinancing marketable debt in 2020 and 2021 (70%) and partly in order to finance non-marketable debt towards the financing of operating activities as well as their expansion (30%).

In 2022, the Company expects redemptions to increase to NIS 52 billion - an increase that stems from series of bonds issued by the major banks.

1.6.4.6 The downward trend in the activity of foreign companies (new and old), which began in 2018, was curbed in 2021, when the scope of the debt raised through corporate bonds amounted to NIS 3.8 billion (of which NIS 2.3 billion was raised in the fourth quarter of the year), compared to the NIS 1.8 billion raised by foreign companies in 2020 (of which NIS 1 billion was raised in the fourth quarter of the year). In the opinion of the Company, a contributing factor to this trend in 2021 was the thriving of the real estate companies, driven by the resuming of positive growth.

1.6.4.7 Total corporate bond issues with a high rating from the A group and above was 85% of the total raised from issues of corporate bonds to the public in 2021, compared to an average 93% in 2019 and 2020.

1.6.4.8 In February 2021, structured bonds backed by deposits in local banks were issued in an amount of NIS 0.2 billion, compared to NIS 1.6 billion in 2020.

1.6.4.9 In 2021, the average daily trading volume of T-bills, on and off TASE, amounted to NIS 320 million, 45% less than the average daily trading volume of T-bills in 2020.

The prices of T-bills remained unchanged in 2021, for the seventh consecutive year, and the yield to maturity was also unchanged, at 0% at the end of 2021.

In 2021, local and foreign public holdings in T-bills increased, amounting to NIS 115 billion at the end of the year, compared to NIS 87 million and NIS 120 billion at the end of 2020 and 2019, respectively. The increase in the volume of T-bills issued by the Bank of Israel in 2021 is a step that is intended to curb the rise in inflation, without making changes to the interest rate.

According to the Bank of Israel data, in 2021 foreign investors purchased T-bills in an amount of NIS 34.2 billion on TASE, further to net purchases of NIS 4 billion in 2020.

1.6.5 **ETFs**[11]

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.

In 2021, 34 new ETFs were issued with a total market cap of NIS 1 billion as of the end of the year. 10 of the ETFs are on local equity indices, 21 are on international equity indices and 3 are on local corporate bond indices.

[11] 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.

The new ETFs include the first four ETFs on "green" equity indices, with an aggregate market cap of NIS 32 million: three ETFs, including a short-sale ETF, track the TA-Cleantech Index launched by the Company in November 2020. An ETF that tracks the TA-125 Fossil Fuel Free Climate Index launched by the Company in December 2020. Also among the ETFs are two ETFs tracking the TA-Construction Index launched by the Company in February 2020.

On the other hand, 9 ETFs with a market cap of NIS 120 million became tracking mutual funds, and 5 ETFs with a market cap of NIS 25 million have been liquidated and delisted.

The market cap of the 551 ETFs that were listed on TASE at the end of 2021 totaled NIS 105.5 billion, NIS 15.3 billion more than the market cap at the end of 2020.

The public float value in ETFs on local equity indices rose by NIS 9.9 billion in 2021, after a NIS 10.4 billion appreciation, which is attributed to the increase in the equity indices, was partly offset by the public's net sales of NIS 0.5 billion (primarily the sale of ETFs on TA-125).

The public float value in ETFs on international equity indices rose by NIS 3.9 billion in 2021, after a NIS 6.4 billion appreciation, which is attributed to the increase in the equity indices, was partly offset by the public's net sales of NIS 2.5 billion (primarily the sale of ETFs on MSCI AC WORLD).

Public float value in ETFs on bond indices, mainly corporate bonds on TASE, rose by NIS 1.5 billion in 2021. The NIS 1.6 billion increase in the market cap of ETFs on corporate bond indices on TASE, which is attributed to price rises, and an increase of NIS 0.4 billion in the market cap of government bonds, stemming from purchases by the public, were offset by a decrease of NIS 0.5 billion in ETFs on international bond indices originating in sales by the public.

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.

International finance group, Blackrock, was the first to list foreign ETFs for parallel trading on TASE and, commencing in August 2019, Blackrock listed 23 foreign ETFs that are also traded in international exchanges under the iShare brand name. In 2021, it was joined by Lyxor, which listed its first 3 foreign ETFs on TASE. Lyxor, a European asset management specialist, is currently Europe's third-largest ETF manager. 16 of the ETFs track international equity indices and 10 track international bond indices.

The aggregate TASE public float value in the 26 foreign ETFs was NIS 2.2 billion as of the end of 2021, NIS 1.3 billion over their value at the end of 2020. Most of the increase in value, in an amount of NIS 1.2 billion, relates to foreign ETFs on international equity indices purchased by the Israeli public.

After the reporting period, shortly before the publication of the report, 6 foreign ETFs of international management investment firm, Invesco, listed for the first time on TASE alongside the 26 foreign ETFs described above.

1.6.5.2 The following table shows data of the market capitalizations of ETFs (excluding foreign ETFs)[1] (NIS billions):

	31.12.2021	31.12.2020
ETFs on shares indices in Tel Aviv	**36.4**	**26.5**
Of which, primary indices:		
Banks in Israel Index/TA-Banks 5[2]	11.2	6.9
TA-125	9	8.6
TA-35	5.8	4.2
TA-90	5.5	3.7
ETFs on international share indices	**36.9**	**33.1**
Of which, primary indices:		
S&P 500	14.4	10.4
NASDAQ 100	6.9	5.5
S&P Technology	1.5	1.2
MSCI AC WORLD	0.7	3.2
ETFs on bond indices	**32.2**	**30.6**
Of which, primary indices:		
Tel-Bond 60	7	6.6
Tel Bond-Shekel	4.3	4.5
Tel-Bond 20	3.8	3.8
Fixed-rate government NIS	1.9	2.4
Total value of ETFs	**105.5**	**90.2**

(1) Excluding 26 foreign ETFs with a market cap of NIS 2.2 billion as of December 31, 2021.

(2) Until June 2021 – TA-Banks5.

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

	2021	2020	Q4 2021	Q4 2020
ETFs on equity indices on TASE	(0.5)	2.3	0.5	0.6
ETFs on foreign equity indices	(2.5)	(8.3)	(0.1)	0.2
ETFs on traded bond indices	(0.2)	2.2	0.3	0.6
Total	**(3.2)**	**(3.8)**	**0.7**	**1.4**

1.6.6 **The derivatives market**

1.6.6.1 In 2021, the derivatives market was characterized by more moderate volumes than those recorded in 2020, due to the lesser uncertainty and reduced volatility that had characterized trading in 2020. The trading volumes in 2021 exceeded or were similar to those recorded in 2019, shortly before the onset of the coronavirus crisis.

The average daily volume of trading in warrants on TA-35 (monthly and weekly) totaled 106 thousand units in 2021, 5% below the volume in 2020, but 9% over the trading volume in 2019.

The reduced volume of trading in these warrants in 2021 stemmed from the lesser volatility in the equity market, as reflected in the VTA35 index. The index dropped from 19 points at the beginning of the year to 11 points by mid-November 2021, settling at 15 points at the end of the year, with some fluctuations, this similarly to S&P VIX, which dropped from 23 points at the beginning of the year to 16 points by mid-November 2021, ultimately settling at 17 points at the end of the year.

The average daily trading volume of dollar warrants amounted to 47 thousand units in 2021, 13% below the volume in 2020, but 9% over the trading volume in 2019.

The reduction in the trading volumes of these warrants in 2021 was influenced by the devaluation of the U.S. dollar - the exchange rate of the U.S. dollar dropped from NIS 3.215 at the end of 2020 to NIS 3.07 as of November 17, 2021, settling at NIS 3.11 at the end of 2021.

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)

	2021	2020	% change	Three months ended 31.12.2021	Three months ended 31.12.2020	% change
Monthly options on the TA-35 Index	68	76	(11%)	75	69	9%
Weekly options on the TA-35 Index	39	36	8%	46	37	24%
Monthly and weekly dollar/shekel options	47	53	(11%)	43	49	(12%)

1.6.7 **Mutual funds**

1.6.7.1 According to Bank of Israel data, as of November 30, 2021, mutual funds constituted 7.6% of the total financial assets held by the public. According to Bank of Israel data, during the period from January 1, 2021 through December 31, 2021, the volume of creations and redemptions of mutual fund units amounted to NIS 238.6 billion. At the end of 2021, the aggregate value of mutual fund units amounted to NIS 288.5 billion, broken down as follows: 67% – mutual funds that invest in bonds traded on TASE; 10% – mutual funds that invest in equities traded on TASE; 15% – mutual funds that invest in securities traded on foreign stock exchanges; and 8% – mutual funds that invest in other investment instruments. According to data of the Securities Authority, at the end of 2021, there were approximately 1,676 mutual funds.

1.6.7.2 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)

	2021	2020	Three months ended 31.12.2021	Three months ended 31.12.2020
Funds investing in shares on TASE	4.8	(3.2)	1.8	0.5
Funds investing in bonds on TASE	28.2	(16.7)	6.3	4.1
Shekel funds	-	(1.1)	-	(0.2)
Money market funds	(5.9)	(6.1)	(1.1)	(2.0)
Funds investing in foreign securities	4.2	5.7	(0.7)	3.8
Total	**31.3**	**(21.4)**	**6.3**	**6.2**

Motivated by the markets' recovery from the coronavirus crisis and the price rises on the equity and bond markets, in 2021 the public purchased mutual funds that invest in securities traded on TASE in an amount of NIS 33 billion, primarily mutual funds that invest in bonds (NIS 28.2 billion), as well as mutual funds that invest in securities that are traded on foreign exchanges in an amount of NIS 4.2 billion.

On the other hand, due to the economy interest rate remaining unchanged in 2021, at 0.1%, the public sold money market funds in an amount of NIS 5.9 billion in 2021, further to similar sales in 2020.

As of the end of 2021, there are 570 tracking mutual funds on TASE that manage NIS 69 billion. In 2021, 110 new tracking funds were created, which raised an aggregate net amount of NIS 3.5 billion. It should be noted that in 2021 the public has made significant purchases of ETFs and tracking funds on two local equity indices: TA-90 - NIS 1,050 million, and TA-Construction - NIS 580 million.

Additionally, in 2021 the public has also made significant purchases of ETFs and tracking funds on 3 local bond indices: Tel Bond CPI-Linked A - NIS 1,230 million, Tel Bond CPI-Linked AA-AAA - NIS 460 million, Tel Bond-Composite - NIS 325 million.

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 members[12], 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.

[12] 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 22, 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"), 5 Israeli brokers (of which one is a subsidiary of an international investment house), 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.

To the date of the report, the Board of Directors of the Company approved the application of a new bank 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).

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.

1.7.2.3 TASE Members that are brokers[13]

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. 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).

1.7.2.4 NBMs operating solely for their own account (nostro)

The supervision of NBMs that operate for nostro only covers multiple areas, with corresponding qualifications being required of such members: corporate governance, stability and operational aspects. In the area of corporate governance, the controlling shareholder in such NBM must be an individual who has not been convicted of a flagrant offense and has not been declared bankrupt. Some requirements relate to the composition of the board of directors, while others relate to the appointment of functionaries and various pertinent reports. In the area of stability, an NBM operating for nostro only is required to meet minimum thresholds of equity and liquidity. In the operational spheres, such NBM is required to have in place mechanisms, means and IT systems as well as professional personnel. 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).

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

[13] It should be noted that there is no broker-dealer legislation as of the Reporting Date. However, during 2020, 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.

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 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 MTS[14] 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 privates 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.

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

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.

TASE-CH also handles the provision of operating services to the Ministry of Finance's lending pool, which is used for the lending of government bonds to market makers that have been authorized by the Ministry of Finance. Shortly before the end of May 2021, the Company and TASE-CH entered into a series of agreements with the Ministry of Finance, pursuant to which, inter alia, the term of the agreement for the management of the lending pool will be extended until December 31, 2025, and the amounts payable by the Ministry of Finance for the listing of securities that are released by the State within and outside the lending pool have been agreed upon. TASE has undertaken to take actions to amend the TASE Rules concerning the listing fees for the aforesaid securities in accordance with the provisions of the compromise. The required amendment was approved in June 2021.

For details about 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 18 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 and The Phoenix Insurance Company Ltd. serves as "custodial members" that are 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.

Nevertheless, the commencement of operations of custodial members is subject to the completion of several regulatory adjustments and technical assessments.

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]

Members of TASE Clearing House and members of MAOF Clearing House are required to deposit collateral (cash, 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 size of 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, 2021, 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.

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

16 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.

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.

To the best of the Company's knowledge, two additional nominee companies[17] 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 account for one third of all the mutual funds that are traded on TASE. Likewise, shortly before the Reporting Date, close to half of all the companies whose securities are listed on TASE (shares or bonds) make use of the services of the Nominee Company.

In recent years, 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. In 2021, the digitalization of all activities of the Nominee Company was completed, which allows the public companies that are customers of the Nominee Company a fully digitalized interaction with the Nominee Company.

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.

[17] A third nominee company became inactive in the second half of 2021.

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 2020 and 2021:

Market Capitalizations of the Securities Listed for Trade and Clearing (NIS billions)

	As of 31.12.2021	As of 31.12.2020	% change
Shares	1,125	842	34%
Bonds*	1,131	1,019	11%

* Includes structured bonds.

1.10.2 The following table sets forth data regarding changes in the number of companies with shares listed on TASE in 2020 and 2021:

	2021	2020	Three months ended 31.12.2021	Three months ended 31.12.2020
Companies listed at the start of the period	**455**	**442**	**534**	**442**
New companies added				
IPOs	94	27	10	15
Dual-listing	2	3	0	1
Other*	3	0	0	0
Total	**99**	**30**	**10**	**16**
Companies that were delisted				
Tender offers and mergers	7	10	2	3
Non-compliance with maintenance rules	3	2	1	0
Dual-listed companies delisted from TASE only	3	3	0	0
Companies in settlement/liquidation proceedings	0	2	0	0
Total	**13**	**17**	**3**	**3**
No. of companies listed at the end of the period	**541**	**455**	**541**	**455**

* A company that became a stock company following a settlement, or a split from a public company or listing without the raising of capital.

1.10.3 As of the end of 2021, 541 companies were traded on the stock exchange.

During 2021, 98 new companies were added (excluding one company split off a TASE-listed company), of which 94 companies completed IPOs. In addition, in the aforesaid period, reverse mergers were completed for 9 companies that had no material business activity. These additions were offset, in said period, by 13 companies being delisted. The market capitalization (after the issuance) of the 94 new companies listed in 2021, together with 9 companies that completed reverse mergers and 4 companies that listed without raising capital, totals NIS 49 billion. In opposition, in 2021 13 companies with an aggregate market cap of NIS 40.5 billion shortly before the delisting, which, as aforesaid, is mostly attributed to IFF, were delisted from TASE (of which companies with an aggregate market cap of NIS 0.5 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).

1.10.4 As of December 31, 2021, 52 companies are dual-listed on TASE and on exchanges in the United States or the UK as part of the dual listing arrangement (with an aggregate market cap of NIS 298 billion as of said date and an overall average daily trading volume of their shares of NIS 363 million in 2021), similarly to the number of dual listed companies as of December 31, 2020. The dual-listed companies account for 26% of the market cap and 27% of the overall trading volumes on TASE's equity market (excluding ETFs). Additionally, in 2021 the average trading volume of shares of dual-listed companies on TASE accounted for 29% of the overall trading in the shares of the dual-listed companies (on TASE and on the foreign exchanges).

In 2021, 2 companies performed dual listing on TASE, further to the 3 companies that joined dual listing in 2020.

In 2021, 3 dual listed companies with an aggregate market cap of NIS 36.4 million voluntarily delisted from TASE (substantially all of the amount, NIS 36 billion, relates to one of the delisted dual companies - IFF). In 2020, 3 dual listed companies with an aggregate market cap of NIS 0.8 billion delisted from TASE. After the reporting period, one company performed dual listing on TASE and 3 dual-listed companies announced their intention to delist their shares from TASE. It should be noted that, as a rule, the delisting of a dual-listed company from TASE is executed by resolution of the organs of the company. Accordingly, there are generally no material barriers for the delisting of a dual-listed company from TASE.

1.10.5 The following table sets forth data regarding the average daily trading volumes in the equities market in 2020 and 2021 (excluding activities attributed to ETFs):

Average Daily Trading Volumes in the Equities Market (NIS millions)

	2021	2020	% change	Three months ended 31.12.2021	Three months ended 31.12.2020	% change
Equities	1,543	1,465	5%	1,596	1,363	17%

In 2021, the average daily trading volume (excluding ETFs) amounted to NIS 1.5 billion, 5% over the average daily trading volume in 2020.Trading in 2021 was volatile: in January and December 2021, the average daily trading volume amounted to more than NIS 2 billion, while in March and July 2021 the average daily trading volume was less than NIS 1.7 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.

The activity of interested parties in 2021 was relatively high compared to 2020, which was marked by strong volatility in the equity market on the backdrop of the coronavirus crisis. Interested parties sold shares with a value of NIS 7.7 billion and purchased shares with a value of NIS 3.3 billion. The free float decreased to 61% at the end of 2021, compared to 64% at the end of 2020. The reduction in the free float stemmed primarily from the delisting, at the beginning of the year, of IFF that had a high free float rate of 77%, and from the listing of more than 100 new companies during the year, with an average free float rate of only 32%.

According to Bank of Israel data, foreign residents sold shares on TASE in a net amount of NIS 11.5 billion, from January through November 2021, compared to shares on TASE in a net amount of NIS 4.8 billion sold by foreign residents in 2020.

1.10.6 The following table sets forth data regarding the average daily trading volumes in bonds in 2020 and 2021 (excluding activities attributed to ETFs):

Average Daily Trading Volumes on the Bonds Market (NIS millions)

	2021	2020	% change	Three months ended 31.12.2021	Three months ended 31.12.2020	% change
Government bonds*	3,023	3,059	(1%)	2,973	2,596	15%
Corporate bonds* excluding ETFs	781	928	(16%)	855	822	4%
Treasury bills	320	579	(45%)	367	278	32%

* Including structured bonds.

The average daily trading volume of bonds (including ETFs) was NIS 3.9 billion in 2021 - 5% less than the volume in 2020, but 12% over the volume in 2019 - the year that preceded the coronavirus crisis.

Trading volumes of government bonds were strong, averaging a daily NIS 3 billion, similarly to the volume in 2020 and 15% over the volume in 2019. The trading volume of government shekel bonds and CPI-linked government bonds totaled NIS 2 billion and NIS 1 billion, respectively. The trading volumes in those bonds were driven by NIS 39 billion government bond purchases by the Bank of Israel in 2021, further to NIS 46 billion purchased in 2020.

In 2021, purchases of government bonds by foreign investors on TASE increased, totaling a net amount of NIS 23.9 billion, further to net purchases of NIS 17 billion in 2020, as reflected in the Bank of Israel data. The Company believes that these purchases were, among others, a result of the inclusion of the Israeli government bonds in World Government Bond Index (WGBI) in April 2020.

In 2021, for the first time, Israeli Government foreign currency bonds issued overseas were listed for parallel trading on TASE - this, as part of a joint initiative of the Accountant General in the Ministry of Finance and the Company. Within this framework, 6 series - 3 series of government dollar bonds and 3 series of government Euro bonds, aggregating NIS 41 billion, were listed for parallel trading on TASE as from October 31, 2021.

The average daily trading volume of corporate bonds (including structured bonds and ETFs) amounted to a daily average NIS 0.9 billion in 2021, 16% less than the volume in 2020 and close to the volume recorded in 2019, shortly before the onset of the coronavirus crisis. The reduction in the trading volumes is partly due to the discontinuance of the purchase of corporate bonds by BoI, already in December 2020, following purchases of NIS 3.5 billion in July through November 2020.

1.10.7 The following table sets forth data regarding the daily trading volumes from trading in ETFs[18] in 2020 and 2021 (NIS millions):

Daily Trading Volumes from Trading in ETFs (NIS millions)

	2021	2020	% change	Three months ended 31.12.2021	Three months ended 31.12.2020	% change
ETFs on equity indices	335	393	(15%)	373	307	21%
% of trading volume in equities*	18%	21%	(14%)	19%	18%	6%
ETFs on bond indices	125	148	(16%)	132	120	10%
% of trading volume in corporate bonds*	14%	14%	-	13%	13%	-

* Including activities attributed to ETFs.

In 2021, the trading volumes of ETFs in the equity market reduced, averaging a daily NIS 335 million, 15% less than the volume in 2020.

A similar trend characterized the ETFs on bond indices, which recorded an average daily trading volume of NIS 125 million in 2021, 16% less than the volume in 2020.

A contributing factor to the reduction in the trading volumes of the ETFs in 2021 were the long-term institutional investors that increased their holdings in ETFs to NIS 55 billion at the end of 2021 - 15% greater than their holdings in ETFs at the end of 2020.

In 2021, the Company launched 3 new indices: TA-Cannabis, which is based on the shares of companies that are primarily engaged in this field, TA-Dual Listing, which is based on the shares of dual-listed companies with an affinity to Israel, and TA-Retail, which is based on the shares of companies that operate retail chains of various consumer products. In addition, modifications were made to the bond indices - two of the indices were replaced with two new continuous indices and two additional bond indices were introduced.

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

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

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.

On October 27, 2021, the Accountant General in the Ministry of Finance and the Company issued a joint announcement that, pursuant to the parties' initiative, government bonds issued overseas in foreign currency that are held by the DTCC or Euroclear clearing houses can now dual list on TASE. These bonds will be traded in shekels, while the payments to the holders of the bonds (principal and interest) will be made in the currency in which the bond is denominated. Accordingly, on October 31, 2021, 3 series of government bonds denominated in U.S. dollars and 3 series of government bonds denominated in Euros, aggregating NIS 40 billion, were listed on TASE.

Additionally, the approval of the Arrangements Law (together with the approval of the State Budget for the years 2021 and 2022) contains, inter alia, an amendment to the Financial Services Law (Provident Funds), 2005 (hereafter: "the Amendment to the Provident Funds Law"). The Amendment determines that, commencing in the second half of 2022, the State will discontinue the issue of earmarked bonds to the Israeli pension funds as a means to ensure the funds' achievement of a specific target yield. Instead, the State will provide the pension funds with a "safety net" in the form of a current financial subsidy mechanism that will be paid out by the State to ensure the achievement of the target yield that has been defined, to the extent that the pension fund's investment portfolio is unable to achieve such target yield. Consequently, the pension funds are expected to channel funds that had previously been dedicated to the purchase of the earmarked bonds towards various other permitted investments. The Company believes that a part of these funds is likely to be used to invest in securities that are listed on TASE, thereby increasing the investment amounts and the trading volumes in such securities. It is also reasonable to assume that the State would require financing sources in lieu of the earmarked bonds. Therefore, the Amendment to the Provident Funds Law could also increase the volumes of debt raising through the listing of government bonds on TASE.

It should be noted that the Company's assessment with regard to the channeling of the funds by the pension funds to securities that are listed on TASE and their effect on the investment amounts and the trading volumes therein and with regard to the expansion of debt raising by way of listing of government bonds constitutes forward-looking information that is not in the control of the Company and therefore may not necessarily be realized or may be realized in a manner and to an extent different than that described above. This could come to pass, inter alia, in the event of the cancellation or deferral of the implementation of the Amendment to the Provident Funds Law, or in case that the bodies that manage the investments of the pension funds choose to focus on investment instruments and/or securities that are not listed on TASE, or in the event that the State chooses to raise debt through instruments that would not be listed on TASE.

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 and other securities trading alternatives, see Section 1.21 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.

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 recent years, these services were also expanded to the trading and clearing of hybrid bonds, in which the issuer retains the right to defer interest payments under certain circumstances without this being deemed as default, and the NLT services provided through TASE-CH were expanded to include units in investment funds that are incorporated as non-tradable limited partnerships.

1.16.1.2 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. It should be noted that, by virtue of an ad hoc provision published in October 2020, mutual funds are also permitted to hold securities that are listed for trade within this system, subject to certain restrictions. According to publications of the Israel Securities Authority, to allow further examination of the matter, it is proposed to extend the ad hoc provision until April 2023.

1.16.1.3 For details on the scope of the activities at TASE in 2020 and 2021 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.

In 2021, 3 new equity indices (TA-Cannabis, TA-Dual Listing and TA-Retail) and 4 new bond indices (TA All-Bond General, TA All-Bond CPI-Linked, TA All-Bond Shekel and TA All-Bond Floating) were launched.

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,"[19] while the flagship indices (such as TA-35 and TA-125) include the shares that meet the criteria of the "Rimon Universe"[20] .

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.

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19 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.

20 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.

On May 20, 2021, an application was received from the Association of Managers of Joint Investment in Trust Funds, requesting the Company to approve the replacement of the tracking instrument of mutual funds that track the banks index prepared by the Company (hereafter: "**the Bank Funds**") with an alternative index that is to be prepared and published by another company that is engaged in the calculation and editing of indices (hereafter: "**the Replacement Index**"). In coordination with the Israel Securities Authority, the process of adjusting the composition of the Bank Funds' assets to the replacement index will be carried out gradually, in six steps, over the period from June to August 2021. On May 30, 2021, the Board of Directors of the Company approved the Replacement Index as a tracking index for ETFs, including for the bank funds, and the process for the adjustment of the composition of the bank funds' assets has been completed on schedule.

As stated above, the Company does not generate material direct revenue from the preparation of indices. Accordingly, the aforesaid move did not have a material adverse effect on its business results.

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. The shares on which options have been launched were selected from among the shares included in the TA-125 Index that meet liquidity criteria specified with regard to the average daily trading volume amount and the average daily number of transactions.

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 the TASE members, 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, at a delay or at the end of the trading day. 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 an external 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. As of Reporting Date, the Company had entered into co-location agreements with eight customers and eight units and nine half units have been rented; the Company is continuing its efforts to rent out additional racks.

1.16.7.3 Additional data products

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. In June 2021, an approval was received from the Israel Securities Authority for the structure of rates that the Company is permitted to charge for the distribution of detailed trading data that include the book of orders' entries (market by order), in various formats, based on the type of customer and the scope of the requested information package.

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**

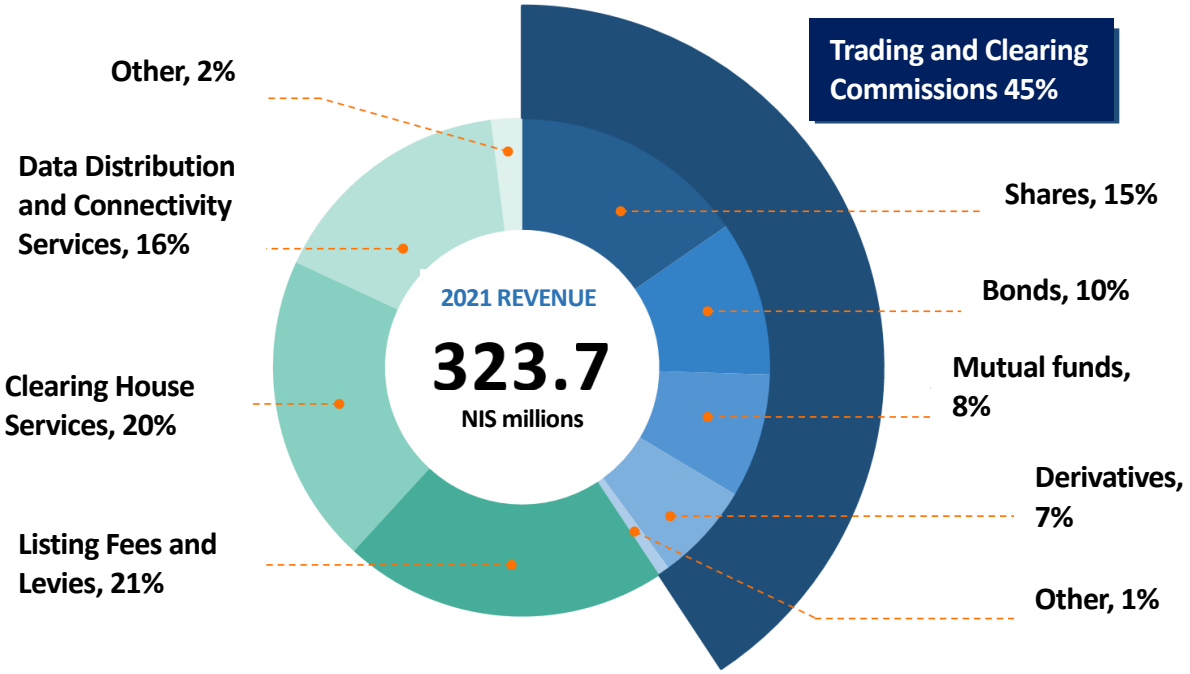
As of Reporting Date, the Company collects from its members, among other things, trading and clearing commissions on buying and selling securities and collects from issuers its review fees for reviewing prospectuses for private offerings, as well as listing fees for listing securities and annual fees 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.

