
TEL AVIV הבורסה
STOCK לניירות ערך
EXCHANGE תל אביב
2022 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 2022

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TEL AVIV STOCK EXCHANGE
הבורסה לניירות ערך תל אביב

PART 1

Description of the Company's Business



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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 28.9.1953, 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 6.4.2017, 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 7.9.2017 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 6.7.2018, the Company completed its transition to a "for-profit" private company.

Further to the aforesaid, on 1.8.2019, the Company 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 and financial instruments listed therein. 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 benefits 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 657 companies that have issued equity and debt instruments, 536 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.

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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.

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 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, treasury bills 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 the 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 exclusively 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 and 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**"), including through an investment funds' system.

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).

[3] As of Reporting Date, TASE Clearing House allows the clearing of company actions in US dollars, pounds sterling and Singapore dollars, without the involvement of the Bank of Israel.

Additional activities of TASE Clearing House include operating services for the lending pool of the Ministry of Finance. The lending pool includes government bonds issued pursuant to the Government Loan Law, 1979 and the regulations thereunder ("**Government Bonds**") and serves to lend Government Bonds to market makers approved for this purpose by the Ministry of 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 MAOF member has defaulted.

It should be noted that, 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 25.10.2017, the Nominee Company, which is a nominee company pursuant to its definition in the Securities Law, was established. Its primary activity is the registration of securities of publicly traded or reporting corporations (that are not foreign companies) in its name in the securities register of these corporations, and their deposit with TASE Clearing House, as well as the day-to-day handling of the rights attached to these securities. For further details regarding the activities of the Nominee Company, see Section 1.7.3.4 below.

[4] A primary dealer who wishes to borrow Government Bonds must provide collateral for lending through TASE Clearing House. The lending pool agreement between the Ministry of Finance and TASE Clearing House is included in the TASE Rules.

[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 1.33.1 below.

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



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

1.2 **Area of Activity**

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

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

1.3.1 **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 1.8.2019 through to the end of 2022, 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 25.7 million (excluding the issuance consideration), 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, 2022, which are included in this Periodic Report. After the reporting date, some of the aforesaid shareholders sold additional Arrangement Shares for a total consideration of NIS 2.6 million, for which the Company received in March 2023 an amount of NIS 1.85 million and (based on a price of NIS 5.08 per share, as described below).

It should be noted that the Company has contacted the boards of directors of each of the three largest holders from among the holders of Arrangement Shares, which are TASE members, requesting them to explain the reason for their refraining from selling their holdings in the Company, considering that such sale would realize the provisions of the Securities Law, as described in note 1 B to the Company's consolidated financial statements as of 31.12.2022. The holders maintained that they are not obligated by law to sell those holdings. Consequently, and in view of claims raised on behalf of said shareholders against the discontinuance of the Company's dividend policy and the adoption of the buyback plan, as described in Section 1.4 below, the Company has commissioned additional legal opinions in this regard from a corporate law expert and a competition law expert (hereafter: "**the Legal Opinions**"). After receiving the Legal Opinions, the Company informed the aforesaid shareholders that, according to those opinions, the holding of the Arrangement Shares by the aforesaid shareholders creates legal difficulties with regard to the purpose of Amendment 63 of the Securities Law and Israeli corporate law, and that according to the Legal Opinions, the sale of the Arrangement Shares by the aforesaid shareholders would increase the excess consideration that they are required to transfer to the Company by an amount equal to the amounts of the dividends that had been distributed to them (and that may be distributed to them in the future, if distributed) in respect of the

Arrangement Shares, commencing on the date of the TASE Restructuring through to the date of sale of the Arrangement Shares. The Company further informed them that the continued holding of the Arrangement Shares by TASE members also raises concerns from the perspective of the Economic Competition Law, 1988. Considering the dividend amounts that had been distributed by the Company to the date of this Report, the excess consideration is the consideration exceeding NIS 4.59 per share. Nevertheless, it should be noted that the transitional provision for Amendment 63, which prescribed the limitations on the sale of shares by the holders of the Arrangement Shares is unique and has no comparable provisions. Hence, there are no legal precedents and there is no certainty as to the Court's interpretation of the provision and of the arguments of the holders of the Arrangement Shares. For further details, see Note 18.C. to the financial statements as of 31.12.2022.

1.3.2 To the best of the Company's knowledge, from 1.1.2022 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 5.4.2021, the Company paid a dividend of NIS 0.18 per share, in a total amount of NIS 18,450 thousand.

1.4.1.1 On 7.4.2022, the Company paid a dividend of NIS 0.22 per share, in a total amount of NIS 22,735 thousand.

1.4.1.2 According to the Company's consolidated financial statements as of 31.12.2022, which are included in this Periodic Report, the Company has retained earnings of NIS 686 million.

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 6.7.2018, 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 November 2022. For further details, see note 5 to the Company's consolidated financial statements as of 31.12.2022, 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.

1.4.3 Dividend distribution policy

On 31.3.2019, 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 1.1.2019.

On 21.3.2022, 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. Further to the aforesaid resolution of the Board of Directors, on 24.5.2022, the Board of Directors of the Company approved a first plan for the buyback of Company shares in an amount of up to NIS 36 million over a six-month period (hereafter: "**the First Plan**"). For details regarding the First Plan, see the Company's immediate report dated 24.5.2022 (reference no.: 2022-01-063397). The details that are provided in said report are included herein by way of reference.

Subsequently, on 29.11.2022, after establishing the fulfillment of the profit criterion and the solvency criterion (as the terms are defined in the Companies Law, 1999), the Board of Directors of the Company approved an additional plan for the buyback of Company shares in an amount of up to NIS 36 million and for a period of six months (hereafter: "**the Second Plan**"). For details regarding the Second Plan, see the Company's immediate report dated 29.11.2022 (reference no.: 2022-01-144550). The details that are provided in said report are included herein by way of reference.

In the reported period, the Company bought back within the framework of the First Plan and the Second Plan 1,891,260 ordinary shares in a total monetary amount of NIS 31.3 million. After the reported period, the Company bought back, within the framework of the Second Plan, an additional 1,182,651 ordinary shares in a total monetary amount of NIS 21.8 million.

It should be noted that in the reported period several holders of Arrangement Shares raised various claims against the buyback plan and its legality. Some of the claims address the implications of the buyback for them as shareholders that are subject to the arrangement set out in the Securities Law. The aforesaid relates to the requirement to transfer to the Company the excess consideration in the event of the sale of their shares, as well as to the impact of the buyback on their percentage holding in the shares of the Company following the buyback. The Company has informed the aforesaid shareholders that it categorically rejects all of those claims, inter alia, in view of the conclusions of the Legal Opinions, as described in Section 1.3.1 above.

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**"). These Sources served as an available means for the collection of the information and the data that are included in the relevant descriptions. 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):**

	2022	2021	% change
Revenues [1] – from external customers	361,011	323,657	12%
Fixed costs [2] – with respect to revenues from external customers (excluding depreciation)	173,150	175,068	(1%)
Fixed costs (non-cash) – depreciation expenses (including in respect of leases)	51,335	47,618	8%
Variable costs [3] – with respect to revenues from external customers	52,664	45,549	16%
Variable costs (non-cash) [4]	665	1,001	(34%)
Total expenses	**277,813**	**269,236**	**3%**
Profit before financing income, net	**83,198**	**54,421**	**53%**
Assets of the area at the end of the period [5]	**1,541,275**	**1,316,753**	**17%**
Liabilities at the end of the period [5]	**1,125,682**	**897,560**	**25%**

(1) For revenue details, see Section 1.16 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 2022, 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 Market Overview for 2022

In 2022, Trading on TASE was highly volatile and ended in price drops on the equity and the bond markets, similarly to leading global exchanges. Nevertheless, the Israeli market has demonstrated strength, with a relatively low decrease in the equity indices on TASE compared to the leading global indices.

The price drops on the global markets were influenced by the inflation surge that resulted in aggressive interest rate increases by central banks and a slowdown in economic activity.

The market inflation that commenced in 2021 following the cancellation of the COVID-19 restrictions and the rise in demands, increased in 2022. Russia's ongoing hostilities against Ukraine since that began at the end of February 2022 contributed to the rising inflation. On this backdrop, the United States and Europe imposed economic sanctions on Russia. Consequently, Western European natural gas acquisitions from Russia decreased significantly and the Nord Stream pipeline that transports natural gas from Russia to Europe was shut down. This caused energy prices to soar - most notably the price of natural gas that skyrocketed by 180%, as well as in the prices of food and metals imported from the conflict countries.

In addition, 2022 was characterized by disruptions in the chain of supply and shortage of food and commodities, which resulted from the following:

- Persistence of the energy crisis in Europe, which began in 2021 due to the European Union's regulations that restrict the use of polluting energy sources and escalated in 2022 following the discontinuance of supply of gas from Russia and the announcement by OPEC, the umbrella organization of the world's largest oil exporters, of a significant reduction in the production and supply of oil starting in November 2022. Consequently, there are growing indications of a recession in Europe which could adversely affect companies that export significantly to Europe, including Israel.

- Exacerbation of the climate crisis and droughts in multiple countries and the war in Ukraine, the world's breadbasket.

- China's 'Zero COVID' policy, involving the imposition of restrictions and lockdowns by the Chinese authorities, resulted in shortages in the global microchip sector and in a slowdown of China's economic growth and disruptions in the trade with China.

Consequently, annual inflation skyrocketed, reaching its highest rate in decades - 10.6% in the Eurozone, 11.1% in the United Kingdom and 9.1% in the United States, compared to the 2% target. In Israel, inflation rose more moderately compared to the developed markets, mainly due to Israel's natural gas reserves and relatively low dependence on import from the conflict countries, reaching 5.3% (the highest in 20 years), compared to the 3% target set by the Bank of Israel.

In order to curb the inflation, central banks initiated a series of interest-rate increases, including the Bank of England, the Federal Reserve, the European Central Bank, as well as the Bank of Israel (for details, see Section 1.6.1.4).

It should be noted that while the interest rate increases had little effect on the rising inflation, they had adversely affected economic growth. In light of indications of a slowdown in the global economic activity, the International Monetary Fund (IMF) forecasts the reduction of global growth to 3% in 2022, compared to 6% in 2021.

In addition, an economic slowdown in Europe and the United States, which are the main destinations of Israeli export, is also expected to adversely affect the economic growth in Israel. Already in the third quarter of 2022, there were indications of a slowdown - a rise in the unemployment rate and a reduction in the number of real estate transactions and in mortgages obtained, as reflected in the data of the Central Bureau of Statistics.

Nevertheless, as aforesaid, the Israeli economy has demonstrated strength, as reflected in the following information:

Positive macroeconomic indicators, including a positive economic growth rate, exceeding that of leading economies, despite the reduction in growth that commenced in the third quarter of 2022. According to the estimated data for the third quarter of 2022 published by the Central Bureau of Statistics, Israeli GDP increased by 1.9% in the third quarter of 2022, following a 7.4% increase in the second quarter of the year and a 3.4% decrease in the first quarter of 2022.

It should be noted that, Israeli GDP grew by 6.4% in 2022, following an 8.6% growth in 2021. The growth rate in Israel is the third highest among the reporting OECD countries, including the United States (2.1%) and Germany (1.9%).

The unemployment rate in Israel remains low and stable, despite a slight increase in unemployment starting in the third quarter of 2022. The Central Bureau of Statistics published that the rate of workers furloughed due to economic causes or dismissed reached 4.5% in December 2022, compared to 3.7% at the end of the first half of the year, and compared to an average 8% in 2021, and an average double-digit figure of 16% in 2020 - the pandemic outbreak year.

Furthermore, the reduction in the national budget deficit continues, as reflected in the Ministry of Finance's data: in 2022, a national budget surplus of 0.6% was recorded - the highest rate since 1987, compared to a deficit of 5% in 2021 and 12% in 2020, at the height of the Covid-19 crisis. In opposition, according to the International Monetary Fund - the national budget deficit will reach 3.7% of the GDP in developed economies in the years 2022-2023.

A reduction in the debt-to-GDP ratio to 61% in 2022 as compared to 68% in 2021, according to data published by the Ministry of Finance, and to a 63% in 2023, according to the Bank of Israel's forecast. In opposition, according to the International Monetary Fund - the debt-to-GDP ratio in developed economies will reach 112% in 2023.

In addition, Israel's sovereign credit rating remains high, due to Israel's positive macro-economic indicators, most notably the low debt-to-GDP ratio (for further details, see Section 1.6.1.5).

Increase in the demand for natural gas from Israel - as a result of the escalation of the energy crisis in Europe, following the discontinuance of the supply of natural gas by Russia. In this context, it should be noted that on 15.6.2022 a memorandum of understanding was signed between Israel, Egypt and the European Union, which provides for the expansion of the export of gas from Israel to Europe through Egypt and authorizes natural gas exploration and production by European companies in the economic waters of Israel and Egypt.

The appreciation of the dollar relative to the shekel in 2022 has contributed to the increase in the profits of companies that export to the United States, and the appreciation of the Euro relative to the shekel contributed to the profitability of the companies that export to Europe.

The first two months of 2023 were characterized by volatility in prices, on the backdrop of the planned reform of the judiciary system and the growing concerns as to its implications on the Israeli economy.

In the second half of January 2023, price drops were recorded on TASE's equity and bond markets, the shekel weakened in relation to foreign currency, reaching a 3-year low at the end of February 2023, and the yield on Israeli government bonds continued to rise. The Bank of Israel initiated further interest increases, raising the interest rate by a half percent for the eighth time in February, to 4.25%, this in response to the annual inflation climbing to 5.4%.

At the same time, the public started diverting its investments, both in ETFs and in mutual funds, from funds that track indices comprised of Israeli-traded shares and bonds to indices comprised of foreign-traded shares and bonds.

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

Presented below are details regarding the velocity of trading[1] in Israel in 2021 and 2022 and in the fourth quarter of 2021 and 2022:

	2022	2021	% change	Three months ended 31.12.2022	Three months ended 31.12.2021	% change
Shares	43.1%	39.8%	8%	39.9%	37.5%	6%
Corporate bonds [2]	60.9%	54.8%	11%	59.4%	58.1%	2%
Government bonds – shekel [3]	95.2%	100.3%	(5%)	110.6%	107%	3%
Government bonds – linked and other [4]	66.6%	78.3%	(15%)	61.6%	67.5%	(9%)
Treasury-bills	115.4%	62.4%	85%	142.7%	67.7%	111%

(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 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.

The increase in the share trading velocity in 2022 compared to 2021 stems mainly from the reduction in the market cap combined with the increased trading volumes.

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 an increase in 2022 in the share of quote generators, including market makers, in the trading of equities, bonds and derivatives on TASE, compared to 2021.

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

1.6.1.3 Interest rate of the Bank of Israel

Since April 2022, the Bank of Israel raised the economy's interest rate, in six steps, from 0.1% to 3.25%.

The inflation rate in 2022 totaled 5.3%, the highest rate in 20 years.

In the Company's opinion, the rise in the interest rate has increased the demand for investments in treasury bills and in the money-market funds, and at the same time encouraged Israeli banks and real estate companies to issue debt on the capital market, this as a result of the ongoing surge in the real estate sector and the growing demand for bank credit.

1.6.1.4 Israel's credit rating[7]

The positive macro-economic indicators for 2022 resulted in the affirmation of the State of Israel's high sovereign credit rating of A+ with a stable outlook by credit rating agency, Fitch, AA- rating with a stable outlook by credit rating agency, S&P, and Moody's affirmation of Israel's sovereign credit rating at A1, with the outlook raised from "stable" to "positive". After the date of the Report, the credit rating agency, Fitch, affirmed Israel's sovereign credit rating of A+, maintaining the "stable" outlook.

In the opinion of the Company, Israel's sovereign credit rating affects, first and foremost, the rating of government debt instruments (government bonds, treasury bills, 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.

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

1.6.1.5 The effects of changes in exchange rates[8]

In 2022, the U.S. dollar appreciated by 13.2% in relation to the shekel, after weakening by 3.3% in relation to the shekel in 2021. After the date of the Report, the U.S. dollar appreciated by 4% in relation to the shekel.

In 2022, the Euro appreciated by 6.7% in relation to the shekel, following its 10.8% devaluation in relation to the shekel in 2021. After the date of the Report, the Euro appreciated by 4% in relation to the shekel.

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

1.6.1.6 In 2022, leading global equity indices decreased, most notably the NASDAQ 100 Index, which decreased by 33%. The S&P 500 Index and the Dow Jones Index in the United States decreased by 19% and 9%, respectively, and the EURO STOXX 50 Index in Europe and the MSCI World Index decreased by 12% and 20%, respectively (data of the foreign exchanges, in local currency).

1.6.1.7 At the end of 2022, 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 254 billion at the end of 2022, and their average daily trading volume in 2022 came to NIS 416 million a day (excluding off-exchange transactions), constituting 26% of the daily trading volume in the equity 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.

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

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[9], 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.

[9] 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) (above and below, collectively: "**TASE Members**").

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

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

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 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. To the date of the Report, the Board of Directors of the Company approved the application of one foreign-incorporated entity 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).

1.7.2.6 It should be noted that, 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[10] System and for the transfer of custody of securities subsequent to these transactions. This ensures the proper execution of transactions pursuant to the provisions set forth in the bylaws of TASE Clearing House. The Clearing House thereby takes upon itself the responsibility for the risk that one of the parties will not complete its side of the transaction.

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

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

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

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

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 31.12.2025, 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. 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 Fair Financial Technologies Ltd. Serve 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

[10] For details regarding the MTS system, see Section 1.33.2 below.

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. As of 31.12.2022, the Board of Directors of TASE Clearing House approved the joining of a new Clearing House member as a "custodial member". The member is expected to commence operating in the first half of 2023, upon completion of the necessary operational, technological and corporate governance preparations.

1.7.3.2 MAOF Clearing House

MAOF Clearing House is engaged in activities involving derivatives traded on TASE (options and futures, which are 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 (8 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 would 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.[11]

Members of TASE Clearing House are required to deposit cash collateral in the default fund of the Clearing House. Members of and members of MAOF Clearing House are required to deposit in the default fund od and members of MAOF Clearing House collaterals in the form of cash, government bonds and treasury bills. Members of and 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[12], while the members of TASE Clearing House are required to deposit collateral (cash only) with respect to their activity in the Clearing Houses' lending pool.

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

12 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

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 31.12.2022, which are included in this Periodic Report.

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

1.7.3.4 Nominee Company

On 25.10.2017, 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 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.

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.

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

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

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

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

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

1.10.1 **The equity market**

1.10.1.1 In 2022, the Israeli equity market demonstrated relative strength. The decrease in the equity indices was significantly more moderate than that of the various international equity indices. The TA-35 Index and the TA-125 Index decreased by 9% and 12%, respectively, compared to a 20% decrease in the MSCI World Index.

Price reductions marked most of the sectorial indices, most notably the indices of the real estate companies, which are greatly susceptible to interest rate rises, as these drive up their financing costs and reduce the value of their properties, on the one hand, and adversely affect the demand for housing, on the other hand, by making mortgages more expensive. Consequently, in 2022 the TA-Construction Index and the TA-Investment Properties Abroad Index decreased by 37% on average and the TA-Investment Properties in Israel Index decreased by 25%. It should be noted that in the past five years, 2018-2022, the TA-RealEstate Index increased by 56%.