During 2021, 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 323.7 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, the Clearing Houses and the Nominee Company.

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. In addition, the Company charges from the subsidiaries initiation fees or pays them balancing fees, based on the profitability index calculated 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.

In 2021, , the model was examined and validated for 2021. As part of the examination, it was decided that the process of dividing the economic profit between the Company and its subsidiaries will continue to be calculated as a percentage of the Company's revenues. The economic profit margin and the distribution of the mixed-income were validated in accordance with a recent market survey. On May 20, 2021, the Company's Board of Directors approved the updated distribution model.

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, 2021, 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 2021 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)[21]; (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 and connectivity services).

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 2020 and 2021, see Section 1.1 of the Board of Directors' Report for 2021, which is included in this Periodic Report.

1.17.4 **Presented below is a breakdown of the Company's revenue from the above product groups in 2020 and 2021 (NIS millions):**

	2021		2020		Three months ended 31.12.2021		Three months ended 31.12.2020	
	Revenue	% of Company's total	Revenue	% of Company's total	Revenue	% of Company's total	Revenue	% of Company's total
Trading and clearing commissions	131.1	41%	136.5	45%	36.6	43%	33.5	43%
Listing fees and levies	69.1	21%	59.9	19%	17.4	20%	15.3	20%
Clearing House services	65.5	20%	57.4	19%	17.6	20%	15.0	19%
Data distribution and connectivity services	52.3	16%	48.4	16%	13.5	16%	12.9	17%
Other	5.7	2%	2.1	1%	0.6	1%	0.8	1%
Total	**323.7**	**100%**	**304.3**	**100%**	**85.7**	**100%**	**77.5**	**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 and Mutual Funds[1] (NIS billions)

	As of 31.12.2021	As of 31.12.2020	% change
Shares	1,200	903	33%
Corporate bonds	458	419	9%
Government bonds –- shekel[2]	364	351	4%
Government bonds – linked and other[3]	341	280	22%
Treasury bills	115	87	32%
Mutual funds	292	239	22%

(1) Value of the mutual funds' assets, as recorded in the in TASE Clearing House.
(2) Including "Shahar" fixed-interest shekel bonds and short-term government bonds.
(3) Includes CPI-linked bonds, "Gilon" variable-interest shekel bonds and global government bonds (currency linked).

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

	2021	2020	% change	Three months ended 31.12.2021	Three months ended 31.12.2020	% change
No. of trading days	244	248	(2%)	65	66	(2%)
Shares	1,878	1,858	1%	1,969	1,670	18%
Corporate bonds	906	1,076	(16%)	987	942	5%
Government bonds – shekel(1)	1,868	1,959	(5%)	1,962	1,682	17%
Government bonds – linked(2)	1,155	1,100	5%	1,011	914	11%
Treasury bills	320	579	(45%)	367	278	32%
Mutual funds	890	1,055	(16%)	952	882	8%

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

(2) Including CPI-linked bonds, "Gilon" variable-interest shekel bonds and global government bonds (currency linked).

Average Daily Volume of Contracts (thousands of units)

	2021	2020	% change	Three months ended 31.12.2021	Three months ended 31.12.2020	% change
Derivatives on the TA-35 Index	106.4	112.1	(5%)	120.8	106.6	13%
Derivatives on foreign currency	47.9	55.0	(13%)	43.8	50.5	(13%)
Derivatives on individual shares	5.0	3.0	67%	3.4	2.8	21%
Total derivatives	**159.3**	**170.1**	**(6%)**	**168.0**	**159.9**	**5%**

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

	2021	2020	% change	Three months ended 31.12.2021	Three months ended 31.12.2020	% change
Shares	49,538	49,150	1%	13,956	12,373	13%
Corporate bonds	15,674	18,573	(16%)	4,657	4,462	4%
Government bonds – shekel [1]	8,817	9,116	(3%)	2,478	2,108	18%
Government bonds – linked and other [2]	8,022	8,022	-	1,950	1,776	10%
Treasury-bills	2,104	2,920	(28%)	652	481	36%
Mutual funds	26,054	26,594	(2%)	7,015	6,768	4%
Other	299	135	121%	95	31	206%
Derivatives on indices	15,067	16,242	(7%)	4,560	4,088	12%
Derivatives on foreign currency	4,088	4,910	(17%)	995	1,199	(17%)
Derivatives on individual shares	1,453	789	84%	267	201	33%
Total revenue from trading and clearing	**131,116**	**136,451**	**(4%)**	**36,625**	**33,487**	**9%**

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

(2) Including CPI-linked bonds, "Gilon" variable-interest shekel bonds and global government bonds (currency linked).

Average Commission on Trading Value/on Value of Creations/Redemptions of Mutual Funds[1] (percent)

	2021	2020	% change	Three months ended 31.12.2021	Three months ended 31.12.2020	% change
Shares	0.01081%	0.01067%	1%	0.01090%	0.01123%	(3%)
Corporate bonds	0.00709%	0.00696%	2%	0.00726%	0.00718%	1%
Government bonds – shekel[2]	0.00193%	0.00188%	3%	0.00194%	0.00190%	2%
Government bonds – linked and other [3]	0.00285%	0.00294%	(3%)	0.00297%	0.00294%	1%
Treasury bills	0.00269%	0.00203%	32%	0.00273%	0.00262%	4%
Mutual funds	0.01200%	0.01016%	18%	0.01134%	0.01163%	(3%)

(1) 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.

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

(3) Including CPI-linked bonds, "Gilon" variable-interest shekel bonds and global government bonds (currency linked).

Average Commission per derivative (NIS)						
	2021	2020	% change	Three months ended 31.12.2021	Three months ended 31.12.2020	% 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

Average Monthly Value of Assets in Custodianship Used to Calculate Custodian Fees (approximation, NIS billions)						
	2021	2020	% change	3 months ended Dec. 31, 2021	3 months ended Dec. 31, 20210	% change
Asset value	2,975	2,491	19%	3,131	2,206	20%

Revenue from Clearing House Services (NIS thousands)						
	2021	2020	% change	Three months ended 31.12.2021	Three months ended 31.12.2020	% change
Custodian fees	32,221	26,676	21%	8,500	6,983	22%
Clearing House services for members/company events	28,163	25,805	9%	7,803	6,733	16%
Other	5,121	4,972	3%	1,275	1,290	(1%)
Total revenue from Clearing House services	**65,505**	**57,453**	**14%**	**17,578**	**15,006**	**17%**

Average Commission from Custodian Fees* (in percent and annualized)					
2021	2020	% change	Three months ended 31.12.2021	Three months ended 31.12.2020	% change
0.00108%	0.00107%	1%	0.00109%	0.00107%	2%

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

1.17.5.3 Listing and examination fees and annual levies

Average Number of Companies/Funds Weighted Annually/for the Interim Period*

	2021	2020	% change	Three months ended 31.12.2021	Three months ended 31.12.2020	% change
Number of companies*	535	527	2%	530	524	1%
Number of funds	2,210	2,142	3%	2,208	2,135	3%

* 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)

	2021	2020	% change	Three months ended 31.12.2021	Three months ended 31.12.2020	% change
Annual levies from companies	11,547	11,039	5%	2,859	2,740	4%
Annual levies from funds	16,335	16,225	1%	4,067	3,923	4%
Annual levies of Nominee Company and others	5,178	3,067	69%	1,339	794	69%
Total revenue from annual levies	**33,060**	**30,331**	**9%**	**8,265**	**7,457**	**11%**

Average Weighted Revenue from Levies for the Period (NIS thousands)

	2021	2020	% change	Three months ended 31.12.2021	Three months ended 31.12.2020	% change
Companies	21.6	20.9	3%	5.4	5.2	4%
Funds	7.4	7.6	(3%)	1.8	1.8	-

Revenue from Listing and Examination Fees (NIS thousands)						
	2021	2020	% change	Three months ended 31.12.2021	Three months ended 31.12.2020	% change
Examination fees	8,986	6,843	31%	2,223	1,992	12%
Listing fees – companies – shares, bonds and ETFs	31,388	21,570	46%	9,295	6,443	44%
Listing fees – government bonds[(1)]	5,812	5,881	(1%)	1,453	1,578	(8%)
Listing fees – treasury bills	916	707	30%	259	203	28%
Levies and examination fees from members	290	133	118%	131	80	64%
Other	162	218	(26%)	18	94	(81%)
Effect of implementing IFRS 15	(11,558)	(5,796)	99%	(4,204)	(2,558)	64%
Total revenue from listing and examination fees	**35,996**	**29,556**	**22%**	**9,175**	**7,832**	**17%**

(1) Government bonds, including swap transactions. Commencing in 2021, includes fees for the listing of government bonds on the Ministry of Finance's lending pool.

Recognition of deferred income from listing fees over a period of three years following the reporting period
(NIS in millions)

	Total deferred income from listing fees as of 31.12.2021	Total deferred income recognizable in the three-month period ending on				Total deferred income recognizable in the twelve-month period ending on		Total deferred income from listing fees as of 31.12.2024
		March 31, 2022	June 30, 2022	Sept. 30, 2022	Dec. 31, 2022	Dec 31, 2023	Dec 31, 2024	
Listing fees – companies - shares*	33.8	1.0	1.0	1.0	1.0	3.8	3.5	22.5
Listing fees – companies - bonds*	36.6	2.9	2.7	2.6	2.4	8.1	6.0	11.9
Listing fees - ETFs	28.5	1.2	1.2	1.1	1.1	4.2	3.9	15.8
Listing fees – government bonds	11.3	1.2	1.2	1.1	1.1	2.1	1.3	3.3
Listing fees – treasury bills	0.4	0.2	0.1	0.1	0.0	0.0	0.0	0.0
Total	**110.6**	**6.5**	**6.2**	**5.9**	**5.6**	**18.2**	**14.7**	**53.5**

* Including bonds listed on TASE UP.

Value of Issuances Used to Calculate the Listing Fees[1] (NIS, in millions)

	2021	2020	% change	Three months ended 31.12.2021	Three months ended 31.12.2020	% change
Companies – shares, bonds and ETFs[2]	182,966	118,413	55%	50,434	34,905	44%
Government bonds[3]	157,956	164,779	(4%)	55,418	45,026	23%
T-bills	130,926	100,924	30%	36,992	28,990	28%

(1) Value on listing date of a security, used to calculate the listing fees, as prescribed in the TASE Rules.
(2) The actual amount raised in the one-year period ended December 31, 2021 and December 31, 2020 and in the three-month periods ended December 31, 2021 and December 31, 2020 amounted to NIS 124.9 billion, NIS 91.5 billion, NIS 45.2 billion and NIS 25.0 billion, respectively.
(3) Government bonds, including swap transactions. Commencing in 2021, listing fees on government bonds will be charged based on a new pricelist, as signed between the Company and the State of Israel's Ministry of Finance, which provides for the payment of a fixed amount over the entire period set out in the agreement, rather than a percentage of the amount raised (for additional details, see section 1.7.3.1 above).

Number of Issuances						
	2021	2020	% change	Three months ended 31.12.2021	Three months ended 31.12.2020	% change
Number of share issuances[1]	170	115	48%	31	42	(29%)
Number of new issuers of shares[2]	94	27	248%	10	15	(33%)
Number of new (dual listed) companies	2	3	(33%)	0	1	(100%)

(1) Including shares listed on TASE UP.
(2) Excluding companies listed without raising capital.

Number of Issuances and Volumes Raised (NIS millions)						
	2021	2020	% change	Three months ended 31.12.2021	Three months ended 31.12.2020	% change
Amount raised in share IPOs of new issuers	10,490	4,616	127%	656	2,480	(74%)
Number of corporate bond offerings to the public	177	145	22%	57	37	54%
Number of corporate bond offerings to the public by new companies	5	1	400%	1	1	-
Amount raised in bond offerings by new issuers	364	100	264%	105	100	5%

Average Receipts from Listing Fees (per period and in percent)

	2021	2020	% change	Three months ended 31.12.2021	Three months ended 31.12.2020	% change
Companies – shares, bonds and ETFs[1]	[2]0.0172%	0.0182%	(5%)	0.0184%	0.0185%	(1%)

(1) Commencing in 2021, listing fees on government bonds will be charged based on a new pricelist, as signed between the Company and the Ministry of Finance, which provides for the payment of a fixed amount over the entire period set out in the agreement, rather than a percentage of the amount raised (for additional details, see section 1.1 above).

(2) The reduction in the average rate of receipts from listing fees reflects material offerings on TASE UP, as well as the effect of the maximum commission in the listing fees on shares and stock convertibles.

1.17.5.4 Data distribution and connectivity services

Revenue from data distribution and connectivity services (NIS, in thousands)

	2021	2020	% change	Three months ended December 31, 2021	Three months ended December 31, 2020	% change
Data terminals in Israel charged monthly – business customers	16,221	16,416	(1%)	4,114	4,056	1%
Data terminals in Israel charged monthly – private customers	3,233	3,703	(13%)	632	956	(34%)
Data terminals overseas charged monthly	7,165	5,559	29%	1,911	1,409	36%
Quote generator	1,998	1,697	18%	486	483	1%
Data terminals according to extent of use and information files	10,971	9,066	21%	3,110	2,814	11%
Indices and data	3,093	3,189	(3%)	742	927	(20%)
Connectivity services	9,587	8,778	9%	2,521	2,227	13%
Total revenue from data distribution and connectivity services	**52,268**	**48,408**	**8%**	**13,516**	**12,872**	**5%**

Average Number of Data Terminals Charged Monthly per Period						
	2021	2020	% change	Three months ended 31.12.2021	Three months ended 31.12.2020	% change
In Israel – for business customers	7,551	7,559	0%	7,658	7,471	3%
In Israel – for private customers	7,698	8,816	(13%)	6,015	9,106	(34%)
Overseas	5,017	4,560	10%	5,141	4,843	6%
Quote generators	286	285	0%	267	329	(19%)
Total	**20,552**	**21,220**	**(3%)**	**19,081**	**21,749**	**(12%)**

1.17.5.5 Other revenue

Other Revenue (NIS thousands)						
	2021	2020	% change	Three months ended 31.12.2021	Three months ended 31.12.2020	% change
Rent and Conference Center	1,382	1,095	26%	532	279	91%
Ministry of Finance(1)	3,846	-	-	-	-	-
Other	484	972	(50%)	36	549	(93%)
Total other revenue	**5,712**	**2,067**	**176%**	**568**	**828**	**(31%)**

(1) A compromise amount in respect of listing fees on government bonds lent on the lending pool of the Ministry of Finance until December 31, 2020, in accordance with an agreement signed between the Company and the Ministry of Finance in May 2021.

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

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. In 2021, no revenue was recognized in respect of the use of the Central Lending Platform. Nevertheless, the Company believes that as more "custodian members" join the Clearing Houses and connect directly to the clearing systems for non-banking Clearing House members, the demand for this product will grow.

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, 2021, 23 foreign ETFs managed by Blackrock and 3 foreign ETFs managed by Lyxor were listed on TASE. After the reporting period, 6 foreign ETFs of international management investment firm, Invesco, listed for the first time on TASE alongside the 26 foreign ETFs described above.

Nevertheless, with respect to the majority of foreign issuers and foreign ETFs, the application of dual listing arrangements requires legislation amendments. On February 22, 2022, the Ministry of Finance published Draft Regulations for Joint Investments in Trust (Offering of Units by a Foreign Fund), 2022. The Draft Regulations propose that, for the purpose of the listing for trade in Israel of foreign ETFs, authorized foreign exchanges will not be derived from the list of exchanges provided in the addendums to the Securities Law for the arrangement of dual listing; instead, the Israel Securities Authority will consider the foreign exchange on which the foreign ETF is traded. The consideration will be based on various quantitative parameters, such as volume of trading, number of traded funds, and the value of assets in each exchange, alongside reliance on the relevant laws that apply to the foreign ETF and the acquaintance with the regulator of each exchange.

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 2021, TASE-CH launched 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.

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.

In 2021, 9 such partnerships were 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.

On May 30, 2021, the Israel Securities Authority published highlights for investors in public R&D partnerships, primarily concerning a list of details, characteristics and disclosures in the offering prospectus that should be considered when contemplating an investment of this type. Some of the aforesaid matters relate to topics and aspects that the Israel Securities Authority intends to provide for in its draft proposal for the amendment of the TASE Rules as applicable to the terms for the listing of public R&D partnerships. Additionally, in July 2021 the Israel Securities Authority approved various amendments to the terms of listing of public limited partnerships which, among others, adopt and implement some of the changes that have been proposed by the Authority. Within this framework, the minimum capital raising required of a public partnership was raised - with a corresponding increase in the requisite investment by the general partner, the lockup period that applies to the holdings of the general partner was extended, and additional disclosure requirements were introduced for prospectuses that relate to projects in which the public partnership intends to invest the prescribed minimum amount and for the manner of investment of the monies raised by the public partnership pending the execution of the investments.

1.18.5 **"Smart Personal Portfolio"**

In November 2021, the Company entered into an agreement with a third party (hereafter: "the Vendor") that provides algorithm analysis products and AI services for the analysis of public information on securities (including trading data, investment houses' buy/sell recommendations, analyses and more). The agreement entitles the Company to incorporate the results of the analyses performed by the Vendor on the Company's website (after certain adjustments for the identification and processing of information relating to securities that are traded on TASE), for the benefit of the users of the Company's website. Similar products are available to investors in international exchanges, mainly retail investors, and as such the product is intended to encourage the volumes of activities of those investors in securities (including mutual fund units) that are listed on TASE. The development and integration period of the product is estimated at 9 months. The initial period of the agreement will be three years from the date of integration of the product, during the first two of which the right of use of the Vendor's product will be exclusive. It should be noted that the Company is not expected to capitalize the development and integration costs, but rather will expense them on a current basis over said period.

The information presented above, insofar as it related to the development and integration period of the product and to the scope of the investment therein constitutes forward-looking information that is not in the control of the Company and that could, therefore, realize other than as described above, inter alia, due to delays in the product's development and integration and/or due to the actual investment required for the development, integration and marketing of the product exceeding the planned costs.

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 and Clearing House services, 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.

	2021		2020	
	Revenue – in NIS thousands	**% of the Company's total revenue**	**Revenue – in NIS thousands**	**% of the Company's total revenue**
TASE member A	42.0	12.97%	42.4	13.93%
TASE member B	41.8	12.91%	40.7	13.37%
TASE member C	35.7	11.0%	35.8	11.76%

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. In December 2021, the Company aired an advertising campaign on sports channels and social media, within the framework of its sponsorship of the Israeli Premier Football League, starring Premiere League football players. The campaign will run on the sports channels and social media until the end of the football leagues season in May 2022.

In the second quarter of 2021, the Company launched an advertising campaign on various media channels (Internet, social media, billboards and commercial TV channels), that encourages the public to compare the trading fees charged by banks to those charged by investment houses. The budget for this move totaled NIS 3.8 million.

Overall, the Company's marketing and distribution costs amounted to NIS 11,203 thousand in 2021, compared to NIS 11,098 thousand in 2020.

In the first quarter of 2022, the Company launched two new advertising campaigns on digital media and/or traditional media, at a total cost of NIS 3,700 thousand.

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 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 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 of derivatives 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.

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).

On August 2, 2021, a related bill was published in the records, consisting primarily of the arrangements described above and 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, the Israel Securities Authority published a paper with the text of the terms for a general permit to offer Trading Services in Securities, which sets 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.

To the best of the Company's knowledge, pursuant to the Israel Securities Authority's announcement, shortly before the publication date of the report more than 100 entities received a general permit, mostly foreign exchanges and foreign brokers, and, as noted by ISA, in light of the ad hoc provision, more entities will likely be eligible for such 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.

In 2021, following the completion of the Committees' work, the Israel Securities Authority established dedicated teams within the Authority to discuss those matters. To the best of the Company's knowledge, to the publication date of the report, the matter is being discussed by a dedicated team in the Ministry of Finance.

It should be noted that, 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.

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 2021, the average number of daily orders on the continuous trading system amounted to approximately 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, on floor is vacant and available for rent and/or for future use.

1.24.2 In April 2021, the Company entered into an agreement with a foreign state for the rent of one floor at the TASE building, to serve as the offices of the foreign state's embassy. The first rent period was set at two years commencing on April 18, 2021.

1.24.3 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 214.9 million and NIS 210.5 million as of December 31 2020 and December 31, 2021, 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, 2021, which are included in this Periodic Report.

1.24.4 The depreciated cost of the right-of-use assets in the Company's books amounted to NIS 49.8 million and NIS 60.1 million as of December 31 2020 and December 31, 2021, respectively (including leased land amounting to NIS 38 million as of December 31, 2020 and NIS 37.7 million as of December 31 2021, 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 65.4 million and NIS 62.5 million as of December 31 2020 and December 31, 2021, respectively.

1.24.5 The Company owns various equipment, including storage systems, communications equipment, various control systems, multimedia systems, computer equipment, cooling systems, elevators, generators, etc.

1.24.6 For further details regarding the Company's fixed assets, see note 11 to the Company's consolidated financial statements as of December 31, 2021, which are included in this Periodic Report.

1.24.7 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 121.1 million and NIS 128.7 million as of December 31, 2020 and December 31, 2021, 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 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.

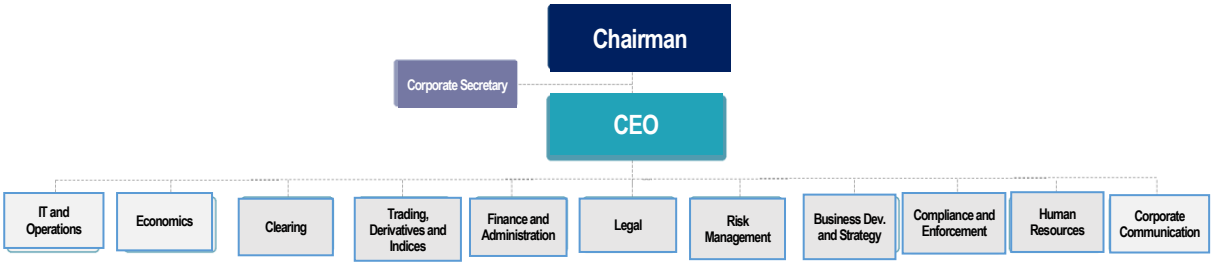
1.25.3 For further details regarding the intangible assets of the Company, see note 12 to the Company's consolidated financial statements as of December 31, 2021, which are included in this Periodic Report.

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 shortly before the publication date of the report:**



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	
	31.12.2021	31.12.2020
Bureau of the Board Chairman and the CEO	2	2
Corporate Secretary	2	2
Trading, Derivatives and Indices	12	11
Economics	29	29
Clearing and Listings	23	24
IT and Operations	115	113
Business Development and Strategy	7	8
Finance and Administration	30	28
Legal	3	3
Risk Management	18	18
Compliance and Enforcement at TASE and the Clearing Houses	9	10
Communications and Public Relations	2	3
Human Resources	5	4
Total	258	256

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. The Company has appointed a Corona Officer to oversee the enforcement of the rules and guidelines in the organization and keeps advised of related developments and Government resolutions, while ensuring full functionality, including the maintenance of full and regular trading and clearing activities throughout the pandemic.

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 1.26.13 below) and its officers in accordance with the compensation plans described below.

1.26.8.1 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 adjustments[22], 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, 2021, which are included in this Periodic Report.

1.26.8.2 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 adjustments[23]. 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, 2021, which are included in this Periodic Report.

1.26.8.3 To the date of publication of this report, officers who report to the CEO exercised 3,127,909 warrants, by virtue of which they were allotted 1,974,965 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 71,399 unvested warrants have expired following the retirement of the 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

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22 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.

23 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.

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 was 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 various targets were determined based on the Company's budget and work plan for 2021 and approved in the first quarter of 2021. The quantitative bonus amount paid to each of the officers was calculated based on the results as per the Company's financial statements for 2021. The qualitative bonus amount granted to each of the officers was determined by the Audit Committee and the Board of Directors, based on the criteria that are set out in the 2021-2023 Compensation Policy. Following the approval of the Company's financial statements as of December 31, 2021, the payment of the bonuses under the 2021 bonus plan to 10 officers (excluding the former Chairman of the Board of Directors, who stepped down in 2021), in a total amount of NIS 3,335 thousand was also approved.

1.26.9 **Bonus Plan for 2022**

Pursuant to the approval of the 2021-2023 Compensation Policy and based on its principles, on March 20, 2022 (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 2022 (hereafter: "the 2022 Bonus Plan") to all officers of the Company, excluding directors and including the Chairman of the Board of Directors. According to the 2022 Bonus Plan, the maximum annual bonus for 2022 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 various targets will be determined based on the Company's budget and work plan for 2022 and will be approved by the end of the first quarter of 2022. 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 2022.

1.26.10 **Retirement Bonus to the former Chairman of the Board of Directors**

On June 29, 2021, Mr. Amnon Neubach notified the Company of his decision on the early termination of his office as a director and Chairman of the Board of Directors of the Company (and of subsidiaries of the Company) and his wish to step down on August 1, 2021. Consequently, the Board of Directors of the Company, after obtaining the approval of the Compensation Committee in its capacity as Compensation Committee, decided to approve the payment of a retirement bonus to Mr. Neubach in an amount of NIS 700 thousand (before VAT), in appreciation of Mr. Neubach's many years of service. For further details, see the Company's immediate report dated July 21, 2021 (reference no. 2021-01-056269). The information that is provided in said report is included herein by way of reference. On August 31, 2021, the general meeting approved the payment of the retirement bonus.

1.26.11 **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. Shortly before the date of the report, 4,979,281 ordinary shares of the Company with no par value are held on behalf of the Company's employees and service providers, as above.

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, 2021, which are included in this Periodic Report.

1.26.12 **The Company's Senior Officers**

1.26.12.1 For details regarding the terms of engagement with the former Chairman of the Board of Directors, Mr. Amnon Neubach, see Article 21 of Part Four - Additional Information on the Company. Further to Mr. Amnon Neubach's announcement of his early termination of his office, on July 6, 2021, the Board of Directors of the Company decided to appoint Mr. Arik Steinberg as Interim Chairman of the Board of Directors of the Company (and the Clearing Houses), concurrently with the initiation of a process for locating candidates for permanent appointment as Chairman of the Board of Directors through the Nominations Committee of the Company's Board of Directors. At the conclusion of this process, on December 2, 2021 the Nominating Committee decided to recommend the appointment of Mr. Steinberg as Chairman of the Board of Directors of the Company, and on December 5, 2021 the Board of Directors of the Company approved the recommendation of the Nominating Committee to appoint Mr. Steinberg as Chairman of the Board of Directors of the Company. To the date of the report, special terms of office have not yet been set for Mr. Steinberg with respect to his service as Chairman of the Board of Directors and he is entitled to directors' remuneration as is customary in the Company. For additional information, see Article 21 of Part Four – Additional Information on the Company. Once the terms of office of Mr. Steinberg are agreed upon, all of the approvals that are required by law therefor will be obtained, including the setting of a five-year office term, in accordance with the provisions of Section 50B6.(b) of the Securities Law.