In 2022, the indices of high-tech companies decreased similarly to the global trend. The TA Global-BlueTech Index decreased by 36% and the Tech-Elite Index decreased by 30%, an average rate similar to the 33% decrease in the NASDAQ 100 Index.

The attractivity that marked the high-tech sector in pandemic years 2020-2021 started to decline following the curbing of the pandemic and the global interest rate increases, which have a particularly negative impact on the growth companies. Consequently, high-tech companies around the world and in Israel started to downsize. It should be noted that in the past five years, 2018-2022, the TA-Technology Index is in the lead, with an increase of 78%.

In opposition, positively outstanding during the year is the TA-Oil & Gas Index, which soared by 35% in 2022, following a 62% surge in 2021. The increase in the index this year was influenced by the sharp rise in energy prices - the price of natural gas that skyrocketed by 380% by mid-August 2022 and decreased towards the end of the year to a price that is 20% greater than the price at the beginning of the year, and by the growing demand for the purchase of natural gas from Israel. It should be noted that the price of brent oil soared by 55% in the first half of 2022, and then in the second half of the year decreased to a price slightly above the price at the beginning of the year - influenced by the slowdown in the global economic activity. Towards the end of the year, the European Union and the G7 countries issued a resolution that sets a maximum price of US$ 60 per Russian oil barrel, commencing on 5.12.2022.

The TA-Banks5 Index recorded a slight decrease of 4% in 2022, after skyrocketing by 68% in 2021. The decrease of the index, due to the expected slowdown in the economy, was offset by the positive influence of the increase in the profitability and the financing income of the banks, as a result of the higher volume of credit extended, mainly to home buyers, and of the raising of the interest rate. It should be noted that the market cap of the equity market totaled NIS 949 billion at the end of December 2022, 16% below the market cap at the end of December 2021, as a result of the decr55ease in the equity indices, as describe above, and the reduction in amounts raised, as specified below.

The following table shows the yields of the main equity indices in 2021 and 2022 (percentages)[13]:

	Rate of change			Market Cap as of December 31		
	Q4 2022	2022	2021	2022 (NIS billions)	2021 (NIS billions)	
Market Cap Indices						
TA-35	(2.2%)	(9.2%)	32.0%	547	605	An equity index of the 35 companies with the highest market capitalization on the exchange that meet the index criteria.
TA-90	(7.9%)	(18.2%)	33.1%	252	314	An equity 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	(3.7%)	(11.8%)	31.1%	799	919	An index that includes all the shares in the TA-35 and TA-90 Indices.
TA-SME60	(12.6%)	(33.2%)	29.7%	42	67	An index that includes the 60 shares with the highest free float market capitalization on the exchange, out of the shares that are not included in the TA-125 Index, that meet the index criteria.
Sector Indices						
TA-Tech-Elite	(7.9%)	(29.9%)	8.7%	218	269	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	(2.4%)	(8.8%)	53.3%	208	225	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	(11.5%)	(30.9%)	53.4%	177	239	An index that includes the shares included in the real estate and construction sector, which meet the index criteria.
TA-Oil & Gas	(9.1%)	35.0%	61.7%	38	29	An index that includes all the shares included in the oil and gas exploration sector, which meet the index criteria.

[13] 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,

1.10.1.2 Trading in equities was strong in 2022, reaching an average daily volume of NIS 2.3 billion – 22% greater than the volume in 2021 and the highest volume since 2011.

The active trading in 2022 was influenced, among others, by the volatility of the share prices and the increased activity of foreign investors on the equity market at TASE. According to the data of the Bank of Israel, in 2022, foreign residents purchased equity holdings in a net amount of US$ 14.1 billion on TASE, following net purchases of US$ 13.1 billion in 2021.

It should be noted that TASE has reduced the minimum order size, commencing on 1.3.2022, from NIS 5,000 per share in the TA-35 Index and NIS 2,000 per share in other indices, to NIS 500 for any share. This move had an immediate and significant effect on the enhancement of liquidity in the market and the increase in the volume of small orders, both by private investors and by primary dealers and quote generators.

In 2022, net sales of shares by principal shareholders continued - principal shareholders sold shares in an amount of US$ 6.4 billion and at the same time purchased shares in an amount of US$ 2.6 billion. The free float in the equity market reached 61.5% at the end of the year.

The following table sets forth data regarding the average daily trading volumes in the equity market in 2021 and 2022 (excluding activities attributed to ETFs) (NIS millions):

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

	2022	2021	% change	Three months ended 31.12.2022	Three months ended 31.12.2021	% change
Equities	1,874	1,543	21%	1,635	1,596	2%

1.10.1.3 The total equity raised from the public on the Israeli equity market in 2022 came to US$ 21.7 billion, further to a record amount of US$ 25.8 billion raised in 2021 (excluding TASE UP).

The following table shows the numbers of public offerings and total proceeds in the equity market in 2022 and 2021:

	Number of Offerings					
	2022	2021	% change	Three months ended 31.12.2022	Three months ended 31.12.2021	% change
Public offerings[1]	78	170	(54%)	16	31	(48%)
Public offerings of new companies (IPOs) included in public offerings [2]	13	94	(86%)	-	10	(100%)
Private placements	117	145	(19%)	24	27	(11%)
Total	**195**	**315**	**(38%)**	**40**	**58**	**(31%)**

(1) Including TASE UP.

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

according to the weighting of each security in the index. They measure these changes both during the trading day and over time.

	Amounts Raised (NIS millions)					
	2022	2021	% change	For the three months ended 31.12.2022	For the three months ended 31.12.2021	% change
Public offerings [1]	11,808	18,818	(37%)	618	2,880	(79%)
Public offerings of new companies (IPOs) included in public offerings	2,342	10,490	(78%)	-	656	(100%)
Private placements	9,240	7,186	31%	857	1,286	(33%)
Exercise of warrants [2]	493	411	20%	101	66	53%
Total	**21,721**	**26,415**	**(18%)**	**1,576**	**4,232**	**(63%)**

(1) Including TASE UP.

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

The reduction in the volume raised this year stems from the wave of IPOs that came to an almost complete stop starting in April 2022. In 2022, 13 new issuers (including 6 high-tech companies) raised US$ 2.3 billion in IPOs, of which eight were performed in the first quarter of 2022.

As a result of the downward trend in the markets in 2022, which reduced the appetite for new investments, most of the new issuers that completed the offering are large companies (with a market capitalization of more than US$ 1 billion after-the-money). Five large new issuers raised US$ 2 billion - 84% of the total amount raised in IPOs in 2022, compared to 12 large new issuers that raised US$ 4.6 billion - 43% of the total amount raised in IPOs - in 2021.

In the years 2021 and 2022, 94 and 13 new companies, respectively, joined through their respective IPOs, varying both in their businesses and their size. In addition, in each of the years 2021 and 2022, 2 companies were dual-listed and began trading in parallel on TASE. At the same time, in 2021 and 2022, 13 and 11 stock companies, respectively, were delisted. For further details see Sections 1.10.2 and 1.10.3 below.

Additionally, after the date of the Report, additional 2 joined dual listing and 2 supplemental prospectuses for IPOs of shares have been published. The equity raised by seasoned issuers increased and came to US$ 19.4 billion in 2022, compared to US$ 15.3 billion in 2021. Most of the increase stems from the equity raised by the major banks, which, in light of the surge in the volume of credit extended, mainly to mortgagers, needed to increase the capital that serves as a safety cushion against the credit that they had extended (capital adequacy).

1.10.2 The following table sets forth data regarding changes in the number of companies with shares listed on TASE in 2021 and 2022:

	2022	2021	Three months ended 31.12.2022	Three months ended 31.12.2021
Companies listed at the start of the period	**541**	**455**	**550**	**534**
New companies added				
IPOs	13	94	-	10
Dual-listing	2	2	1	-
Other*	3	3	1	-
Total	**18**	**99**	**2**	**10**
Companies that were delisted				
Tender offers and mergers	7	7	3	2
Non-compliance with maintenance rules	1	3	-	1
Dual-listed companies delisted from TASE only	3	3	1	-
Companies in settlement/liquidation proceedings	-	-	-	-
Total	**11**	**13**	**4**	**3**
No. of companies listed at the end of the period	**548**	**541**	**548**	**541**

* 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, 548 companies were traded on the stock exchange.

During 2022, 16 new companies were added (excluding two companies that absorbed listed companies and listed in their place), of which 13 companies completed share IPOs. In addition, in the aforesaid period, reverse mergers were completed for 6 companies that had no material business activity. These additions were offset, in said period, by 11 companies being delisted. The market capitalization (after the issuance) of the 16 new companies listed in 2022, together with 6 companies that completed reverse mergers, totals NIS 25.3 billion. In opposition, in 2022 9 companies were delisted from TASE (excluding two companied that were merged into companies that listed in their place) with an aggregate market cap of NIS 23.2 billion shortly before the delisting, which is mostly (NIS 16 billion) attributed to Perrigo (3 of the delisted companies, with an aggregate market cap of NIS 3.7 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).

As of 31.12.2022, 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 254 billion as of said date and an overall average daily trading volume of their shares of NIS 416 million in 2022), similarly to the number of dual listed companies as of 31.12.2021. The dual-listed companies account for 27% of the market cap and 26% of the overall trading volumes on TASE's equity market (excluding ETFs). Additionally, in 2022 the average trading volume of shares of dual-listed companies on TASE accounted for 35% of the overall trading in the shares of the dual-listed companies (on TASE and on the foreign exchanges).

In 2022, 2 companies performed dual listing on TASE, further to the 2 companies that joined dual listing in 2021.

In 2022, 3 dual listed companies with an aggregate market cap of NIS 19.3 million voluntarily delisted from TASE (substantially all of the amount, NIS 16 billion, relates to one of the delisted dual companies - Perrigo). In 2021, 3 dual listed companies with an aggregate market cap of NIS 36.4 billion delisted from TASE. After the reporting period, two companies performed dual listing on TASE and one dual-listed company announced its intention to delist its 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.

1.10.4 The bond and Makam (treasury bills) market

Trading in bonds in 2022 concluded with price drops in most leading indices, at an average rate of 8.5%. The price drops were influenced by the growing expectations of interest rate increases and by the actual interest rate increases, due to the rising inflation.

Fixed-rate government shekel bonds, primarily 10-year bonds, stood out with a decrease of 19% in 2022, similarly to the trading trends in treasuries.

The exception to the rule in 2022 are the currency-linked corporate bonds included in the Tel Bond-Dollar index, which increased by 10% in 2022 with volatility, concurrently with the 13.2% appreciation of the dollar relative to the shekel, and the variable-rate government shekel bonds included in the Tel Gov - Floating index, which increased by 1% in 2022.

The yield-to-maturity of 10-year fixed-rate government shekel bonds rose to 3.6% at the end of 2022, compared to a yield of 1.3% at the end of 2021. A similar trend marked the 10-year treasuries - their yield-to-maturity rose to 3.9% at the end of 2022, compared to a yield of 1.5% at the end of 2021.

The following table shows the yields of the main bond indices (corporate and government) in 2021 and 2022 (in percent):

	Annual Yield 2022	Annual Yield 2021	Q4 Yield 2022	Q4 Yield 2021	
Government Bonds					
Tel Gov CPI-Linked	(9.8%)	7.4%	(0.8%)	3.1%	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.
Tel Gov - Shekel (fixed interest, shekel bonds)	(10.0%)	(1.0%)	(0.2%)	0.9%	A shekel fixed-rate government index consisting of all the government bonds that are not CPI-linked and that are traded on TASE and pay fixed interest.
Corporate Bonds (*)					
CPI-Linked Corporate Bonds	(7.6%)	8.7%	(1.0%)	1.5%	A CPI-linked corporate index that consists of all the corporate bonds linked to the Consumer Price Index that are traded on TASE.
Tel Bond-Shekel	(7.0%)	3.0%	0.1%	0.8%	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	7.5%	5.7%	(0.5%)	(2.6%)	The Currency-Linked Bonds - Corporate Index consists of all the currency-linked corporate bonds traded on TASE.

(*) Excluding bonds listed on TASE UP and structured bonds.

1.10.4.1 The following table shows data of government bond redemptions in 2021 and 2022 (NIS billions):

	2022	2021	% change	Three months ended 31.12.2022	Three months ended 31.12.2021	% change
Shekel bonds	65.6	66.8	(2%)	15.8	27.3	(42%)
CPI-linked bonds	22.4	22.6	(1%)	0.0	1.8	(100%)
Total redemptions	**88.0**	**89.4**	**(2%)**	**15.8**	**29.1**	**(46%)**

1.10.4.2 The following table shows data regarding corporate bond issues in 2021 and 2022 (NIS millions and percent):

	2022		2021		Q4 2022		Q4 2021	
Total raised through corporate bonds[1]	**92,095**		**95,092**		**20,452**		**39,965**	
Of which: corporate bonds in Israel[2]	**85,984**	100%	**81,433**	100%	**18,847**	100%	**36,744**	100%
Financial sector	**33,761**	39%	**27,723**	34%	**8,645**	46%	**20,874**	57%
Within the financial sector – banks	**25,666**	30%	**20,044**	25%	**7,231**	38%	**18,164**	49%
Non-financial sector	**52,223**	61%	**53,710**	66%	**10,202**	54%	**15,870**	43%
Within the non-financial sector – real estate	**31,470**	37%	**32,057**	39%	**5,831**	31%	**10,828**	29%
Energy and gas exploration	**9,017**	10%	**7,451**	9%	**2,631**	14%	**1,899**	5%
TASE UP – debt raised overseas	**3,311**		**13,438**	17%	**0**		**3,221**	
Structured bonds	**2,800**		**221**	0%	**1,605**		**0**	
Exercise of warrants	**0**		**0**		**0**		**0**	

(1) Excluding non-listed bonds.

(2) Includes offerings in Israel on TASE UP.

1.10.4.3 The volume of debt raised through corporate bonds from the public on the Israeli bond market (excluding TASE UP and structured bonds) broke the previous year's historic record and totaled NIS 85 billion in 2022, further to the NIS 78 billion raised in 2021. Debt raising activity of real estate companies reduced somewhat in the second half of 2022, as a result of the interest rate increases and the rise in financing costs, whereas debt raising by the banks increased in 2022, reaching a record high.

It should be noted that redemptions totaled NIS 52 billion in 2022 and are expected to reach NIS 54 billion in 2023.

In 2022, the financial sector raised a record amount of NIS 33.6 billion in public offerings of bonds and an additional NIS 1.9 billion in offerings of bonds to institutional investors on TASE UP, compared to NIS 33 billion raised in 2021.

Redemption of marketable bonds by the financial sector totaled NIS 17.5 billion in 2022, exceeding the amount of redemptions in 2021, which totaled NIS 12 billion. The volume of redemptions in 2023 is expected to amount to NIS 15.5 billion.

The major banks raised NIS 25.7 billion from the public in 2022, of which NIS 15.5 billion was raised in the first half of the year, further to an amount of NIS 20 billion raised in 2021.

In the second half of 2022, indications emerged of a slowdown in the real estate market - a reduction in the number of new builds, in the sale of new apartments and in the volume of mortgages obtained, which resulted in a decrease in the credit extended by banks as well as in debt raising by the banks.

In 2022, the real sector raised NIS 51.2 billion in public offerings, similarly to the amount raised from the public in 2021, and an additional NIS 2.6 billion was raised in offerings of bonds to institutional investors on TASE UP, compared to NIS 10.4 billion raised in 2021. Redemption of marketable bonds by the real sector totaled NIS 34 billion in 2022, similarly to the redemptions in 2021, and is expected to increase to NIS 38 billion in 2023.

Real estate companies, which continue to lead debt raising, with 37% of total debt raised through public offerings of corporate bonds, raised NIS 31.5 billion in 2022, similar to the amount raised by companies in the sector in 2021. The booming of the Israeli real estate sector, which resulted in record debt raising in 2021 and active debt raising in the first half of 2022, was curtailed in the second half of 2022 as a result of the interest rate increases. The reduction in the volume of mortgages obtained and in the number of new builds was accompanied by an annual increase of 20% (as of October 2022) in housing prices - the highest rate since 2010.

Among the issuers in 2022 are nine new companies that raised a total of NIS 1.3 billion, seven of which are new real estate companies that raised an aggregate amount of NIS 1 billion in bond IPOs.

The weight of debt raised through bonds rated above "A" increased in 2022 and accounted for 89% of the amount raised in public offerings of bonds, as compared to 85% in 2021. 9% of total debt was raised through non-rated bonds, similarly to 2021.

The weight of debt raised through CPI-linked bonds in the total debt raised in public offerings of bonds remained unchanged, accounting for 58% in 2022, similarly to 2021. A total of NIS 49.3 billion was raised through CPI-linked bonds in 2022, as compared to NIS 46 billion in 2021.

The weight of debt raised through unlinked bonds in 2022 remained the same as in 2021, at 41%, with NIS 35.2 billion raised. Most of the amount was raised through fixed-rate shekel bonds. NIS 4.4 billion of the amount raised through unlinked bonds this year relates to variable-rate commercial paper (a margin above the Bank of Israel interest rate), four times greater than in 2021.

Offerings of dollar-linked bonds totaled NIS 0.3 billion only in 2022, half the amount raised in 2021.

1.10.5 The following table sets forth data regarding the average daily trading volumes in bonds in 2021 and 2022 (excluding activities attributed to ETFs) (NIS millions):

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

	2022	2021	% change	Three months ended 31.12.2022	Three months ended 31.12.2021	% change
Government bonds	2,431	3,023	(20%)	2,393	2,973	(20%)
Corporate bonds* (excluding ETFs)	916	781	17%	903	855	6%
Treasury bills	783	320	145%	1,194	367	225%

* Including structured bonds.

The average daily trading volume of bonds totaled NIS 2.4 billion in 2022, 20% below the trading volume in 2021. The average daily trading volume in government shekel bonds totaled NIS 1.5 billion, while the average daily trading volume in CPI-linked government bonds totaled NIS 0.9 billion.

The reduction in the trading volumes of government bonds was influenced by the termination of the Bank of Israel's plan for the purchase of government bonds at the end of 2021, an expansionary plan implemented by the Bank to aid the economy through the coronavirus crisis.

Another contributing factor to the aforesaid decrease in trading volumes was the reduced activity of foreign investors. This year, foreign investors' purchases of government bonds on TASE totaled NIS 1.1 billion, net in 2022, further to purchases of NIS 24 billion, net in 2021, as reported by the Bank of Israel.

The average daily trading volume of corporate bonds (including structured bonds and ETFs) totaled NIS 1 billion in 2022, 15% greater than the volume in 2021. The increase in the trading volumes of those bonds was influenced by the trading volatility.

Starting in October 2022, the issuance of earmarked bonds by the Government has been discontinued. Consequently, the investments of the pension funds are expected to be diverted from those bonds to equities and corporate bonds on TASE and to foreign assets overseas.

The average daily trading volume of T-bills (in on-exchange and off-exchange transactions) increased, totaling NIS 783 million in 2022, 145% greater than the trading volume in 2021. The increase in the trading volumes was due to the increase in T-bill issuances by the Bank of Israel.

In 2022, the volumes raised by the Bank of Israel though T-bills soared, totaling NIS 98 billion, net, as compared to a net amount of NIS 28 billion raised in 2021 - an increase that accommodates the public's demand for this solid channel of investment, a demand that is reflected in the massive infusion of money into the money market funds. In addition, T-bill offerings absorb money from the public, which may contribute to a more moderate interest-raising policy - as aggressive interest-rate increases are detrimental to the economic activity.

Accordingly, in 2022, the Israeli and foreign public holdings of T-bills soared, reaching NIS 209 billion at the end of 2022, as compared to NIS 115 billion and NIS 87 billion at the end of 2021 and 2020, respectively.

According to the Bank of Israel data, in 2022 foreign investors purchased T-bills on TASE in a net amount of NIS 21.5 billion, further to net purchases of NIS 34 billion in 2021.

1.10.6 **ETFs**[14]

1.10.6.1 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 2022, 25 new ETFs were listed with a total market capitalization of NIS 880 million at year's end.

6 new ETFs on local equity indices, with a combined market capitalization of NIS 95 million, including the first ETF of its kind on TASE, tracking the equity index, Index ESG 100 Entropy (the index is comprised of the shares of the 100 companies with the highest ESG (corporate social responsibility) ranking by research firm, Entropy, from among the shares included in the TA-125 index), and the first ETF on TASE's TA-Communication and Information Technology index.

17 ETFs on foreign equity indices, with a combined market capitalization of NIS 700 million, including:

The first four ETFs in TASE on the World Value Index, with a combined market capitalization of NIS 240 million. The index is comprised of the shares of the 180 companies with the highest value ranking from among the 1,000 foreign-traded companies with the highest market capitalization.

The first four ETFs in TASE on the World Growth Index, with a combined market capitalization of NIS 260 million. The index is comprised of the shares of the 180 companies with the highest growth ranking from among the 1,000 foreign-traded companies with the highest market capitalization.

2 ETFs on local bond indices with a combined market capitalization of NIS 80 million.

[14] For further details regarding the ETN reform and the transition to ETFs, see Section 1.10.6.1 below. The data has been taken from the reports of the ETN Association.

It should be noted in 2022, for the first time, three mutual funds (open-ended) became ETFs (closed-ended).

On the other hand, in 2022, 21 ETFs with a market capitalization of NIS 380 million became tracking mutual funds, and 27 ETFs with a market capitalization of NIS 140 million were liquidated and delisted.

At the end of 2022 there are 528 ETFs listed on TASE, including: 88 ETFs on local indices and 277 on foreign equity indices, 145 ETFs on local bond indices, and 18 ETFs on foreign bond indices and commodity indices.

The combined market capitalization of the ETFs amounts to NIS 95 billion at the end of 2022, and, for the first time - the combined market capitalization of the ETFs on local equity indices (NUS 37.4 billion) is greater than the combined market capitalization of the ETFs on foreign equity indices (NIS 30.7 billion). This was influenced by the excess return of TASE's equity indices over the foreign indices commencing in 2021 to date.

295 of the ETFs, with a total market capitalization of NIS 31.4 billion, are tracking foreign share and bond indices, as well as commodity indices. The most popular underlying assets among the ETFs tracking foreign equity indices are U.S. indices, S&P 500 and NASDAQ 100, that are tracked by ETFs with a total market capitalization of NIS 20 billion.

Tracking ETFs on U.S. indices on the technology, cyber, biotechnology, industry and finance sectors; global indices for developed and emerging markets; all-European and national indices - Germany, U.K., Switzerland and France; select Asian indices - Japan, China, India and Australia.

In 2022, the ETFs' market capitalization decreased by NIS 10.6 billion. The decrease originated from ETFs on foreign equity indices and ETFs on local and foreign bond indices:

The market capitalization of ETFs on local equity indices increased by NIS 1 billion, after an increase of NIS 5.6 billion originating in the public's net purchases (primarily of ETFs on the TA-125 index, the TA-35 index and the Israeli Banks index) was partly offset by a depreciation of NIS 4.6 billion of the equity indices.

On the other hand, the market capitalization of ETFs on foreign equity indices decreased by NIS 6.3 billion, as a result of the decrease in the equity indices.

The market capitalization of ETFs on bond and commodity indices, primarily corporate bonds on TASE, decreased by NIS 5.3 billion: a decrease of NIS 2.5 billion originates in the decrease of corporate and government bond indices on TASE, a net depreciation of NIS 1.5 billion originating in the public's sales of ETFs on corporate bonds (primarily the sale of ETFs on the Tel-Bond 60 index and the Tel Bond-Yields index), a net depreciation of NIS 1 billion originating in the public's sales of ETFs on government bond indices (primarily the sale of ETFs on the Tel Gov - Shekel 2-5 index), and a depreciation of NIS 0.3 billion originating in net sales of ETFs on foreign bond and commodity indices.

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.

At the end of 2022, 39 foreign ETFs issued by three leading international institutions - Blackrock, Lyxor[15] and Invesco were traded on TASE – 28 of the ETFs track international equity indices, and 11 ETFs reack international bond indices.

The joint market capitalization of the 39 ETFs on TASE amounts to NIS 2.7 billion at the end of 2022, NIS 0.5 billion greater than their joint market capitalization at the end of 2021. Most of the increase is attributed to purchases of ETFs on the S&P 500 index.

It should be noted that, on 25.5.2022, the Finance Committee of the Israeli Parliament approved Amendment to the Joint Investments in Trust Regulations (Offering of Units of a Foreign Fund) - which cancels the condition for the listing of foreign funds on TASE, pursuant to which only funds that are listed on exchanges with which an agreement is in place for dual listing on TASE may list on TASE. The cancellation of the condition is expected to increase the supply and variety of the foreign funds traded on TASE.

[15] To the date of the Report, the 3 ETF's managed by Lyxor have been delisted from TASE.

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

	31.12.2022	31.12.2021
ETFs on shares indices in Tel Aviv	37.4	36.4
Of which, primary indices:		
TA-125	11.7	9.0
Banks in Israel Index/TA-Banks 5	11.4	11.2
TA-35	6.4	5.8
TA-90	5.0	5.5
ETFs on international equity indices	30.7	36.9
Of which, primary indices:		
S&P 500	14.9	14.4
NASDAQ 100	5.0	6.9
S&P Technology	0.9	1.5
ETFs on bond indices	26.8	32.2
Of which, primary indices:		
Tel-Bond 60	5.8	7.0
Tel Bond-Shekel	3.9	4.3
Tel-Bond 20	3.3	3.8
Fixed-rate government NIS	1.1	1.9
Total value of ETFs	**94.9**	**105.5**

(1) Excluding 39 foreign ETFs with a market cap of NIS 2.7 billion as of 31.12.2022 (26 foreign ETFs with a market cap of NIS 2.2 billion as of 31.12.2021).

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

	2022	2021	Q4 2022	Q4 2021
ETFs on equity indices on TASE	5.5	(0.5)	(0.1)	0.5
ETFs on foreign equity indices	(0.2)	(2.5)	(0.7)	(0.1)
ETFs on bond and commodity indices	(2.7)	(0.2)	(0.2)	0.3
Total	**2.6**	**(3.2)**	**(1.0)**	**0.7**

1.10.7 The following table sets forth data regarding the daily trading volumes from trading in ETFs in 2021 and 2022 (NIS millions):

Daily Trading Volumes from Trading in ETFs (NIS millions)

	2022	2021	% change	Three months ended 31.12.2022	Three months ended 31.12.2021	% change
ETFs on equity indices	421	335	26%	355	373	(5%)
% of trading volume in equities*	18%	18%	-	18%	19%	(5%)
ETFs on bond indices	130	125	4%	109	132	(17%)
% of trading volume in corporate bonds*	12%	14%	(14%)	11%	13%	(15%)

* Including activities attributed to ETFs.

1.10.8 **The derivatives market**

Trading on the derivatives market in 2022 was marked by volatility, concluding with a neutral trend compared to the previous year.

The average daily volume of trading in TA-35 options (monthly and weekly) totaled 114 thousand units in 2022, 8% greater than the volume in 2021, and the highest volume since 2019.

The increase in the trading volumes of these options was influenced by the volatility in the equity market, as reflected in the VTA35 index. The index increased from 15 points at the beginning of the year to 31 points by mid-march 2022, on the eve of the first interest-rate increase in the United States and the growing expectations of its raising in Israel as well, and at year's end dropped to 16 points, with fluctuations, this similarly to the S&P VIX index, which increased from 17 points at the beginning of the year to 36 points by mid-March 2022, settling at 22 points at the end of 2022.

The average daily trading volume of dollar options amounted to 39 thousand units in 2022, 16% below the average daily volume in 2021.

The reduction in the trading volumes of the dollar options occurred despite of the dollar's 13.2% appreciation relative to the shekel, which was influenced by the raising of the Federal Reserve's interest rate starting in March 2022, and by the price drops in the United States that increased currency purchases by institutional investors as a means for hedging their overseas investments.

1.10.8.1 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)

	2022	2021	% change	Three months ended 31.12.2022	Three months ended 31.12.2021	% change
Monthly options on the TA-35 Index	71.2	67.6	5%	67.0	74.8	(10%)
Weekly options on the TA-35 Index	43.4	38.8	12%	40.4	46.0	(12%)
Monthly and weekly dollar/shekel options	39.3	46.5	(16%)	37.3	42.5	(12%)

1.10.9 **Mutual funds**

1.10.9.1 According to Bank of Israel data, as of 30.11.2022, the 1,768 mutual funds constituted 7.5% of the total financial assets held by the public. According to the Company's data, during the period from 1.1.2022 through 31.12.2022, the average daily volume of creations and redemptions of mutual fund units amounted to NIS 1 billion. As of 31.12.2022, the aggregate market cap of mutual fund units amounted to NIS 272.7 billion, broken down as follows: 58% – mutual funds that invest in bonds traded on TASE; 10% – mutual funds that invest in equities traded on TASE; 12% – mutual funds that invest in securities traded on foreign stock exchanges; and 20% – mutual funds that invest in other investment instruments. According to data of the Israel Securities Authority, at the end of 2022, there were approximately 1,799 mutual funds.

1.10.9.2 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 (NIS billions)

	2022	2021	Three months ended 31.12.2022	Three months ended 31.12.2021
Funds investing in shares on TASE	0.8	4.8	(1.3)	1.8
Funds investing in bonds on TASE	(24.6)	28.2	(9.3)	6.3
Money market funds	32.5	(5.9)	18.9	(1.1)
Funds investing in foreign securities	(3.2)	4.2	(0.6)	(0.7)
Total	**5.5**	**31.3**	**7.7**	**6.3**

Influenced by the raising of the market interest rate and the price drops on the equity market and the bond market - the public infused into the money market funds an amount of NIS 32.6 billion, net, in April-December 2022, after withdrawing a net amount of NIS 12 billion from those funds in the period from January 2020 to March 2022. `

In January-April 2022, the public infused into ETFs specializing in TASE-listed shares an amount of NIS 2.4 billion, and later withdrew a net amount of NIS 1.6 billion from those funds. In total, in 2022 the public infused a net amount of NIS 0.8 billion into those funds, primarily the tracking funds. Outstanding indices: the TA-125 index (NIS 0.8 billion), the TA-35 index and the TA-Israeli Value Equities index (NIS 0.4 billion, each) and the TA-90 index (NIS 0.3 billion).

At the same time, the public withdrew an amount of NIS 24.6 billion, net, from the mutual funds specializing in TASE-listed bonds and withdrew NIS 3.2 billion from the funds investing in foreign markets, primarily the active funds.

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

The Arrangements Law (approved 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 on 1.10.2022, 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 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.

1.11 **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.

1.12 **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.

1.13 **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 1.21.2 below.

1.14 **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.

1.15 **Products and Services**

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

1.15.1 **Trading and clearing of securities**

1.15.1.1 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 5.5.2020, 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).

1.15.1.3 For details on the scope of the activities at TASE in 2021 and 2022 in shares, convertible securities, corporate bonds, government bonds and Makams, see Section 1.10 above.

1.15.2 **Securities indices**

1.15.2.1 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 (All Bond indices) and (d) government bond indices (Tel Gov indices). 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 July 2022, a new indices' methodology for bond indices was launched, including the upgrade of the government bond indices to Tel Gov indices.

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. In addition, investment instruments are issued that use the TASE indices as their underlying asset, such as various off-exchange swap transactions.

1.15.2.2 The indices' liquidity reform

In May 2022, the Board of Directors approved a new indices' methodology, which is designed, inter alia, to enhance the liquidity of the indices' composition and reduce their tracking costs. As part of the reform, liquidity coefficients have been incorporated in the calculation of the weight of securities in the index and the frequency of index updates was changed from monthly to quarterly.

1.15.2.3 The indices' pricelist

On 21.12.2022, the Company received the resolution of the Israel Securities Authority's Secondary Market Committee concerning amendments to the TASE Rules and the regulations by virtue thereof in connection with indices' activity on TASE (hereafter: "**the Authority's Resolution**") pursuant to which, inter alia, the Committee has approved the amendment of the pricelist concerning the TASE indices (hereafter: "**the Indices' Pricelist**"). At the same time, the Committee determines that TASE's engagement in the editing and calculation of the indices will be deemed as an auxiliary service that raises substantial concern for a conflict of interest with its engagement in the management of a securities' trading system, in which it may continue to engage subject to its compliance with certain terms, as set forth in the Authority's Resolution (hereafter: "**the Terms for the Indices' Activity**"), within the timeframes stipulated in the Authority's Resolution for their implementation, ranging from three months to one year. It should be noted that the Terms for the Indices' Activity mainly address the improvement of corporate governance rules and the implementation of organizational, professional and operational segregation of duties in the Company between the Indices' Activity and the trading management activity, and have been set based on discussions with the Company.

It is hereby clarified that the approval of the amendment of the Indices' Pricelist is not conditional on the fulfillment of the Terms for the Indices' Activity, and therefore the new rates pursuant to the Indices' Pricelist will take effect gradually, in two steps - the first at a partial rate of 50% commencing on 1.1.2023, and the second at the full rate commencing on 1.1.2024.

1.15.3 **ETFs**

1.15.3.1 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.

1.15.3.2 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 1.10.6.1 above.

1.15.4 **Derivatives**

As stated above, derivatives are financial instruments whose value is derived from (associated with) 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.

1.15.4.1 Derivatives on equity indices

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

1.15.4.2 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.

1.15.4.3 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 1.10.8 above.

1.15.5 **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, and this also in relatively small amounts.

1.15.6 **Clearing House services**

As stated above, 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 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.

1.15.7 **Distribution of trading and other data and connectivity services**

1.15.7.1 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.

1.15.7.2 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 31.12.2020, 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 has rented out a substantial number of the units and is therefore taking steps for the preparation of additional racks.

1.15.8 **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. The rates of the listing fees, the examination fees and the annual fee are set in accordance with mechanisms established in the TASE Rules, based on the characteristics of the issuing companies and are published in TASE's pricelist.

1.16 Breakdown of Revenues and Profitability from Products and Services

1.16.1 General

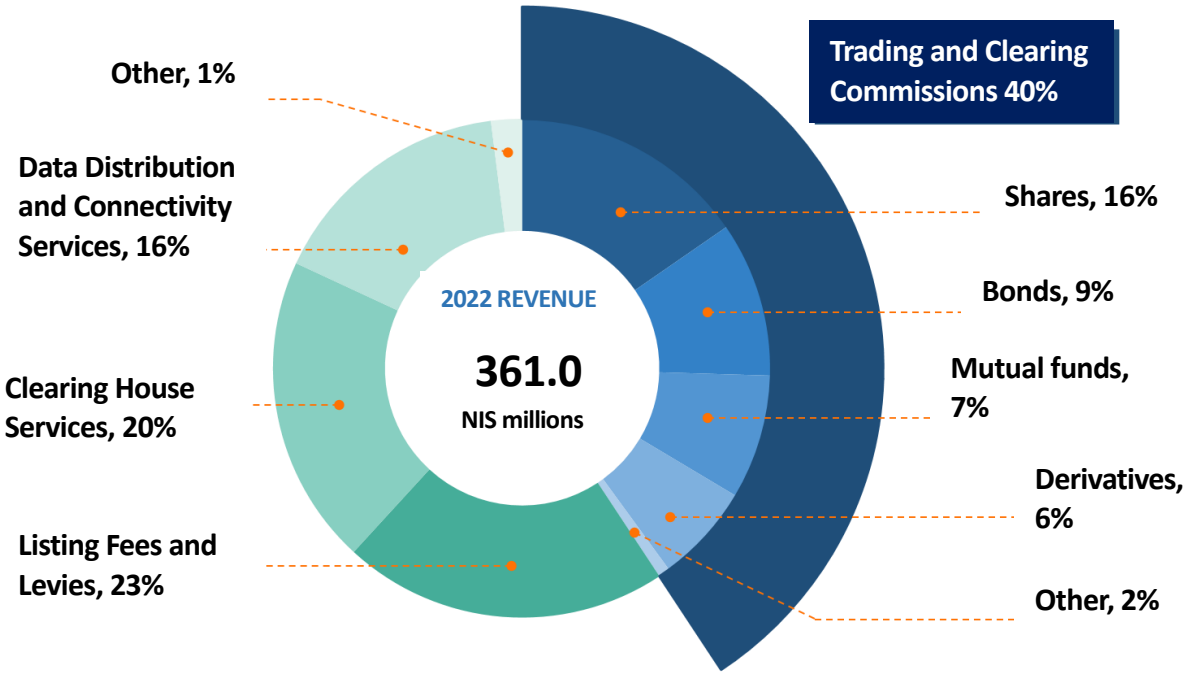
As of Reporting Date, the Company collects from its members, among other things, trading and clearing commissions on buying and selling securities and collects from issuers examination fees for the examination of prospectuses / private offerings, as well as listing fees for listing securities and annual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

The revenue of 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.

The 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 2022, 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 361 million, which was broken down as follows:



1.16.2 **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 1.1.2014, 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 1.12.2017, 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. 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 20.5.2021, 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 31.12.2022, which are included in this Periodic Report.

1.16.3 **TASE's tariffs**

As of Reporting Date, the Company has four main product categories, each of whose revenues in 2022 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)[16]; (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 including the possibility of involvement by the Minister of Finance in the amendments to the TASE Rules).

1.16.4 **Presented below is a breakdown of the Company's revenue from the above product groups in 2021 and 2022 (NIS millions):**

	2022		2021		Three months ended 31.12.2022		Three months ended 31.12.2021	
	Revenue	% of Company's total	Revenue	% of Company's total	Revenue	% of Company's total	Revenue	% of Company's total
Trading and clearing commissions	142.5	40%	131.1	41%	33.8	39%	36.6	43%
Listing fees and levies	84.5	23%	69.1	21%	19.5	23%	17.4	20%
Clearing House services	70.9	20%	65.5	20%	17.9	21%	17.6	20%
Data distribution and connectivity services	58.0	16%	52.3	16%	14.2	16%	13.5	16%
Other	5.1	1%	5.7	2%	0.9	1%	0.6	1%
Total	**361.0**	**100%**	**323.7**	**100%**	**86.3**	**100%**	**85.7**	**100%**

[16] For further details regarding the breakdown of the revenues from trading and clearing in 2021 and 2022, see Section 1.16.5.1 above.