1.26.12.2 For details regarding the terms of employment and office of Mr. Ittai Ben-Zeev, who serves as CEO of the Company (including the CEO retention plan), see Article 21 of Part Four - Additional Information on the Company.

1.26.12.3 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.

1.26.13 **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:

1.26.13.1 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**").

1.26.13.2 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.

1.26.13.3 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 (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. To the date of the report, management of the Company is discussing the formulation of a new collective agreement with the employees committee.

1.26.14 **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, 2021 through July 31, 2022, with a liability limit of US $40 million per event and in total for the insurance period, in consideration for a premium totaling

US $268 thousand (the "**Current Policy**"). The maximum deductible in the current policy (payable by the Company alone) is US$ 400 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.

1.26.15 **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, 2021, 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.

1.26.16 **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, 2021, the Group's current assets – excluding assets relating to clearing operations with respect to open positions – amounted to NIS 415 million, compared to NIS 366 million as of December 31, 2020. Assets relating to clearing operations with respect to open positions as of the above dates amounted to NIS 665 million and NIS 353 million, respectively. The change in the total as of December 31, 2021, relative to December 31, 2020, is primarily due to the "Cash and cash equivalents" item. For further details, see Section 1.2 of the Board of Directors' Report for 2021, which is included in this Periodic Report.

1.28.2 As of December 31, 2021, the Group's current liabilities – excluding liabilities relating to clearing operations with respect to open positions – amounted to NIS 91 million, compared to NIS 75 million as of December 31, 2020. Liabilities relating to clearing operations with respect to open positions as of the above dates amounted to NIS 665 million and NIS 353 million, respectively.

The change in the total as of December 31, 2021, relative to December 31, 2020, is primarily due to the "Trade payables" item, the "Current maturities of lease liabilities" item and the "Deferred income from listing fees and levies" item (for further details, see Section 1.1 of the Board of Directors' Report for 2021, which is included in this Periodic Report.

1.28.3 The working capital from the Group's operating activities as of December 31, 2021 and December 31, 2020, amounted to NIS 324 million and NIS 291 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, 2021 and December 31, 2020 was approximately 4.8 and 4.1, 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, 2021, 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, 2021, 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 2016 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.[24] 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

[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.

manner that will allow for comparison to be been made between the commissions. For this purpose, 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 "**c**ompliance 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 Authority[25].

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.

[25] 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.

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 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)), which ended in 2021.

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 in 2017, 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.

1.35 Legal Proceedings

1.35.1 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. Shortly before the end of May 2021, the parties entered into a series of agreements concerning the management of the lending pool of government bonds for the Ministry of Finance. Within this framework, the parties reached a compromise in the dispute that is the cause of this claim, pursuant to which, against the withdrawal of all of the Company's contentions against the Ministry of Finance under this claim, for the period until December 31, 2020 the Company will be paid a settlement amount of NIS 3,846 thousand (plus VAT). As the Company has not previously recognized in its financial statements revenue from the listing fees that are covered in this claim, the settlement amount has been fully recognized as gain (before tax) in the hands of the Company in its financial statements for the second quarter of 2021 and included under "other income" (this, in addition to the recognition of revenue from the listing of securities that were issued by the State in the period from January 1, 2021 and thereafter, as described in section 1.7.3.1 above).

1.36 Goals and Business Strategy

1.36.1 In recent years, the Company's operating strategy, in accordance with the five-year strategic plan approved in March 2017, 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 Formulation of a new strategic plan

As five years have elapsed since the approval of the Company's previous strategic plan and on the backdrop of the advancement in the implementation of the key goals included therein, and in view of the business challenges and opportunities faced by the Company, in February 2022 the Board of Directors was presented with the principals of the strategic brainstorming initiated by management of the Company, which is expected to be presented to the Board of Directors for discussion and full reapproval in the second quarter of 2022.

In preparation for the formulation of an updated strategic plan and taking into consideration the main trends and developments in the financial markets and in the business environment of the Company, four primary courses of action have been defined for the strategic review.

1.36.2.1 Enhancing the value offered by the core activity of TASE - The Company attributes significant strategic value to further enhancement and upgrading of its core activities (trading and clearing, listing services and annual fees, Clearing House services, data distribution and connectivity) and to increasing the value that it offers in the various segments.

1.36.2.2 Strengthening the ties between TASE and the end customers - The Company maintains current work interfaces with a broad range of customers. Some of those interfaces are direct, while others are maintained in cooperation with the TASE members or other third parties. The global technological and regulatory developments challenge the current work processes and could also affect the relationship between the Company and the end users, particularly those that invest in securities and financial instruments as part of the trading on TASE, through the TASE members.

1.36.2.3 Diversification of the underlying assets that are traded and cleared on TASE - Over recent years, various regularization regimes, technological improvements and investors' preferences have resulted in the development and growth of other financial assets for which TASE does not currently provide services, or has provided services sporadically. The Company intends to consider the feasibility and upgrade the quality of the services and the scope of activity in order to allow local investors better access (direct or indirect) to innovative and specialized products, including various alternative assets and/or digital assets. The Company will continue to pursue the creation of easy access to and direct offer of a broader range of international investment channels to the local investor. In addition, the Company will examine the need to upgrade the local Derivatives Market, including expansion of the range of products that is available to the various investors.

1.36.2.4 Provision of services and technological solutions - The Company develops proprietary trading technologies and infrastructure. In view of the specialized technological capabilities of the Company, the related experience accumulated in the Company and its interest to develop additional products for its customers, the Company is considering various alternatives for providing technological services and solutions to third parties, such as international exchanges and clearing houses.

All of the courses of action described above, including the strategic plans that may be derived from the four principal courses of action will require a corresponding adjustment of internal processes in the Company and the improvement of existing work methodologies and mechanisms. Additionally, a successful implementation of the strategic plans may require significant structural and fundamental moves, subject to the regularization restrictions that apply to the activity of the Company and depending on the ability of the Company to make sufficient dedicated resources available for this purpose. Furthermore, it should be noted that, as part of the implementation and advancement of its strategic goals, the Company intends to consider the implementation of a plan for strategic purchases and/or investments in its areas of activity and/or in areas that offer added value to its activity.

It should be noted that, within the framework of the process of formulation of the new plan, and since the plan is for a period of five years, the Company is planning to consider various alternatives for optimal use of its cash balances, including 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.

It is hereby emphasized that all of the courses of action described above are currently in the consideration stage and serve only as a preliminary basis for the formulation of a new detailed strategic plan and are subject to approval by the Board of Directors of the Company, as described above. To the extent that the new strategic plan is approved, it may include, inter alia, various moves and actions that are necessary for the realization of the aforementioned goals, as specified in section 1.37 below.

1.37 **Likely Developments in the Coming Year**

As aforesaid, in relation to operations, the Company intends to place an emphasis on various actions for the continued implementation of the previous strategic plan that coincide with the courses of action that serve as the basis for the new strategic plan, including:

Within the framework of the enhancement of the value offered by the core activity of TASE:

- Considering the need to update the methodology of the TASE indices, alongside the launch of innovative index products, including through strategic cooperations;
- Considering the need to advance programs for the enhancement of liquidity, as is the custom in leading global exchanges, with emphasis on the equity market;
- Continuing to pursue the launch of futures on the TA-35 Index and/or the TA-125 Index;
- Continuing the upgrading of the mechanisms for the clearing of off-exchange transactions and considering the development and setting up of a new system for the clearing of OTC transactions, for the purpose of improving the services on offer and promoting transparency.
- Continuing to expand the basket of clearing services that are available to the customers of TASE-CH and the Nominee Company, among others, for example, by providing trust services, maintenance and operation of securities' registers and/or the provision of other services;
- Continuing to upgrade the trading infrastructures of TASE, including the upscaling of market connectivity, upgrading of the data distribution systems and connection to the trading servers of the Company.

Within the framework of strengthening the ties between TASE and the end customers:

- Continuing to reach out to the Israeli public via traditional and digital media, in order to improve the Company'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;
- Continuing to upgrade the personal area on the TASE website, including the creation of a dedicated digital platform to enhance the value offered to the end customer (a broader range of analytics tools, overview of the portfolio, an investment experience that is on par with international standards) and enhancing the business potential of the Company;
- Working to create a dedicated platform that will make equity indices and bond indices available to the public, alongside the promotion of the investment channels that are available on TASE, by way of dedicated collaborations;
- Continuing to expand the types and variety of information products and connectivity services that are offered to the Company's customers, by introducing advanced analytics and increasing the number and depth of information layers and the processing options that are offered to the end customers;
- Continuing to advance innovative models of membership on TASE and the Clearing Houses, including the adaptation of operational and technological aspects to meet the needs of members of TASE and the Clearing Houses members and/or of other interfacing parties;
- Continuing to advance the digitalization of the Company's business interfaces with its customers, including as regarding the offering processes on TASE - operational-technological processes between the Company and the members of TASE, the Nominee Company, etc.

Within the framework of diversifying the underlying assets that are traded and cleared on TASE:

- Continuing to improve the quality of service and deepen the reach of the TASE UP platform, including by enhancing the added value to the end customers and by strengthening the interfaces between the Company and accredited and institutional investors in relation to the products that are listed on the platform or in connection with other financial products;
- Considering the upgrading of the operational array supporting the dedicated platform for the clearing of private investment funds, in order to improve its accessibility and expand the range and scope of products that it operates;
- Continuing to advance innovative ways for strengthening the positioning of the Company as a leading platform for direct exposure to investments outside Israel in the eyes of the local investors;
- Considering the launch of innovative futures and futures on different underlying assets, in order to expand the variety of products and services that are offered by the Company.

Within the framework of the provision of technological services and solutions:

- Continuing to promote the sale and commercialization of knowhow assets and technological-operational expertise by the Company to third parties (foreign or local), whether directly or through relevant collaborations;
- Pursuing the upgrade and diversification of the existing data distribution channels, including the offer of innovative, direct technological solutions that are customized for the business needs of the Company's customers;
- Examining the feasibility of integration of innovative technologies, such as DLT, into products and services of the Company (existing or new).

The Company's assessments and plans, as set forth in sections 1.36 and 1.37 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.

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 2021, which is included in this Periodic Report, as well as note 4 to the Company's consolidated financial statements as of December 31, 2021, which are included in this Periodic Report.

To complete the picture, it should be noted that in 2021 no material changes occurred in the TASE Group's risk profile compared to the risk profile at the end of 2020, with the exception of the removal of the coronavirus crisis from the list of general risks. This, in view of the experience accumulated over the past two years in ensuring the continuous operation of the TASE Group under the crisis, its handling of the restrictions that were imposed during the crisis and the effects of the crisis on the operating results of TASE Group.

1.38.1 **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.

1.38.2 **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.

1.38.3 **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 measures to adapt its operations and limit the risk of damage, 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 adapt its operations and mitigate any detrimental impact.

1.38.4 **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, 2021, 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 other Clearing House members that have fulfilled their part of the transaction, 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.

1.38.5 **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 a member of one or both of the Clearing Houses, by virtue of each of their duty to act 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, 2021, which are included in this Periodic Report.

1.38.6 **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, 2021, which are included in this Periodic Report.

1.38.7 **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, 2021, which are included in this Periodic Report.

1.38.8 **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, and therefore it 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.

1.38.9 **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.

1.38.10 **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 positive link 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.

1.38.11 **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 legally 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 an annual cyber defense and risk mitigation workplan in place, which implements preventative, detective, and responsive measures.

In addition, the Company complies with international security standards, ISO27001 and 27032 for the management of cyber defense, including the performance of an annual certification process. However, the security measures that are being implemented may not be adequate, depending upon the attack or nature of the cyber threat posed. In 2021, the Company 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 implemented operational and technological capabilities that facilitate the operation of TASE and the Clearing House with a significantly lower number of employees that 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.

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.

1.38.12 **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.

1.38.13 **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.

1.38.14 **Business risk**

The Group's business risk is the risk of experiencing a steep decline in the scope of revenues or a significant increase in the scope of expenses, 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 are: 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 maintains 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.

1.38.15 **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 is manages.

1.38.16 **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.

1.38.17 **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.

1.38.18 **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.

1.38.19 **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.

1.38.20 **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.

1.38.21 **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.

1.38.22 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:

Risk factor	Extent of the risk factor's impact on the Group's activity in its entirety		
	High impact	Medium impact	Low impact
General risk factors			
State of the economy and the state of the capital market and its image			√
Legal risk			√
Regulatory changes		√	
Sectoral risk factors			
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		√	
Risk factors specific to the Company			
Collective labor relations		√	
Restrictions on business flexibility		√	
Realization of the strategic growth plan		√	
Penetration of new products		√	
Reduction in the number of listed companies		√	

* The Company's assessment concerning the extent of impact of the clearing risk, the model risk and the business risk - was raised from low to medium. The change is due mainly to the increase, during the coronavirus crisis, in the trading and clearing volumes alongside a general growth in activity. While the increase has so far been attributed to the effects of the coronavirus crisis, the data accumulated over the past two years suggests that the increase is not transient and is independent of the coronavirus crisis. This growth in the volume of activity exposes the Company's Group to higher levels of loss upon the realization of the aforesaid risks, hence the raising of their impact assessment. It is hereby clarified that this is a change

in the general assessment of the risk level, rather than an assessment that is based on the testing of scenarios.

For further details regarding the exposure to risks and how they are managed, see section 2 of the Board of Directors' Report for 2021, which is included in this Periodic Report, and note 4 to the Company's consolidated financial statements as of December 31, 2021, which are included in this Periodic Report.

1.38.23 **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 the reporting period to improve and upgrade the risk management array, see Section 2.4 of the of the Board of Directors' Report for 2021, which is included in this Periodic Report.

TEL AVIV STOCK EXCHANGE
הבורסה לניירות ערך תל אביב

PART 2

Board of Directors' Report on the Company's State of Affairs for 2021



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 2021, 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" or "TASE 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 derivative 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 2021, 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, 2021, which are included in this Periodic Report.

For details regarding the implications of the coronavirus outbreak, see sections 1.6, 1.10, 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. The number of trading days in 2020, 2021 and 2022 totaled 248, 244 and 244, respectively. Presented below is information on the quarterly breakdown of trading days:

Year	Q1	Q2	Q3	Q4
2020	63	57	62	66
2021	62	61	56	65
2022	63	61	61	59

Presented below is condensed information relating to the results for the fourth quarter of 2021 (NIS, in thousands):

	Quarter ended		Difference	Change %
Condensed Statement of Profit or Loss	**31.12.21**	**31.12.20**		
Revenue from services	85,727	77,482	8,245	11%
Costs	68,707	63,897	4,810	8%
Profit before financing income, net	**17,020**	**13,585**	**3,435**	**25%**
Financing income	1,270	1,229	41	3%
Taxes on income	4,189	3,539	650	18%
Profit for the quarter	**14,101**	**11,275**	**2,826**	**25%**
% of total revenue from services for the quarter	**16.4%**	**14.6%**		
Basic earnings per share in NIS	**0.139**	**0.113**		
Diluted earnings per share in NIS	**0.136**	**0.110**		

- **Revenue in the fourth quarter of 2021** amounted to NIS 85.7 million, compared to revenue of NIS 77.5 million in the corresponding quarter last year, an 11% increase. The increase is due to a rise in revenue from trading and clearing services (approx. 4% of the increase), a rise in revenue from listing fees and levies and from Clearing House services (approx. 3% of the increase, each) (see details below).
- **The costs in the fourth quarter of 2021** after excluding the effect of share-based payment expenses totaled NIS 68.6 million, compared to the expenses in the corresponding quarter last year that totaled NIS 63.7 million, an increase of approx. 8%. The increase in the costs is due mainly to growth in employee benefit expenses (approx. 7% of the increase in the total costs).
- **Net financing income in the fourth quarter of 2021** amounted to approximately NIS 1.3 million, compared to financing income of approximately NIS 1.2 million in the corresponding quarter last year. The financing income results from a positive return on the company's investments in Israeli government bonds managed in marketable securities' portfolios of 0.7% this quarter, similar to the return in the corresponding quarter last year.
- **The profit in the fourth quarter of 2021** totaled NIS 14.1 million, compared to NIS 11.3 million in the corresponding quarter last year, an increase of 25%. The increase in the profit is due to the higher revenue from services, which was partly offset by an increase in expenses, primarily employee benefit expenses.

Below are the main factors that affected the Company's profits in the fourth quarter of 2021, compared to the corresponding quarter in 2020:

– **The revenue in the fourth quarter of 2021 (NIS, in thousands)** – below is the composition of the quarter's revenue, compared to the corresponding quarter last year:

	Quarter ended				
Revenue from services	**31.12.21**	**% of the Company's total revenues**	**31.12.20**	**% of the Company's total revenues**	**% change**
Trading and clearing commissions	36,625	43%	33,487	43%	9%
	The increase in revenue from trading and clearing is due mainly to the increase in trading volumes between the quarters, which contributed 12% to the increase in revenue, of which half is attributed to the higher trading volumes in shares. In opposition, a reduction in the number of trading days this quarter compared to the corresponding quarter last year deducted 2% from the increase in revenue.				
Listing fees and levies	17,440	20%	15,289	20%	14%
	The increase is due mainly to the rise in revenue from listing fees, which contributed 7% to the increase in revenue, and to the 4% increase in revenue as a result of the higher number of companies and funds that pay an annual fee and the charging of new annual fees.				
Clearing House services	17,578	20%	15,006	19%	17%
	The increase in revenue is due mainly to the rise in revenue from custodian fees, which contributed 10% to the increase in revenue, this as a result of the increase in the value of assets that are held at TASE-CH compared to the corresponding quarter last year, and to the higher revenue from Clearing House services to members, which contributed 6% to the increase in revenue.				
Data distribution and connectivity services	13,516	16%	12,872	17%	5%
	The increase in revenue is due mainly to the rise in revenue from data distribution to customers outside Israel, which contributed 5% to the increase in revenue, and to a 2% rise in revenue from connectivity services, which stemmed mainly from the higher number of Colocation and BSO customers and from new connectivity services.				
Other revenue	568	1%	828	1%	(31%)
	The decrease in revenue is due mainly to revenue from technological consulting services provided in the corresponding quarter last year.				
Total revenue from services	**85,727**	**100%**	**77,482**	**100%**	

For details of profit or loss items for the fourth quarter of 2021, see the condensed quarterly profit or loss statements in section 1.4 below.

Presented below are adjusted profit and adjusted EBITDA data for the fourth quarter of 2021 and 2020

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 profit and profit and, accordingly do not constitute a substitute for 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.

Adjusted EBITDA data and adjusted profit (NIS, in thousands):	**Quarter ended**			
	31.12.2021	**31.12.2020**	**Difference**	**% Change**
Adjusted EBITDA for the quarter:				
Profit before financing income, net	17,020	13,585	3,435	
Adjustments:				
Share-based payment expenses	134	246	(112)	
Depreciation and capital losses	12,348	12,113	235	
Adjusted EBITDA for the quarter:	**29,502**	**25,944**	**3,558**	**14%**
% of total revenue from services for the quarter	**34.4%**	**33.5%**		
Adjusted profit for the quarter:				
Profit for the quarter	14,101	11,275	2,826	
Adjustments:				
Share-based payment expenses	134	246	(112)	
Adjusted profit for the quarter:	**14,235**	**11,521**	**2,714**	**24%**
% of total revenue from services for the quarter	**16.6%**	**14.9%**		

Below are the main factors that affected the Company's adjusted EBITDA and its adjusted profit in the fourth quarter of 2021, compared to the corresponding quarter in 2020:

- **The adjusted EBITDA in the fourth quarter of 2021** totaled NIS 29.5 million, compared to NIS 25.9 million in the corresponding quarter last year, an inter-quarter increase of 14%. The increase is due to an increase in most revenue from services, which was partly offset by an increase in expenses, primarily employee benefit expenses.
- **The adjusted profit in the fourth quarter of 2021** totaled NIS 14.2 million, compared to an amount of NIS 11.5 million in the corresponding quarter last year, a 24% increase. The increase in profit is due to an increase in most revenue from services, which was partly offset by an increase in expenses, primarily employee benefit expenses .

Presented below is condensed information relating to the results for the year ended December 31, 2021 (NIS, in thousands):

Condensed Statement of Profit or Loss	Year ended 31.12.21	31.12.20	Difference	% Change
Revenue from services	323,657	304,266	19,391	6%
Costs	269,236	255,494	13,742	5%
Profit before financing income (expenses), net	**54,421**	**48,772**	**5,649**	**12%**
Financing income (expenses)	4,540	(573)	5,113	
Taxes on income	13,491	11,295	2,196	19%
Profit for the year	**45,470**	**36,904**	**8,566**	**23%**
% of total revenue from services for the year	**14.0%**	**12.1%**		

Basic earnings per share in NIS	**0.449**	**0.368**
Diluted earnings per share in NIS	**0.436**	**0.358**

- **Revenue in 2021** totaled NIS 323.7 million, compared to NIS 304.3 million in 2020, an increase of 6%. The increase is due mainly to the rise in revenue other than revenue from trading and clearing (approx. 8% of the increase in total revenue), partly offset by a reduction in revenue from trading and clearing (approx. 2% of the increase in total revenue).
- **The costs in 2021** after excluding the effect of share-based payment expenses totaled NIS 268.5 million, compared to NIS 254.2 million in 2020, an increase of 6%. The increase in the costs was due mainly to growth in employee benefit expenses (approx. 5% of the increase in total costs) as a result of salary updates, an increase in overtime and the increase in manpower, partly as a result of the growth in activity.
- **Net financing income (expenses) -** The net, financing income in 2021 amounted to NIS 4.5 million, compared to net financing expenses of NIS 0.6 million in 2020. The increase in financing income is due to a positive yield of 2.48% on the Company's investments in Israeli Government bonds managed in marketable securities' portfolios, compared to a positive yield of 0.15% in 2020.
- **The profit in 2021** totaled NIS 45.5 million, compared to NIS 36.9 million in 2020, an increase of 23%. The increase in the profit is mainly due to the higher revenue from services, other than revenue from trading and clearing and the transition to net financing income this year, partly offset by an increase in costs, primarily employee benefit expenses and tax expenses.

Below are the main factors that affected the Company's profits in 2021, compared to 2020:

– **The revenue in the year** – below is the composition of the revenue in 2021, compared to 2020 (NIS, in thousands):

Revenue from services	Year ended 31.12.21	% of the Company's total revenues	31.12.20	% of the Company's total revenues	% change
Trading and clearing commissions	131,116	41%	136,451	45%	(4%)
	The decrease in revenue from trading and clearing commissions is due mainly to the reduction in the trading volumes of corporate bonds, compared to the higher trading volumes in 2020 that resulted from the uncertainty surrounding the coronavirus outbreak and its implications, and reduced revenue by 2%. Additionally, a reduction in the number of trading days this year compared to 2020 (4 trading days less this year) reduced revenue by 2% (for additional information, see section 1.3.2 below).				
Listing fees and levies	69,056	21%	59,887	19%	15%
	Most of the increase stems from a rise in revenue from listing fees, which contributed 7% to the increase in revenue, of which 4% resulted from an agreement signed between TASE and TASE-CH and the Ministry of Finance in May 2021 (effective from the beginning of 2021, see details in section 1.6.8 below). Additionally, the greater number of prospectuses submitted for examination in 2021 contributed a 4% increase, while the higher number of companies and funds that pay an annual fee and the charging of new annual fees increased revenue by 3%.				
Clearing House services	65,505	20%	57,453	19%	14%
	The increase in revenue is due mainly to the rise in revenue from custodian fees, which contributed 10% to the increase in revenue, this as a result of the increase in the value of assets that are held in custodianship at TASE-CH compared to the value of the assets in 2020. Additionally, a rise in revenue from Clearing House services to members increased revenue by 3% between the years.				
Data distribution and connectivity services	52,268	16%	48,408	16%	8%
	Most of the increase is due to a rise in revenue from data distribution to customers outside Israel, which contributed 3% to the increase in revenue, primarily in view of a modification to the pricelist that came into effect at the beginning of the second quarter of 2021. In addition, an increase in revenue from the distribution of derivative data and in revenue from connectivity services contributed another 2%, each, to the increase in revenue.				
Other revenue	5,712	2%	2,067	1%	176%
	The increase in other revenue is due mainly to the effect of an agreement signed between TASE and TASE-CH and the Ministry of Finance in May 2021 (see details in section 1.6.8 below), which provides for the payment to the Company of a settlement amount of NIS 3.8 million in respect the listing of Government bonds, in the period up to December 31, 2020, in the Ministry of Finance's lending pool.				
Total revenue from services	**323,657**	**100%**	**304,266**	**100%**	

Presented below are adjusted profit and adjusted EBITDA data for the years 2021 and 2020

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 profit and profit and, accordingly do not constitute a substitute for 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.

Adjusted EBITDA data and adjusted profit (NIS, in thousands):	**Year ended**			
	31.12.2021	**31.12.2020**	**Difference**	**Change %**
Adjusted EBITDA for the year:				
Profit before financing income, net	54,421	48,772	5,649	
Adjustments:				
Share-based payment expenses	739	1,280	(541)	
Depreciation and capital losses	47,880	45,097	2,783	
Adjusted EBITDA for the year:	**103,040**	**95,149**	**7,891**	**8%**
% of total revenue from services for the year	**31.8%**	**31.3%**		
Adjusted profit for the year:				
Profit for the year	45,470	36,904	8,566	
Adjustments:				
Share-based payment expenses	739	1,280	(541)	
Adjusted profit for the year:	**46,209**	**38,184**	**8,025**	**21%**
% of total revenue from services for the year	**14.3%**	**12.5%**		

Below are the main factors that affected the Company's adjusted EBITDA and its adjusted profit in 2021, compared to 2020:

- **The adjusted EBITDA for 2021** totaled NIS 103.0 million, compared to NIS 95.1 million in 2020, an increase of 8% between the years. The increase in profit was due mainly to an increase in revenue, other than revenue from trading and clearing, partly offset by an increase in costs, primarily employee benefit expenses.
- **The adjusted profit in 2021** totaled NIS 46.2 million, compared to NIS 38.2 million in 2020, an increase of 21%. The increase in the profit is mainly due to the higher revenue from services, other than revenue from trading and clearing, and the transition to net financing income this year, partly offset by an increase in costs, primarily employee benefit expenses and tax expenses.

For further details regarding profit or loss development in 2021, see the analysis of the financial position in section 1.3 below.

Presented below is condensed information relating to the financial position as of December 31, 2021 (NIS, in thousands):

Condensed statement of financial position	31.12.2021	31.12.2020	Difference	% Change
	NIS, in thousands			
Cash and cash equivalents and short-term financial assets	390,057	346,712	43,345	13%
Other current assets	24,745	19,303	5,442	28%
Property and equipment and intangible assets	461,789	451,196	10,593	2%
Other non-current assets	17,566	17,460	106	1%
Total assets (*)	**894,157**	**834,671**	**59,486**	**7%**
Current liabilities	91,230	75,141	16,089	21%
Non-current liabilities	141,059	128,690	12,369	10%
Total liabilities (*)	**232,289**	**203,831**	**28,458**	**14%**
Total equity	**661,868**	**630,840**	**31,028**	**5%**
Ratio of equity to total assets	**74%**	**76%**		
Surplus equity over regulatory requirements (in NIS millions)	**311**	**298**	**13**	**4%**
Surplus liquidity over regulatory requirements (in NIS millions)	**165**	**142**	**24**	**17%**

(*) The total assets and liabilities as of December 31, 2021 and December 31, 2020, include a balance of assets/liabilities in respect of open derivative positions amounting to NIS 665.3 million and NIS 353.2 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, 2021 amounted to NIS 894.2 million, an increase of 7% increase compared to December 31, 2020. Most of the increase is due to an increase in cash from operating activities, less cash used in investing and financing activities, and to the higher investment in property and equipment.
- The total liabilities as of December 31, 2021 amounted to NIS 232.3 million, an increase of 14% compared to December 31, 2020. The increase is due mainly to the increase in lease liabilities as a result of the signing of new leases and the higher deferred income from listing fees and levies in view of the large number of IPOs carried out in 2021.
- The equity as of December 31, 2021 amounted to NIS 661.9 million, an increase of 5% compared to December 31, 2020. The increase in equity is due mainly to the profit for the year of NIS 45.5 million, less a dividend paid in an amount of NIS 18.5 million.

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, 2021 and 2020 (NIS, in thousands):

Item	31.12.2021	31.12.2020	% change	
	NIS, in thousands			
Current assets				
Cash, cash equivalents and financial assets	390,057	346,712	13%	The increase is mainly due to an inter-quarter increase in ash from operating activities, net of investments in property nd equipment and intangible assets in an amount of IS 70.8 million, and was partly offset by a dividend of IS 18.5 million paid to the shareholders of the Company nd lease payments in an amount of NIS 9.1 million.
Trade and other receivables	24,745	19,303	28%	Most of the increase is in trade receivables, temming from the timing of collection of the debts.
	414,802	**366,015**	**13%**	
Assets derived from clearing operations with respect to open derivative positions	665,271	353,193	88%	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). The increase in the balance of the assets is due mainly to the increase in the fair value of transactions on single shares as of December 31, 2021 as compared to December 31, 2020, primarily as a result of the change in the quantity of open positions (for further details of the offsetting of financial assets and financial liabilities, see note 9 D to the Company's consolidated financial statements as of December 31, 2021). 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 to the Company's consolidated financial statements as of December 31, 2021.
Total current assets	**1,080,073**	**719,208**		
Non-current assets				
Property and equipment and intangible assets, net	461,789	451,196	2%	The increase is due to inter-period investments made in an amount of NIS 58.5 million, net of depreciation expenses and net retirements in an amount of NIS 47.6 million.
Other long-term receivables	2,409	2,652	(9%)	The decrease is due to a reduction of NIS 0.4 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, 2021), as opposed to an increase of NIS 0.7 million in long-term prepaid expenses.
Deferred tax assets	15,157	14,808	2%	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, 2021).
Total non-current assets	**479,355**	**468,656**	**2%**	
Total assets	**1,559,428**	**1,187,864**	**31%**	

Item	31.12.2021	31.12.2020	% change	
	NIS, in thousands			
Current liabilities				
Trade and other payables	57,916	49,775	16%	The increase is due mainly to trade payables in respect of property and equipment and to a non-recurring expense in respect of equipment for TASE members
Current maturities of lease liabilities	8,726	4,302	103%	See the explanation for the increase in lease liabilities within the framework of the long-term lease liabilities item. The increase in the current maturities is due mainly to the renewal of agreements for communication lines in 2021.
Deferred income from listing fees and levies	24,588	21,064	17%	The increase is due to the rise in current maturities of listing fees in an amount of NIS 3.7 million, primarily in respect of the increase in capital raising in 2021 and in respect of the agreement signed with the Ministry of Finance (see section 1.6.8 below) (for further details, see "non-current deferred income from listing fees and levies"). In opposition, current deferred income decreased by NIS .2 million, primarily with respect to revenue from prospectus examination fees.
	91,230	**75,141**	**21%**	
Liabilities derived from clearing operations with respect to open derivative positions	665,271	353,193	88%	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	**756,501**	**428,334**	**77%**	
Non-current liabilities				
Non-current liabilities for employee benefits and other liabilities	40,210	40,955	(2%)	The decrease is due mainly to a liability for severance pay, primarily as a result of an actuarial gain based on past experience, deriving from actual returns exceeding the anticipated return.
Lease liabilities	14,410	9,089	59%	The increase of NIS 9.7 million in the balance of lease liabilities (long-term and current maturities) is due to new leases and the updating of existing leases (including accrued interest and linkage differences) in an amount of NIS 19.3 million, as opposed to a decrease of NIS 9.6 million in current lease payments in 2021.
Deferred income from listing fees and levies	86,439	78,646	10%	The increase (long-term and current maturities) in an amount of NIS 11.6 million is due to receipts during the year in respect of listing fees in an amount of NIS 38.1 million, of which NIS 32 million has been deferred for recognition in the following years, while an amount of NIS 20.4 million in respect of previous years was recognized.
Total non-current liabilities	**141,059**	**128,690**	**10%**	
Equity	661,868	630,840	5%	The increase in the equity is due mainly to the profit in the year of NIS 45.5 million, which was partly offset by a dividend payment of NIS 18.5 million.
Total liabilities and equity	**1,559,428**	**1,187,864**	**31%**	

1.3. **Operating results:**

1.3.1. Presented below are condensed Company profit or loss data (reported amounts) for the years 2021 and 2020:

Item	2021	2020	% change	Explanations for material changes
	NIS, in thousands			
Revenue from services:				
Trading and clearing commissions	131,116	136,451	(4%)	See table below for details of the revenue.
Listing fees and levies	69,056	59,887	15%	Most of the increase in revenue is due to an increase in revenue from listing fees (NIS 4.3 million), including an increase in listing fees of government bonds (NIS 2.6 million), as a result of the agreement signed between TASE and TASE-CH and the Ministry of Finance in May 2021 (effective from the beginning of 2021, see details in section 1.6.8 below). Another increase in revenue is due to the higher number of prospectuses submitted for examination in 2021 (NIS 2.1 million), an increase in the number of companies and funds that pay an annual fee (NIS 1.5 million) and the charging of new fees (NIS 1.2 million).
Clearing House services	65,505	57,453	14%	The increase in revenue is due mainly to the rise in revenue from custodian fees (NIS 5.5 million), this as a result of the increase in the value of assets that are held at TASE-CH compared to the 2020, and to the higher revenue from Clearing House services to members (NIS 1.9 million).
Data distribution and connectivity services	52,268	48,408	8%	Most of the increase is due to a rise in revenue from data distribution to customers outside Israel (NIS 1.6 million), primarily in view of a modification to the pricelist that came into effect at the beginning of the second quarter of 2021, and to the increase in revenue from the distribution of "derived data" (NIS 0.8 million) and an increase in revenue from connectivity services (NIS 1.1 million).
Other revenue	5,712	2,067	176%	The increase in other revenue is due mainly to the effect of the agreement signed between TASE and TASE-CH and the Ministry of Finance in May 2021 (see details in section 1.6.8 below), which provides for the payment to the Company of a settlement amount of NIS 3.8 million in respect the listing of Government bonds, in the period up to December 31, 2020, in the Ministry of Finance's lending pool.
Total revenue from services	323,657	304,266	6%	
Cost of revenue:				
Expenses with respect to employee benefits	148,395	139,355	6%	The increase in payroll expenses is due mainly to pay rises, an increase in overtime and the increase in manpower, all of which are partly due to growth in activity.
Share-based payment expenses	739	1,280	(42%)	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, 2021). The warrants plan for managers ended in July 2021.
Computer and communication expenses	27,823	26,753	4%	The increase is due mainly to additional amounts relating to the licensing and maintenance of new systems and to the increase in manpower.

Item	2021	2020	% change	Explanations for material changes
	NIS, in thousands			
Property taxes and building maintenance expenses	13,190	11,762	12%	The increase in expenses is due 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	10,883	9,373	16%	The increase in expenses is due mainly to the rise in insurance expenses and in the payroll, expenses relating to the former Chairman of the Board of Directors of the Company in respect of a retirement bonus (see section 1.6.5 below).
Marketing expenses	11,203	11,098	1%	The expenses in this section include the cost of the sponsorship agreement with the Israeli Professional Football Leagues and campaigns.
Fee to the Israel Securities Authority	9,123	10,776	(15%)	The decrease in expenses is due to a discount granted by the Israel Securities Authority on the annual fees for 2021.
Depreciation and amortization expenses	47,618	44,510	7%	The increase in depreciation expenses is due mainly to the activation of the lending pool in the fourth quarter of 2020 and to the activation of new assets and projects.
Other expenses	262	587	(55%)	Other expenses reflect capital losses on retirements of intangible assets and property and equipment, mainly as a result of the timing of replacement of assets.
Total cost of revenue	269,236	255,494	5%	
Profit before financing income (expenses), net	54,421	48,772	12%	The increase in profit is due to an increase in revenue from services, primarily listing fees and levies and Clearing House services, and was partly offset by an increase in costs, as described above.
Total financing income (expenses), net	4,540	(573)	-	The transition to financing income this year is due to a positive yield of 2.49% on the Company's investments in Israeli Government bonds managed in marketable securities' portfolios, compared to a positive yield of 0.15% on the investments in 2020.
Profit before taxes on income	58,961	48,199	22%	
Taxes on income	13,491	11,295	19%	The increase is due to the higher profit this year compared to 2020.
Profit for the year	45,470	36,904	23%	Most of the profit increase in 2021 compared to 2020, is due to an increase in revenue from services and in financing income, and was partly offset by an increase in costs and tax expenses, as described above. See table below for details of the revenue.

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

Item	Year ended December 31, 2021	Year ended December 31, 2020	% Change	Explanations for material changes
	NIS, in thousands			
Shares and convertibles	49,538	49,150	1%	The increase in revenue is due mainly to the increase in the effective commission rate (primarily as a result of the reduction in the number of transactions that are affected by the existence of a maximum commission), and to the increase in trading volumes between the years, from an average daily volume of NIS 1.86 million in 2020 to an average daily volume of NIS 1.88 million in 2021, a 1% increase in revenue. In opposition, the lesser number of trading days in 2021 compared to 2020 (4 days less) reduced the increase in revenue by 2%.
Corporate bonds	15,674	18,573	(16%)	The decrease in revenue is due mainly to a reduction in trading volumes of corporate bonds, which were high in 2020 as a result of the uncertainty surrounding the coronavirus outbreak and its implications, from an average daily volume of NIS 1.1 billion in 2020 to an average daily volume of NIS 0.9 billion in 2021, a decrease of 16% in revenue; as well as to the lesser number of trading days in 2021 compared to 2020 (4 days less), which contributed a further 2% reduction in revenue. In opposition, an increase in the effective commission rate (mainly as a result of the reduction in the number of transactions that are affected by the existence of a maximum commission), curbed the decrease in revenue by 2%.
Government bonds	16,839	17,138	(2%)	The decrease in revenue is due mainly to the lesser number of trading days in 2021 compared to 2020 (4 days less), a 2% reduction in revenue.
Derivatives	20,608	21,941	(6%)	The decrease in revenue is due mainly to a reduction in trading volumes, from an average daily volume of NIS 170 thousand units in 2020 to an average daily volume of 159 thousand units in 2021, a 6% decrease in revenue, and to the lesser number of trading days in 2021 compared to 2020 (4 days less), which contributed a further 2% reduction in revenue. In opposition, an increase in the effective commission rate, mainly as a result of a change in the mix of transactions on the various underlying assets, curbed the decrease in revenue by 2%.
Mutual funds clearing	26,054	26,594	(2%)	The decrease in revenue is due to the lower volume of redemptions/creations of mutual fund units, which were high in 2020 as a result of the uncertainty surrounding the coronavirus outbreak and its implications, from an average daily volume of NIS 1.06 billion in 2020 to an average daily volume of NIS 0.9 billion in 2021, a decrease of 15% in revenue; and to the lesser number of trading days in 2021 compared to 2020 (4 days less), which contributed a further 2% reduction in revenue. In opposition, an increase in the effective commission rate (mainly as a result of the reduction in the number of transactions that are affected by the existence of a maximum commission), curbed the decrease in revenue by 15%.
T-bills (Makams) and other	2,403	3,055	(21%)	The decrease in revenue is due mainly to a reduction in trading volumes of T-bills, which were high in 2020 as a result of the uncertainty surrounding the coronavirus outbreak and its implications, from an average daily volume of NIS 0.58 billion in 2020 to an average daily volume of NIS 0.32 billion in 2021, a decrease of 44% in revenue; as well as to the lesser number of trading days in 2021 compared to 2020 (4 days less), which contributed a further 2% reduction in revenue. In opposition, an increase in the effective commission rate (mainly as a result of the reduction in the number of transactions that are affected by the existence of a maximum commission), curbed the decrease in revenue by 18%.
Total	131,116	136,451	(4%)	

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

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

Item	2020	2019	% change	Explanations for material changes
	NIS, in thousands			
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

Item	2020	2019	% change	Explanations for material changes
	NIS, in thousands			
				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.
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.

1.3.4 Presented below are data relating to the trading and clearing revenue (reported amounts) for the years 2020 and 2019:

Item	2020 NIS, in thousands	2019 NIS, in thousands	% 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

Item	2020 NIS, in thousands	2019	% Change	Explanations for material changes
				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%**	

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.

1.4 Condensed quarterly statements of profit or loss for 2021 and for the fourth quarter of 2020 (NIS, in thousands)

Item	Jan-Mar 2021	Apr-Jun 2021	Jul-Sep 2021	Oct-Dec 2021	2021	Oct-Dec 2020
	(Unaudited)				(Audited)	(unaudited)
Revenue from services:						
Trading days	62	61	56	65	244	66
Trading and clearing commissions	34,115	31,649	28,727	36,625	131,116	33,487
Listing fees and levies	16,402	18,347	16,867	17,440	69,056	15,289
Clearing House services	15,051	16,945	15,931	17,578	65,505	15,006
Data distribution and connectivity services	12,630	13,195	12,927	13,516	52,268	12,872
Other revenue	172	4,456	516	568	5,712	828
Total revenue from services	**78,370**	**84,592**	**74,968**	**85,727**	**323,657**	**77,482**
Cost of revenue						
Expenses with respect to employee benefits, net	37,396	37,910	35,423	37,666	148,395	33,407
Share-based payment expenses	233	236	136	134	739	246
Computer and communication expenses	6,709	7,325	6,389	7,400	27,823	6,879
Property taxes and building maintenance expenses	3,048	3,202	3,482	3,458	13,190	3,275
General and administrative expenses	2,681	2,034	2,924	3,244	10,883	2,289
Marketing expenses	1,727	5,585	1,715	2,176	11,203	2,994
Fee to the Israel Securities Authority	2,253	2,309	2,280	2,281	9,123	2,694
Depreciation and amortization expenses	11,527	11,777	12,076	12,193	47,618	11,545
Other expenses	55	44	8	155	262	568
Total cost of revenue	**65,674**	**70,422**	**64,433**	**68,707**	**269,236**	**63,897**
Profit before financing income (expenses), net	**12,696**	**14,170**	**10,535**	**17,020**	**54,421**	**13,585**
Financing income	315	1,513	2,105	1,555	5,488	1,603
Financing expenses	181	175	307	285	948	374
Total financing income (expenses), net	**134**	**1,338**	**1,798**	**1,270**	**4,540**	**1,229**
Profit before taxes on income	**12,830**	**15,508**	**12,333**	**18,290**	**58,961**	**14,814**
Taxes on income	3,169	3,435	2,698	4,189	13,491	3,539
Profit	**9,661**	**12,073**	**9,635**	**14,101**	**45,470**	**11,275**
Other comprehensive income(loss):						
Remeasurement of net liability with respect to defined benefit, net of tax	2,332	1,120	245	(2,324)	1,373	(776)
Comprehensive income	**11,993**	**13,193**	**9,880**	**11,777**	**46,843**	**10,499**

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, 2021	December 31, 2020
Condensed statement of financial position	**NIS, in thousands**	
Cash, cash equivalents and financial assets (*)	390,057	346,712

(*) The Board of Directors of TASE has set capital adequacy and liquidity adequacy requirements at the level of the TASE Group (the capital adequacy and liquidity adequacy requirements for the clearing houses are prescribed in the Israel Securities Authority's Clearing Houses' Stability Directives) (for additional information, see note 6 to the consolidated financial statements of the Company as of December 31, 2021). The surplus liquidity of the Company after implementation of the liquidity requirements is NIS 165 million as of December 31, 2021 (NIS 142 million as of December 31, 2020).

The Company has liquid balances of NIS 390.1 million, of which, as of December 31, 2021, an amount of NIS 210.3 million is managed in portfolios of marketable securities that comprise Israeli Government bonds. On the backdrop of the uncertainty and increased volatility of trading on TASE, among others, as a result of the anticipated inflation and interest rate raises and the war between Russia and the Ukraine, shortly before the publication date of the report (until the first half of March 2022), the value of the portfolios decreased by an aggregate NIS 4.1 million. It should be noted that, barring the occurrence of another change by March 31, 2022, this amount will be included as a financing expense in the quarterly financial statements of the Company as of March 31, 2022.

1.5.1.1 Credit facilities

In 2020, the Company 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 further details, see note 25 B to the consolidated financial statements of the Company as of December 31, 2021.

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, 2022.

1.5.2 Cash flows (NIS, in millions)

	Item	Data for the three months ended December 31 2021	2020	Explanations of the Company
	Adjusted EBITDA	29.5	25.9	The increase in adjusted EBITDA is due mainly to the higher profit.
Net cash from operating activities	Changes in working capital	11.1	(1.9)	The change in the working capital is due mainly to the timing of bonus payments to employees in 2020 (see note 17.D. to the consolidated financial statements of the Company as of December 31, 2021) and the timing of payments to suppliers.
	Financing and tax	(4.0)	(3.7)	
	Total	**36.6**	**20.3**	
Net cash from (for) investing activities	Investments in property and equipment and in intangible assets and capitalized payroll costs	(6.2)	(14.5)	
	Acquisition of financial assets, net	(1.5)	(1.4)	Reflects the realization of securities in accordance with the policy for the investment of the Company's monetary reserves.
	Total	**(7.7)**	**(15.9)**	
Net cash for financing activities	Payments carried directly to equity within the framework of implementing the ownership restructuring, net	(0.8)	-	VAT paid on inputs carried to equity, pursuant to an assessments agreement (see note 18.C. to the consolidated financial statements of the Company as of December 31, 2021).
	Lease payments	(2.3)	(2.4)	
	Total	**(3.1)**	**(2.4)**	
Total increase in cash and cash equivalents		**25.8**	**2.0**	

Item		Data for the year ended 31.12.2021	Data for the year ended 31.12.2020	Data for the year ended 31.12.2019	Explanations of the Company
Net cash from operating activities	Adjusted EBITDA	103.0	95.1	62.9	The increase in adjusted EBITDA in 2021, compared to 2020 and 2019, is due mainly to the higher profit.
	Changes in working capital	13.8	6.7	12.4	The change in working capital is due to the timing of payments and receipts between the years, primarily in respect of employee benefits, deferred income from listing fees and levies, trade payables and trade receivables.
	Financing and tax	(10.4)	(6.4)	5.8	The change is due mainly to tax payments, net in 2021 compared to 2020 and 2019, as a result of the growth in activity. In 2019, taxes in respect of previous years were received.
	Total	**106.4**	**95.4**	**81.1**	
Net cash for investing activities	Investments in property and equipment and in intangible assets and capitalized payroll costs	(35.6)	(37.9)	(33.9)	The volume of investments stems from the Company's work plan.
	Acquisition of financial assets, net	(4.6)	(4.2)	(17.0)	Reflects the realization of securities in accordance with the Company's policy for the investment of monetary reserves.
	Total	**(40.2)**	**(42.1)**	**(50.9)**	
Net Cash for financing activities	Receipts (payments) carried directly to equity within the framework of implementing the ownership restructuring, net.	(0.8)	3.7	29.4	Receipts from the sale of shares within the framework of implementing the ownership restructuring. In 2021, VAT paid on inputs carried to equity pursuant to an assessments agreement. As to non-cash activities, see the consolidated statements of profit or loss in the Company's consolidated financial statements as of December 31, 2021.
	Dividend paid	(18.5)	(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	(9.1)	(9.9)	(9.7)	
	Total	**(28.4)**	**(15.0)**	**19.7**	
Total increase in cash and cash equivalents		**37.8**	**38.3**	**49.9**	

1.5.3 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, check payments or account charging authorizations.

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, 2021 and December 31, 2020 amounted to NIS 15,438 thousand and NIS 12,854 thousand, respectively. The decrease is due mainly to the timing of collection.

1.5.4 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, 2021 and December 31, 2020 amounted to NIS 15,985 thousand and NIS 12,159 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 Dividend

- 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.
- On April 5, 2021, a dividend of NIS 18,450 thousand (representing NIS 0.1823 per ordinary share) was paid to the Company's shareholders of record as of March 23, 2021.
- On March 21, 2022, the Board of Directors of the Company decided on a dividend distribution, in accordance with the Company's policy, in an amount of NIS 22.7 thousand, representing NIS 0.2229 per ordinary share. The record date for entitlement to the dividend is on March 30, 2022. The dividend is payable on April 7, 2022.

1.6.2 Qualitative bonus to the former Chairman of the Board of Directors of the Company for 2020

On May 25, 2021, the general meeting of the Company approved the granting of the qualitative annual bonus component to the Chairman of the Board of Directors of the Company for 2020, in an amount of NIS 154 thousand (before VAT).

1.6.3 Officers' Compensation Policy for the Years 2021-2023

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 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. 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 was 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 set based on the Company's budget and work plan for 2021, as approved at the beginning of 2021, The qualitative bonus amount granted to each of the officers was determined by the Audit Committee and the Board of Directors, based on the criteria that are set out in the 2021-2023 Compensation Policy. Following the approval of the Company's financial statements as of December 31, 2021, the payment of the bonuses under the 2021 bonus plan to 10 officers in a total amount of NIS 3,335 thousand was also approved.

1.6.5 Retirement Bonus to the former Chairman of the Board of Directors of the Company

On June 29, 2021, the Chairman of the Board of Directors of TASE, Mr. Amnon Neubach, announced his decision to retire several months earlier than planned and end his office on August 1, 2021.

On July 6, 2021, the Board of Directors of the Company, after obtaining the approval of the Compensation Committee on July 4, 2021, approved the payment of a Retirement Bonus to Mr. Neubach in an amount of NIS 700 thousand (before VAT). The retirement bonus was approved by a special general meeting on August 31, 2021.

1.6.6 Bonus Plan for 2022

Pursuant to the approval of the 2021-2023 Compensation Policy and based on its principles, on March 20, 2022 (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 2022 (hereafter: "the 2022 Bonus Plan") to all officers of the

Company, excluding directors and including the Chairman of the Board of Directors (subject to the obtaining of the necessary statutory approvals). According to the 2022 Bonus Plan, the maximum annual bonus for 2022 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 2022, which will be approved in the first quarter 2022. 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 2022. The qualitative bonus amount 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.

1.6.7 Receipts from shareholders within the framework of implementing the ownership restructuring

Receipts from shareholders within the framework of implementing the ownership restructuring
In 2021, a shareholder realized 255,781 shares held by him prior to the date of approval of the restructuring arrangement in TASE. As stated in note 1. B. to the annual financial statements and in accordance with the TASE Restructuring Law, consideration in excess of NIS 5.08 per share will be transferred to the Company (hereafter: "the Surplus Consideration").
Accordingly, the shareholder transferred Surplus Consideration of NIS 2.7 million at the beginning of 2022. The aforesaid amount was carried directly to the equity of the Company in its financial statements.
Additionally, in January 2022 the shareholder realized 78,900 shares. The Surplus Consideration of NIS 1.1 million has been transferred to TASE.
Furthermore, the Company has been informed by the shareholder of the realization of an additional 100,985 shares in February 2022, with Surplus Consideration of NIS 1.5 million, which has not yet been received.
Shortly before the date of approval of the financial statements, to the best of the Company's knowledge, shareholders hold 18,712,443 Company shares that they had held prior to the date of approval of the restructuring in TASE. The share price as of March 16, 2022 (shortly before the approval of the financial statements) is NIS 14.68. According to the TASE Restructuring Law and as stated in note 1.B. to the annual financial statements, in the event that the shareholders realize the shares that they hold, the amount of consideration in excess of NIS 5.08 per share will be transferred to the Company and used for the purposes prescribed in the Law. Such surplus consideration will be carried directly to the equity of the Company.

1.6.8 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.

Shortly before the end of May 2021, within the framework of discussions for a compromise in the Company's claim, the Company and TASE-CH entered into a series of agreements with the Ministry of Finance pursuant to which, inter alia, the term of the agreement for the management of the lending pool will be extended until December 31, 2025 (this despite TASE-CH's notification from July 2020 that is does not wish to extend the aforesaid agreement beyond September 2021, its end-date at the time of the notification), and, in settlement of all the Company's claims against the Ministry of Finance in said claim with respect to the period ending on December 31, 2020, the Company will be paid a settlement amount of NIS 3,846 thousand (plus VAT). As the Company had not previously recognized in its financial statement's revenue from the listing fees that are covered in this claim, the settlement amount (before tax) was fully recognized as other income in the second quarter of 2021.

In addition to the aforesaid, the agreement provides for the payments by the Ministry of Finance for the listing of securities that are issued by the State, in an amount of NIS 0.3 million per calendar quarter under the lending pool and NIS 1.2 million per calendar quarter outside the lending pool. In June 2021, an amendment to the TASE Rules concerning the listing fees for the aforesaid securities was approved, this in accordance with the compromise scheme.

It should be noted that, upon the termination of the agreement (at the end of 5 years), unless otherwise agreed between the parties, the Ministry of Finance will pay for the listing of government bonds in the lending pool a fixed quarterly amount of NIS 150 thousand and for bonds that are listed outside the lending pool, the Ministry of Finance will pay listing fees to the Company in accordance with the TASE Rules and the related Regulations, as set out in Section 6.C. in Chapter Thirteen of the Regulations pursuant to Part Two of the TASE Rules, which determines that the listing fees of binding certificates that are issued by the State, other than short-term government bonds, will be an amount equal to 0.004% of their value. Notwithstanding the foresaid, no listing fees will be payable on binding certificates issued by the State overseas, which on the date of their listing on TASE are also listed overseas. The listing fees on binding certificates issued by the State that are short-term government bonds will be an amount equal to 0.0007% of their value.

1.6.9 Rent Agreement

In April 2021, the Company entered into an agreement with a foreign state for the rent of one floor at the TASE building, to serve as the offices of the foreign state's embassy. The first rent period was set at two years commencing on April 18, 2021 (with an option to extend the period for an additional three years, during which the tenant shall have a right of exit with an advance notice of 6 months).

1.6.10 Consideration of a buyback plan

On March 21, 2022, the Board of Directors of the Company has instructed the Company to formulate a plan for the buyback of Company shares in an amount of up to NIS 100 million

and for a period of up to two years. For further details, see section 1.4.3 of Part One, "Description of the Company's Business", which is included in this periodic report.

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.

In 2021, the Group's assessment concerning the extent of impact of the settlement risk, the model risk and the business risk - was raised from low to medium. The change is due mainly to the increase, during the coronavirus crisis, in the trading and clearing volumes alongside a general growth in activity. While the increase has so far been attributed to the effects of the coronavirus crisis, the data accumulated over the past two years suggests that the increase is not transient and is independent of the coronavirus crisis. This growth in the volume of activity exposes the TASE Group to higher levels of loss upon the realization of the aforesaid risks, hence the raising of their impact assessment. It is hereby clarified that this is a change in the general assessment of the risk level, rather than an assessment that is based on the testing of scenarios.

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 (BIS), 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, 2021, ESMA had given the Clearing Houses the temporary status of a qualifying clearing house, as is stated on ESMA's public websites. On July 5, 2021, ESMA gave notice that the recognition process had been extended until June 28, 2022.

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, identify, monitor, control and mitigate 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 risk appetite limits

On November 22, 2021, the Board of Directors of the Company approved risk limits that constitute a part of the risk appetite framework and are derived from the risk appetite statement. These limits include thresholds and quantitative and/or qualitative targets that serve as a practical expression of the risk appetite statements and assign the risk appetite to specific risk categories. The risk limits help the Board of Directors in controlling and supervising the risk profile. The approval included a blanket approval of all limits, both those that existed in the organization and those that have been developed in the course of the process.