1.16.5 **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:**

1.16.5.1 Trading and clearing commissions

Market Capitalization of the Securities Listed on TASE and Mutual Funds[1] (NIS billions)

	As of 31.12.2022	As of 31.12.2021	% change
Shares	1,020	1,200	(15%)
Corporate bonds	436	458	(5%)
Government bonds –- shekel[2]	287	364	(21%)
Government bonds – linked and other[3]	300	341	(12%)
Treasury bills	209	115	82%
Mutual funds	272	292	(7%)

(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)

	2022	2021	% change	Three months ended 31.12.2022	Three months ended 31.12.2021	% change
No. of trading days	244	244	-	58	65	(11%)
Shares	2,295	1,878	22%	1,990	1,969	1%
Corporate bonds	1,046	906	15%	1,012	987	3%
Government bonds – shekel[1]	1,476	1,868	(21%)	1,569	1,962	(20%)
Government bonds – linked[2]	955	1,155	(17%)	825	1,011	(18%)
Treasury bills	783	320	145%	1,194	367	225%
Mutual funds	987	890	11%	1,232	952	29%

(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)

	2022	2021	% change	Three months ended 31.12.2022	Three months ended 31.12.2021	% change
Derivatives on the TA-35 Index	114.6	106.4	8%	107.4	120.8	(11%)
Derivatives on foreign currency	40.3	47.9	(16%)	39.3	43.8	(10%)
Derivatives on individual shares	4.3	5.0	(14%)	3.5	3.4	3%
Total derivatives	**159.2**	**159.3**	**-**	**150.2**	**168.0**	**(11%)**

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

	2022	2021	% change	Three months ended 31.12.2022	Three months ended 31.12.2021	% change
Shares	58,469	49,538	18%	12,496	13,956	(10%)
Corporate bonds	18,036	15,674	15%	4,150	4,657	(11%)
Government bonds – shekel [(1)]	7,010	8,817	(20%)	1,804	2,478	(27%)
Government bonds – linked and other [(2)]	6,760	8,022	(16%)	1,421	1,950	(27%)
Treasury-bills	6,375	2,104	203%	3,205	652	392%
Mutual funds	24,732	26,054	(5%)	5,992	7,015	(15%)
Other	208	299	(30%)	37	95	(61%)
Derivatives on indices	16,244	15,067	8%	3,617	4,560	(21%)
Derivatives on foreign currency	3,451	4,088	(16%)	780	995	(22%)
Derivatives on individual shares	1,205	1,453	(17%)	259	267	(3%)
Total revenue from trading and clearing	**142,490**	**131,116**	**9%**	**33,761**	**36,625**	**(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 Commission on Trading Value/on Value of Creations/Redemptions of Mutual Funds[1] (percent)

	2022	2021	% change	Three months ended 31.12.2022	Three months ended 31.12.2021	% change
Shares	0.01044%	0.01081%	(4%)	0.01083%	0.01090%	(1%)
Corporate bonds	0.00707%	0.00709%	(0%)	0.00707%	0.00726%	(3%)
Government bonds – shekel[2]	0.00195%	0.00193%	1%	0.00198%	0.00194%	2%
Government bonds – linked and other [3]	0.00290%	0.00285%	2%	0.00297%	0.00297%	0%
Treasury bills	0.00334%	0.00269%	24%	0.00463%	0.00273%	69%
Mutual funds	0.01027%	0.01200%	(14%)	0.00838%	0.01134%	(26%)

(1) The changes in the average 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)

	2022	2021	% change	Three months ended 31.12.2022	Three months ended 31.12.2021	% 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	-

1.16.5.2 Listing and examination fees and levies

Revenue from Listing Fees and Levies (NIS thousands)

	2022	2021	% change	Three months ended 31.12.2022	Three months ended 31.12.2021	% change
Annual levies	38,125	33,060	15%	9,641	8,265	17%
Examination and listing fees	46,364	35,996	29%	9,876	9,175	8%
Total revenue from listing and examination fees	**84,489**	**60,059**	**22%**	**19,517**	**17,440**	**12%**

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

	2022	2021	% change	Three months ended 31.12.2022	Three months ended 31.12.2021	% change
Number of companies*	612	535	14%	608	530	15%
Number of funds	2,314	2,210	5%	2,345	2,208	6%

* 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)

	2022	2021	% change	Three months ended 31.12.2022	Three months ended 31.12.2021	% change
Annual levies from companies	13,966	11,547	21%	3,479	2,859	22%
Annual levies from funds	17,778	16,335	9%	4,541	4,067	12%
Annual levies of Nominee Company and others	6,381	5,178	23%	1,621	1,339	21%
Total revenue from annual levies	**38,125**	**33,060**	**15%**	**9,641**	**8,265**	**17%**

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

	2022	2021	% change	Three months ended 31.12.2022	Three months ended 31.12.2021	% change
Companies	22.8	21.6	6%	5.7	5.4	6%
Funds	7.6	7.4	3%	1.9	1.8	6%

Revenue from Examination and Listing Fees (NIS thousands)						
	2022	2021	% change	Three months ended 31.12.2022	Three months ended 31.12.2021	% change
Examination fees	8,245	8,986	(8%)	1,661	2,223	(25%)
Receipts from listing fees:						
Listing fees – companies – shares, bonds and ETFs	25,183	31,388	(20%)	4,941	9,295	(47%)
Listing fees – government bonds	5,952	5,812	2%	1,488	1,453	2%
Listing fees – treasury bills	1,618	916	77%	745	259	188
Levies and examination fees from members	850	290	193%	-	131	(100%)
Other	236	162	46%	106	18	489%
Total receipts	**33,839**	**38,568**	**(12%)**	**7,280**	**11,156**	**(35%)**
Accounting adjustment to revenue recognition[(1)]	4,280	(11,558)	(137%)	935	(4,204)	(122%)
Total revenue from listing fees	38,119	27,010	41%	8,215	6,952	18%
Total revenue from examination and listing fees	**46,364**	**35,996**	**29%**	**9,876**	**9,175**	**8%**

(1) In the first quarter of 2022, an update was made to the estimated period of revenue recognition from listing fees on shares (in IPOs and secondary offerings) and on ETFs, in accordance with IFRS 15, "Revenue from Contracts with Customers".

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 31.12.2022	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 31.12.2025
		March 31, 2023	June 30, 2023	Sept. 30, 2023	Dec. 31, 2023	Dec 31, 2024	Dec 31, 2025	
Listing fees – companies - shares*	28.9	1.6	1.5	1.5	1.4	5.1	4.5	13.3
Listing fees – companies - bonds*	40.0	3.3	3.1	2.9	2.7	8.9	6.5	12.6
Listing fees – ETFs	24.6	1.3	1.2	1.2	1.2	4.5	4.0	11.2
Listing fees – government bonds	11.4	1.0	1.0	1.0	0.9	3.4	1.7	2.4
Listing fees – treasury bills	1.0	0.4	0.3	0.2	0.1	-	-	-
Total	**105.9**	**7.6**	**7.1**	**6.8**	**6.3**	**21.9**	**16.7**	**39.5**

* Including bonds listed on TASE UP.

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

	2022	2021	% change	Three months ended 31.12.2022	Three months ended 31.12.2021	% change
Companies – shares, bonds and ETFs[2]	143,732	182,966	(21%)	29,656	50,434	(41%)
Government bonds[3]	41,501	157,956	(74%)	9,338	55,418	(83%)
T-bills	231,158	130,926	77%	106,376	36,992	188%

(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 (excluding ETFs) in the year ended 31.12.2022 totaled NIS 112 billion, compared to NIS 124.7 billion as of 31.12.2021.
(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						
	2022	2021	% change	Three months ended 31.12.2022	Three months ended 31.12.2021	% change
Number of share issuances[1]	78	170	(54%)	16	31	(48%)
Number of new issuers of shares[2]	13	94	(86%)	0	10	(100%)
Number of new (dual listed) companies	2	2	-	1	0	-

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

Number of Issuances and Volumes Raised (NIS millions)						
	2022	2021	% change	Three months ended 31.12.2022	Three months ended 31.12.2021	% change
Amount raised in share IPOs of new issuers	2,342	10,490	(78%)	0	656	(100%)
Number of corporate bond offerings to the public	165	177	(7%)	25	57	(56%)
Number of corporate bond offerings to the public by new companies	8	5	60%	2	1	100%
Amount raised in bond offerings by new issuers	967	364	166%	231	105	120%

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

	2022	2021	% change	Three months ended 31.12.2022	Three months ended 31.12.2021	% change
Companies – shares, bonds and ETFs[1]	0.0175%	0.0172%	2%	0.0.167%	0.0184%	(9%)

(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 1.7.3.2 above).

1.16.5.3 Clearing House services

Average Monthly Value of Assets in Custodianship Used to Calculate Custodian Fees (approximation, NIS billions)

	2022	2021	% change	3 months ended Dec. 31, 2022	3 months ended Dec. 31, 2021	% change
Asset value	2,983	2,975	-	2,865	3,131	(8%)

Revenue from Clearing House Services (NIS thousands)

	2022	2021	% change	Three months ended 31.12.2022	Three months ended 31.12.2021	% change
Custodian fees	32,460	32,221	1%	7,841	8,500	(8%)
Clearing House services for members/company events	33,348	28,163	18%	8,798	7,803	13%
Other	5,100	5,121	0%	1,232	1,275	(3%)
Total revenue from Clearing House services	**70,908**	**65,505**	**8%**	**17,871**	**17,578**	**2%**

Average Commission from Custodian Fees* (in percent and annualized)

2022	2021	% change	Three months ended 31.12.2022	Three months ended 31.12.2021	% change
0.00109%	0.00108%	1%	0.00109%	0.00109%	-

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

1.16.5.4 Data distribution and connectivity services

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

	2022	2021	% change	Three months ended December 31, 2022	Three months ended December 31, 2021	% change
Business customer in Israel[1]	16,693	16,516	1%	4,082	4,192	(3%)
Business customer overseas	9,251	7,160	29%	2,444	1,910	28%
Private customer	8,254	8,577	(4%)	1,798	2,228	(19%)
Derivative and non-display data[2]	4,775	3,954	21%	1,137	1,014	12%
Data files and other data	4,147	3,381	23%	1,093	909	20%
Authorization to use indices	3,202	3,093	4%	763	742	3%
Connectivity services	11,738	9,587	22%	2,961	2,521	16%
Total revenue from data distribution and connectivity services	**58,060**	**52,268**	**11%**	**14,278**	**13,516**	**5%**

(1) Revenue from distribution of data to business customers includes data packages and varying prices.

(2) Revenue from units of non-display data includes data packages at varying prices for customers in Israel and overseas, including for quote generators. Revenue from units of non-display data, including quote generators, in the three-month period ended 31.12.2022, as of 31.12.2021 and in the one-year period ended 31.12.2022 and as of 31.12.2022 totaled NIS 591 thousand, NIS 521 thousand, NIS 2,187 thousand and NIS 1,998 thousand, respectively.

Average Number of Data Terminals Charged Monthly per Period

	2022	2021	% change	Three months ended 31.12.2022	Three months ended 31.12.2021	% change
Business customer in Israel[1]	7,491	7,551	(2%)	7,221	7,658	(6%)
Business customer overseas[2]	5,447	4,927	11%	5,514	5,053	9%
Non-display data	288	286	1%	284	267	6%
Total	**13,154**	**12,765**	**3%**	**13,019**	**12,974**	**0%**

(1) Data packages containing all data groups for a fixed monthly charge.
(2) Data packages containing all data groups for a fixed monthly charge.
(3) Packages of non-display data, including quote generators.

1.16.5.5 Other revenue

Other Revenue (NIS thousands)

	2022	2021	% change	Three months ended 31.12.2022	Three months ended 31.12.2021	% change
Rent and Conference Center[1]	3,456	1,382	150%	834	532	57%
Ministry of Finance[2]	-	3,846	-	-	-	-
Other[3]	1,608	484	232%	64	36	75%
Total other revenue	**5,064**	**5,712**	**(11%)**	**898**	**568**	**58%**

(1) The revenue in 2022 includes revenue from companies' Opening Bell ceremonies.
(2) A compromise amount in respect of listing fees on government bonds lent on the lending pool of the Ministry of Finance until 31.12.2020, in accordance with an agreement signed between the Company and the Ministry of Finance in May 2021.
(3) The revenue in 2022 includes sales of technological consulting services provided in the first half of 2022.

1.17 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:

1.17.1 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. The Company launched the product on 2.11.2020. To the date of this Periodic Report, the development cost amounts to NIS 16.3 million. In 2022, 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.

1.17.2 Dual-listing of foreign ETFs

As of 31.12.2022, 23 foreign ETFs managed by Blackrock, 3 foreign ETFs managed by Lyxor[17] and 13 foreign ETFs of international investment firm, Invesco were listed on TASE, bringing the total to 39 foreign ETFs, as specified above.

On 7.6.2022, the Joint Investments in Trust Regulations (Offering of Units by a Foreign Fund), 2022 were amended. The aforesaid amendment creates a distinction between the list of exchanges provided in the addendums to the Securities Law for the purpose of the dual-listing arrangement and the list of foreign exchanges for the purpose of listing for trade in Israel of foreign ETFs, and determines that, instead, the Israel Securities Authority will review the exchange outside Israel on which the ETF is traded. The review will be based on various quantitative parameters, such as the volume of trading, the number of listed ETFs, 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 relevant regulator of each exchange.

The aforesaid legislation amendment will make it easier for managers of foreign ETFs to dual-list on TASE.

1.17.3 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 commercial securities and bonds, 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.

[17] To the date of the Report, the 3 ETFs managed by Lyxor have been delisted from TASE.

1.17.4 **"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 initial period of the agreement will end in the third quarter of 2025.

1.17.5 **Tailor-made indices**

On 9.1.2023, TASE entered into an agreement with a public institution for the creation of tailor-made indices that are based on TASE's trading data and customized for the specific needs of the customer. This is the first agreement signed by TASE in the trail of the approval of the amendment to the Indices' Pricelist that permits TASE to receive payment for tailor-made indices, as above. According to the agreement, TASE will create tailor-made indices, based on the specifications that will be provided by the public institution and approved by TASE. TASE will develop and edit the indices using the methodology that it applies in the development and editing of the other TASE indices, and they will be published in the same manner as the other indices. TASE will retain the rights in the tailor-made indices, however the public institution will be granted an exclusive license to use each such tailored index. The overall exclusivity period of each tailored index shall not exceed a cumulative ten years. The consideration to which TASE shall be entitled consists of development fees and usage fees that are calculated as a percentage of the volume of assets of the financial instruments using the tailored index (in immaterial amounts).

1.17.6 **Mutual hedge fund**

In accordance with the ad hoc provision published by the Israel Securities Authority concerning assets that may be purchased and held in a mutual hedge fund pursuant to Section 65A of the Joint Investment Trust Law, 1994. The ad hoc provision determines the framework for the legal and operational regulation of a mutual hedge fund that makes investment in a hedge fund accessible to the public under the supervised roof of a mutual fund. Consequently, the Company has developed a dedicated system that enables TASE-CH to operate and clear mutual hedge funds.

1.18 **Customers**

1.18.1 The Company's main customers can be divided into customers that are TASE members and/or Clearing House members and customers that are companies listed on TASE, as well as the Ministry of Finance. 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, as well as granting authorizations to various financial entities for the use of indices.

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

1.18.2 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.

1.18.3 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 and/or its results. 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 results.

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

	2022		2021	
	Revenue – in NIS thousands	**% of the Company's total revenue**	**Revenue – in NIS thousands**	**% of the Company's total revenue**
TASE member A	45,297	12.6%	42,038	13.0%
TASE member B	48,976	13.6%	41,781	12.9%
TASE member C	45,982	12.7%	35,659	11.0%

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

1.19 **Marketing and Distribution**

As part of TASE's dedication to strengthening its ties with the public and enhancing the public's awareness, involvement and participation in the success of the Israeli economy, particularly in view of the Israeli public's growing interest in capital market investments, this year, too, TASE persevered on its quest to expand the knowledge base, improve the familiarity with the capital market and the accessibility of trading data and promote trading at lower commissions and in smaller amounts.

At the beginning of 2022, TASE launched a nation-wide campaign, on TV, digital and billboards, which presented TASE's leading indices that achieved the highest yields in 2021 among the leading global indices. In late August 2022, TASE launched a nation-wide campaign that included TV, social media influencers and digital, to encourage trading among the private investors, by informing them of the significant reduction of the minimum order amount for shares as part of the continuous trading: for shares included in the TA-35 Index, the amount was reduced from NIS 5,000 to only NIS 500 and for the rest of the shares the amount was reduced from NIS 2,000 to only NIS 500. The reduction of the order amount to NIS 500 increased orders by private investors in the range of NIS 500-NIS 2,000 by 2.5.

In addition, as part of TASE's sponsorship of the Premiere Football League, TASE launched a campaign on TV sports channels and in digital, with presentors from among the players of teams participating in the Premiere Football League. The campaign commenced in December 2021 and was concluded in May 2022, upon the expiration of the sponsorship agreement with the Premiere Football League. In December 2022, looking to resolve tensions and bring together the Israeli society during a tumultuous and complex period, TASE launched a new social campaign that aimed to maintain and enhance workplace diversity in Israel. TASE called the government and Israeli companies not to dismiss workplace diversity, but rather to step up and continue the integration of various sectors in the job market. The campaign concluded in January 2023.

Overall, the Company's marketing and distribution costs amounted to NIS 13,171 thousand in 2022, compared to NIS 11,203 thousand in 2021.

1.20 **Updating of the Capital and Liquidity Model**

On 29.11.2022, the Board of Directors of TASE and the Boards of Directors of each of the Clearing Houses approved a methodology update concerning the calculation of the qualified capital, the liquid assets and the capital and liquidity requirements, that provides, inter alia, for the calculation of "required levels of capital and liquidity" (based on the Clearing Houses' Stability Directive, for the Clearing Houses, and based on the general framework of the Banking Supervision Directives, with the adjustments necessary for the activity of TASE, at TASE). The Boards of Directors also approved the establishment additional capital and liquidity safety cushions, which serve as an additional layer for handling stress scenarios and are at the discretion of the Board of Directors.

The effect on the Group of the implementation methodology for the setting of the required capital and liquidity levels, as above, had all of the necessary internal processes been fully implemented as of 31.12.2021, would have been an increase of NIS 202 million in the Company's qualified capital to a total of NIS 747 million, an increase of NIS 286 million in the capital surplus to a total of NIS 597 million, an increase of NIS 61 million in the balance of liquid assets to a total of NIS 373 million, and an increase of NIS 95 million in the liquidity surplus to a total of NIS 260 million. As of 31.12.2022, the qualified capital totals NIS 768 million, the capital surplus totals NIS 613 million, liquid assets total NIS 374 million and the surplus liquidity totals NIS 257 million. For additional information, see note 5 to the Company's consolidated financial statements as of 31.12.2022, which are included in this Periodic Report.

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 dual-listing arrangement 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;
- availability of tax incentives or other incentives for listing on TASE alongside the listing on the foreign exchange;

- 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 and credit funds. In addition, some of the Israeli entities are able to raise debt at competitive terms from foreign banks and financial institutions, including through foreign bonds. In this market, competition from foreign stock exchanges is less intense, since most of the bond markets in the Western World are generally not maintained under the roof of exchanges, but rather on OTC markets.