2.4.2 Stress testing in TASE Group

In 2021, a Stress Testing Policy was approved for the TASE Group and two cross-group stress tests were performed at the Group level.

The stress tests were approved by the Board of Directors of TASE on January 20, 2022.

2.4.3 **Validation of the margin of the MAOF Clearing House**

In 2021, the margin model was validated by a consulting firm that specializes in risk management in the financial services sector. The validation recommendations were approved by the Board of Directors of MAOF-CH on December 27, 2021.

2.4.4 Automation of the Scan Ranges Model of the Prices of Underlying Assets ("Scan Ranges")

In 2021, the upgraded scan ranges model for the calculation of the scan ranges (which was approved by the Board of Directors of MAOF-CH on March 24, 2020 and came into effect commencing on April 1, 2020) has been automated, such that, commencing in the calculation for November 2021 and thereafter, the scan ranges are calculated in an automated and computerized manner in the IT systems of the Company (in place of the "manual" calculation).

2.4.5 **Business Impact Analysis**

On January 20, 2022, the Board of Directors of the Company approved the findings of the operational business impact analysis in the Group. The purpose of the analysis is to map the essential activities and the business continuity parameters and the resources that are required to maintain them during a crisis, at an adequate service level, and to map the gaps (if any). The analysis was conducted and drawn up by an independent consulting firm that specializes in the setting up of infrastructures for business continuity management.

2.4.6 **Operational risks survey**

In 2021, an independent consulting firm performed an operational risks survey, which is carried out one every 3 years in accordance with the TASE Group's Operational Risk Management Policy.

The purpose of the operational risks survey is to identify and map the concentrations of risks in processes and activities and in the systems of the organization and to assess the residual risk level after weighting the effect of the existing controls. The products of the survey serve as the basis for the management and mitigation of the risks and the establishment of benchmarks for the management of the operational risk.

The Board of Directors of the Company approved the operational risks survey in its meeting on January 20, 2022.

2.4.7 **Compliance survey**

In 2021, a compliance survey was performed in reference to the regularization directives that apply to the core activities of TASE Group, such as the Securities Law, the Protection of Privacy Law, the Clearing Houses' Stability Directive, the TASE Rules and the By-Laws of the Clearing Houses. Two independent legal firms performed the survey in cooperation, in accordance with the Compliance Policy of the TASE Group and the provisions of its Internal Enforcement Program. The Audit Committee of the Company approved the compliance survey in its meeting on February 24, 2022.

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 it takes to manage and mitigate such 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, 2021, 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 due to of the default of a Clearing House members, in any or both of the Clearing Houses as part of each of their duties as a CCP, or for financing its 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, a repo agreement with the Bank of Israel for the receipt of cash against collateral in the event of default of a Clearing House member, and so forth.forth. For further details, see note 4 to the Company's consolidated financial statements as of December 31, 2021, 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, 2021, which are included in this Periodic Report.

2.5.4 **Market risks**

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 holdings of securities included in its investment portfolios (nostro) that are held for trading, such that a downturn in market prices would have a direct effect on the Group's profit and loss, and 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, 2021, 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 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 (cash and securities included in the investment portfolio) and the assets of the members of the Clearing Houses, which are deposited as collateral, with commercial banking corporations , with the Bank of Israel ,with central securities depositories (CSDs) and with other entities. Therefore, itis 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.

2.6 **Presented Below is a Note Relating to the linkage bases as of December 31, 2021 and December 31, 2020 (NIS, in thousands):**

	31.12.2021					
	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 31.12.2021
	NIS, in thousands					
Assets:						
Current assets:						
Cash and cash equivalents and short-term investments	4,959	104,105	280,993		-	390,057
Trade receivables	612	-	14,826	-	-	15,438
Other receivables	2	1,172	2,872	-	5,261	9,307
Assets derived from clearing operations with respect to open derivative positions	-	-	-	665,271	-	665,271
Non-current assets:						
Property and equipment and intangible assets, net	-	-	-	-	461,789	461,789
Deferred taxes and other assets	-	-		-	15,157	15,157
Other long-term receivables	-	-	720	-	1,689	2,409
Total assets	**5,573**	**105,277**	**299,411**	**665,271**	**483,896**	**1,559,428**
Liabilities:						
Current liabilities:						
Trade payables	-	-	18,985	-	-	18,985
Current liabilities for employee benefits	-	-	32,878	-	-	32,878
Other payables	-	-	3,872	-	-	3,872
Current maturities of lease liabilities	-	3,362	5,364	-	-	8,726
Liabilities for current taxes	-		2,181	-	-	2,181
Deferred income from listing fees and levies	-	-	290	-	24,298	24,588
Liabilities derived from clearing operations with respect to open derivative positions	-	-	-	665,271	-	665,271
Non-current liabilities (including current maturities):						
Non-current liabilities for employee benefits	-	-	-	-	39,490	39,490
Lease liabilities	-	6,344	8,066	-	-	14,410
Deferred income from listing fees and levies	-	-		-	86,439	86,439
Other liabilities	-		720	-	-	720
Total liabilities	**-**	**9,706**	**72,356**	**665,271**	**150,227**	**897,560**
Excess assets over liabilities	**5,573**	**95,571**	**227,055**	**-**	**333,669**	**661,868**

	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**	**1,187,86**
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**

2.7 Sensitivity Analyses

The TASE Group has cash reserves that are the 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, 2021, 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, 2021, 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, 2021, 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, 2021 and December 31, 2020:

	As of 31.12.2021	Maximum value for 2021	Average for 2021
	NIS, in millions		
The VaR for the investment portfolio and the cash balance held in foreign currency	10.2	10.8	10.5
	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

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, 2021, March 31, 2021, June 30, 2021 and September 30, 2021, 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 2021 no monetary donations were made in the name of the Company[1].

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. In addition, the Company runs a program for the integration of people with high-functioning autism, as part of which the workers fill various positions in the distribution division and in other departments, depending on their capabilities and skills, to assist in daily 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 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. (served until July 30, 2021).
- Mr. Itzhak Halamish – external director, independent director, recommended by the Nominations Committee. (served until December 8, 2021.

- 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 (serves as Chairman of the Board of Directors since August 1, 2021. For details regarding the appointment of Mr. Steinberg as Chairman of the Board of Directors of the Company, see section 1.26.12.1 of Part One, "Description of the Company's Business", which is included in this periodic report).
- Mr. Aharon Aharon - external director, independent director recommended by the Nominations Committee (serves since January 12, 2022).

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 publication 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.

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 the size of the TASE Group, 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.

3.4.4 **Internal audit work plan**

The Internal Auditor prepared an annual work plan for 2021 and 2022, 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 its subsidiariesis 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 2021 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. . It should be noted that this is a qualitative assessment, at the discretion of the Board of Directors of the Company, which is not based on an independent assessment of the Internal Auditor's work. In consideration of the standards published by the International Institute of Internal Auditors, the Company intends to formulate, in coordination with the Internal Auditor, a framework for the independent assessment of her work.

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 2021:

Topic covered in the report	Date of report's final presentation	Date of Audit Committee discussion
Executives' salaries	18.8.2021	2.9.2021
Management of projects in the IT Department	17.8.2021	2.9.2021
Implementation of the Internal Audit recommendations	28.10.2021	4.11.2021
Listing for trade and updating the data of listed companies	15.11.2021	5.12.2021
Nominee Company	20.12.2021	27.12.2021

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 2021:

Name of auditors	Service	Professional fees (NIS, in thousands)
Brightman Almagor Zohar & Co., CPAs	Audit	450
	Tax and consulting services	171

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 2020:

Name of auditors	Service	Professional fees (NIS, in thousands)
Brightman Almagor Zohar & Co., CPAs	Audit	450
	Tax and consulting services	31

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.

Arik Steinberg	**Ittai Ben-Zeev**
Chairman of Board of Directors*	**Chief Executive Officer**

* For details regarding the appointment of Mr. Steinberg as Chairman of the Board of Directors of the Company, see section 1.26.12.1 of Part One, "Description of the Company's Business", which is included in this periodic report.

Date: March 21, 2022

TEL AVIV STOCK EXCHANGE
הבורסה לניירות ערך תל אביב

PART 3

Consolidated Statements of Financial Position as of December 31, 2021

Separate Financial Information as of December 31, 2021



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, 2021

Contents

	Page
Auditors' Report	2
Financial Statements:	
Consolidated Statements of Financial Position	4-5
Consolidated Statements of Profit or Loss	6
Consolidated Statements of Comprehensive Income	7
Consolidated Statements of Changes in Equity	8-9
Consolidated Statements of Cash Flows	10-11
Notes to the Consolidated Financial Statements	12-98

Deloitte.

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, 2021 and 2020, 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, 2021. 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, 2021 and 2020, 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, 2021, 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 21, 2022

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	Note	December 31, 2021	December 31, 2020
		NIS, in thousands	NIS, in thousands
Assets			
Current assets			
Cash and cash equivalents	6 A	179,768	142,154
Financial assets at fair value through profit or loss	8	210,289	204,558
Trade receivables		15,438	12,854
Other receivables	11 B, 24 B	9,307	6,449
		414,802	366,015
Assets derived from clearing operations with respect to open derivative positions	7	665,271	353,193
Total current assets		1,080,073	719,208
Non-current assets			
Cash restricted as to use	6 B	720	542
Other long-term receivables	11 B, 24 B	1,689	2,110
Property and equipment, net	10, 11	333,109	330,075
Intangible assets, net	12	128,680	121,121
Deferred tax assets	16	15,157	14,808
Total non-current assets		479,355	468,656
Total assets		**1,559,428**	**1,187,864**

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

	Note	December 31, 2021	December 31, 2020
		NIS, in thousands	NIS, in thousands
Liabilities and Equity			
Current liabilities			
Trade payables		18,985	12,159
Short-term liabilities for employee benefits	13	32,878	32,013
Other payables		3,872	3,684
Current maturities of lease liabilities	11 B	8,726	4,302
Current tax liabilities	16	2,181	1,919
Deferred income from listing fees and levies	14	24,588	21,064
		91,230	75,141
Liabilities derived from clearing operations with respect to open derivative positions	7	665,271	353,193
Total current liabilities		756,501	428,334
Non-current liabilities			
Non-current liabilities for employee benefits	13	39,490	40,413
Lease liabilities	11 B	14,410	9,089
Deferred income from listing fees and levies	14	86,439	78,646
Other liabilities	6 B	720	542
Total non-current liabilities		141,059	128,690
Equity			
Remeasurement of net defined benefit liability		(16,536)	(17,909)
Share-based payments reserve	15	33,257	32,518
Other capital reserves	18 C	48,698	46,802
Retained earnings		596,449	569,429
Total equity		661,868	630,840
Total liabilities and equity		**1,559,428**	**1,187,864**

March 21, 2022			
Date of Financial Statements Approval	**Arik Steinberg Chairman of the Board of Directors**	**Ittai Ben Zeev CEO**	**Yehuda van der Walde CFO**

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

	Note	Year Ended December 31,		
		2021	2020	2019
		NIS, in thousands	NIS, in thousands	NIS, in thousands
Revenue from services:	20			
Trading and clearing commissions		131,116	136,451	107,000
Listing fees and levies		69,059	59,887	54,678
Clearing House services		65,505	57,453	52,331
Data distribution and connectivity services		52,268	48,408	42,419
Other revenue		5,712	2,067	3,573
Total revenue from services		323,657	304,266	260,001
Costs:				
Employee benefits expenses	21 A	148,395	139,355	132,973
Share-based payments expenses	15	739	1,280	3,858
Computer and communications expenses		27,823	26,753	23,819
Property taxes and building maintenance expenses		13,190	11,762	12,602
General and administrative expenses		10,883	9,373	9,122
Marketing expenses		11,203	11,098	7,858
Fee to the Israel Securities Authority		9,123	10,776	10,680
Depreciation and amortization expenses	21 B	47,618	44,510	43,571
Other expenses		262	587	1,358
Total costs		269,236	255,494	245,841
Profit before financing income, net		54,421	48,772	14,160
Financing income		5,488	410	9,975
Financing expenses		948	983	1,006
Total financing income (expense), net	22	4,540	(573)	8,969
Profit before tax on income		58,961	48,199	23,129
Taxes on income	16	13,491	11,295	5,571
Profit for the year		**45,470**	**36,904**	**17,558**
Basic earnings per share in NIS	**23**	**0.449**	**0.368**	**0.176**
Diluted earnings per share in NIS	**23**	**0.436**	**0.358**	**0.174**

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

	Year Ended December 31,		
	2021	2020	2019
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Profit for the year	45,470	36,904	17,558
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	1,373	(1,004)	(12,574)
Comprehensive income for the year	**46,843**	**35,900**	**4,984**

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	Remeasuremen of net defined benefit liability	Other Capital Reserves	Retained Earnings	Total
	NIS, in thousands	NIS, in thousands	NIS, in thousands	NIS, in thousands	NIS, in thousands
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 income (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**
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 carried directly to equity within the framework of implementing the TASE Restructuring Law, 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**

	Share-based payments reserve	Remeasurement of net defined benefit liability	Other Capital Reserves	Retained Earnings	Total
	NIS, in thousands	NIS, in thousands	NIS, in thousands	NIS, in thousands	NIS, in thousands
Balance at January 1, 2021	32,518	(17,909)	46,802	569,429	630,840
Profit for the year	-	-	-	45,470	45,470
Other comprehensive income for the year	-	1,373	-	-	1,373
Total comprehensive income for the year	-	1,373	-	45,470	46,843
Dividend paid	-	-	-	(18,450)	(18,450)
Share-based payment	739	-	-	-	739
Receipts carried directly to equity within the framework of implementing the TASE Restructuring Law, net (see note 18 C)	-	-	1,896	-	1,896
Balance as of December 31, 2021	**33,257**	**(16,536)**	**48,698**	**596,449**	**661,868**

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,		
	2021	2020	2019
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Cash Flows from Operating Activities:			
Profit for the year	45,470	36,904	17,558
Share-based payments expenses	739	1,280	3,858
Tax expenses recognized in profit or loss	13,491	11,295	5,571
Net financing expense (income) recognized in profit or loss	(4,540)	573	(8,969)
Depreciation and amortization	47,618	44,510	43,571
Loss from disposal of property and equipment and intangible assets	262	587	1,358
	103,040	95,149	62,947
Changes in asset and liability items:			
Decrease (increase) in trade receivables and other receivables	(5,000)	2,514	(607)
Decrease (increase) in receivables with respect to open derivative positions	(312,078)	(1,451)	543,659
Increase (decrease) in trade payables and other payables	5,719	(2,637)	1,176
Increase in deferred income from listing fees and levies	11,317	6,412	5,726
Increase (decrease) in payables with respect to open derivative positions	312,078	1,451	(543,659)
Increase in employee benefits related liabilities	1,725	436	6,083
	116,801	101,838	75,325
Interest received	4,300	5,008	6,110
Interest paid	(726)	(723)	(637)
Tax receipts (payments) – operating activities	(13,993)	(10,694)	332
	(10,419)	(6,409)	5,805
Net cash provided by operating activities	**106,382**	**95,429**	**81,130**
Cash Flows from Investing Activities:			
Acquisition of property and equipment	(6,239)	(11,145)	(6,416)
Proceeds from the disposal of property and equipment	16	-	192
Acquisitions of intangible assets	(11,883)	(11,161)	(11,850)
Payments with respect to costs capitalized to property and equipment and to intangible assets	(17,527)	(15,583)	(15,838)
Acquisition of financial assets at fair value through profit or loss, net	(4,591)	(4,206)	(17,032)
Net cash used in investing activities	**(40,224)**	**(42,095)**	**(50,944)**
Cash Flows from Financing Activities:			
Lease payments	(9,125)	(9,929)	(9,739)
Dividend paid	(18,450)	(8,770)	-
Company's share in the first-time listing of the shares	-	-	15,600
Receipts (payments) carried directly to equity within the framework of implementing the TASE Restructuring Law, net (see note 18 C)	(800)	3,723	13,782
Net cash provided by (used in) financing activities	**(28,375)**	**(14,976)**	**19,643**
Net increase in cash and cash equivalents	37,783	38,358	49,829
Cash and cash equivalents, beginning of the year	142,154	103,928	54,363
Effect of changes in exchange rates on cash balances held in foreign currency	(169)	(132)	(264)
Cash and cash equivalents, end of the year	**179,768**	**142,154**	**103,928**

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

	Year Ended December 31,		
	2021	2020	2019
	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	8,150	4,159	4,320
Increase in right-of-use assets and lease liabilities (*)	21	1,133	5,372
Increase in receivables for lease and lease liabilities (*)	18,849	165	2,256
Increase in receivables from shareholders for receipts from the exercise of TASE shares within the framework of implementing the ownership restructuring (see note 18 C)	2,696	-	-

(*) For further details regarding lease liabilities, see note 11 B.

The accompanying notes are an integral part of 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, 2021, TASE has 22 members, consisting of 14 banks (including the Bank of Israel), 5 non-bank members (“NBM’s”) and 3 remote members. 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, 2021, three members are in the joining process, one is an NBM acting on its own account (nostro) only, the second is a bank and the third is an NBM. The new TASE members are expected commence their operations in 2022, upon completion of the necessary operational, technological and corporate governance preparations.

As of December 31, 2021, and 2020, TASE-CH has 17 members, consisting of 12 banks (including the Bank of Israel), 4 non-banking Clearing House members (“NBCHMs”) and one custodial member.

On November 22, 2021, the Board of Directors of TASE-CH approved the joining of two new Clearing House members (one as a custodial member). The members are expected commence their operations in 2022, upon completion of the necessary operational, technological and corporate governance preparations.

As of December 31, 2021, and 2020, MAOF-CH has 10 members, consisting of 9 banks and one NBCHM.

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.

NOTE 1 - GENERAL (CONT.):

A. (Cont.)

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).

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.

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.

NOTE 1 - GENERAL (CONT.):

B. (Cont.)

- 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.

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.

NOTE 1 - GENERAL (CONT.):

D. The Coronavirus Crisis

The year 2021 was characterized by a number of trends that affected both the local and the global economy, including the capital markets. These derived mainly from the impact of the coronavirus crisis on the global markets in 2020 and 2021 as well as from the development of geopolitical crises. The epidemiological crisis that commenced in 2020 and continued into 2021, with three outbreak waves, has led governments and central banks around the globe, including the Israeli Government and the Bank of Israel, to implement policies and actions that, on the one hand, aimed to protect the public's health - such as the imposition of restrictions on the public and on economic activity and their subsequent gradual lifting in response to the progression of the outbreaks, extensive testing and the launch and promotion of vaccination campaigns; and, on the other hand, aimed to sustain the local economies, such as the economic aid programs and monetary grants extended by the various governments, alongside the central banks' expansionary monetary policies and the setting and maintenance of lower interest rates throughout the year.

The aforesaid policies and actions resulted in two principal trends - first, a rise in the demand for investments, tradeable and non-tradeable alike, due to the greater availability of money and liquidity in the financial markets that has led to a rise in the number of IPOs, the market cap of the companies and the amounts raised, both globally and on The Tel Aviv Stock Exchange; second, a surge in inflation rates, primarily in the second half of the year, that stemmed from the growing gap between the increasing demand for consumer products and services generated by the recovery of business activity and the markets' adapting to the epidemiological conditions and the slower adjustment of production, alongside the disruptions in the chain of supply caused, among others, by insufficient manpower, delays in marine shipping and shortages in the chip industry, also as a result of the coronavirus crisis.

The aforesaid rise in the demand for investments has had a similar effect on the activity at TASE, which included an increase in the number of IPOs and capital raising on TASE - in 2021, 94 share companies performed an IPO (compared to 27 new companies listed in 2020); a rise in the value of the traded assets and the market cap of the equity market crossing of the NIS 1 trillion mark for the first time (NIS 1.2 trillion as of December 31, 2021); and an increase in debt raised with corporate bonds. Nevertheless, despite the increase in the prices of commodities and products and in global shipping tariffs, Israel's reported rate of inflation remained within the range set by the Bank of Israel, most likely due to the offsetting effect of the devaluation of the dollar during the year and the lesser impact of the energy price hikes on the Israeli economy.

In addition to the economic trends described above, 2021 was also characterized by an improvement of economic conditions in Israel (according to the macroeconomic forecast of the Bank of Israel's Research Division for January 2022), with an estimated growth of 6.5% (compared to a contraction of 2.2% in 2020), an anticipated reduction of the debt-to-GDP ratio to 69% (compared to 72% in 2020) as a result of surplus collection and the formalization of the economic aid in the State Budget and the Arrangements Law, and an increased employment rate.
The outbreak of the fifth wave in the fourth quarter of 2021, with a record number of new cases, did not have a material effect on the aforementioned trends concerning the value of the assets traded on TASE and the trading volumes. It should be noted that the increase in the trading volumes at the end of the fourth quarter is believed to be the result of the uncertainty and volatility in the markets on the backdrop of the policy changes in central banks and the Russia-Ukraine crisis, rather than a reflection of the rise in the number of cases. The Company believes that any additional outbreaks with similar characteristics to those that took place in 2021 are not expected to have a material effect on its operations.

NOTE 1 - GENERAL (CONT.):

D. The Coronavirus Crisis (Cont.)

The rise in inflation rates, as described above, and the assessment that these will continue into 2022 have led central banks, most notably the Federal Reserve, to announce, in the fourth quarter of 2021, the discontinuance of the expansionary monetary policies and their intention to raise the interest rates already in 2022 in order to curb the soaring inflation. In Israel, while the Bank of Israel has not yet announced its intention to raise the interest rate in 2022,
it is believed that interest rate raises will take place in Israel in response to the climbing inflation rate and may even exceed the most recent forecast published by the Bank of Israel. The anticipated ongoing rise of inflation, with corresponding global and local interest rate raises, and the exacerbation of the Russia-Ukraine crisis (that escalated into an open war in February 2022) have created uncertainty among investors and increased volatility in the financial markets around the globe and in Israel.

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.

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. A list of the subsidiaries is provided in note 9 below.
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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

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.

(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 "Financing income (expenses), net" 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

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 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.

(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	3-15 years	6.7%-33.3% (mainly 20%)
Equipment and systems	7-20 years	5%-14% (mainly 6.67%)
Furniture	8-30 years	3.3%-12.5% (mainly 3.33%)
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	2-5 years	20%-50% (mainly 33. 3%)

(*) See paragraph J below.

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.

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 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.

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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

J. Leases (Cont.):

(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.

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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

K. Impairment of Tangible and Intangible Assets (Except for Financial Assets) (Cont.):

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.

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.

(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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

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

(1) Financial Assets and Financial Liabilities (Except for Clearing Operations) (Cont.):

(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.

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

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.):

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 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.

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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

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 and deferred tax relating to items that are recognized in other comprehensive income.

(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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

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.

(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 examines 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.

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.):

Presented below is information on the period and method of amortization of the deferred income, based on date of receipt, for the following categories:

	Commencing on January 1, 2021	**January 1, 2019 to December 31, 2020**	**From the first-time implementation of the Standard to December 31, 2018**
Shares, ETNs and ETFs			
Amortization period	13 years	13 years	13 years
Amortization method	Straight-line	Straight-line	Straight-line
Corporate bonds			
Amortization period	Contractual life stipulated in the issued bond - limited to 13 years	Contractual life stipulated in the issued bond - limited to 13 years	10 years
Redemption coefficient	0.93%	0.93%	-
Amortization method	Based on traded balance	Based on traded balance	Based on traded balance
Government bonds (*)			
Amortization period	Issuance outside the lending pool - 11 years. Issuance within the lending pool - one month.	Contractual life stipulated in the issued bond	10 years
Redemption coefficient	-	0.95%	-
Amortization method	Straight-line	Straight-line	Straight-line

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.):

(*)In accordance with an agreement signed in May 2021 between TASE and the Clearing House, and the Government of Israel, concerning listing fees for government bonds, commencing on January 1, 2021, the Group provides services for the listing on TASE of government bonds within and outside the lending pool, in return for a fixed quarterly payment, regardless of the total loans recorded in the lending pool in the quarter and regardless of the total quantity of bonds issued outside the lending pool in the same quarter. The irrevocable 5-year agreement is for a total consideration of NIS 23.5 million in respect of government bonds that are listed outside the lending pool and a total consideration of NIS 5.5 million for bonds that are listed within the lending pool.

Income from the listing of government bonds on TASE is recognized over time, over the estimated period of trading of the securities on TASE, since the Government of Israel simultaneously receives and consumes the benefits deriving from the performance of the Group, if any. Since the efforts of the Group (inputs) are equally distributed over the performance period (performance obligation), the Group recognizes the aforesaid income on a straight-line basis, over the period of the agreement and the projected estimated service period, 11 years. For bonds that are listed on TASE within the lending pool, the estimated service period is one month.

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.

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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

N. Revenue Recognition (Cont.):

(2) Revenue from Listing Fees and Levies (Cont.):

(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, based on the period of use.

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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

O. Provisions (Cont.):

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 contribute 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.

Actuarial gains and losses with respect to remeasurement are recognized in other comprehensive income, as incurred. Actuarial gains and losses recognized in other

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Q. Employee Benefits (Cont.):

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

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 and bonuses) 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.

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

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

Key Factors for Uncertainty in an Estimate (Cont.):

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.

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,

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

C. Determining the Existence of a Significant Financing Component (Cont):

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

D. Determining the Recognition Period for Revenues from Listing Fees (Cont.)

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, control and mitigate 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.

NOTE 4 - THE FINANCIAL RISKS MANAGEMENT POLICY: (CONT.)

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.

As of December 31, 2021, and December 31, 2020, MAOF-CH's open positions as a CCP (at fair value after netting) amounted to NIS 665 million and NIS 353 million, respectively. For further details, see note 8.

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, 2021 and December 31, 2020 is NIS 29 million and NIS 674 million, respectively (December 31, 2021 is Friday, a settlement day; therefore, the amount of exposure is low).

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).

NOTE 4 - THE FINANCIAL RISKS MANAGEMENT POLICY: (CONT.)

A. Credit Risk: (Cont.)

(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 (excluding the Bank of Israel) are subject to continuous supervision over their financial stability, 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, requirements for minimum capital and liquidity volumes, the establishment of an adequate risk management setup, assurance of proper corporate governance, and so forth.

For information on the number of TASE members and members of the Clearing Houses, see Note 1 A.

(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 the exposure arising from transactions performed and clearing members of TASE-CH are required to deposit collaterals for their activities in the Central Lending Platform.

  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.

NOTE 4 - THE FINANCIAL RISKS MANAGEMENT POLICY (CONT.):

A. Credit Risk: (cont.)

(2) Risk Management and Mitigation Measures (Cont.)

(b) Financial Resources (cont.):

- **Collateral Deposited with the Clearing Houses (cont.):**

  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 size of 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.

- **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.

NOTE 4 - THE FINANCIAL RISKS MANAGEMENT POLICY (CONT.):

A. Credit Risk (Cont.):

(2) Risk Management and Mitigation Measures (Cont.):

(b) Financial Resources (Cont.):

- **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, 2021 and December 31, 2020 amounted to NIS 124 thousand and NIS 3,386 thousand, respectively (December 31, 2021 is a Friday, as settlement day; therefore, the amount of exposure is low).

- **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.

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 (cont.)**

  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,	
	2021	2020
	NIS, in millions	NIS, in millions
Total margin requirements with MAOF-CH	2,456	1,678
Total collateral required to be deposited in the MAOF-CH Default Fund (*)	627	629
Total collateral required to be deposited in the TASE-CH Default Fund (*)	1,606	1,616
Contribution against default waterfall allocated from the Group's equity (**)	28	27
Total financial resources	**4,717**	**3,950**

(*) 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 631 million and NIS 1,693 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, 2021 amount to NIS 7.5 million and NIS 20.3 million, respectively (December 31, 2020 – NIS 7.5 million and NIS 19.5 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 the members of the Clearing Houses 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.):

(1) 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 outlines 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

NOTE 4 - THE FINANCIAL RISKS MANAGEMENT POLICY (CONT.):

B. Liquidity Risk:

(1) Risk Profile:

protections at their disposal by virtue of the Securities Law and the Clearing Houses' By-Laws. 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 their obligation to act 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 members that had not defaulted, including the final settlement of the future cash flows in the transactions, 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 as to 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.

NOTE 4 - THE FINANCIAL RISKS MANAGEMENT POLICY (CONT.):

B. Liquidity Risk (Cont.):

(1) Risk Profile (Cont.):

The expected maturity dates for most of the financial liabilities arising from the clearing activities

	December 31,	
	2021	2020
	NIS, in thousands	NIS, in thousands
Up to one month after the date of the Statement of Financial Position	592,444	280,098
1-2 months	39,069	25,249
2-3 months	8,145	6,640
Up to one year	25,613	41,206
Total financial liabilities from clearing activities (*)	**665,271**	**353,193**

undertaken by MAOF-CH (payables with respect to open positions) are as follows:

(*) 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.

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,	
	2021	2020
	NIS, in thousands	NIS, in thousands
Up to one year after the date of the Statement of Financial Position	9,028	4,530
Second year	8,396	3,306
Third year	4,111	2,688
Fourth year	2,176	2,552
Fifth year	-	851
Total undiscounted cash flows of lease liabilities (*)	**23,711**	**13,927**

(*) The incremental interest rate used to discount the future lease payments in calculating the balance of the lease liability as of December 31, 2021 and December 31, 2020, as shown in the Statement of Financial Position, ranges from 0.85% to 2.4% and from 0.53% to 1.4%, respectively. 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.

NOTE 4 - THE FINANCIAL RISKS MANAGEMENT POLICY (CONT.):

B. Liquidity Risk (Cont.):

(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, 2021, 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 95% 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 44% is in cash.

(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 enable, in the event of default by a Clearing House member, the quick liquidation of 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, 2022, 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.

NOTE 4 - THE FINANCIAL RISKS MANAGEMENT POLICY (CONT.):

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) – concerning the handling of such instances by the Clearing House, 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 communication procedures for transmitting alerts and notifications relating to the results of clearings performed or expected to be performed.

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 its holding of securities included in the Group's investment portfolios that are held for trading, such that a downturn in market prices could have a direct effect on the Group's profit and loss, and 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.

NOTE 4 - THE FINANCIAL RISKS MANAGEMENT POLICY (CONT.):

D. Market Risk (Cont.):

(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 Israeli Government bonds, whose inherent credit risk is not material. The Group also restricts the duration of the portfolio and the repayment period, thereby limiting its exposure to changes in interest rates. Additionally, the Group has imposed concentration restrictions on the management of the portfolio (in terms of the exposure to a single security, the portfolio value managed by a single portfolio manager and the portfolio value held by a single custodian). 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, this in accordance with the capital adequacy model that the Clearing Houses are required to implement 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 each of the Clearing Houses' participation in the order of realizing collateral upon the occurrence of a Clearing member's default, at a rate of 25% of the total capital requirement in respect of the aforementioned risks or NIS 7.5 million, whichever is the greater.

In the absence of any regulatory directive, the capital adequacy and liquidity adequacy requirement is determined at the level of TASE Group using internal models that were approved by TASE's Board of Directors. Generally, the calculation of TASE's requirements, as referred to above, is similar to the calculation of the requirements prescribed for the Clearing Houses in the Clearing Houses' Stability Directive, other than the definition of qualifying capital.

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,	
	2021	2020
	NIS, in thousands	
Capital requirements with respect to the risk components:		
Credit risk	37,124	35,562
Market risk	6,059	6,138
Legal and operational risk (*)	44,204	40,994
Business continuity and reorganization (**)	119,573	113,284
Contribution against default waterfall (***)	27,809	27,019
Total capital requirements with respect to the risk components	234,769	222,997
Capital base components		
Retained earnings	596,449	569,429
Other capital reserves	48,698	46,802
Remeasurement of net defined benefit liability	(16,536)	(17,909)
Share-based payments reserve	33,257	32,518
Less:		
Intangible assets	(116,561)	(110,197)
Total qualifying capital base	545,307	520,643
Capital surplus (qualifying capital base, less requirements)	**310,538**	**297,646**

(*) 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.

(***) As of December 31, 2021, the contribution against default waterfall allocated from the Group's equity in respect to MAOF-CH and TASE-CH totaled NIS 7.5 million and NIS 20.3 million, respectively (as of December 31, 2020 – NIS 7.5 million and NIS 19.5 million, respectively).

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,	
	2021	2020
	NIS, in thousands	NIS, in thousands
Liquidity requirements with respect to the risk components:		
Business continuity and reorganization	119,573	113,284
Contribution against default waterfall	27,809	27,019
Total requirements for liquid assets	147,382	140,303
Eligible liquid assets		
Cash and cash equivalents	179,768	142,154
Securities portfolio at fair value	210,289	204,558
Less – amortization coefficients on the assets	(10,222)	(10,631)
Less – current liabilities	(67,054)	(54,183)
Net liquid assets	312,781	281,898
Liquidity surplus (net liquid assets, less requirements)	**165,399**	**141,595**

C. TASE-CH's Capital Adequacy and Liquidity Adequacy as of Reporting Date:

	December 31,	
	2021	2020
	NIS, in thousands	NIS, in thousands
Capital adequacy position:		
Total capital requirements	101,549	97,595
Total qualifying capital base	174,079	154,579
Total capital surplus	**72,530**	**56,984**
Liquidity adequacy position:		
Total liquidity requirements	75,051	72,284
Total net liquid assets	160,992	140,880
Total liquidity surplus	**85,941**	**68,596**

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,	
	2021	2020
	NIS, in thousands	NIS, in thousands
Capital adequacy position:		
Total capital requirements	37,500	37,500
Total qualifying capital base	51,050	48,050
Total capital surplus	**13,565**	**10,550**
Liquidity adequacy position:		
Total liquidity requirements	20,364	20,744
Total net liquid assets	49,159	45,907
Total liquidity surplus	**28,795**	**25,163**

NOTE 6 - CASH:

A. Composition of Cash and Cash Equivalents:

	Interest Rate, December 31,	December 31,	
	2021	2021	2020
	%	NIS, in thousands	NIS, in thousands
Cash at banks		17,142	12,965
Short-term deposits	Primarily 0.08	162,626	129,189
Total cash and cash equivalents		**179,768**	**142,154**

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 considers 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 2022 for warrants (mostly up to the end of January 2022).

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).

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.

NOTE 8 - FINANCIAL INSTRUMENTS: (CONT.)

B. Financial Instrument Balances, by Category:

	December 31,	
	2021	2020
	NIS, in thousands	NIS, in thousands
Financial assets (*):		
Financial assets measured at amortized cost:		
Cash and cash equivalents	179,768	142,154
Trade and other receivables	19,484	15,187
Other long-term receivables	-	418
Cash restricted as to use	720	542
Financial assets at fair value through profit or loss:		
Assets derived from clearing operations – receivables with respect to open derivative positions	665,271	353,193
Financial assets held for trading (**)	210,289	204,558
	1,075,532	716,052
Presented in the Statement of Financial Position under:		
Current assets	1,074,812	715,092
Non-current assets	720	960
	1,075,532	716,052
Financial liabilities:		
Financial liabilities measured at amortized cost:		
Trade and other payables	20,276	13,254
Lease liabilities	23,136	13,391
Other liabilities	720	542
Financial liabilities at fair value through profit or loss:		
Liabilities derived from clearing operations – payables with respect to open derivative positions	665,271	353,193
	709,403	380,371
Presented in the Statement of Financial Position under:		
Current liabilities	694,273	370,740
Non-current liabilities	15,130	9,631
	709,403	**380,371**

(*) 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).

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, 2021 and 2020 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, 2021:		
Level 1	509,825	210,289
Level 2	203,169	-
	712,994	210,289
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)	(47,723)	-
Total balance reported in the Statement of Financial Position	**665,271**	**210,289**
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**

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, 2021:			
Warrants (*)	**972,275**	**307,004**	**665,271**
December 31, 2020:			
Warrants (*)	**635,732**	**282,539**	**353,193**

(*) As of December 31, 2021, and December 31, 2020, there were no open positions with regard to futures.

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, 2021:				
Member B'	577,051	21	577,030	-
Member H'	46,934	9,117	37,871	-
Other members	41,286	38,321	2,965	-
	665,271	**47,459**	**617,812**	**-**
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**	**-**

(*) The closing of open positions in the event of default will aim to minimize the losses of end customers, if any and to the extent possible, this without increasing the exposure of MAOF-CH.

(**) 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, 2021, NIS 2,456 million (as of December 31, 2020, NIS 1,678 million).

NOTE 8 - FINANCIAL INSTRUMENTS (CONT.):

D. Offsets of Financial Assets and Financial Liabilities (Cont.):

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, 2021:			
Member H'	436,226	10,662	425,564
Member A'	192,983	11,492	181,491
Other members	36,062	25,305	10,757
	665,271	**47,459**	**617,812**
December 31, 2020:			
Member C'	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**

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, 2021			December 31, 2020		
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					
171.4	**0.4**	**0.9**	**132.6**	**0.3**	**0.7**

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, 2021			December 31, 2020		
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					
200	**2.0**	**3.3**	**201**	**2.2**	**4.4**

NOTE 9 - INVESTMENTS IN INVESTEES:

Subsidiaries:

A. General:

Name of Company	Country of Incorporation	Rate of Holding of Equity and Voting Rights as of December 31, 2021 and 2020
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 (3).
With regard to officers of TASE and the Clearing Houses' indemnification and their exemption from liability, see note 17.
With regard to officers' insurance at TASE and the Clearing Houses, see note 24 D (2).

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).

NOTE 10 - LAND RIGHTS (CONT.):

B. Composition:

	December 31,	
	2021	2020
	NIS, in thousands	NIS, in thousands
Freehold land, included in property and equipment	19,510	19,510
Land under capital lease, included in leased land (lease rights for various periods ending 2107-3003)	37,729	37,966
	57,239	**57,476**

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.

NOTE 11 - PROPERTY AND EQUIPMENT:

A. Composition and Changes:

(1) Property and Equipment:

	Land and Building (1)	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, 2021	244,995	92,806	48,585	7,324	393,710
Acquisitions during the year	229	9,056	998	7	10,290
Disposals during the year	-	(9,709)	(550)	(11)	(10,270)
Balance, December 31, 2021	245,224	92,153	49,033	7,320	393,730
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
Accumulated Depreciation:					
Balance, January 1, 2021	30,101	60,269	20,506	2,523	113,399
Depreciation for the year	4,639	9,126	3,343	397	17,505
Disposals during the year	-	(9,603)	(545)	(10)	(10,158)
Balance, December 31, 2021	34,740	59,792	23,304	2,910	120,746
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
Depreciated Cost:					
December 31, 2021	**210,484**	**32,361**	**25,729**	**4,410**	**272,984**
December 31, 2020	**214,894**	**32,537**	**28,079**	**4,801**	**280,311**

(1) See note 10 for information on land rights.

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, 2021	39,522	15,190	12,071	1,252	68,035
Additions (*)	-	229	18,115	505	18,849
Disposals	-	-	(152)	(354)	(506)
Balance, December 31, 2021	39,522	15,419	30,034	1,403	86,378
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
Accumulated Depreciation:					
Balance, January 1, 2021	1,556	4,811	11,448	456	18,271
Depreciation	237	2,424	5,392	435	8,488
Disposals	-	-	(152)	(354)	(506)
Balance, December 31, 2021	1,793	7,235	16,688	537	26,253
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
Depreciated Cost, December 31, 2021	**37,729**	**8,184**	**13,346**	**866**	**60,125**
Depreciated Cost, December 31, 2020	**37,966**	**10,379**	**623**	**796**	**49,764**

(*) In January 2021, agreements were signed for the lease of lines of communication for periods of 36-60 months. Most of the aforesaid contracts superseded existing contracts that were to expire in 2021. The discounted volume of the engagement in the agreements amounts to NIS 17.8 million (asset and liability), of which NIS 5.2 million is payable in the next 12 months.

NOTE 11 - PROPERTY AND EQUIPMENT (CONT.):

A. Composition and Changes (Cont.):

(3) Presentation in the Statement of Financial Position

	December 31,	
	2021	2020
	NIS, in thousands	NIS, in thousands
Presentation in the Statement of Financial Position:		
Property and equipment	272,984	280,311
Right-of-use assets	60,125	49,764
	333,109	**330,075**

B. Additional Details of Right-of-Use Assets and Lease Liabilities:

(1) Amounts Recognized in Profit or Loss:

	Year Ended December 31		
	2021	2020	2019
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Depreciation expenses with respect to right-of-use assets	**8,488**	**8,868**	**8,668**
Interest expenses with respect to lease liabilities	**427**	**352**	**383**
Interest income with respect to receivables for sublease	**(14)**	**(32)**	**(34)**
Expenses relating to short-term leases	**265**	**280**	**292**

(2) Financial Asset from Sublease of Right-of-Use Assets:

	December 31	
	2021	2020
	NIS, in thousands	NIS, in thousands
Other receivables		
Receivables for sublease – current maturities	**428**	**980**
Other long-term receivables		
Receivables for sublease	**-**	**418**

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, 2020	22,281
Cash flows from financing activities	(9,929)
Additions, net	1,039
Balance, December 31, 2020	**13,391**
Balance, January 1, 2021	13,391
Cash flows from financing activities	(9,125)
Additions, net	18,870
Balance, December 31, 2021	**23,136**

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.

In April 2021, the Company entered into an agreement with a foreign state for the rent of one floor in the building to serve as the embassy of the foreign state. The first rent period was set at two years, commencing on April 18, 2021.

(2) Minimum Future Lease Fees Receivable with respect to Non-Voidable Operating Leases:

	December 31,	
	2021	2020
	NIS, in thousands	NIS, in thousands
In the first year	1,170	62
In the second year	390	-
	1,560	**62**

NOTE 11 - PROPERTY AND EQUIPMENT (CONT.):

C. Operating Lease Arrangements (Cont.):

(2) Amounts Recognized in Profit or Loss (Cont.):

	Year Ended December 31,		
	2021	2020	2019
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Income from operating lease	**942**	**860**	**986**

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, 2021	273,973	492	274,465
Acquisitions	11,823	-	11,823
Capitalization of expenses – software development for internal use	17,527	-	17,527
Disposals during the year	(6,924)	-	(6,924)
Balance, December 31, 2021	296,399	492	296,891
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
Accumulated Amortization:			
Balance, January 1, 2021	153,344	-	153,344
Amortization	21,625	-	21,625
Disposals during the year	(6,758)	-	(6,758)
Balance, December 31, 2021	168,211	-	168,211
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
Amortized Cost:			
December 31, 2021	**128,188**	**492**	**128,680**
December 31, 2020	**120,629**	**492**	**121,121**

NOTE 13 - EMPLOYEE BENEFITS:

A. Composition:

	December 31,	
	2021	2020
	NIS, in thousands	NIS, in thousands
Post-employment benefits under defined benefit plans (see paragraph B(1) below):		
Retirement and termination benefits obligation	36,818	37,575
Pension liability	981	1,009
	37,799	38,584
Other long-term employee benefits (see paragraph C below):		
Vacation benefits not utilized	14,385	13,059
Seniority benefits	1,691	1,829
	16,076	14,888
Short-term employee benefits (see paragraph E below)	18,493	18,954
	72,368	**72,426**
Presentation in the Statement of Financial Position:		
Liabilities for employee benefits:		
Current	32,878	32,013
Non-current	39,490	40,413
	72,368	**72,426**

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 negative real interest rate of 1.10% that conforms to the real market return on high quality corporate bonds for the period calculated (compared with a discount rate of 0.19% as at December 31, 2020).

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,	
	2021	2020
	%	%
Nominal discount rate (*)	2.91	2.53
Forecasted rates of salary increases:		
Employees (in nominal terms)	4.18	3.7
Executives (in real terms)	2	2
Forecasted inflation rates	2.56	1.51
Rates of turnover:		
Employees – severance pay	0.1	0.1
Employees – vacation and seniority benefits	2.3	2.3
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, 2021:

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	
	2021	2020	2021	2020
	One percent increase		One percent decrease	
	NIS, in thousands	NIS, in thousands	NIS, in thousands	NIS, in thousands
Discount rate	(10,456)	(10,992)	12,220	12,603
Expected salary rises	11,871	12,461	(10,166)	(10,903)

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,		
	2021	2020	2019
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Opening balance	115,446	112,392	95,756
Current service cost	4,203	3,561	3,561
Interest cost	2,948	2,819	3,766
Actuarial losses (gains) with respect to remeasurements:			
Arising from changes in financial assumptions	960	613	16,699
Arising from past experience	148	(535)	(44)
Arising from changes in demographic assumptions	-	705	(144)
Benefits paid with respect to severance compensation	(2,267)	(3,867)	(6,959)
Benefits paid with respect to pensions	(240)	(242)	(243)
Closing balance	**121,234**	**115,446**	**112,392**

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

	Year Ended December 31,		
	2021	2020	2019
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Opening balance	76,862	76,816	77,791
Interest income from plan assets (*)	1,443	1,428	1,921
Actuarial gains (losses) with respect to the remeasurement of the return on plan assets	2,891	(521)	181
Deposits by the employer	3,816	3,673	3,802
Benefits paid	(1,577)	(4,534)	(6,879)
Closing balance	**83,435**	**76,862**	**76,816**

(*) After a transfer of benefits totaling NIS 554 thousand in 2021, NIS 469 thousand in 2020 and NIS 1,212 thousand in 2019.

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,		
	2021	2020	2019
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Present value of funded obligations	120,253	114,437	111,295
Fair value of plan assets	(83,435)	(76,862)	(76,816)
	36,818	37,575	34,479
Present value of unfunded obligations	981	1,009	1,097
Net liability derived from obligation for defined benefits	**37,799**	**38,584**	**35,576**

(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, 2021 amounted to NIS 3,497 thousand (2020 – NIS 3,444 thousand and 2019 – NIS 3,275 thousand).

NOTE 13 - EMPLOYEE BENEFITS (CONT.):

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.

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,	
	2021	2020
	%	%
Discount rate	0.48	0.62
Forecasted rates of salary increases:		
Employees (in nominal terms)	4.75	4.2
Executives (in real terms)	2	2

NOTE 13 - EMPLOYEE BENEFITS (CONT.):

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

(2) Seniority Grant:

Company employees customarily receive seniority grants totaling between NIS 1 thousand and NIS 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.

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

NOTE 13 - EMPLOYEE BENEFITS (CONT.):

E. Short-Term Employee Benefits: (cont.)

(1) Compensation Policy and Compensation Plan for the Officers (cont.):

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.

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.

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).

NOTE 13 - EMPLOYEE BENEFITS (CONT.):

C. Short-Term Employee Benefits: (cont.)

(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.

(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	
	2021	2020
	NIS, in thousands	NIS, in thousands
Opening balance	98,721	92,808
Income recognized from the fulfillment of performance obligations with respect to amounts included in the opening balance	(20,076)	(18,895)
Income recognized with respect to progress in the fulfillment of a performance obligation during the year	(4,561)	(2,504)
Amounts received during the year	36,086	27,312
Closing balance	**110,170**	**98,721**

B. Adjustment to the Balances Presented in the statement of Financial Position:

	Year Ended December 31	
	2021	2020
	NIS, in thousands	NIS, in thousands
Balance with respect to deferred income for a period of more than one year	110,170	98,721
Balance with respect to deferred income for a period of up to one year (*)	857	989
Total deferred income from listing fees and levies	**111,027**	**99,710**
Presented in the statement of financial position:		
Under current liabilities	24,588	21,064
Under non-current liabilities	86,439	78,646
	111,027	**99,710**

(*) The balance includes income from T-bills' listing fees.

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				
	Up to 1 Year	1-2 Years	2-5 years	Over 5 Years	Total of Amounts of Performance Obligations That Have Yet to be Fulfilled (or Have Been Partially Fulfilled)
	NIS, in thousands				
December 31, 2021	24,588	18,169	36,956	31,314	**111,027**
December 31, 2020	21,064	16,750	34,417	27,479	**99,710**

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.

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

NOTE 15 - SHARE-BASED PAYMENT (CONT.):

A. Granting of Shares to Employees (Cont.):

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.

Shortly before the date of approval of the financial statements, the balance of the shares held by the employees was 4,979,281 shares.

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)	5.48	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 (cashless exercise).

NOTE 15 - SHARE-BASED PAYMENT (CONT.):

B. Granting of Warrants to Executives (Cont.):

(1) Cont.:

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.

Following a dividend distribution on April 5, 2021, the exercise price of the warrants was adjusted from NIS 5.66 to NIS 5.48 per share.

(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

NOTE 15 - SHARE-BASED PAYMENT (CONT.):

B. Granting of Warrants to Executives (Cont.):

(2) Cont.:

Company will distribute over the exercise period; the expected dividends were not included in the valuation and a dividend rate of 0% was 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.

Additional information on warrants granted:

	December 31, 2021		December 31, 2020	
	No. of warrants	Weighted average exercise price	No. of warrants	Weighted average exercise price
Warrants granted to executives:				
In circulation at beginning of period	2,487,798	5.66	4,179,797	5.75
Exercised	(471,861)	5.48	(1,691,999)	5.66
Forfeited	(71,339)	5.48	-	-
In circulation at end of period	1,944,598	5.48	2,487,798	5.66
Exercisable at end of period	1,944,598	5.48	1,094,532	5.66

On January 4, 2021, 71,339 unvested warrants of a retiring executive have been forfeited. Additionally, from the balance sheet date until shortly before the date of approval of the financial statements, 964,049 warrants have been exercised.

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.

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)	11.73	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 (cashless exercise). 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.
Following a dividend distribution on April 5, 2021, the exercise price of the warrants was adjusted from NIS 11.91 to NIS 11.73 per share.

NOTE 15 - SHARE-BASED PAYMENT (CONT.):

C. Granting of Warrants to the CEO (Cont.):

(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.

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, 2020	(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
Changes in the reporting year:					
In profit or loss	(307)	(2,041)	545	2,562	759
In other comprehensive income	-	-	(410)	-	(410)
As of December 31, 2021	**167**	**(23,633)**	**13,153**	**25,470**	**15,157**

(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,	
	2021	2020
	NIS, in thousands	NIS, in thousands
Subsidiaries	**130,270**	**109,203**

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 by the Group as of December 31, 2021 is NIS 2,694 thousand (of which NIS 1,990 thousand in the Company). The balance of business losses for tax purposes for which deferred tax assets have not been recognized by the Group as of December 31, 2021 is NIS 578 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,		
	2021	2020	2019
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Current tax:			
Current tax	14,297	11,988	3,913
Taxes for prior years	(47)	(246)	(459)
Total current tax	14,250	11,742	3,454
Deferred tax:			
Deferred tax expense (income) – recognition and reversal of temporary differences	(759)	(451)	2,255
Tax for prior years	-	4	(138)
Total deferred tax	(759)	(447)	2,117
Total expenses for taxes on income	**13,491**	**11,295**	**5,571**

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, 2021:			
Actuarial gain with respect to the defined benefit plan	1,783	(410)	1,373
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)

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,		
	2021	2020	2019
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Pretax income	58,961	48,199	23,129
Statutory tax rate	23%	23%	23%
Tax expense, at statutory tax rate	13,561	11,086	5,320
Tax increase (savings) with respect to:			
Income liable to special tax rates	1	25	22
Tax losses and benefits for which deferred tax is not recognized	3	161	122
Tax benefits for which deferred tax assets were not recognized in the past, for which taxes have been recognized in the reporting period	(41)	(213)	(154)
Differences between tax laws and accounting principles	(566)	95	(162)
Expenses which are not recognized for deduction, net (*)	580	383	1,020
Tax – prior years	(47)	(242)	(597)
Taxes on income, as reported in profit or loss	**13,491**	**11,295**	**5,571**

(*) Includes NIS 170 thousand, NIS 294 thousand and NIS 887 thousand in 2021, 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 2019-2021 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 2021.

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 2016 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.

NOTE 17 - CONTINGENT LIABILITIES (CONT.):

A. Indemnification of Officers (Cont.):

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.

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.

NOTE 17 - CONTINGENT LIABILITIES (CONT.):

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.

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. The special agreement did not have an effect on the financial results of the Company. With the signing of the special agreement, this labor dispute, too, has come to an end.

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

NOTE 17 - CONTINGENT LIABILITIES (CONT.):

E. Indemnity for the Pricing Underwriter ("the Prospectus Indemnification")

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	
	2021	2020	2021	2020
	Authorized		Issued and Paid-Up	
Ordinary shares having no par value	**150,000,000**	**150,000,000**	**101,399,817**	**101,062,434**

B. Change in the Paid-Up Capital

	Number of shares
Balance as of January 1, 2020	100,000,000
Warrants exercised into shares of the Company (*)	1,062,434
Balance as of December 31, 2020	**101,062,434**
Balance as of January 1, 2021	101,062,434
Warrants exercised into shares of the Company (*)	337,383
Balance as of December 31, 2021	**101,399,817**

(*) 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.

NOTE 18- SHARE CAPITAL AND OTHER CAPITAL RESERVES (CONT.):

C. Other Capital Reserves (Cont.):

(1) Sale agreement with Manikay and other investors (Cont.)

(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.

(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.

NOTE 18 - SHARE CAPITAL AND OTHER CAPITAL RESERVES (CONT.):

C. Other Capital Reserves (Cont.):

(1) Sale agreement with Manikay and other investors (Cont.)

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.

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.

In 2021, a VAT assessments agreement for the years 2017-2020 was signed, which does not allow the Company inputs of NIS 0.8 million for VAT purposes that were carried to equity in the assessment years.

(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 (hereafter: "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, and in 2021 the shareholders realized 255,781 shares held by them prior to the date of approval of the restructuring arrangement in TASE, in consideration of approximately NIS 4.0 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, 2020 and 2021, NIS 13.8 million, NIS 3.7 million and NIS 2.7 million, respectively, out of the aforesaid sale consideration was carried to equity. The

NOTE 18 - SHARE CAPITAL AND OTHER CAPITAL RESERVES (CONT.):

C. Other Capital Reserves (Cont.):

(2) Proceeds from Shareholders Within the Framework of Implementing the Ownership Restructuring (Cont.)

consideration from the exercise of the shares in 2021 was received after the balance sheet date.

In January 2022, the shareholders realized 78,900 shares held by them prior to the date of approval of the restructuring arrangement in TASE, in consideration of NIS 1.5 million. Out of said consideration, NIS 1.1 million was transferred to TASE.

In February 2022, the shareholders realized 100,985 shares held by them prior to the date of approval of the restructuring arrangement in TASE, in consideration of NIS 2.0 million. Out of said consideration, NIS 1.5 million has not yet been transferred to TASE.

Shortly before the date of approval of the financial statements, to the best of the Company's knowledge, 18,712,443 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 16, 2022 (shortly before the financial statements' approval date) was NIS 14.68. 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.

NOTE 19 - DIVIDEND:

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 April 5, 2021, a dividend of NIS 18,450 thousand (representing NIS 0.1823 per share) was paid to the shareholders, pursuant to the Board of Directors' resolution from March 16, 2021. The exercise price of the warrants granted to officers who report to the CEO was adjusted from NIS 5.66 to NIS 5.48 per share. Additionally, the exercise price of the warrants granted to the CEO was adjusted from NIS 11.91 to NIS 11.73 per share.