Competition in the corporate bonds primary market comes from banks, institutional bodies and private investment and credit 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 financial corporations and other 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, as well as fierce competition in relation to short-term credit and project finance.

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 29.6.2017, 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. It should be noted that, 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, from time to time, 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. As to a bill for the establishment of a dedicated stock exchange, see section 1.21.3 below.

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 qualified 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 2.8.2021, a related bill was published in the Official Gazette, 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 16.2.2021, 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[18].

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.

[18] According to data published on the website of the Israel Securities Authority.

In 2021, following the completion of the Committees' work, the Israel Securities Authority established dedicated teams within the Authority to discuss those matters.

In August 2019, the Commissioner of the Capital Market, Insurance and savings published an updated procedure for the licensing of financial services and a series of circulars and draft circulars that were drafted based on an examination of the comparative law in countries that have a relatively advanced regulation over digital assets ("Management of Cyber Risks in Providers of Financial Services Circular", "Management of Risks in Providers of Financial Services Circular", "Safekeeping of a Financial Asset Draft Circular", "Additional Equity for Holder of a License to Provide a Service in a Financial Asset Draft Circular"). The licensing procedure includes a dedicated chapter for those seeking to provide a service in a financial asset that is a virtual currency, which places emphasis on cyber aspects, protection of customers and custody. Based on the aforesaid, the Commissioner started issuing licenses to entities looking to operate in virtual currencies.

In November 2022, the Chief Economist in the Ministry of Finance published the "Report on the Regulation of the Digital Assets Sector - Roadmap to a Policy", as part of a large-scale study involving all financial regulators, including the Israel Securities Authority, the Capital Market Authority and the Bank of Israel, designed to delineate a plan for the comprehensive and clear regulation of this sector. The report indicates that the current regulatory approach in Israel, and in certain other countries, is to impose regulation on financial activities or services in virtual assets similarly to that currently applied to non-virtual assets, taking into consideration the non-traditional and unique characteristics of this sector.

In January 2023, For this purpose, the Securities Authority published a proposal for public comments on Legislation Amendments to Securities Laws Pertaining to Digital Assets. The proposal suggests, inter alia, to introduce a definition for digital assets in the Securities Law and to expand the definition of a "financial instrument" to also include digital assets. Since the definition of a "security" provided in the Securities Law's chapter on exchanges and clearing houses also includes a financial instrument, expansion of the definition of a financial instrument to also include a digital asset would entail that trading in digital assets or their clearing will require a stock exchange/clearing house license, as appropriate.

According to the proposal, the Israel Securities Authority will be authorized to set additional directives or to provide for exemption from directives pursuant to the law with regard to activity in securities that are digital assets carried out in a stock exchange or a clearing house.

It should be noted that, as of the reporting date, the Company is monitoring technological and regulatory developments in this field and that the Company's strategic plan specifies as one of its goals the establishment of a Blockchain trading platform for digital assets and the penetration of the cryptocurrency arena.

In addition, in October 2022, TASE and the Accountant General in the Ministry of Finance, through the Debt Unit of the Financing Division, announced a dedicated joint PoC (Proof of Concept) (Project Eden) for examining the issuance and clearing of digital state bonds on a platform that is based on advanced technologies - Blockchain (DLT - Distributer Ledger Technology), smart contracts, and tokenization.

The PoC will include the digitalization of a new series of bonds and its (mockup) issuance to the system participants. As part of the issuance, leading banks, both international and local (primary dealers), will participate in a "live test", during which they will be connected to a dedicated Blockchain system that will be developed by TASE with the assistance of leading technology vendors.

TASE and the Ministry of Finance are currently advancing the PoC, in cooperation with the select technology vendors and the other participants. The initial results of the PoC are expected to be published towards the end of the first half of 2023.

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 2022, the average number of daily orders on the continuous trading system amounted to approximately 10 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, in view of the aforesaid, 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, one 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 18.4.2021, with an option to extent by an additional two years. After 24 months of rent, the renter shall have the option to terminate the agreement with a 6-month advance notice.

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 210.5 million and NIS 205.9 million as of 31.12.2021 and 31.12.2022, 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 31.12.2022, 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 60.1 million and NIS 52.2 million as of 31.12.2021 and 31.12.2022, respectively (including leased land amounting to NIS 37.7 million as of 31.12.2021 and NIS 37.5 million as of 31.12.2022, 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 62.5 million and NIS 57.5 million as of 31.12.2021 and 31.12.2022, 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 31.12.2022, 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 30.4.2025. The annual leasing fees are linked to the CPI and amounted to NIS 2.6 million in 2022. 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 128.7 million and NIS 140.1 million as of 31.12.2021 and 31.12.2022, respectively. The cost includes licenses, software and self-development costs of computer software for internal use.

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.

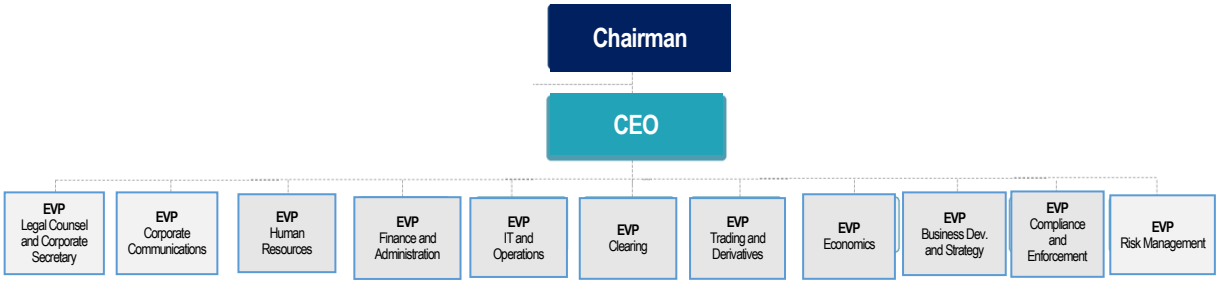
1.25.3 For further details regarding the intangible assets of the Company, see note 12 to the Company's consolidated financial statements as of 31.12.2022, which are included in this Periodic Report.

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. In addition, the Company dedicates substantial resources to the retention, development and advancement of the existing human capital, as well as to the management of the accrued knowhow. The significance of this aspect derives, inter alia, from 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	31.12.2022
Bureau of the Board Chairman and the CEO	2	2
Trading, Derivatives and Indices	12	11
Economics	29	29
Clearing and Listings	23	24
IT and Operations	115	121
Business Development and Strategy	7	8
Finance and Administration	30	32
Corporate Secretary and Legal	5	5
Risk Management	18	10
Compliance and Enforcement	9	9
Corporate Communications	2	3
Human Resources	5	5
Total	258	260

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; employment termination; attendance at work; vacations and absences; participation in training; refund of personal expenses; refund of expenses for work trips; etc.

1.26.4 In January 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. In November 2022, the Company reaffirmed the Ethics Code.

1.26.5 As part of the measures taken by the Company to mitigate risks to its continuous operation, the Company implemented secure technological processes that are designed to enable the operation of its systems, including the trading and clearing systems, in remote format. In light of the Company's preparation for remote work and the experience that was accumulated during the coronavirus crisis, a more flexible work format is implemented that facilitates remote work at varying scopes, at management's discretion, taking into account the nature of the assignments of the various departments and other considerations.

1.26.6 **Investments in training, courses and human capital development**

The Company invests resources in the professional training of employees in order to enrich their knowledge and enhance their profession standing, as well as to align their knowhow with the varying needs and market demands. The Company's training program addresses all of its training needs, including professional training, regulatory seminars, enrichment courses and more.

1.26.7 **Compensation Policy**

On 10.3.2021, the Company's general meeting, 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 the Company's officers, pursuant to the provisions of the Companies Law, which shall be in effect for the years 2021 through 2023. However, on 12.1.2023, 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 the Company's officers, pursuant to the provisions of the Companies Law, which shall be in effect for the years 2023 through 2025 (hereafter: "**the 2023-2025 Compensation Policy**").

As a rule, the 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 1.26.12 below) and its officers in accordance with the compensation plans described below.

1.26.8.1 Equity Compensation for the Company's CEO

On 1.5.2019, 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 warrants to a trustee for the calendar years 2019 through 2023 (inclusive). Each warrant 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[19], 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 31.12.2022, which are included in this Periodic Report.

1.26.8.2 Equity compensation for officers who report to the CEO pursuant to a warrant plan from 2018

As part of a compensation plan from 2018, on 29.3.2018, the Company's Board of Directors approved the grant of warrants, 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 warrants in three annual batches. The warrants 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[20]. The cost of the benefit inherent in the warrants 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 31.12.2022, 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 all of the warrants granted to them.

1.26.8.4 Equity compensation for officers who report to the CEO pursuant to a warrant plan from 2023

On 26.2.2023, the Company's Board of Directors, after obtaining the approval of the Compensation Committee, approved a warrant plan for all officers in the Company (including directors) in a total amount of up to 4,100,000 non-listed, registered warrants exercisable into up to 4,100,000 ordinary shares of the Company with no par value, subject to adjustments[21] (hereafter: "**the 2023 Warrant Plan**". Within this framework, after obtaining the approval of the Compensation Committee, the Board of Directors of the Company approved the grant of 2,980,000 warrants to 9 officers who report to the CEO, which are exercisable into Company shares in three equal annual batches, commencing at the end of 12 months from the date of their allotment and ending at the end of 48 months of said date, for an exercise price of NIS 24.386 per share. The cost of the benefit inherent in the warrants allocated as aforesaid, based on the fair value on the date of their allocation, amounted to NIS 10 million. The

19 It should be noted that the allocation of the full number of ordinary shares stemming from the exercise of the warrants 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 warrants for the CEO as of the exercise date.

20 It should be noted that the allocation of the full number of ordinary shares stemming from the exercise of the warrants 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 warrants for the officers as of the exercise date.

21 See footnote 20 above.

warrants will be allotted to a trustee subject to the obtaining of the approvals required pursuant to Section 102 of the Income Tax Ordinance under the capital gains track, and subject to obtaining TASE's approval for the listing of the exercise shares.

Bonus Plan for 2022

Pursuant to the approval of the 2021-2023 Compensation Policy and based on its principles, on 21.3.2022 (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. 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 is 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 have been determined based on the Company's budget and work plan for 2022 and were approved in the first quarter of 2022. The quantitative bonus amount payable to each of the officers was calculated based on the results as per the Company's financial statements for 2022. The amount of the qualitative bonus payable to each of the officers was determined by the Board of Directors based on the criteria stipulated in the 2021-2023 Compensation Policy. Upon approval of the Company's financial statements as of 31.12.2022, the Company also approved the payment of the bonuses by virtue of the 2022 Bonus Plan to 10 officers, in a total amount of NIS 3,979 thousand.

1.26.9 Bonus Plan for 2023

Pursuant to the approval of the 2023-2025 Compensation Policy and based on its principles, on 28.3.2023 (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 2023 (hereafter: "**the 2023 Bonus Plan**") to all officers of the Company, excluding directors. According to the 2023 Bonus Plan, the maximum annual bonus for 2023 is 6 monthly salaries to the CEO, 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, and 7 monthly salaries to each of the officers that report to the CEO, of which up to 4 monthly salaries with respect to the quantitative bonus component, as the case may be, and up to 3 monthly salaries with respect to the qualitative bonus component. The payment of the quantitative bonus component is 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 2023. 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 2023.

1.26.10 **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 13.9.2017, 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, 3,647,102 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 31.12.2022, which are included in this Periodic Report.

1.26.11 **The Company's Senior Officers**

1.26.11.1 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.

1.26.11.2 On 10.5.2022, following Steinberg's of his stepping down from all of his duties in the TASE Group, his office in the Board of Directors of the Company ended. Mr. Steinberg, who had served as Interim Chairman and has even been elected for permanent office in this position, announced his retirement due to a disagreement concerning the terms of his compensation as Chairman of the Board of Directors of the Company. As of said date, Mr. Salah Saabneh serves as Interim Chairman of the Board of Directors, pending the completion of a process for the sourcing and appointment of a new Chairman of the Board of Directors for the Company.

On 25.8.2022, the general meeting of the Company's shareholders approved, inter alia, the reappointment of Mr. Saabneh as a director in the Company and the appointment of Mr. Gedon Hertshten as a new independent director in the Company. Upon the convening of the aforesaid general meeting, the office of Ms. Bruria Gross-Prushansky as an independent director in the Company ended.

1.26.11.3 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.

1.26.12 **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:

1.26.12.1 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**").

1.26.12.2 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.

1.26.12.3 On 7.5.2017, as the Company was completing a change in its ownership structure, a collective agreement was signed for a five-year period (the "**2017 Agreement**"). On 14.9.2022, the 2017 Agreement expired. On 11.6.2022, a labor dispute was declared at TASE. In accordance with the Labor Disputes Law, commencing on 21.11.2022 and subject to obtaining the Labor Federation's consent, the employees are entitled to initiate various organizational steps. For further details, see the Company's immediate report dated 6.11.2022 (reference no.: 2022-01-107583). The information provided in said report is included herein by way of reference.

1.26.13 **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 as from 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.

The Company also has an officers' liability insurance policy for the period from 11.8.2022 through 10.8.2023, with a liability limit of US$ 40 million per event and in total for the insurance period, in consideration for payment of a premium of US$ 240 thousand (hereafter: "**the Current Policy**"). The maximum amount of deductible in the Current Policy (payable by the Company alone) is US$ 400 thousand.

There is 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 1.16.2 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.

1.26.14 **Indemnification and exemption for Officers**

Letters of indemnity for events

On 25.1.2001, the Company's general meeting approved (after the Company's Board of Directors and its Audit Committee had given their approval) the grant of a letter of indemnity to the directors and officers of the Company (the "**2001 Letter of Indemnity**"), as amended from time to time. 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 2001 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.

On 3.7.2019, 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 Indemnity Letter replaces the letters of indemnity 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 not serving in TASE Clearing House on the date of the approval of the 2019 Indemnity Letter at the general meeting).

The maximum amount of indemnification to be paid pursuant to the 2019 Indemnity Letter, with respect to a monetary liability imposed on an Officer against another person pursuant to all the indemnity letters granted or to be granted by the Company to all officers, cumulatively, for one or more of the events specified in the 2019 Indemnity 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 Indemnity 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 Indemnity Letter, 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 TASE's Clearing Houses, the general meetings of TASE's Clearing Houses (after obtaining the approval of their audit committees and their boards of directors) approved letters of indemnity for their officers, on the basis of principles similar to those of the 2019 Indemnity 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 indemnity 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.

1.26.15 **Exemption**

On 2.5.2001, 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 TASE's Clearing Houses.

As a result of the changes that have occurred in the corporate governance provisions that apply to the Company and TASE's 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 TASE's 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 31.12.2022, the Group's current assets – excluding assets relating to clearing operations with respect to open positions – amounted to NIS 412 million, compared to NIS 415 million as of 31.12.2021. Assets relating to clearing operations with respect to open positions as of the above dates amounted to NIS 937 million and NIS 665 million, respectively. For further details, see Section 1.2 of the Board of Directors' Report for 2022, which is included in this Periodic Report.

1.28.2 As of 31.12.2022, the Group's current liabilities – excluding liabilities relating to clearing operations with respect to open positions – amounted to NIS 96 million, compared to NIS 91 million as of 31.12.2021. Liabilities relating to clearing operations with respect to open positions as of the above dates amounted to NIS 937million and NIS 665 million, respectively.

The change in the total as of 31.12.2022, relative to 31.12.2021, is primarily due to the "Deferred income from listing fees and levies" item and from the "Current liabilities for employee benefits" item (for further details, see Section 1.2 of the Board of Directors' Report for 2022, which is included in this Periodic Report.

1.28.3 The working capital from the Group's operating activities as of 31.12.2022 and 31.12.2021, amounted to NIS 316 million and NIS 324 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 31.12.2022 and 31.12.2021 was approximately 4.3 and 4.6, respectively.

1.29 **Investments**

Loans and credit facilities in favor of subsidiaries

On 8.12.2015, 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 and bears annual interest (at the rate of 4.25% per year) over 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 31.12.2022, 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 31.12.2022, 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 2017 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:

- it, and any corporation that it controls, is engaged only in the activities permitted for a stock exchange (see Section 1.32.2 below);
- its articles of association do not include provisions that might affect its sound, proper and fair management;
- 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;
- 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;
- it has paid the fees set for this purpose;
- 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 30.10.2017, 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.[22] 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.

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

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

It should be noted that, 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:

- 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);

- 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);

- 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);

- 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);

- 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;

- rules regarding the publication of data by TASE, including information relating to trading, to TASE members and to Listed Companies;

- commissions, listing fees and handling fees for TASE's services;

- 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 is nominated to serve as an independent director – the other occupations and 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 and the insurance requirement.

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 which it imposes on the Clearing Houses, on an ongoing basis, local laws and rules, consistent with the principles of international standards for the operations of capital market entities that 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 deems the Clearing Houses as acting in accordance with these principles.

1.32.7 **The Concentration Law**

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

1.32.8 **Compliance and enforcement**

The function and status of the TASE Group requires it to be doubly meticulous in complying with the regulatory provisions to which it is subject. In June 2017, the Company's Board of Directors approved the TASE Group's policy for "compliance risk" management, with compliance risk being the risk of imposition of legal or regulatory sanctions, of a material financial loss, or of reputational damage, which the Group might sustain as a result of it not fulfilling the "compliance provisions", including the laws, regulations, regulatory directives and internal procedures, which apply to the operations of the TASE Group, as set forth 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 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 Standard for Reporting and for Due Diligence on Financial Account Information), 2019

On 2.1.2019, 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.

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.

1.32.11 Recognition of TASE-CH by ESMA

On 15.3.2023, the European Securities and Markets Authority (ESMA) announced, pursuant to an application submitted by TASE-CH, that it recognizes TASE-CH as a Tier-1 Third-Country CCP, in accordance with the principles of the applicable European regulation and that, therefore, TASE-TASE-CH is qualified to provide clearing services to EU member states for a variety of financial instruments (up to said date, ESMA adopted various resolutions, from time to time, for the temporary suspension of the processes pertaining to the application for recognition, the most recent of which expired on 28.6.2022, on which date the recognition process was resumed).

The classification of the Clearing House as a Tier-1 Third-Country CCP signifies that the Clearing House was established in a country outside the European Union, and is not deemed as systemically important to the stability of the European Union or of any of its member states, and is not expected to become systemically important, considering its current activity and characteristics.

1.33 **Material Agreements**

Termination of framework agreements with the Bank of Israel and a change in the mix of collaterals

As part of the preparations for the termination of the Liquidity Agreements and in view of the provisions of the Rules Securing the Proper Operation of The Tel Aviv Stock Exchange Clearing House Ltd. and of The MAOF Clearing House Ltd., in July 2022, each of the Clearing Houses notified its members of a change in the cash component of the Default Fund, pursuant to which this component will constitute at least 50% of the total collateral that each of the aforesaid is required to deposit in the Default Fund, this in accordance with the recommendation of the Committee for the Management and Calculation of the Default Fund. On 8.8.2022, the Audit Committee and the Board of Directors of each of the Clearing Houses approved the aforesaid change in the rate of the cash component. In addition, the Board of Directors of each of the Clearing Houses approved the updating of the safety factors (haircut) model, concerning the value for security purposes of securities that are deposited as collateral in the TASE Clearing House and the MAOF Clearing House, and with regard to the MAOF Clearing House it has been determined that the cash component with respect to MAOF transactions carried out by a Clearing member will be an amount equal to at least 35% of the total current collateral that such

member is required to furnish. In January 2023, the Audit Committee and the Board of Directors of TASE-CH approved an increase in the minimum cash component that each member is required to deposit as collateral in the Default Fund of TASE-CH to 100%-.