On March 21, 2022, the Company's Board of Directors decided on a dividend distribution of NIS 22,735 thousand (representing NIS 0.2229 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,					
	2021		2020		2019	
	NIS, in thousands	%	NIS, in thousands	%	NIS, in thousands	%
Customer A	42,038	13.0	42,390	13.9	32,980	12.7
Customer B	41,781	12.9	40,663	13.4	32,928	12.7
Customer C	35,659	11.0	35,790	11.8	32,062	12.3

B. Composition of Trading and Clearing Commissions:

	Year Ended December 31,		
	2021	2020	2019
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Commission for trading and clearing securities, excluding derivatives:			
Shares (*)	49,538	49,150	32,434
Bonds (*)	32,513	35,711	29,535
Mutual funds	26,054	26,594	23,716
Other	2,404	3,055	2,768
	110,509	114,510	88,453
Commission for trading and clearing derivatives:			
TA Index options	15,067	16,242	13,751
Dollar/shekel options	4,088	4,910	3,784
Other derivatives	1,452	789	1,012
	20,607	21,941	18,547
	131,116	**136,451**	**107,000**

(*) Including ETFs.

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,		
	2021	2020	2019
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Revenue recognized at a point in time	197,617	195,108	157,548
Revenue recognized over time	126,040	109,158	102,453
Total	**323,657**	**304,266**	**260,001**

NOTE 21 - ADDITIONAL DETAILS REGARDING COST OF REVENUE:

A. Employee Benefit Expenses:

	Year Ended December 31,		
	2021	2020	2019
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Salary (including grants and severance payments)	156,653	146,650	139,607
Other non-current employee benefits	28	(109)	516
Defined contribution plan expenses	3,497	3,444	3,275
Defined benefit plan expenses	5,744	4,953	5,413
	165,922	154,938	148,811
Less – amounts capitalized to intangible assets and property and equipment (see note 12)	(17,527)	(15,583)	(15,838)
	148,395	**139,355**	**132,973**

B. Depreciation and Amortization:

	Year Ended December 31,		
	2021	2020	2019
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Property and equipment	17,505	16,846	17,002
Right-of-use assets	8,488	8,868	8,668
Depreciation of property and equipment (see note 11)	25,993	25,714	25,670
Amortization of intangible assets (see note 12)	21,625	18,796	17,901
	47,618	**44,510**	**43,571**

NOTE 22 - FINANCING INCOME (EXPENSES), NET:

Composition:

	Year Ended December 31,		
	2021	2020	2019
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Financing expenses:			
Bank fees and commissions	176	232	247
Interest and linkage expense –Tax Authority	4	107	106
Lease financing expenses	413	320	349
Other financing expenses	355	324	304
	948	983	1,006
Financing income:			
Net gain from financial assets	5,238	223	9,819
Interest income – short-term bank deposits	236	174	112
Interest and linkage income –Tax Authority	-	-	9
Interest income – employee loans	13	9	35
Other financing income	1	4	-
	5,488	410	9,975
	4,540	**(573)**	**8,969**

NOTE 23 - BASIC AND DILUTED EARNINGS PER SHARE:

	Year Ended December 31,		
	2021	2020	2019
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Profit used to compute basic and diluted earnings per share from continuing operations	45,470	36,904	17,558
Weighted average number of ordinary shares used to compute basic earnings per share	101,284,754	100,414,891	100,000,000
Warrants granted as part of share-based payment arrangements	2,977,213	2,718,315	1,014,349
Weighted average number of ordinary shares used to compute diluted earnings per share (*)	104,261,967	103,133,206	101,014,349
Basic earnings per share	**0.449**	**0.368**	**0.176**
Diluted earnings per share	**0.436**	**0.358**	**0.174**

(*) From the balance sheet date until the date of approval of the financial statements, 964,049 warrants were realized.

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.

NOTE 24 - INTERESTED AND RELATED PARTIES:

A. Benefits to Interested Parties (*):

	Year Ended December 31,		
	2021	2020	2019
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Short-term benefits	4,007	4,114	3,333
Post-employment benefits	129	139	128
Share-based payment	530	531	356
Salary and related expenses for the CEO (**)	4,666	4,784	3,817
Number of individuals	1	1	1
Fees of directors, not employed by the Company (***)	2,187	1,666	1,942
Number of individuals	6	7	8

(*) These amounts also represent compensation to key management personnel.
(**) Regarding the compensation model for the CEO, see note 13 E (2)
(***) On July 6, 2021, the Board of Directors of the Company, after obtaining the approval of the Compensation Committee, approved the payment of a Retirement Bonus to Mr. Neubach in an amount of NIS 700 thousand. The retirement bonus was approved by a special general meeting on August 31, 2021.

B. Balances with Interested and Related Parties:

(1) Balances with Interested Parties: (1)

	December 31,	
	2021	2020
	NIS, in thousands	NIS, in thousands
Under current assets:		
Other receivables – MAOF-CH (2)	4,965	4,528
Other receivables – Nominee Company (2)	597	571
Under non-current assets:		
Long-term loan – TASE-CH (3)	61,743	60,294
Under current liabilities:		
Other payables – TASE-CH (2)	7,032	7,427

(1) Balances with subsidiaries are not included in the Company's consolidated statements.
(2) The balances are interest-free, not linked to the CPI and mature shortly before the approval of the financial statements.
(3) As to the terms of the loan, see section 3.C.

NOTE 24 - INTERESTED AND RELATED PARTIES (CONT.):

B. Balances with Interested and Related Parties (Cont.):

(2) Balances with Key Management Personnel:

	December 31,	
	2021	2020
	NIS, in thousands	NIS, in thousands
Under current assets:		
Other receivables (*)	700	700
Under non-current assets:		
Other long-term receivables (*)	992	1,692
Under current liabilities: (**)	839	1,149

(*) Regarding a loan to the CEO, see note 13 E (2).
(**) Includes a bonus to the CEO for 2021.

NOTE 24 - INTERESTED AND RELATED PARTIES (CONT.):

C. Transactions with Interested and Related Parties

	Year Ended December 31,		
	2021	2020	2019
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Transactions with subsidiaries:			
Participation in revenue and expenses in accordance with the distribution model: (see section 2 below)			
Participation in revenue			
TASE-CH	(153,116)	(153,213)	(130,043)
MAOF-CH	4,227	2,439	1,751
Nominee Company	(2)	(9)	(6)
Participation in expenses			
TASE-CH	102,239	99,124	94,119
MAOF-CH	24,227	24,758	26,454
Nominee Company	5,766	5,026	4,267
Initiation/balance fees			
TASE-CH	26,885	27,760	26,832
MAOF-CH	(10,252)	(8,644)	(10,360)
Nominee Company	(3,445)	(2,854)	(2,358)
Total			
TASE-CH	(23,992)	(26,329)	(9,092)
MAOF-CH	18,202	18,553	17,845
Nominee Company	2,319	2,163	1,903
Of which - share-based payments			
TASE-CH	332	546	1,409
MAOF-CH	49	115	386
Nominee Company	12	28	107
Financing income with respect to a loan to TASE-CH (see section 3 below)	4,050	2,201	2,765
Expenses with respect to annual fees paid to the Nominee Company	(14)	(14)	(8)

NOTE 24 - INTERESTED AND RELATED PARTIES (CONT.):

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

(2) 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.).

Consequently, the allocation of income and expenses and the profit of the Group between the Group companies, commencing from 2014, has been prepared in accordance with an economic model that reflects the scope of activities of each of the companies (hereafter: "the Distribution Model").

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 Group companies 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. The profitability index selected as suitable is based on the operating profit margin of the Group, this in accordance with the market price principles as defined in the OECD guidelines.

In 2021, the Group carried out a review and validation of the model, which included the validation and updating of the rate of the economic profitability index and the ratio of distribution of the mixed income, based on a current market survey. The updated model, as above, was approved on May 20, 2021 by the Board of Directors of the Company, the Board of Directors of TASE-CH, the Board of Directors of MAOF-CH and the Board of Directors of the Nominee Company.

(3) 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:

The Group has the following insurance policies for directors and officers (hereafter collectively: "Officers") and for professional liability:

a. "Run Off" officers' liability insurance policy

A "Run Off" officers' liability insurance policy that covers activities up to the date of change of ownership. The insurance period is 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).

b. Designated insurance policy for the offering (POSI)

A designated insurance policy for the offering (Public Offering of Securities Insurance – POSI) that covers the process of the offering and the prospectus for a period of 7 years from issuance date. This policy has a liability limit of up to US$ 30 million (per incident and in aggregate).

c. Current Officers' liability insurance policy

For the period from August 1, 2020 to July 31, 2021.

A liability insurance policy for Officers of the Company and its subsidiaries. This policy has a liability limit of US$ 40 million (per incident and in aggregate) and

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.):

c. Current Officers' liability insurance policy (Cont.)

an additional layer of insurance for the clearing houses (TASE-CH and MAOF-CH), 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 the period from August 1, 2021 to July 31, 2022:
Officers' liability insurance policy with a liability limit of up to US$ 40 million (per incident and in aggregate).

d. Professional liability insurance policy

Professional liability insurance policy with a liability limit of up to US$ 50 million (per incident and in aggregate).

(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).

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

NOTE 25 - CHARGES (CONT.):

B. (Cont.)

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.

NOTE 26 COMMITMENTS:

A. 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.

B. 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). The cause of the claim is 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 to March 2020 (inclusive), within the framework of the Ministry of Finance's lending pool.

Shortly before the end of May 2021, within the framework of discussions for a compromise in the Company's claim, the Company and TASE-CH entered into a series of agreements with the Ministry of Finance pursuant to which, inter alia, the term of the agreement for the management of the lending pool will be extended until December 31, 2025 (this despite TASE-CH's notification from July 2020 that is does not wish to extend the aforesaid agreement beyond September 2021, its end-date at the time of the notification), and, in settlement of all the Company's claims against the Ministry of Finance in said claim with respect to the period ending on December 31, 2020, the Company will be paid a settlement amount of NIS 3,846 thousand (plus VAT). As the Company has so far not recognized in its financial statement's revenue from the listing fees that are covered in this claim, the settlement amount (before tax) was fully recognized as other income in the second quarter of 2021.

NOTE 26 -COMMITMENTS (CONT.):

B. Monetary Claim Against the Ministry of Finance (Cont.)

In addition to the aforesaid, the agreement provides for the payments by the Ministry of Finance for the listing of securities that are issued by the State, in an amount of NIS 0.3 million per calendar quarter under the lending pool and NIS 1.2 million per calendar quarter outside the lending pool. In June 2021, an amendment to the TASE Rules concerning the listing fees for the aforesaid securities was approved within the framework of the compromise scheme.

It should be noted that, upon the termination of the agreement (at the end of 5 years), unless otherwise agreed between the parties, the Ministry of Finance will pay for the listing of government bonds in the lending pool a fixed quarterly amount of NIS 150 thousand and for bonds that are listed outside the lending pool, the Ministry of Finance will pay listing fees to TASE in accordance with the TASE Rules and the related Regulations, as set out in Section 6.C. in Chapter Thirteen of the Regulations pursuant to Part Two of the TASE Rules, which determines that the listing fees of binding certificates that are issued by the State, other than short-term government bonds, will be an amount equal to 0.004% of their value. Notwithstanding the foresaid, no listing fees will be payable on binding certificates issued by the State overseas, which on the date of their listing on TASE are also listed overseas.
The listing fees on binding certificates issued by the State that are short-term government bonds will be an amount equal to 0.0007% of their value.

NOTE 27 - EVENTS AFTER THE END OF REPORTING PERIOD:

Dividend

On March 21, 2022, the Board of Directors of the Company decided on the distribution of a dividend to the shareholders in an amount of NIS 22,735 thousand (representing NIS 0.2229 per share on the resolution date). The record date was set as March 30, 2022 and payment has been scheduled for April 7, 2022. The exercise price of the warrants granted to officers who report to the CEO will be adjusted from NIS 5.48 to NIS 5.26 per share. Additionally, the exercise price of the warrants granted to the CEO will be adjusted from NIS 11.73 to NIS 11.51 per share (subject to the adjustment of the dividend per share amount in the event of the realization of convertible securities into additional shares by the record date).

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 2021

Contents

	Page
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	6-7
Supplementary Information to the Separate Financial Information	8-21

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, 2021 and 2020 and for each of the three years in the period ended on December 31, 2021. 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 21, 2022

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	Supplementary Information	December 31, 2021 NIS, in thousands	December 31, 2020 NIS, in thousands
Assets			
Current assets			
Cash and cash equivalents	B	112,373	94,302
Financial assets at fair value through profit or loss	C(6)	52,654	51,573
Trade receivables		15,436	12,784
Other receivables		14,830	11,526
Total current assets		195,293	170,185
Non-current assets			
Restricted cash		720	542
Investment in subsidiaries		163,739	142,240
Other long-term receivables		1,689	2,110
Property and equipment, net		333,109	330,075
Intangible assets, net		128,188	120,629
Deferred tax assets	D(1)	15,009	14,543
Long-term loan to a subsidiary		61,743	60,294
Total non-current assets		704,197	670,433
Total assets		**899,490**	**840,618**
Liabilities and Equity			
Current liabilities			
Trade payables		18,985	12,155
Short-term liabilities for employee benefits		32,878	32,013
Current maturities of lease liabilities		8,726	4,302
Current tax liabilities		1,010	880
Deferred income with respect to listing fees and levies		24,588	20,959
Other payables		10,376	10,779
Total current liabilities		96,563	81,088
Non-current liabilities			
Non-current liabilities for employee benefits		39,490	40,413
Lease liabilities		14,410	9,089
Deferred income with respect to listing fees and levies		86,439	78,646
Other liabilities		720	542
Total Non-current liabilities		141,059	128,690
Equity			
Remeasurement of net defined benefit liability		(16,536)	(17,909)
Share-based payments reserve		33,257	32,518
Other capital reserves		48,698	46,802
Retained earnings		596,449	569,429
Total equity		661,868	630,840
Total liabilities and equity		**899,490**	**840,618**

March 21, 2022			
Date of Financial Statements Approval	**Arik Steinberg Chairman of the Board of Directors**	**Ittai Ben Zeev CEO**	**Yehuda van der Walde CFO**

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,		
		2021	2020	2019
		NIS, in thousands	NIS, in thousands	NIS, in thousands
Revenue from services:				
Trading and clearing commissions		40,482	34,132	25,483
Listing fees and levies		53,311	45,262	40,404
Data distribution and connectivity services		51,667	47,756	41,781
Other revenue		5,570	1,870	3,078
		151,030	129,020	110,746
Revenue from initiation fees, net from investees		13,188	16,261	14,113
Total revenue from services		164,218	145,281	124,859
Cost of revenue:				
Employee benefits expenses		78,597	69,730	65,661
Share-based payments expenses		346	591	1,956
Computer and communications expenses		11,301	11,338	10,226
Rent, property taxes and building maintenance expenses		6,880	5,904	6,311
Administrative, fee and general expenses		10,129	9,592	9,300
Marketing expenses		5,326	4,913	3,491
Depreciation and amortization expenses		24,569	24,007	23,780
Other expenses		134	498	619
Total costs		137,282	126,573	121,344
Profit before financing income, net		26,936	18,708	3,515
Financing income		5,213	2,367	4,682
Financing expenses		726	859	807
Total financing income, net		4,487	1,508	3,875
Profit after financing income, net		31,423	20,216	7,390
Company's share in profits of investees		21,499	21,452	11,792
Profit before tax on income		52,922	41,668	19,182
Taxes on income	D	7,452	4,764	1,624
Profit for the year		**45,470**	**36,904**	**17,558**
Basic earnings per share (NIS)		**0.449**	**0.368**	**0.176**
Diluted earnings per share (NIS)		**0.436**	**0.358**	**0.174**

The accompanying supplementary information an integral part of the separate financial information.

	Supplementary Information	Year ended December 31,		
		2021	2020	2019
		NIS, in thousands	NIS, in thousands	NIS, in thousands
Profit for the year		45,470	36,904	17,558
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		1,373	(1,004)	(12,574)
Comprehensive income for the year		**46,843**	**35,900**	**4,984**

The accompanying supplementary information an integral part of the separate financial information.

	Year ended December 31,		
	2021	2020	2019
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Cash Flows from Operating Activities			
Profit for the year	45,470	36,904	17,558
Share-based payments expenses	739	1,280	3,858
Tax expenses recognized in profit or loss	7,452	4,764	1,624
Net financing income recognized in profit or loss	(4,487)	(1,508)	(3,875)
Loss from disposal of property and equipment and intangible assets	262	587	1,358
Depreciation and amortization	47,618	44,510	43,571
Company's share in profits of investees	(21,499)	(21,452)	(11,792)
	75,555	65,085	52,302
Changes in Asset and Liability Items			
Decrease in trade receivables and other receivables	(5,386)	3,196	553
Increase (decrease) in trade payables and other payables	4,937	1,940	(1,548)
Increase in employee benefits related liabilities	1,725	436	6,083
Increase in deferred income with respect to listing fees and levies	11,422	6,307	5,684
	12,698	11,879	10,772
Interest received	3,761	3,824	3,907
Interest paid	(651)	(684)	(614)
Tax receipts (payments) - operating activities	(8,007)	(4,745)	1,456
	(4,897)	(1,605)	4,749
Net cash provided by operating activities	**83,356**	**75,359**	**67,823**
Cash Flows from Investing Activities			
Investments in property and equipment	(6,239)	(11,145)	(6,416)
Proceeds from the disposal of property and equipment	16	-	192
Investments in intangible assets	(11,883)	(11,161)	(11,850)
Payments with respect to development costs capitalized to property and equipment and to intangible assets	(17,527)	(15,583)	(15,838)
Acquisition of financial assets at fair value through profit or loss, net	(1,129)	(655)	(20,002)
Net cash used in investing activities	**(36,762)**	**(38,544)**	**(53,914)**
Cash Flows from Financing Activities			
Lease payments	(9,125)	(9,929)	(9,739)
Dividend paid	(18,450)	(8,770)	-
Company's share in the first-time listing of the shares	-	-	15,600
Receipts (payments) carried directly to equity within the framework of implementing the TASE Restructuring Law, net (see note 18 C to the consolidated financial statements)	(800)	3,723	13,782
Net cash provided by (used in) financing activities	**(28,375)**	**(14,976)**	**19,643**
Net increase in cash and cash equivalents	18,219	21,839	33,552
Cash and cash equivalents at beginning of the year	94,302	72,581	39,194
Effect of changes in exchange rates on cash balances held in foreign currency	(148)	(118)	(165)
Cash and cash equivalents at end of the year	**112,373**	**94,302**	**72,581**

The accompanying supplementary information an integral part of the separate financial information.

	Year ended December 31,		
	2021	2020	2019
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Appendix A – Non-Cash Activities:			
Acquisition of property and equipment with short-term credit	8,150	4,159	4,320
Increase in right-of-use assets and lease liabilities (*)	21	165	5,372
Increase in receivables for lease and lease liabilities (*)	18,849	1,133	2,256
Increase in receivables from shareholders for receipts from the exercise of TASE shares within the framework of implementing the ownership restructuring, net (see note 18 C to the consolidated financial statements)	2,696	-	-

(*) For further details regarding lease liabilities, see note 11 B to the consolidated financial statements.

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, 2021 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.

A. General (cont.)

(1) General (cont.):

b. (cont.)

- 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.

For details of the proceeds from shareholders within the framework of implementing the ownership restructuring, see note 18 C to the consolidated financial statements.

d. With regard to the effect of the coronavirus outbreak, see note 1 D to the consolidated financial statements.

A. General (cont.)

(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.
Subsidiaries	-	As defined in note 1 E to the consolidated financial statements of the Company.
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 Stock Exchange 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.

A. General (cont.)

(4) Accounting policies (cont.):

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,	
	2021	2020
	NIS, in thousands	NIS, in thousands
Cash and cash equivalents denominated in NIS	108,087	89,643
Cash and cash equivalents denominated in other currencies	4,286	4,659
Total cash and cash equivalents	**112,373**	**94,302**

(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.

C. Financial Assets and Liabilities

(1) Balances of financial instruments:

	December 31,	
	2021	2020
	NIS, in thousands	NIS, in thousands
Financial assets (*):		
Cash and cash equivalents	112,373	94,302
Financial assets - held for trading (**)	52,654	51,573
Trade and other receivables	25,005	20,194
	190,032	166,069
Non-current assets:		
Long-term loan to a subsidiary	61,743	60,294
Restricted cash	720	542
Other long-term receivables	-	418
	62,463	61,254
	252,495	227,323
Financial liabilities:		
Financial liabilities measured at amortized cost	26,921	20,350
Lease liabilities – current maturities	8,726	4,302
	35,647	24,652
Non-current liabilities:		
Other liabilities	720	542
Lease liabilities	14,410	9,089
	15,130	9,631
	50,777	34,283

(*) 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, 2021 and 2020 closely reflect their fair values.

Presented below are details of the long-term loan to TASE-CH:

	Carrying amount		Fair value	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	NIS, in thousands	NIS, in thousands	NIS, in thousands	NIS, in thousands
Long-term loan to TASE-CH	61,743	60,294	67,319	63,926

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 (cont.)

(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, 2021, close to 65% 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.

C. Financial Assets and Liabilities (cont.)

(6) Market Risk Management (cont.):

Exposure as of December 31, 2021 and 2020:

Presented below is the composition of the securities and cash investment portfolio:

	December 31,	
	2021	2020
	NIS, in thousands	NIS, in thousands
Cash and cash equivalents	112,373	94,302
Israeli Government treasury bills and bonds	52,654	51,573
Restricted cash	720	542
	165,747	**146,417**

(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, 2021			December 31, 2020		
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					
115.6	**0.3**	**0.6**	**92.9**	**0.2**	**0.5**

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, 2021			December 31, 2020		
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					
43.9	**0.4**	**0.7**	**48.2**	**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).

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, 2020	(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
Movement in the reporting year:					
Movement in profit or loss in the reporting year	(190)	(2,041)	2,562	545	876
Movement in other comprehensive income in the reporting year	-	-	-	(410)	(410)
Balance as of December 31, 2021	**19**	**(23,634)**	**25,470**	**13,154**	**15,009**

(2) Timing differences on investments in subsidiaries, without recognition of any deferred tax liability:

	December 31,	
	2021	2020
	NIS, in thousands	NIS, in thousands
Subsidiaries	**130,270**	**109,203**

(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, 2021:			
Actuarial gain with respect to defined benefit plan	1,783	(410)	1,373
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)

D. Income Taxes (cont.):

(4) Income tax expenses recognized in profit or loss:

	Year ended December 31,		
	2021	2020	2019
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Current taxes:			
Current taxes	9,059	5,414	1,571
Tax benefit with respect to previous years	(19)	(118)	(384)
Total current taxes	9,040	5,296	1,187
Deferred taxes:			
Deferred tax expense (income) with respect to recognition and reversal of temporary differences	(876)	(171)	1,091
Deferred tax income with respect to previous years	-	4	(138)
	(876)	(167)	953
Participation in expenses by the Clearing Houses			
Income from current participation in tax expenses by the Clearing Houses	(712)	(330)	(559)
Income (expenses) from participation in tax expenses by the Clearing Houses in previous years	-	(35)	43
	(712)	(365)	(516)
Total tax expenses	**7,452**	**4,764**	**1,624**

(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, 2021 is approximately NIS 1,990 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 2016. In 2021, the Company signed a VAT assessments agreement in an amount of NIS 0.8 million. Consequently, the Company has VAT assessments that are considered as final through tax year 2020.

E. Balances, Commitments and Material Transactions with Investees:

(1) Balances with investees:

	Year ended December 31,	
	2021	2020
	NIS, in thousands	NIS, in thousands
Among current assets - other receivables (*):		
Subsidiaries	5,562	5,099
Among non-current assets:		
Long-term loan to TASE-CH - see Section E 2 (b) below	61,743	60,294
Among current liabilities - other payables (*):		
Subsidiaries	7,032	7,427

(*) The balances are not linked to the CPI and do not bear interest.

(2) Transactions with investees:

	Year ended December 31,		
	2021	2020	2019
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Transactions with subsidiaries:			
Participation in income and expenses pursuant to the distribution model: (a)			
Participation in revenue			
Participation in revenue - TASE-CH	(153,116)	(153,213)	(130,043)
Participation in revenue - MAOF-CH	4,227	2,439	1,751
Participation in revenue - Nominee Company	(2)	(9)	(6)
Participation in expenses			
Participation in expenses - TASE-CH	102,239	99,124	94,119
Participation in expenses - MAOF-CH	24,227	24,758	26,454
Participation in expenses - Nominee Company	5,766	5,026	4,267
Initiation/balancing fees			
Initiation fees - TASE-CH	26,885	27,760	26,832
Balancing fees - MAOF-CH	(10,252)	(8,644)	(10,360)
Balancing fees - Nominee Company	(3,445)	(2,854)	(2,358)
Total			
Initiation fees - TASE-CH	(23,992)	(26,329)	(9,092)
Balancing fees - MAOF-CH	18,202	18,553	17,845
Balancing fees - Nominee Company	2,319	2,163	1,903
Of which - share-based payments			
Share-based payments - TASE-CH	332	546	1,409
Share-based payments - MAOF-CH	49	115	386
Share-based payments - Nominee Company	12	28	107
Interest income and linkage differences on long-term loan from TASE (b)	4,050	2,201	2,765
Expenses with respect to annual fees to the Nominee Company	(14)	(14)	(8)

E. Balances, Commitments and Material Transactions with Investees (cont.):

(2) Transactions with investees (cont.):

(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.).

Consequently, the allocation of income and expenses and the profit of the Group between the Group companies, commencing from 2014, has been prepared in accordance with an economic model that reflects the scope of activities of each of the companies (hereafter: "the Distribution Model")..

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 Group companies 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. The profitability index selected as suitable is based on the operating profit margin of the Group, this in accordance with the market price principles as defined in the OECD guidelines.

In 2021, the Group carried out a review and validation of the model, which included the validation and updating of the rate of the economic profitability index and the ratio of distribution of the mixed income, based on a current market survey. The updated model, as above, was approved on May 20, 2021 by the Board of Directors of the Company, the Board of Directors of TASE-CH, the Board of Directors of MAOF-CH and the Board of Directors of the Nominee Company.

(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 (cont.):

(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.

As stated above, TASE is under no obligation to the Clearing Houses to provide the aforesaid loans.

(b) Officers' and Professional Liability Insurance:

The Group has the following insurance policies for directors and officers (hereafter collectively: "Officers") and for professional liability:

1. **"Run Off" officers' liability insurance policy**

   A "Run Off" officers' liability insurance policy that covers activities up to the date of change of ownership. The insurance period is 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).

2. **Designated insurance policy for the offering (POSI)**

   A designated insurance policy for the offering (Public Offering of Securities Insurance – POSI) that covers the process of the offering and the prospectus for a period of 7 years from issuance date. This policy has a liability limit of up to US$ 30 million (per incident and in aggregate).

3. **Current Officers' liability insurance policy**

   For the period from August 1, 2020 to July 31, 2021:

   A liability insurance policy for Officers of the Company and its subsidiaries. This policy has a liability limit of US$ 40 million (per incident and in aggregate) and an additional layer of insurance for the clearing houses (TASE-CH and MAOF-CH), 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.

E. Balances, Commitments and Material Transactions with Investees (cont.):

(3) Additional information on Transactions with Investees (cont.):

(b) Officers' and Professional Liability Insurance (cont.) :

(3) Current Officers' liability insurance policy (cont.)

For the period from August 1, 2021 to July 31, 2022:

Officers' liability insurance policy with a liability limit of up to US$ 40 million (per incident and in aggregate).

4. Professional liability insurance policy

Professional liability insurance policy with a liability limit of up to US$ 50 million (per incident and in aggregate).

(c) See note 17 to the consolidated financial statements of the Company 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, 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.

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.

F. Contingent Liabilities:

See note 17 to the consolidated financial statements.