1.33.1 **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 1.16.2 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.

Additionally, on 6.12.2022, the Company signed a memorandum of understanding with NYSE ("**the MOU**"), concerning the establishment of an agreed framework for potential collaborations between the exchanges in their various areas of activity. To the date of the report, agreements have not yet been reached with regard to such collaborations, realizing the purpose of the MOU.

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

As described in Section 1.32.10.2 above, in 2002, TASE Clearing House entered into a QI agreement as a QI that is not a withholding agent. The QI agreement was renewed with the IRS until 31.12.2022. 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. In the first half of 2023, TASE Clearing House is pursuing the renewal of the QI agreement for the years 2023-2028.

1.35 Legal Proceedings

1.35.1 Filing of a motion against the Israel Securities Authority

On 31.8.2022, the Company filed with the Supreme Court in its capacity as the High Court of Justice a motion for the issue of an order nisi against the Israel Securities Authority in connection with the latter's refrainment from approving the resolution of the Board of Directors of TASE from March 20, 2022 to amend the TASE Rules (hereafter: "the TASE Resolution") as regarding "Sources and Uses for the Development of the Indices' Activity on TASE - Pricelist Amendment" (hereafter: "the Indices' Activity"). On 2.11.2022, the Company submitted its response to the petition of the Israel Securities Authority to dismiss the motion, in which it argues that it has replied to the Company with regard to TASE's resolution pertaining to the Indices' Activity. In its response, the Company consents to the dismissal of the motion without adjudication of costs, while maintaining all of the rights and claims of the Company with regard to additional topics addressed in the motion that have not yet been resolved. On 3.11.2022, the Supreme Court approved the dismissal of the motion without adjudication of costs, while maintaining all of the rights and claims of the Company, as stated above. For additional information, see the immediate reports published on 1.9.2022 and 2.11.2022 (reference nos.: 2022-01-091524 and 2022-01-106965, respectively). The information that is provided in said report is included herein by way of reference.

For information regarding the notice of the Israel Securities Authority in connection with the updating of the indices' tariffs and the continued Indices' Activity, see section 1.15.2.1 above.

1.36 Goals and Business Strategy

1.36.1 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 progress of implementation of the principal strategic projects that were included in the Company's previous strategic plan as well as the principal changes, trends and developments in the financial markets and in the business environment of TASE, in February 2022 the Board of Directors was presented with the principals of the strategic brainstorming initiated by management of the Company. Further to that, on 23.10.2022 the Board of Directors of the Company approved a new strategic plan for the years 2023-2027. For additional information, see the Company's immediate report dated October 24, 2022 (reference no: 2022-01-104718). The information that is provided in said report is included herein by way of reference. Presented below are the principals of the Strategic Plan:

1. Strategic Goals

According to the updated strategic plan, the Company intends to promote four principal strategic goals:

a. **Further developing and enhancing the value proposition of the core activity of TASE -** The Company attributes significant strategic value to further enhancement and upgrading of its core activities and to increasing its value proposition to customers in the various segments.

b. **Strengthening the engagement with the end customers -** The Company will consider courses of action for strengthening the interrelations and the interfaces with its customers, in all relevant segments, whether directly or through intermediaries, as appropriate.

c. **Digital assets strategy -** Establishment of a Blockchain platform for trading in digital assets and venturing into the cryptocurrency arena.

d. **Export of technological services and solutions to foreign exchanges -** The Company intends to advance the sale of technological services and solutions designed for small and medium exchanges.

2. **Quantitative Goals**

As part of the approval of the Strategic Plan, the Board of Directors of the Company has set a compounded annual growth rate (CAGR) from organic growth of 10% to 12% in the years 2023-2027. Achievement of the aforesaid goal depends, among others, on the Company's flexibility in determining its tariffs.

3. **Restructuring of the TASE Group**

In light of the strategic challenges presented by the Company's business environment, taking into consideration the strategic goals specified above, and based on a study of the operating structure of the leading global exchanges, the Board of Directors of the Company approved the advancement of a restructuring in the TASE Group in order to ensure the effective implementation of the Strategic Plan and to further the continued development and upgrading of the capital market for the benefit of the public. Within this framework, a new public holding company will be established, which will hold 100% in the Company that will become a private company, and at the same time the subsidiaries of the Company will be moved up, becoming subsidiaries of the new holding company and fellow subsidiaries of the Company and of new companies that would be established as part of the implementation of the aforementioned business and strategic plans of the TASE Group. It is hereby emphasized that the implementation of the aforesaid restructuring requires the obtaining of the approval of TASE's shareholders' meeting and various regulatory approvals, including the approval of the Israel Securities Authority.

4. **Mergers and acquisitions**

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 (programmatic M&A). Specific plans will be presented to the Board of Directors of the Company for approval, as necessary.

It is hereby clarified that the implementation of the Strategic Plan and the courses of action that may ensue from the principal strategic goals described above, requires, inter alia, the execution of significant changes to structure and infrastructure, this subject to regulatory restrictions that apply to the activity of TASE and to the ability of the Company to provide sufficient dedicated sources for this purpose. To the extent that an extraordinary investment is required to further any of the new strategic goals of TASE, or any of the ensuing courses of action, the matter will be presented to the Board of Directors for discussion and approval, as required.

The information provided in the chapter and in the Company's immediate report dated 24.10.2022 (reference no.: 2022-01-104718) contains the principals of the Company's Strategic Plan, as formulated by it and approved by the Board of Directors of the Company. The aforesaid information, including the rate of increase in the revenue of the Company, the restructuring of the TASE Group and the merger and acquisition activity, contains forecasts, assessments, estimates and other information pertaining to prospective events and matters, the realization of which is uncertain and is not in the control of the Company. Accordingly, it is hereby clarified that the aforementioned forecasts, assessments, estimates and other information may not be realized or may be realized differently, inter alia as a result of inability to obtain the requisite approvals, and as a result of changes in the volumes of activity of the Company and in the relevant market conditions compared to those known at present or the realization of the risk factors that apply to the TASE Group, as described in section 1.38 below.

1.37 **Likely Developments in the Coming Year**

As aforesaid, in relation to operations, management of the Company intends to place an emphasis on various actions for the implementation of the strategic plan, including:

Within the framework of the continued efforts to develop and enhance the value proposition of TASE's core activity:

- Reinforcing the international profile and attracting foreign investors;
- Strengthening the direct engagement with the investors, improvement of the liquidity level and advancement of the Israeli markets;
- 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;
- 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;
- Continuing the alignment of the local derivatives market with international standards and advancing the launch of futures on the TASE indices;
- Regularization and upgrading of the mechanisms for the clearing and reporting of off-exchange ("OTC") transactions;
- Continuing to expand the basket of clearing services that are available to the customers of TASE-CH and the Nominee Company;

Within the framework of the efforts to strengthen the direct engagement with the end customers:

- Continuing to address the Israeli public via traditional and digital media, in order to improve the positioning of the Company in the eyes of the public, improve financial literacy and acquaintance with the process of investment on TASE, and increase the number of Israeli investors operating on TASE;
- 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;
- Initiating direct services to local institutional investors and market participants;
- Improving and enhancing the Company's value proposition in the private market, building on the Company's expertise, reputation and operational solutions, with emphasis on the strengthening of the direct engagement with qualified and accredited customers;
- 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;
- Continuing to advance the digitalization of the Company's business interfaces with its customers.

Within the framework of the implementation of the digital assets strategy:

- Advance the implementation of innovative technologies, including, inter alia, the use of DLT technologies, tokenization of various types of assets, and smart contracts;
- Advance the provision of custodial services for cryptographic assets;

Within the framework of the export of technological services and solutions to foreign exchanges:

- Considering the sale of technological services and solutions designed for small and medium exchanges, based on TASE's existing technological capabilities and those that will be developed as part of the implementation of the new strategic plan;

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 2022, which is included in this Periodic Report, as well as note 4 to the Company's consolidated financial statements as of 31.12.2022, which are included in this Periodic Report.

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 of the Group incurring a loss as a result of a counterparty to a transaction, a financial institution that provides custody services for its assets, or another debtor, not fulfilling its obligations 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 31.12.2022, which are included in this Periodic Report.

The main credit risk in the Group derives from the Clearing Houses' undertaking to act as a CCP in transactions in securities or in transactions in derivatives or in lending transactions on the lending pool, as the case may be, with respect to which 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.

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 31.12.2022, 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 31.12.2022, 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 31.12.2022, 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 interfaces, 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.

Within the framework of the Company's preparation against the realization of the cyber risk, the Company has taken the following actions:

1) On 15.9.2022, the Board of Directors of the Company approved an information defense and cyber policy for the management of cyber risks and information security (hereafter: "**the Defense Policy**"). The Protection Policy is reaffirmed once a year by an information defense and cyber steering committee and by the Company's Board of Directors.

2) On 29.12.2021, the appointment of the Information Security Officer was approved. This officer is responsible for implementing the Company's policy for the management of cyber risks, is subordinate to the VP IT and Operations and reports to management and to the Steering Committee and the Audit Committee.

3) Training of IT personnel and running drills for them, towards the implementation of the Defernse Policy, the operation of the protective systems, the identification of cyber events and their handling.

4) Compliance with international security standards, ISO27001 and ISO27032 for the management of cyber defense, and compliance with the requirements of the related annual certification process.

5) In addition, by virtue of its "critical information infrastructure body" status, it is supervised by the Israel National Cyber Directorate, which is a governmental body. Within this framework the Company is subject to strict instructions and audits in the area of information security and cyber, and holds the highest certification in this area.

6) Reports on malfunctions/events, as defined in the procedures, are managed in a reporting system and brought to the attention of the Risk Manager and the Board of Directors and its committees, including the drawing of conclusions from the event.

There can be no assurance that unauthorized access, interruption in availability or reliability of the services, 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.

It is further noted that, by law, 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 maintains 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 maintains 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 has set 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.

F. Conduct Risk

The risk that could materialize as a result of an inappropriate conduct by interested parties, including the members of TASE or of the Clearing Houses, employees and vendors within and outside the TASE Group, abuse of the corporation's status or failure to maintain the market integrity. The realization of the risk could result in economic losses and reputational damage as well as in the realization of additional risks, such as legal and regulatory risks.

The Company maintains a proper regularization of its dealings with members and vendors in the form of procedures and policy documents, in order to ensure that the TASE Rules and the regulations that govern its activity coincide with the provisions of the law, including the provisions of the Securities Law. In addition, TASE has an Ethics Code in place that is based on a set of guiding principles and rules of conduct, and holds related training and seminars for the employees of the Company.

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, inter alia, by means of the Group's Model Risk Management Policy, 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, 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.

On 14.9.2022, the collective agreements at TASE expired and on 6.11.2022 a labor dispute was announced at TASE. For further details, see section 1.26.12 above.

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**

As is the case for any 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, NLT clearing services for non-listed limited partnerships, smart portfolio, 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		√	
Conduct 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		√	

* Following the advancement of the legislation concerning changes in the judicial system and its implications, together with the potential effects of the collapse of several mid-sized banks in the United States, and developments in principal macroeconomic indicators over the past year, such as the interest rate, the exchange rates and inflation – there is increased uncertainty in the economy and in the capital market.

In the assessment of the Company, these factors could impact the economy and the capital market in general, and the revenues of the Company, in particular, including in the medium and the long term. Accordingly, the Company decided to raise the estimated impact of the risk factor, "State of the economy and the state of the capital market and its image", from "low" to "medium".

* The Group's assessment concerning the extent of impact of the legal risk was determined (maintaining the same risk level), inter alia, taking into consideration a number of events, including notices received from several holders of Arrangement Shares, raising various claims against the Company's buyback plan and its legality (where, at the same time, the Company has claims in connection with the adjustment of the share price for determining the excess consideration wo which the Company is entitled, as set forth in sections 1.6.2 and 1.6.9 of the Board of Directors' Report for 2022, which is included in this Periodic Report.

For further details regarding the exposure to risks and how they are managed, see section 2 of the Board of Directors' Report for 2022, which is included in this Periodic Report, and note 4 to the Company's consolidated financial statements as of 31.12.2022, which are included in this Periodic Report.

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

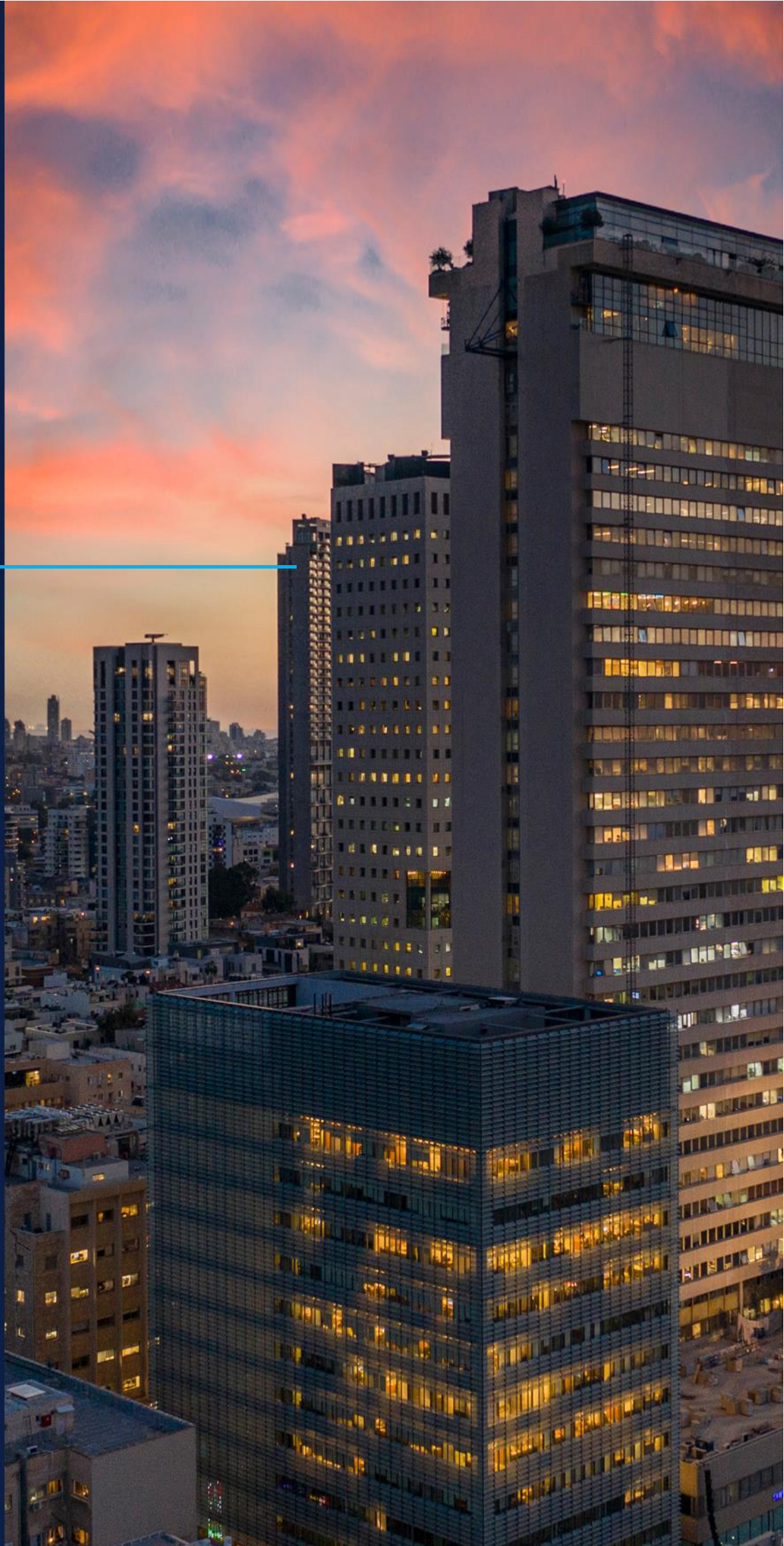
The Group is working to improve and upgrade the Group risk management procedures in accordance with generally accepted criteria of infrastructure bodies on the financial market and the Clearing Houses in particular, on the basis of guiding international standards published by CPMI and IOSCO as the PFMI 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 2022, 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 2022



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 2022, 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, 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 1.8.2019, 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 2022, 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 31.12.2022, which are included in this Periodic Report.

Seasonality

The Company's revenues from trading and clearing are affected, among other things, by the number of trading and clearing days. Presented below is information on the quarterly breakdown of trading days:

Year	Q1	Q2	Q3	Q4	Total
2021	62	61	56	65	244
2022	64	61	61	58	244
2023	64	58	61	65	248

Changes in Estimates - Recognition of Revenue from Listing Fees on Securities

It should be noted that, in the first quarter of 2022, the Company examined the period for recognition of revenue from listing fees on shares (in IPOs and secondary offerings) and on ETFs in accordance with International Financial Reporting Standard, "Revenue from Contracts with Customers"

(IFRS 15). Following the aforesaid examination and based on the updated estimate, in respect of contracts for which the performance obligation, according to the updated estimate, ended by 1.1.2022, the Company recognized revenue from listing fees in an amount of NIS 4.3 million, and in respect of contracts for which the performance obligation has not yet ended as of 1.1.2022, the remaining performance obligation period has been adjusted to the current estimate, resulting in an increase of NIS 4 million in revenue from listing fees in 2022. For additional information, see Section 1.6.4 below.

- **For additional information on developments in profit or loss, see the operating results in section 1.3 below.**

Presented below is condensed information relating to the results for the fourth quarter of 2022 (NIS, in thousands):

	Quarter ended		Difference	Change %
Condensed Statement of Profit or Loss	**31.12.22**	**31.12.21**		
Revenue from services	86,325	85,727	598	1%
Costs	67.468	68,707	(1,239)	(2%)
Profit before financing income (expenses), net	**18,857**	**17,020**	**1,837**	**11%**
Financing income (expenses)	(474)	1,270	(1,744)	(137%)
Taxes on income	5,178	4,189	989	24%
Profit for the quarter	**13,205**	**14,101**	**(896)**	**(6%)**
% of total revenue from services for the quarter	**15.3%**	**16.4%**		

- **Revenue in the fourth quarter of 2022** amounted to NIS 86.3 million, compared to revenue of NIS 85.7 million in the corresponding quarter last year, a 1% increase. The increase is due to an increase in revenue from listing fees and levies and in revenues from data distribution and connectivity services, which was partly offset by a decrease in revenue from trading and clearing services, that stemmed primarily from the 11% fewer trading days compared to the corresponding quarter last year (see further details below).
- **The costs in the fourth quarter of 2022** totaled NIS 67.5 million, compared to the expenses in the corresponding quarter last year that totaled NIS 68.7 million, a decrease of 2%. The decrease in the costs is due mainly to a reduction in employee benefit expenses and a reduction in marketing expenses as a result of the timing of performance of campaigns. The decrease was partly offset by an increase in computer and communication expenses and in depreciation expenses.
- **Net financing expenses in the fourth quarter of 2022** amounted to approximately NIS 0.5 million, compared to net financing income of approximately NIS 1.3 million in the corresponding quarter last year. The transition to financing expenses results from a negative return of 0.67% on the company's investments in Israeli government bonds managed in marketable securities' portfolios, compared to a positive return of 0.71% in the corresponding quarter last year.
- **The profit in the fourth quarter of 2022** totaled NIS 13.2 million, compared to NIS 14.1 million in the corresponding quarter last year, a decrease of 6%. The decrease in profit is due mainly to the effect of the reduction in the number of trading days and to the financing expenses, as described above.
- **Tax expenses, net in the fourth quarter of 2022** totaled NIS 5.2 million, as compared to NIS 4.2 million in the corresponding quarter last year. The increase in expenses was due to the higher pre-tax profit and the reduction in the fair value of the Company's investments in government bonds for which deferred taxes were not created.

Below are the main factors that affected the Company's profits in the fourth quarter of 2022, compared to the corresponding quarter in 2021:

– **The revenue in the fourth quarter of 2022 (NIS, in thousands)** – below is the composition of the quarter's revenue, compared to the corresponding quarter last year:

	Quarter ended				
Revenue from services	**31.12.22**	**% of the Company's total revenues**	**31.12.21**	**% of the Company's total revenues**	**% change**
Trading and clearing commissions	33,761	39%	36,625	43%	(8)%
	The decrease in revenue is due to the reduction in the number of trading days this quarter compared to the corresponding quarter last year, which resulted in an 11% decrease in revenue, and to the reduction in the effective commission rate, mainly in the funds, which was partly offset by an increase in the effective commission in T-bills, resulting in a 3% decrease in revenue. In opposition, a rise in trading volumes between the quarters, mainly in T-bills, resulted in a 6% increase in revenue.				
Listing fees and levies	19,517	23%	17,440	20%	12%
	The increase is due mainly to the rise in revenue from annual fees, which contributed 8% to the increase in revenue and that resulted mainly from the higher number of companies and funds that pay an annual fee, and to a rise in listing fees that contributed 3% to the increase in revenue.				
Clearing House services	17,871	21%	17,578	20%	2%
	The increase in revenue is due to the rise in revenue from Clearing House services to members, which contributed 10% to the increase in revenue and was counteracted by a decrease in revenue from custodian fees that resulted in a 4% decrease in revenue, this as a result of the reduction in the value of assets that are held at TASE-CH compared to the corresponding quarter last year, and a reduction in revenue from Clearing House services to companies decreased revenue by a further 4%.				
Data distribution and connectivity services	14,278	16%	13,516	16%	6%
	The increase in revenue is due mainly to the rise in revenue from data distribution to customers outside Israel, which contributed 4% to the increase in revenue, to a rise in revenue from connectivity services, stemming mainly from the higher number of customers and from new connectivity services, which contributed 3% to the increase in revenue, and to the higher revenue from new information products, which contributed 2% to the increase in revenue. In opposition, a reduction in revenue from data distribution to private and business customers resulted in a 4% decrease in revenue.				
Other revenue	898	1%	568	1%	58%
	The increase in revenue is due mainly to an increase in the activity of the Conference Center.				
Total revenue from services	**86,325**	**100%**	**85,727**	**100%**	**1%**

For details of profit or loss items for the fourth quarter of 2022, 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 2022 and 2021

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**			
	31.12.2022	**31.12.2021**	**Difference**	**% Change**
Adjusted EBITDA for the quarter:				
Profit before financing income (expenses), net	18,857	17,020	1,837	
Adjustments:				
Share-based payment expenses	134	134	-	
Depreciation and capital losses	13,085	12,348	738	
Adjusted EBITDA for the quarter:	**32,076**	**29,502**	**2,574**	**9%**
% of total revenue from services for the quarter	**37.2%**	**34.4%**		
Adjusted profit for the quarter:				
Profit for the quarter	13,205	14,101	(896)	
Adjustments:				
Share-based payment expenses	134	134	-	
Adjusted profit for the quarter:	**13,339**	**14,235**	**(896)**	**(6%)**
% of total revenue from services for the quarter	**15.5%**	**16.6%**		

Below are the main factors that affected the Company's adjusted EBITDA and its adjusted profit in the fourth quarter of 2022, compared to the corresponding quarter in 2021:

- **The adjusted EBITDA in the fourth quarter of 2022** totaled NIS 32.1 million, compared to NIS 29.5 million in the corresponding quarter last year, an inter-quarter increase of 9%. The increase is due to an increase in most revenue from services, which was counteracted by a decrease in expenses, primarily employee benefit expenses and marketing expenses.
- **The adjusted profit in the fourth quarter of 2022** totaled NIS 13.3 million, compared to an amount of NIS 14.2 million in the corresponding quarter last year, a 6% decrease. The decrease is due mainly from the transition to financing expenses this quarter, as compared to financing income in the corresponding quarter last year, as described above.

Presented below is condensed information relating to the results for the year ended 31.12.2022 (NIS, in thousands):

Condensed Statement of Profit or Loss	Year ended 31.12.22	31.12.21	Difference	% Change
Revenue from services	361,011	323,657	37,354	12%
Costs	277,813	269,236	8,577	3%
Profit before financing income (expenses), net	**83,198**	**54,421**	**28,777**	**53%**
Financing income (expenses)	(13,225)	4,540	(17,765)	
Taxes on income	19,137	13,491	5,646	42%
Profit for the year	**50,836**	**45,470**	**5,366**	**12%**
% of total revenue from services for the year	**14.1%**	**14.0%**		
Basic earnings per share in NIS	**0.500**	**0.449**		**11%**
Diluted earnings per share in NIS	**0.492**	**0.436**		**13%**

- **Revenue in 2022** totaled NIS 361.0 million, compared to revenue of NIS 323.7 million in 2021, an increase of 12%. The increase consists of revenue from trading and clearing (representing 4% of total revenue) and revenue other than from trading and clearing (representing 8% of total revenue).
- **The costs in 2022** totaled NIS 277.8 million, as compared to expenses of NIS 269.2 million in 2021, a 3% increase. The increase in the costs is due mainly to a rise in depreciation and amortization expenses, stemming mainly from the upgrading of infrastructures and the launching of new products in the trading and clearing environment, and to a rise in marketing expenses.
- **Net financing income (expenses) in 2022** totaled NIS 13.2 million net financing expenses, as compared to net financing income of NIS 4.5 million in 2021. The transition to financing expenses in the period is due to a negative yield of 7.0% on the Company's investments in Israeli Government bonds managed in marketable securities' portfolios, compared to a positive yield of 2.5% in 2021.
- **The profit in 2022** totaled NIS 50.8 million, compared to NIS 45.5 million in 2021, an increase of 12%. The increase in profit is due to an increase in revenue from services, which was partly offset by the rise in expenses, a transition to financing expenses and an increase in the tax expense.

Below are the main factors that affected the Company's profits in 2022, compared to 2021:

– **The revenue in the year** – below is the composition of the revenue in 2022, compared to 2021 (NIS, in thousands):

Revenue from services	Year ended 31.12.2022	% of the Company's total revenues	31.12.2021	% of the Company's total revenues	% change
Trading and clearing commissions	142,490	40%	131,116	41%	9%
	The increase in revenue is due mainly to the higher trading volumes in shares compared to 2021, which contributed 12% to the increase in revenue. In opposition, a reduction in the effective commission rate, primarily in shares and mutual funds (due to the increase in the volume of transactions that are affected by the existence of a maximum and minimum commission), decreased revenue by 4% (for additional information, see section 1.3.2 below).				
Listing fees and levies	84,489	23%	69,056	21%	22%
	A 15% increase in revenue stems from the increase in revenue from listing fees, due to the update to the estimated period of revenue recognition from listing fees on shares and ETFs pursuant to International Financial Reporting Standard, "Revenue from Contracts with Customers" (IFRS 15) (for additional information, see details in section 1.6.4 below). Another 7% increase in revenue is due to an increase in revenue from annual fees, mainly as a result of the increase in the number of companies and funds that pay an annual fee compared to 2021.				
Clearing House services	70,908	20%	65,505	20%	8%
	The increase in revenue is due to a rise in revenue from Clearing House services to members, which increased revenue by 8% between the years.				
Data distribution and connectivity services	58,060	16%	52,268	16%	11%
	The increase in revenue is due to the rise in revenue from the distribution of trading data and derivative information to business customers outside Israel, to an increase in the volume of activity and to the updating of the pricelist, which increased revenue by 5%. An increase in revenue from connectivity services resulted in a 5% increase in revenue, and a rise in revenue from the sale of information through TASE's API service resulted in a 2% increase in revenue.				
Other revenue	5,064	1%	5,712	2%	(11%)
	The reduction in revenue is due to the effect of an agreement signed between TASE and the Ministry of Finance in May 2021, under which a one-time settlement amount of NIS 3.8 million was paid to the Company in 2021 in respect of government bonds that were listed in the lending pool in the period up to 31.12.2020 (for further details see note 26 B to the Company's consolidated financial statements as of 31.12.2022), and was counteracted by a NIS 1.7 million increase in revenue from the Conference Center and trade openings and a NIS 1.3 million increase in respect of the sale of technological consulting services (an engagement that ended in the first half 2022).				
Total revenue from services	**361,011**	**100%**	**323,657**	**100%**	**12%**

Presented below are adjusted profit and adjusted EBITDA data for the years 2022 and 2021

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**			
	31.12.2022	**31.12.2021**	**Difference**	**Change %**
Adjusted EBITDA for the year:				
Profit before financing income, net	83,198	54,421	28,777	
Adjustments:				
Share-based payment expenses	530	739	(209)	
Depreciation and capital losses	51,466	47,880	3,586	
Adjusted EBITDA for the year:	**135,195**	**103,040**	**32,154**	**31%**
% of total revenue from services for the year	**37.4%**	**31.8%**		
Adjusted profit for the year:				
Profit for the year	50,836	45,470	5,366	
Adjustments:				
Share-based payment expenses	530	739	(209)	
Adjusted profit for the year:	**51,366**	**46,209**	**5,157**	**11%**
% of total revenue from services for the year	**14.2%**	**14.3%**		

Below are the main factors that affected the Company's adjusted EBITDA and its adjusted profit in 2022, compared to 2021:

- **The adjusted EBITDA for 2022** totaled NIS 135.2 million, compared to NIS 103.0 million in 2021, an increase of 31% between the years. The increase is due mainly to a 12% rise in revenue, primarily as a result of the higher volume of activity, which was partly offset by a 2% increase in expenses, primarily computers and communication expenses and marketing expenses.
- **The adjusted profit in 2022** totaled NIS 51.4 million, compared to NIS 46.2 million in 2021, an increase of 11%. The increase in profit is due mainly to a 12% rise in revenue, mainly as a result of the higher volume of activity, which was offset by a 3% increase in expenses, primarily with respect to computers and communication, marketing, depreciation and amortization expenses, and the transition to financing expenses as a result of the negative return on the Company's investments in held-for-trade financial assets and an increase in the tax expense.

For further details regarding profit or loss development in 2022, see the analysis of the financial position in section 1.3 below.

Presented below is condensed information relating to the financial position as of 31.12.2022 (NIS, in thousands):

Condensed statement of financial position	31.12.2022	31.12.2021	Difference	% Change
	NIS, in thousands			
Cash and cash equivalents and short-term financial assets	388,627	390,057	(1,430)	(0%)
Other current assets	23,591	24,745	(1,154)	(5%)
Property and equipment and intangible assets	455,662	461,789	(6,127)	(1%)
Other non-current assets	6,991	17,566	(10,575)	(60%)
Total assets (*)	**874,871**	**894,157**	**(19,286)**	**(2%)**
Current liabilities	96,092	91,230	4,862	5%
Non-current liabilities	92,331	141,059	(48,728)	(35%)
Total liabilities (*)	**188,423**	**232,289**	**(43,866)**	**(19%)**
Total equity	**686,448**	**661,868**	**24,580**	**4%**
Ratio of equity to total assets	**78%**	**74%**		
Surplus equity over regulatory requirements (in NIS millions) (**)	**613**	**311**	**302**	**97%**
Surplus liquidity over regulatory requirements (in NIS millions) (**)	**257**	**165**	**91**	**55%**

(*) The total assets and liabilities in the balance sheet as of 31.12.2022 and 31.12.2021, include a balance of assets/liabilities in respect of open derivative positions amounting to NIS 937.3 million and NIS 665.3 million, respectively, which for reasons of convenience in analyzing the financial position has been offset against each other.

(**) For information on the updating of the capital and liquidity model, see section 2.4.3 below.

- The total assets as of 31.12.2022 amounted to NIS 874.9 million, a decrease of 2% compared to 31.12.2021. The decrease is due mainly to a reduction in the balance of the deferred tax assets stemming from the decrease in the balance of long-term liabilities in respect of employee benefits as a result of the increase in the discount interest rate and in the balance of property and equipment assets (see details in section 1.2 below).

- The total liabilities as of 31.12.2022 amounted to NIS 188.4 million, a decrease of 19% compared to 31.12.2021. Most of the decrease is due to a reduction in the long-term liability for employee benefits, a decrease in the balance of lease liabilities, and a decrease in deferred income from listing fees and levies (for details, see section 1.2 below).

- The equity as of 31.12.2022 amounted to NIS 686.4 million, a 4% increase compared to 31.12.2021. The increase in equity is due mainly to the profit of NIS 50.8 million in the year, other comprehensive income of NIS 21.7 million and receipts from the sale of shares by shareholders that had held TASE shares prior to the completion of the TASE ownership restructuring in an amount of NIS 5.5 million, less a dividend paid in an amount of NIS 22.7 million and buyback of company shares in an amount of NIS 31.3 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 31.12.2022 and 31.12.2021 (NIS, in thousands):

Item	31.12.2022	31.12.2021	% change	
	NIS, in thousands			
Current assets				
Cash, cash equivalents and financial assets	388,627	390,057	(0%)	The decrease is due mainly to the increase in cash from operating activities net of investments in property and equipment and intangible assets in an amount of NIS 71.3 million, less a dividend paid in an amount of NIS 22.7 million, the buyback of Company shares in an amount of NIS 31.3 million, and a NIS 18.7 million devaluation of financial assets.
Trade and other receivables	23,591	24,745	(5%)	The decrease is due mainly to the balance of receivables - shareholders, in respect of receipts from the realization of Company shares within the framework of the implementation of the TASE ownership restructuring (see note 18 to the consolidated financial statements of the Company as of 31.12.2022) in an amount of NIS 2.7 million paid in 2022, and was counteracted by an increase in prepaid expenses, mainly licensing, in an amount of NIS 1.5 million.
	412,218	**414,802**	**(1%)**	
Assets derived from clearing operations with respect to open derivative positions	937,259	665,271	41%	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 net assets is due mainly to the increase in the value of the open positions on single shares as of 31.12.2022 as compared to 31.12.2021 (for further details of the offsetting of financial assets and financial liabilities, see note 8 D to the Company's consolidated financial statements as of 31.12.2022). 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 31.12.2022.
Total current assets	**1,349,477**	**1,080,073**	**25%**	
Non-current assets				
Property and equipment and intangible assets, net	455,662	461,789	(1%)	The decrease is due to depreciation expenses and net retirements in the period in an amount of NIS 51.5 million, net of investments in assets in the period in an amount of NIS 45.4 million.
Other long-term receivables	1,405	2,409	(42%)	The decrease is due mainly to a loan granted to the CEO, as a result of the recognition of an expense between the periods.
Deferred tax assets	5,586	15,157	(63%)	The balance of the deferred taxes is primarily with respect to deferred income and employee benefits, and is offset by a provision for deferred taxes with respect to property and equipment and intangible assets. The decrease is due mainly to a reduction in a deferred tax asset with respect to non-current liabilities for employee benefits.
Total non-current assets	**462,653**	**479,355**	**(3%)**	
Total assets	**1,812,130**	**1,559,428**	**16%**	

Item	31.12.2022	31.12.2021	% change	
	NIS, in thousands			
Current liabilities				
Trade and other payables	59,207	57,916	2%	The increase is due mainly to an increase in non-current liabilities for employee benefits in an amount of NIS 4.7 million and in the liability for current taxes in an amount of NIS 2.6 million, which were partly offset by a reduction in trade payables, mainly with respect to property and equipment, in an amount of NIS 5.1 million.
Current maturities of lease liabilities	8,473	8,726	(3%)	See the long-term lease liabilities item.
Deferred income from listing fees and levies	28,412	24,588	16%	Most of the increase is due to an update to the period of revenue recognition from listing fees from listing fees on shares and ETFs in accordance with IFRS 15, "Revenue from Contracts with Customers" (see additional information in the item "non-current deferred income from listing fees and levies" below). Add to that an increase due to a rise in the issuance volumes of corporate bonds and T-bills.
	96,092	**91,230**	**5%**	
Liabilities derived from clearing operations with respect to open derivative positions	937,259	665,271	41%	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	**1,033,351**	**756,501**	**37%**	
Non-current liabilities				
Non-current liabilities for employee benefits and other liabilities	7,300	40,210	(82%)	The decrease is due mainly to an actuarial gain resulting primarily from the increase in the interest rate used to discount the liability, from a rate of 2.91% in 2021 to a rate of 5.46% in 2022, and to a change in the payroll assumptions (for additional information see note 13 to the consolidated financial statements of the Company as of 31.12.2022).
Lease liabilities	6,572	14,410	(54%)	The decrease in the balance of lease liabilities (long-term and current maturities) is due to current lease payments of NIS 8.8 million, net of additional new leases in an amount of NIS 0.7 million.
Deferred income from listing fees and levies	78,459	86,439	(9%)	The decrease of NIS 4.2 million (long-term and current maturities) is due to an update to the period of revenue recognition from shares and ETFs in accordance with IFRS 15, "Revenue from Contracts with Customers" in an amount of NIS 8.3 million (for further details, see section 1.6.4 above), as well as to a decrease of NIS 25.6 million, representing revenue recognized with respect to prior periods and deducted from the deferred income for 2022 amounting to NIS 29.8 million.
Total non-current liabilities	**92,331**	**141,059**	**(35%)**	
Equity	686,448	661,868	4%	The increase is due mainly to the profit of NIS 50.8 million in the period, an increase in the remeasurement of net defined benefit liability (retirement and termination liability) in an amount of NIS 21.7 million, net of a dividend paid in an amount of NIS 22.7 million and the buyback of Company shares in an amount of NIS 31.3 million.
Total liabilities and equity	**1,812,130**	**1,559,428**	**16%**	

1.3. **Operating results:**

1.3.1. Presented below are condensed Company profit or loss data (reported amounts) for the years 2022 and 2021

Item	2022	2021	% change	Explanations for material changes
	NIS, in thousands			
Revenue from services:				
Trading and clearing commissions	142,490	131,116	9%	For details of the revenue, see table below, section 1.3.2.
Listing fees and levies	84,489	69,056	22%	The increase in revenue stems from the increase in revenue from listing fees (an amount of NIS 10.4 million), mainly as a result of the update to the period of revenue recognition from listing fees on shares and ETFs pursuant to IFRS 15, "Revenue from Contracts with Customers" (for additional information, see details in section 1.6.4 below). Another increase in revenue is due to the increase in revenue from annual fees (NIS 5.1 million), mainly as a result of the increase in the number of companies and funds that pay an annual fee compared to 2021.
Clearing House services	70,908	65,505	8%	The increase in revenue is due to the rise in revenue from Clearing House services to members (an amount of NIS 5.7 million).
Data distribution and connectivity services	58,060	52,268	11%	The increase in revenue is due to the rise in revenue from the distribution of trading data and derivative information to business customers outside Israel, to an increase in the volume of activity and to the updating of the pricelist (NIS 2.8 million). Add to that an increase in revenue from connectivity services (NIS 2.2 million) and an increase in revenue from the sale of information through TASE's API service (NIS 0.8 million).
Other revenue	5,064	5,712	(11%)	The reduction in revenue is due to the effect of an agreement signed between TASE and the Ministry of Finance in May 2021, which provides for the payment to the Company of a one-time settlement amount of NIS 3.8 million in respect of government bonds that were listed in the lending pool in the period up to 31.12.2020 (for further details see note 26 B to the Company's consolidated financial statements as of 31.12.2022), and was counteracted by a NIS 1.7 million increase in revenue from the Conference Center and trade openings and a NIS 1.3 million increase in respect of the sale of technological consulting services (an engagement that ended in the first half 2022).
Total revenue from services	361,011	323,657	12%	
Cost of revenue:				
Expenses with respect to employee benefits	147,905	148,395	(0%)	
Share-based payment expenses	530	739	(28%)	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 31.12.2022). The warrants plan for managers ended in July 2021.