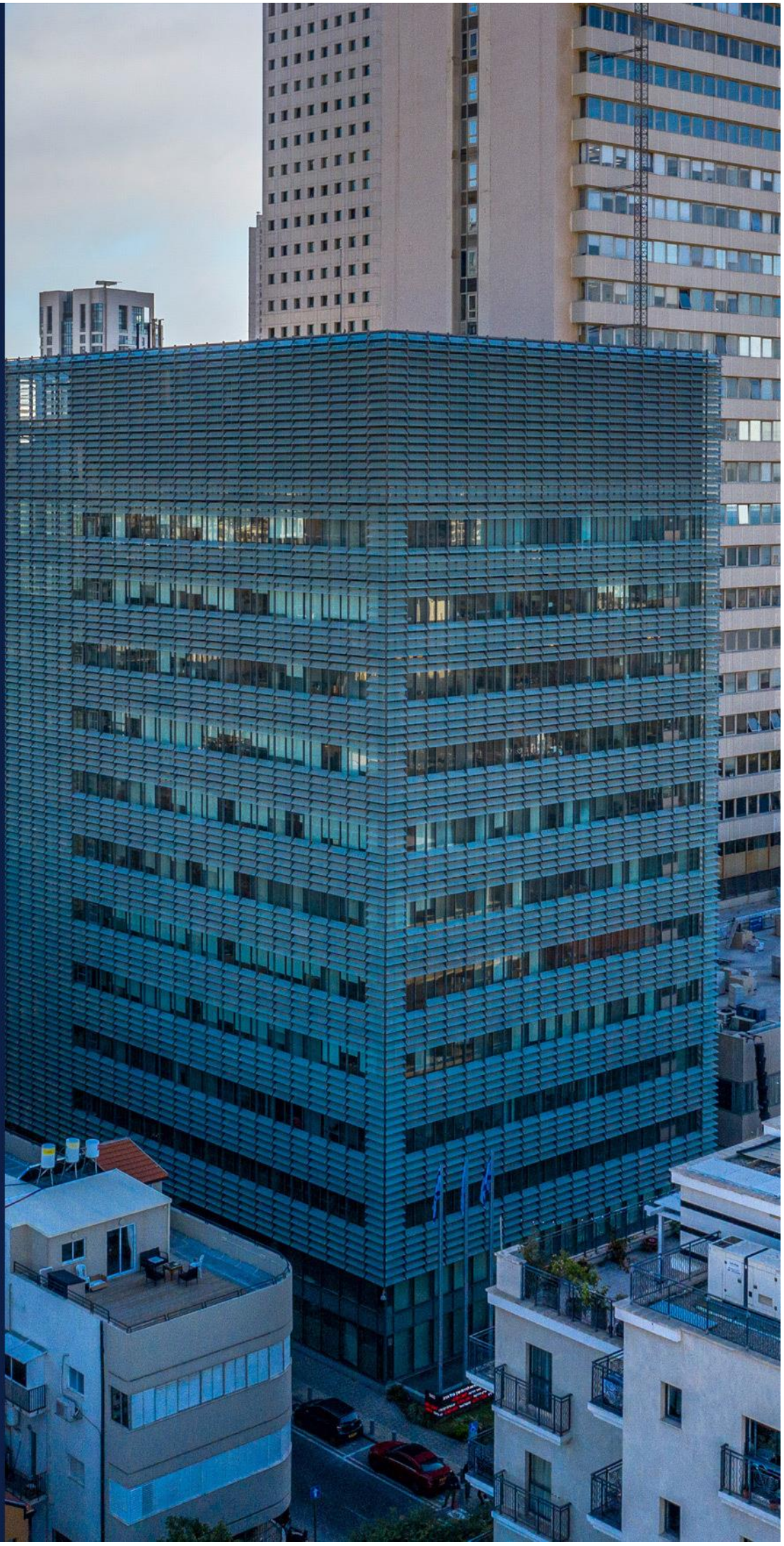
G. Events After the End of the Reporting Period:

As to the Board of Directors' decision to distribute a dividend after the end of the reporting period, see note 27 to the consolidated financial statements.

TEL AVIV STOCK EXCHANGE
הבורסה לניירות ערך תל אביב

PART 4

Additional Information on the Company



PERIODIC REPORT FOR 2021

Part Four - 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.

THE TEL AVIV STOCK EXCHANGE LTD.

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 2021, in interim report format (see Section 1.4 of the Board of Directors' Report as of December 31, 2021 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, 2021:

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 30,000,022	100%	112,828
The Company	MAOF Clearing House Ltd.[1]	NIS 3,000,079	100%	51,065
The Company	The Tel-Aviv Stock Exchange Nominee Company Ltd.	-	100%	(154)

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, 2021	Balance of loans/ capital notes as of December 31, 2021 (NIS)	Terms of the loans
The Tel-Aviv Stock Exchange Clearing House Ltd.	100%	(61,743)	1. The rights by virtue of the loan are subordinate to those of other creditors of TASE-CH. No collateral was provided against the loan. 2. The period to maturity of the loan is 10 years (granted in December 2015) 3. The loan is linked to the CPI and bears annual interest at a rate of 4.25%. 4. 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 following table specifies the intercompany balances (*), as included in the accounts of the Group companies as of December 31, 2021 (NIS, in thousands)

In the accounts of the company	Intercompany balances (**)
The Tel-Aviv Stock Exchange Clearing House Ltd.	7,032
MAOF Clearing House Ltd.[2]	(4,965)
The Tel-Aviv Stock Exchange Nominee Company Ltd.	(597)

* Asset / liability in the accounts of the company.

** Repaid close to the date of this Periodic Report.

Regulation 12: Changes in Investments in Subsidiaries and Affiliate Companies

In 2021 there were no changes to the Company's investments in subsidiaries.

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 Companies[3]

Profits (losses) - (NIS, in thousands) in 2021

Name of company	Profit (loss) before tax	Profit (loss) after tax	Comprehensive income (loss) for the year
TASE-CH	23,198	18,051	18,051
MAOF-CH	3,833	3,015	3,015
Nominee Company	507	433	433

2021

Name of company	Dividend (NIS, in thousands)	Interest income (expenses) (NIS, in thousands)
TASE-CH	-	* (2,602)
MAOF-CH	-	-
Nominee Company	-	-

* Excluding Linkage to the CPI.

Regulation 20: Trading on TASE

During 2021, 337,383 Company shares, with no par value, were listed as a result of the exercise of warrants by officers of the Company. Trading in the securities of the Company has not been suspended in 2021.

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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 24 to the consolidated financial statements of the Company as of December 31, 2021 above.

Regulation 21: Compensation for Interested Parties and Senior Officers

A. The following table shows details of the compensation[4] 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 2021 (NIS, in thousands):

Name	Position	Position Percentage	Rate of Holding of Company's Equity*	Salary **	Bonus Approved and Payable for 2021	Share-Based Payment	Management Fees	Consulting Fees	Sum Total
Ittai Ben-Zeev	CEO	100%	-	3,412	724	530	-	-	**4,666**
Hani Shitrit-Bach	EVP	100%	-	1,162	342	30	-	-	**1,534**
Yehuda van der Walde	EVP	100%	0.27%	1,148	337	36	-	-	**1,521**
Meirav Leshem	EVP	100%	***0.04%	****1,491	-	18	-	-	**1,509**
Yaniv Pagot	EVP	100%	-	1,164	342	-	-	-	**1,506**

* Not fully diluted.

** Including salary benefits.

*** Figure known on the end-date of her office.

**** Including amounts with respect to termination of employment.

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, cellular telephone, 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.

Further to the approval of the Company's Compensation Policy for the years 2021 through 2023 and in conformity with the stated therein, the CEO is included in the bonus plan for 2021, by virtue of which he is entitled for said year to a bonus in an amount of NIS 724 thousand. As of the report publication date, the CEO is also included in a bonus plan for 2022, pursuant to which, subject to meeting targets and conditions that are set out in the plan, he shall be entitled to a bonus of up to 6 salaries. For details regarding the bonus plan for 2021 and the bonus plan for 2022, see section 1.26.8 and section 1.28.9 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).

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) 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 2021 compensation plan, by virtue of which she is entitled for said year to a bonus in an amount of NIS 342 thousand. As of shortly before the publication date of the report, Ms. Shitrit-Bach is also included in a bonus plan for 2022, pursuant to which, subject to meeting targets and conditions set out in the plan, Ms. Shitrit-Bach shall be entitled to a bonus of up to 6 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 plan for officers who report to the CEO (with, following the exercise of some of these, 124,310 remaining to the credit of Ms. Shitrit-Bach at the Reporting Date).

For further details regarding the equity compensation plan, the bonus plan for 2021 and the bonus plan for 2022, see section 1.26.8 and section 1.26.9 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.

(3) 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 2021 compensation plan, by virtue of which he is entitled for said year to a bonus in an amount of NIS 337 thousand. As of the publication date of the report, Mr. van der Walde is also included in a bonus plan for 2022, pursuant to which, subject to meeting targets and conditions set out in the plan, he shall be entitled to a bonus of up to 6 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 plan 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 the equity compensation plan, the bonus plan for 2021 and the bonus plan for 2022, see section 1.26.8 and section 1.26.9 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.

(4) Meirav Leshem

Ms. Meirav Leshem had served as Executive Vice President in the role of General Counsel and Head of the Legal Department since January 1, 2018 until January 16, 2022.

Ms. Leshem's gross monthly salary was 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 made 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. During her term in office, Ms. Leshem was entitled to participation in expenses and salary benefits as is standard practice at the Company.

In addition, it was determined that, 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).

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.

On January 16, 2022, Ms. Leshem ended her office and all of her rights pursuant to her employment agreement have been settled.

(5) Yaniv Pagot

Mr. Yaniv Pagot has served as Executive Vice President in the role of head of the Trading Derivatives and Indices Department since January 5, 2021.

Mr. Pagot's gross monthly salary is NIS 65,000 (linked to the increase in the CPI for September 2020). The period of Mr. Pagot'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. Pagot'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. Pagot is entitled to participation in expenses and salary benefits as is standard practice at the Company.

In the event of dismissal, Mr. Pagot 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. Pagot is included in the 2021 compensation plan, by virtue of which he is entitled for said year to a bonus in an amount of NIS 342 thousand. As of the publication date of the report, Mr. Pagot is also included in a bonus plan for 2022, pursuant to which, subject to meeting targets and conditions set out in the plan, he shall be entitled to a bonus of up to 6 salaries. For further details regarding the bonus plan for 2021 and the bonus plan for 2022, see section 1.26.8 and section 1.26.9 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. Pagot. It should be noted that Mr. Pagot's terms of employment do not deviate from the Company's compensation policy.

B. Below are details of the compensation given in 2021 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 Paid for 2021**	Share-Based Payment	Management Fees	Consulting Fees	Sum Total
Amnon Neubach	(Former) Chairman of the Board of Directors	*	-	-	700	-	360	-	1,060

(*) 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.

(**) Retirement grant. For details see section 6(h) below.

(6) Amnon Neubach

Until July 30, 2021, the Company received 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:

(a) 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.

(b) 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**").

(c) 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.

(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.

(h) It should be noted that the provisions of the Services Agreement did not deviate from the Company's compensation policy.

In view of Mr. Neubach's retirement from his duties in the TASE Group as from August 1, 2021, the Services Agreement was discontinued as of said date. Further to that, following the receipt of approvals from the Audit Committee in its capacity as Compensation Committee and from the Board of Directors, on August 31, 2021, an extraordinary general meeting of the Company approved a retirement grant for Mr. Neubach in a total amount of NIS 700 thousand (plus VAT). For further details, see the Company's immediate reports dated July 21, 2021 and August 31, 2021 (reference nos.: 2021-01-056269 and 2021-01-141918). The information provided in said reports is included herein by way of reference.

B. Directors' remuneration and reimbursement

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 former 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 1,127 thousand in 2021 (this amount also includes the directors' remuneration of Mr. Arik Steinberg, who has been serving as Chairman of the Board of Directors of the Company since August 1, 2021).

On August 9, 2018, the Company's Board of Directors, after receiving the approval of the Company's Audit Committee in its capacity as 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 former Chairman of the Board of Directors, Mr. Amnon Neubach, who had been 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

(hereafter: "**the Remuneration Regulations**"), in accordance with the Company's ranking (hereafter: "**the 2018 Remuneration Resolution**").

On November 22, 2021, the Board of Directors of the Company, after obtaining the approval of the Audit Committee in its capacity as the Company's Compensation Committee, approved the payment to directors, including external directors and independent directors serving in the Company, as well as directors who shall serve in the Company from time to time, with the exception of a chairman of the Board of Directors serving under a services agreement and a director residing outside Israel, annual remuneration and participation remuneration in an amount equal to the "set amount" as set forth in the Remuneration Regulations, in accordance with the Company's ranking (hereafter: "**the 2021 Remuneration Resolution**")

The 2021 Remuneration Resolution came into effect on January 12, 2021, upon the first-time appointment of Mr. Aharon Aharon as a new external director on the Company's Board of Directors, this in accordance with the provisions of Regulation 8C of the Remuneration Regulations.

For further details regarding the 2021 Remuneration Resolution, see the immediate report published by the Company on November 23, 2021 (reference no.: 2021-01-100537). The information provided in said report is included herein by way of reference.

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.

Regulations 21A and 22 :

Control in the Entity and Transactions with Controlling Shareholders or in which Controlling Shareholders Have a Personal Interest

From the date on which it became a public company 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	19.61	19.61	18.66	18.66
2.	**Ittai Ben-Zeev**	CEO	TASE CEO, warrant	4,250,000	-	-	3.96	3.96
3.	**Hana Shitrit-Bach**	Officer	TASE ordinary share, with no par value	84,265	0.08	0.08	0.19	0.19
			TASE EVPs, warrant	124,310	-	-	-	-
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	-	-	0.60	0.60
6.	**Viacheslav Fradin**	Officer	TASE ordinary share, with no par value	32,298	0.03	0.03	0.03	0.03
7.	**Uri Shavit**	Officer	TASE ordinary share, with no par value	184,063	0.18	0.18	0.17	0.17
8.	**Zohar Sela**	Officer	TASE ordinary share, with no par value	11,686	0.01	0.01	0.01	0.01

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 101,974,965 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 980,549 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	101,974,965

Regulation 25A: Registered Address, Telephone and Facsimile

Name of Company: The Tel-Aviv Stock Exchange Ltd.

Registered Address of the Entity: #2 Ahuzat Bayit St., Tel Aviv-Jaffa

No. with Companies' Registrar: 520020033

E-mail: sigalb@tase.co.il

Telephone no.:076-8160571

Facsimile no.: 03-5119301

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 commencement 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 accounting and financial expertise?
Arik Steinberg 59222661 January 28, 1965 Israeli	#19 HaEtsel Street, Ramat HaSharon;	No	No For details regarding the appointment of Mr. Steinberg as Chairman of the Board of Directors of the Company, see section 1.26.12.1 of Part One, "Description of the Company's Business", which is included in this Periodic Report).	June 16, 2020	Education: Economics and Political Science Studies (degree not completed), Tel Aviv University; Occupation in the last 5 years: Service as a director in various companies. Other corporations in which he serves as a director: The Tel-Aviv Stock Exchange Clearing House Ltd., The MAOF Clearing House Ltd., Leumi Partners Ltd., REE Automotive Ltd., SH.O.E.GE.T. Holdings Ltd., SH.O.E.GE.T. Consulting & Investments Ltd.; SH.O.E.GE.T. Real Estate Ltd.	No	Yes
Meirav Ben Cnaan Heller 029641883 September 19, 1972, Israeli citizenship	#38 Shimon Ben Tzvi St., Givatayim	External director and independent director recommended by the Nominating Committee. Member of the Company's 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.	No	December 9, 2016	Education: B.A. in Accounting and Business Administration, College of Management. Certified Public Accountant. Occupation in the last 5 years: VP Finance and Business Development, Alon Israel Group (real estate, energy in Israel and overseas, transportation, finance, retail); Provision of business consulting through MBC Financial services (2017) Ltd. (a private company wholly owned by Ms. Ben Cnaan Heller). Other corporations in which she serves as a director: The Tel-Aviv Stock Exchange Clearing House Ltd.; MAOF Clearing House Ltd.; Migdal Insurance Company Ltd.; The Phoenix Value Urban Renewal General Partner Ltd.; The Phoenix Value Urban Renewal - Limited Partnership; Mei Givatayim Ltd.; MBC Financial Services (2017) Ltd. (a private company that is wholly owned by Ms. Ben Cnaan Heller); Pomvom Ltd.; Aerodrome Ltd.; member of the Classification Committee of the Government Companies Authority.	No	Yes
Salah Saabneh 23231632 May 12, 1968 Israeli citizenship (U.S. resident)	1280 5th Ave., 6BC, New-York, NY 10029	No	Partner and Manager in the Manikay Group	September 6, 2018	Education: LLB, Hebrew University of Jerusalem. LLM, Georgetown University. MBA, Columbia University. Occupation in the last 5 years: Partner and Manager in an investment management firm, Manikay Partners LLC. Additional entities in which he serves as director: None.	No	Yes
Yoav Chelouche 031157746 July 18, 1953 Israeli	53/A La-Merchav St., Ramat Hasharon.	External director and independent director recommended by the Nominating Committee. Member of the Audit Committee (including when	No	May 15, 2014[5]	Education: M.B.A., INSEAD (European Institute of Business Administration); B.A. in Accounting and Statistics, Tel Aviv University. Occupation in the last 5 years: Managing Partner at Aviv Venture Capital Fund; invests in emerging technology	No	Yes

[5] Except during the period from May 15, 2017 to February 28, 2019.

		acting as the Compensation Committee and as the Committee for the Review of the Financial Statements).			companies (startups) and mentors entrepreneurs. Other corporations in which he serves as a director: The Tel-Aviv Stock Exchange Clearing House Ltd.; MAOF Clearing House Ltd.; Tower Semiconductor Ltd.; Check Point Software Technologies Ltd.; Malam-Team Ltd.; Shufersal Ltd.; Yunsen Ltd.; Aviv Venture Capital Fund; chairman of the board of Cognni Ltd. (formerly Shieldox Security Ltd.); Xtend Reality Expansion Ltd.; Bioplasmar Ltd.		
Bruria Gross-Prushansky 051218410 August 16, 1952 Israeli	#23 Hgvura St., Herzliya	Independent director. Member of the Audit Committee (including when acting as the Compensation Committee and as the Committee for the Review of the Financial Statements).	No	June 16, 2020	Education: Executive MBA, Tel Aviv University. LLB, Tel Aviv University. Criminology and Political Science Studies (degree not completed), Bar-Ilan University; Occupation in the last 5 years: Until the end of September 2020 - Legal Counsel in charge of the legal aspects of the M&A operations at Matrix I.T. Group. Currently - provides similar legal services as a freelancer. Additional entities in which he serves as director: None.	No	No
Aharon Aharon 052069796 March 8, 1954 Israeli	#29 Soutine St., Tel Aviv	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) and member of the Company's Risk Management Committee.	No	January 12, 2022	Education: B.Sc Computer Engineering, Technion - Israel Institute of Technology, Haifa. M.Sc Electrical Engineering, Technion - Israel Institute of Technology, Haifa. Sciences teaching diploma, Technion - Israel Institute of Technology, Haifa. Occupation in the last 5 years: VP and CEO of Apple Israel Ltd. (until 2017); CEO of the Innovation Authority (formerly the Office of the Chief Scientist) (until 2021); currently - advisor to companies through C-Perto Ltd., a private company that he owns. Other corporations in which he serves as a director: The Tel-Aviv Stock Exchange Clearing House Ltd., The MAOF Clearing House Ltd.; Innoviz Technologies Ltd. (listed on Nasdaq); member of the Board and Finance Committee of CET (a non-profit); board member of Educating for Excellence (as association), board member of the innovation center of Raphael Hospital, member of the National Council for Research and Development in the Ministry of Science, Technology and Innovation.	No	Yes

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 LISI, 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 – Reichman 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
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:**	**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
d.	**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's 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
e.	**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.
	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
f.	**Name:**	**Liran Gordon**
	ID no.:	031785017
	Date of birth:	July 30, 1974
	Commencement of office:	January 16, 2022
	Position in the Company, in a subsidiary or in an interested party therein:	EVP - Legal Counsel and Head of the Corporate Communications Department.
	Business experience in the past 5 years:	Head of Communications at Bank Leumi le Israel Ltd.

	Education:	BA, General History and History of the Jewish People – 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
g.	**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

h.	**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
	Is she a relative of another senior officer or of another interested party in the Company:	No

i.	**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

j.	**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

k.	**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

l.	**Name:**	**Sharon Witkowski-Tabib**
	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 16, 2021, the Company's Board of Directors resolved to distribute a dividend of NIS 0.1823 per share in a total amount of NIS 18.45 million (gross). Said dividend was distributed on April 5, 2021.
2. On March 21, 2022, at the same time as approving the Company's annual consolidated financial statements as of December 31, 2021, which are included in this Periodic Report, the Company's Board of Directors resolved to distribute a dividend of NIS 0.2229 per share in a total amount of NIS 22,735 thousand (gross). The record date for entitlement to receive the dividend was set for March 30, 2022 and the payment date was set for April 7, 2022.
3. 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). The information provided in said report is included herein by way of reference.
4. At the Company's Extraordinary General Meeting held on May 25, 2021, it was resolved, inter alia, to approve a discretionary bonus to Mr. Amnon Neubach, Chairman of the Board of Directors of the Company, with respect to qualitative criteria set in advance within the framework of the Company's compensation plan for the years 2018-2020 with respect to 2020, in a total amount of NIS 154 thousand (plus VAT). For further details, see the Company's immediate reports dated April 19, 2021 and May 25, 2021 (reference nos. 2021-01-066084 and 2021-01-030187). The information provided in said reports is included herein by way of reference.
5. At the Company's Extraordinary General Meeting held on August 31, 2021, it was resolved to approve a retirement grant for Mr. Amnon Neubach, Chairman of the Board of Directors of the Company, in a total amount of NIS 700 thousand (plus VAT). For further details, see the Company's immediate reports dated July 21, 2021 and August 31, 2021 (reference nos. 2021-01-056269 and 2021-01-141918). The information provided in said reports is included herein by way of reference.
6. At the Company's Extraordinary General Meeting held on January 12, 2022, it was resolved: to reappoint Mr. Yoav Chelouche and Ms. Meirav Ben Cnaan Heller for an additional term in office as external directors and independent directors recommended by the Nominating Committee; to appoint Mr. Aharon Aharon as an external director and an independent director recommended by the Nominating Committee; to approve the grant

to directors in the Company, including independent directors recommended by the Nominating Committee and external directors, options that are exercisable into shares of the Company, under an option plan that would be approved for the officers in the Company, all in accordance with the provisions of the Company's Officers' Compensation Policy for the years 2021-2023. For further details, see the Company's immediate reports dated December 6, 2021 and January 12, 2022 (reference nos. 2021-01-106756 and 2022-01-006274). The information provided in said reports is included herein by way of reference.

Regulation 29A: Resolutions of the Company

1. Officers' liability insurance

   For details regarding officers' liability insurance policies, see section 1.26.14 of Part One, Description of the Company's Business.

2. Officers' indemnification undertaking

   For details regarding indemnity letters for officers' events, see section 1.26.15 of Part One, Description of the Company's Business.

3. Officers' Exemption

   For details regarding deeds of exemption for officers, see section 1.26.16 of Part One, Description of the Company's Business.

Date: March 21, 2022

The Tel Aviv Stock Exchange Ltd.

Ittai Ben-Zeev, CEO

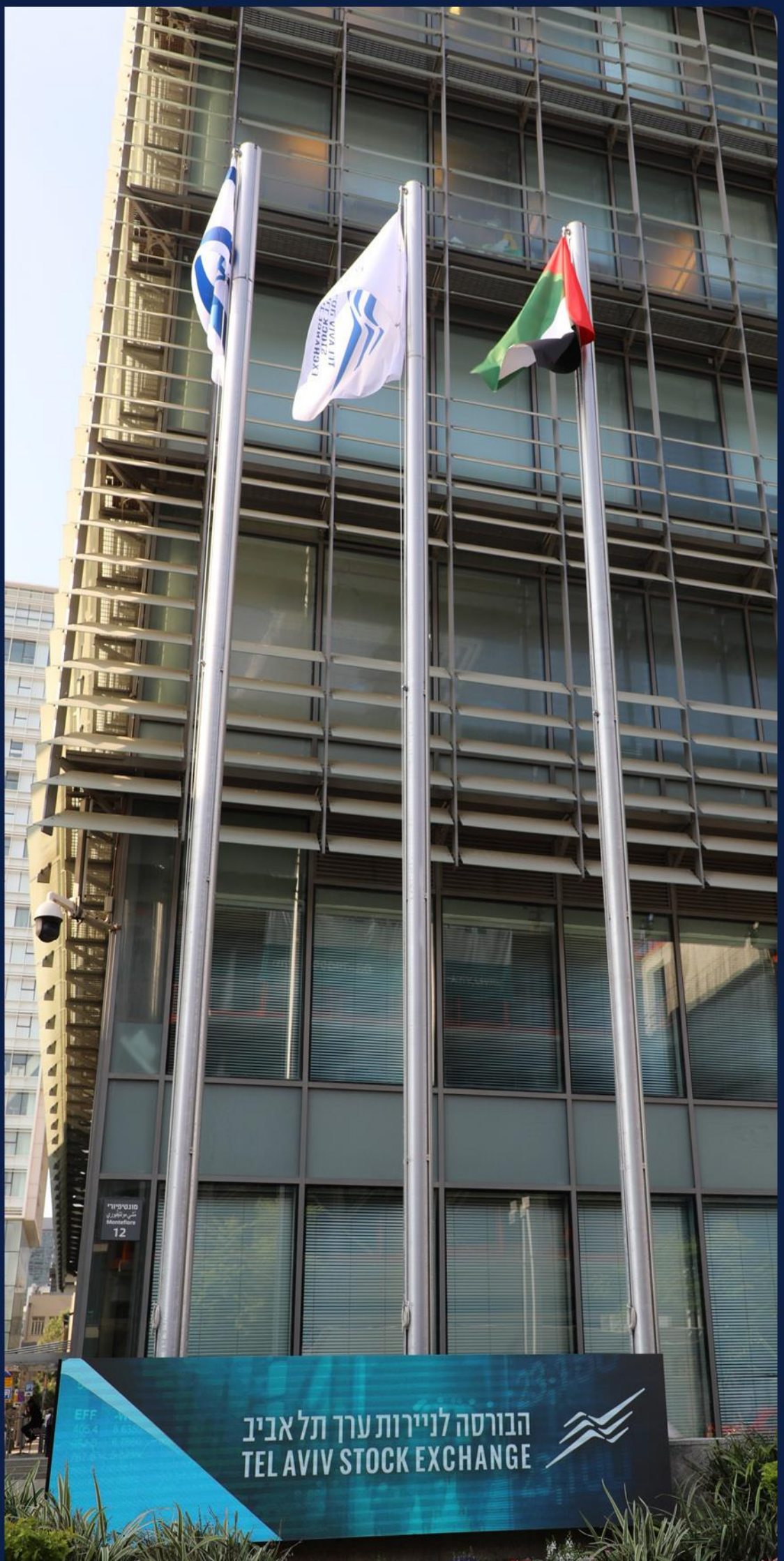
Arik Steinberg,
Chairman of the Board
of Directors*

* For details regarding the process for the appointment of Mr. Steinberg as Chairman of the Board of Directors of the Company, see section 1.26.12.1, Part One, "Description of the Company's Business", which is included in this Periodic Report.

TEL AVIV STOCK EXCHANGE
הבורסה לניירות ערך תל אביב

Part 5

Annual Report on the Effectiveness of the Internal Control Over Financial Reporting and Disclosure



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 [1], 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.

1 Since 15.01.2022, Merav Leshem is no longer an employee of the company.

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, 2021 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 2021 ("**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 21, 2022

(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 2021 ("**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 21, 2022