Item	2022	2021	% change	Explanations for material changes
	NIS, in thousands			
Computer and communication expenses	29,953	27,823	8%	Most of the increase in expenses is due to new projects and to a rise in licensing expenses.
Property taxes and building maintenance expenses	13,798	13,190	5%	Most of the increase is due to an increase in security and electricity expenses.
General and administrative expenses	11,648	10,883	7%	Most of the increase is due to an increase in legal and other consulting expenses. In addition, in 2021 a court fees' reimbursement in an amount of NIS 0.5 million was received.
Marketing expenses	13,171	11,203	18%	The expenses in this item are affected mainly by the timing of the performance of the Group's marketing activities. The expenses include the cost of the sponsorship agreement with the Israeli Professional Football Leagues, which ended in May 2022, and campaigns. In 2022, two television campaigns were conducted, as compared to one in 2021.
Fee to the Israel Securities Authority	9,341	9,123	2%	
Depreciation and amortization expenses	51,335	47,618	8%	The increase in the depreciation expenses is due mainly to the upgrading of infrastructures and the launching of new products in the trading and clearing environment. as well as to the acceleration of the depreciation of equipment that has been replaced in an amount of NIS 0.5 million.
Other expenses	132	262	(50%)	Other expenses mainly reflect capital losses on retirements of intangible assets and property and equipment.
Total cost of revenue	277,813	269,236	3%	
Profit before financing income (expenses), net	83,198	54,421	53%	
Total financing income (expenses), net	(13,225)	4,540	-	The transition to financing expenses is due to the negative yield of 7.0% on the Company's investments in financial assets held for trading, compared to a positive yield of 2.5% in 2021.
Profit before taxes on income	69,973	58,961	19%	
Taxes on income	19,137	13,491	42%	The increase in expenses was due to the higher pre-tax profit and the reduction in the fair value of the Company's investments in government bonds for which deferred taxes were not created.
Profit for the year	50,836	45,470	12%	The increase in profit in 2022 compared to 2021, is due to an increase in revenue from services, and was partly offset by an increase in costs, financing expenses and tax, as described above.

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

Item	Year ended 31.12.22	Year ended 31.12.21	% Change	Explanations for material changes
	NIS, in thousands			
Shares and convertibles	58,469	49,538	18%	The increase in revenue is due mainly to the increase in the trading volumes between the years, from an average daily trading volume of NIS 1.88 billion in 2021 to an average daily trading volume of NIS 2.30 billion in 2022, a 22% increase in revenue. In opposition, a reduction in the effective commission rate (mainly as a result of the increase in the volume of transactions that are affected by the existence of a maximum commission), deducted 4% from the increase in revenue.
Corporate bonds	18,036	15,674	15%	The increase in revenue is due mainly to the increase of the trading volumes in corporate bonds, from an average daily trading volume of NIS 0.9 billion in 2021 to an average daily trading volume of NIS 1.05 billion in 2022, an increase of 15% in revenue.
Government bonds	13,770	16,839	(18%)	The decrease in revenue is due mainly to the reduction from an average daily trading volume of NIS 3.0 billion in 2021 to an average daily trading volume of NIS 2.4 billion in 2022, a decrease of 19% in revenue.
Derivatives	20,900	20,608	1%	The increase in revenue is due to the rise in the effective commission rate as a result of a change in the mix of transactions on the various underlying assets.
Mutual funds clearing	24,732	26,054	(5%)	The decrease in revenue is due mainly to the reduction in the effective commission rate (primarily as a result of the increase in the percentage of transactions that are affected by the existence of a minimum commission), a 16% decrease in revenue, which was partly offset by an increase in the volume of creations and redemptions of mutual fund units, from an average daily volume of NIS 0.89 billion in 2021 to an average daily volume of NIS 1.0 billion in 2022, an 11% increase in revenue.
T-bills (Makams) and other	6,583	2,403	174%	The increase in revenue is due mainly to an increase in the trading volumes of T-bills from an average daily volume of NIS 0.3 billion in 2021 to an average daily trading volume of NIS 0.8 billion in 2022, a 145% increase in revenue, and to an increase in the effective commission rate (mainly as a result of the reduction in the volume of transactions that are affected by the existence of a maximum commission and the cancellation of the maximum commission at the end of October 2022), an increase of 58% in revenue.
Total	142,490	131,116	9%	

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 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 note 26 B to the Company's consolidated financial statements as of 31.12.2022). 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 note 26 B to the Company's consolidated financial statements as of 31.12.2022), 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, which are partly due to an increase in the volume of 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, 2022). 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.
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 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.

1.3.4 Presented below are data relating to the trading and clearing revenue (reported amounts) for the years 2021 and 2020:

Item	Year ended 31.12.2021	Year ended 31.12.2020	% 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 billion in 2020 to an average daily volume of NIS 1.88 billion 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 increase in the percentage 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 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 2022 and for the fourth quarter of 2021 (NIS, in thousands)

Item	Jan-Mar 2022	Apr-Jun 2022	Jul-Sep 2022	Oct-Dec 2022	2022	Oct-Dec 2021
		(Unaudited)			(Audited)	(unaudited)
Trading days	**63**	**61**	**61**	**59**	**244**	**65**
Revenue from services:						
Trading and clearing commissions	39,445	35,872	33,412	33,761	142,490	36,625
Listing fees and levies	24,789	20,256	19,927	19,517	84,489	17,440
Clearing House services	17,352	18,345	17,340	17,871	70,980	17,578
Data distribution and connectivity services	14,299	15,076	14,407	14,278	58,060	13,516
Other revenue	1,791	1,437	938	898	5,064	568
Total revenue from services	**97,676**	**90,986**	**86,024**	**86,325**	**361,011**	**85,727**
Cost of revenue						
Expenses with respect to employee benefits, net	40,153	38,333	34,288	35,131	147,905	37,666
Share-based payment expenses	131	132	133	134	530	134
Computer and communication expenses	6,830	7,362	7,331	8,430	29,953	7,400
Property taxes and building maintenance expenses	3,140	3,347	3,825	3,486	13,798	3,458
General and administrative expenses	2,658	2,299	3,351	3,340	11,648	3,244
Marketing expenses	5,740	1,583	4,303	1,545	13,171	2,176
Fee to the Israel Securities Authority	2,306	2,307	2,393	2,335	9,341	2,281
Depreciation and amortization expenses	12,448	12,736	13,090	13,061	51,335	12,193
Other expenses	-	46	80	6	132	155
Total cost of revenue	**73,406**	**68,145**	**68,794**	**67,468**	**277,813**	**68,707**
Profit before financing income (expenses), net	**24,270**	**22,841**	**17,230**	**18,857**	**83,198**	**17,020**
Financing income	(5,105)	(3,302)	(4,033)	(362)	(12,802)	1,555
Financing expenses	102	114	95	112	423	285
Total financing income (expenses), net	**(5,207)**	**(3,416)**	**(4,128)**	**(474)**	**(13,225)**	**1,270**
Profit before taxes on income	**19,063**	**19,425**	**13,102**	**18,383**	**69,973**	**18,290**
Taxes on income	4,344	5,220	4,395	5,178	19,137	4,189
Profit	**14,719**	**14,205**	**8,707**	**13,205**	**50,836**	**14,101**
Other comprehensive income(loss):						
Remeasurement of net liability with respect to defined benefit, net of tax	9,971	2,883	3,275	5,614	21,743	(2,324)
Comprehensive income	**24,690**	**17,088**	**11,982**	**18,819**	**72,579**	**11,777**

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:

	31.12.2021	31.12.2020
Condensed statement of financial position	**NIS, in thousands**	
Cash and cash equivalents	192,416	176,768
Financial assets at fair value through profit or loss	196,211	210,289
Cash, cash equivalents and financial assets (*)	**388,627**	**390,057**

(*) 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 5 to the consolidated financial statements of the Company as of 31.12.2022). The surplus liquidity of the Group after implementation of the liquidity requirements is NIS 257 million as of 31.12.2022 (NIS 165 million as of 31.12.2021). For information regarding the Company's resolution on the updating of the capital and liquidity model, see section 2.4.3 below.

Credit facilities

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, as necessary, 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 31.12.2023.

1.5.2 Cash flows (NIS, in millions)

Item		Data for the three months ended December 31 2022	2021	Explanations of the Company
Opening balance		**182.8**	**154.1**	
Net cash from operating activities	Adjusted EBITDA	32.1	29.5	The increase in adjusted EBITDA is due mainly to the increase in revenue from services and the reduction in expenses.
	Changes in working capital	(1..5)	11.1	The decrease in working capital is due mainly to the decrease in deferred income from listing fees as a result of an update to the estimated period of revenue recognition from listing fees on shares and ETFs (for further details, see section 1.6.4 below), and to the timing of payments to suppliers.
	Financing and tax	(0.8)	(4.0)	The decrease is due mainly to a reduction in tax payments, net in the quarter compared to the corresponding quarter last year.
	Total	**29.8**	**36.6**	Cash flows from operating activities decreased by 19% between the quarters.
Net cash from (for) investing activities	Investments in property and equipment and in intangible assets and capitalized payroll costs	(8.4)	(6.2)	The increase is due to the timing of implementation of the Group's investment work plan in the quarters.
	Acquisition of financial assets, net	(8.2)	(1.5)	Acquisition and realization of assets in accordance with the Company's investment policy.
	Total	**(16.6)**	**(7.7)**	
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 31.12.2022).
	Lease payments	(2.2)	(2.3)	
	Payments for the acquisition of treasury shares	(0.9)	-	Buyback of Company shares in accordance with an approved buyback plan (for further details, see section 1.6.2 below).
	Repayment of short-term credit	(0.5)	-	Short-term credit as a result of the buyback of Company shares in trust.
	Total	**(3.6)**	**(3.1)**	
Total increase in cash and cash equivalents		**9.6**	**25.8**	
Effect of changes in exchange rates on cash balances held in foreign currency		**-**	**(0.1)**	
Closing balance		**194.2**	**179.8**	

Item		Data for the year ended 31.12.2022	Data for the year ended 31.12.2021	Data for the year ended 31.12.2020	Explanations of the Company
Opening balance		**179.7**	**142.1**	**103.9**	
Net cash from operating activities	Adjusted EBITDA	135.2	103.0	95.1	The increase in adjusted EBITDA in 2022 compared to 2021 is due mainly to an increase in revenue from services, which was partly offset by an increase in expenses, primarily computer and communication expenses and marketing expenses.
	Changes in working capital	(7.0)	13.8	6.7	The decrease in working capital is due mainly to the decrease in deferred income from listing fees as a result of an update to the estimated period of revenue recognition from listing fees on shares and ETFs (for further details, see section 1.6.4 below), and to the timing of payments to suppliers.
	Financing and tax	(8.6)	(10.4)	(6.4)	The decrease in 2022 compared to 2021 is due to an increase in interest receipts, net and to a reduction in tax payments, net.
	Total	**119.6**	**106.4**	**95.4**	
Net cash for investing activities	Investments in property and equipment and in intangible assets and capitalized payroll costs	(48.3)	(35.6)	(37.9)	The increase is due to the timing of implementation of the Group's investment work plan in the periods.
	Acquisition of financial assets, net	(4.6)	(4.6)	(4.2)	Acquisition of assets in accordance with the Company's investment policy.
	Total	**(52.9)**	**(40.2)**	**(42.1)**	
Net Cash for financing activities	Receipts (payments) carried directly to equity within the framework of implementing the ownership restructuring, net.	8.2	(0.8)	3.7	Receipts from a shareholder that realized shares that are subject to the provisions of the TASE Restructuring Law. In 2021, VAT paid on inputs carried to equity pursuant to an assessments agreement.
	Lease payments	(8.8)	(9.1)	(9.9)	

Payments for the acquisition of treasury shares	(31.3)	-	-	Buyback of Company shares in accordance with an approved buyback plan (for further details, see section 1.6.2 below).
Dividend paid	(22.7)	(18.5)	(8.8)	Dividend paid, for further details, see section 1.6.1 below.
Total	**(54.6)**	**(28.4)**	**(15.0)**	
Total increase in cash and cash equivalents	**12.1**	**37.8**	**38.3**	
Effect of changes in exchange rates on cash balances held in foreign currency	**0.6**	**(0.2)**	**(0.1)**	
Closing balance	**192.4**	**179.7**	**142.1**	

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 31.12.2022 and 31.12.2021 amounted to NIS 16,021 thousand and NIS 15,438 thousand, respectively. The increase 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 31.12.2022 and 31.12.2021 amounted to NIS 13,864 thousand and NIS 18,985 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 5.4.2021, 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 23.3.2021.
- On 7.4.2022, a dividend of NIS 22,735 thousand representing NIS 0.2220 per ordinary share was paid to the Company's shareholders of record as of 30.3.2022.

1.6.2 Buyback of the Company's shares

In March 2022, the Board of Directors of the Company 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.

Following the formulation of such plan, in May 2022, the Board of Directors of the Company, having reviewed the distribution criteria in accordance with the provisions of Section 302 of the Companies Law, 1999 (hereafter: "the Distribution Criteria"), approved a first plan for the buyback of Company shares in an amount of up to NIS 36 million over a six-month period. Accordingly, in the period from 26.5.2022 to the termination of the first plan, the Company bought back, as part of the trading on TASE, 1,844 thousand of its ordinary shares in consideration for NIS 30.4 million.

On 29.11.2022, after establishing the fulfillment of the Distribution Criteria, the Board of Directors of the Company approved an additional plan for the buyback of Company shares in an amount of up to NIS 36 million and for a period of six months. In the period from 29.11.2022 to 31.12.2022, the Company bought back, as part of the trading on TASE, 47 thousand of its ordinary shares in consideration for NIS 1 million. After the date of the report until shortly before the date of approval of the report, the Company bought back 1,183 thousand of its ordinary shares in consideration for NIS 21.8 million.

For further details, see section 1.4 of Part One, "Description of the Company's Business", which is included in this Periodic Report.

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

In 2022, shareholders realized 485,401 Company shares held by them prior to the date of approval of the restructuring arrangement in TASE (hereafter: "the Arrangement Shares"). In respect of this realization and another realization carried out in December 2021, TASE received in 2022 an amount of NIS 8.2 million (of which NIS 2.7 million in respect of realizations made in December 2021, as mentioned above).

After the reporting date, some of the abovementioned shareholders sold additional Arrangement Shares, for a total consideration of approximately NIS 2.6 million, with respect to which, in March 2023 the Company received NIS 1.85 million (based on the rate of NIS 5.08 per share, as detailed above).

Shortly before the date of approval of the financial statements, to the best of the Company's knowledge, shareholders hold 18,256,927 Company shares that they had held prior to the date of approval of the restructuring in TASE. The share price as of 27.03.2023 (shortly before the approval of the financial statements) is NIS 17.72. According to the TASE Restructuring Law

and as stated in note 1.B. and in note 18 C.(2) to the annual financial statements, should the shareholders realize the shares that they hold, the amount of adjusted excess consideration in excess of NIS 4.59 per share (NIS 5.08 less an amount equal to the amount of the dividends distributed, as stated in section 1.3.1 of Part A, "Description of the Company's Business", included in this report) will be transferred to the Company and used for the purposes prescribed in the Law. Such excess consideration will be carried directly to the equity of the Company. For further details, see section 1.3.1 of Part One, "Description of the Company's Business".

1.6.4 Changes in estimates reported in prior reporting periods

As part of a process for the validation of estimates and in view of changes that occurred in offerings on TASE over the past three years, the Company examined the estimate concerning the period over which the securities of the customer are traded on TASE, for revenue recognition purposes. The examination was performed in relation to the period for recognition of income from listing fees on shares (in IPOs and secondary offerings) and on ETFs. Based on an examination performed by the Company, the period of recognition of revenue from listing fees on the initial listing of shares and on the listing of ETFs and ETNs is 12 years, and on the secondary offering of shares, 6 years.

Consequently, in respect of contracts for which the performance obligation, according to the updated estimate, ended by 1.1.2022, the Company recognized revenue from listing fees in an amount of NIS 4.3 million. In respect of contracts for which the performance obligation has not yet ended as of 1.1.2022, the remaining performance obligation period has been adjusted to the current estimate, resulting in an increase of NIS 4 million in revenue from listing fees.

For additional information, see note 3 D to the Company's consolidated financial statements as of 31.12.2022.

1.6.5 Approval of a Strategic Plan

On 23.10.2022, the Board of Directors of the Company approved a new strategic plan for the years 2023-2027. Within this framework, the Board of Directors of the Company approved the advancement of a restructuring in the TASE Group in order to ensure the implementation of the aforesaid strategic plan and to further the continued development and upgrading of the capital market for the benefit of the public.

For further details, see section 1.36 of Part One, "Description of the Company's Business", which is included in this Periodic Report.

1.6.6 Replacement of the Chairman of the Board of Directors

On 10.5.2022, the Chairman of the Board of Directors of TASE, Mr. Arik Steinberg, stepped down from all of his duties in the TASE Group. Mr. Steinberg, who had served as Interim Chairman and has even been elected for permanent office in this position, announced his retirement. Consequently, the Board of Directors of the Company appointed Mr. Salah Saabneh as Interim Chairman of the Board of Directors, pending the completion of a process for the sourcing and appointment of a new Chairman of the Board of Directors for the Company.

1.6.7 Legal Proceedings - Motion Against the Israel Securities Authority

On 31.8.2022, the Company filed with the Supreme Court in its capacity as the High Court of Justice a motion for the issue of an order nisi against the Israel Securities Authority in connection with the latter's refrainment from approving the resolution of the Board of Directors of TASE from 20.3.2022 to amend the TASE Rules (hereafter: "the TASE Resolution") as regarding "Sources and Uses for the Development of the Indices' Activity on TASE - Pricelist Amendment" (hereafter in this section: "the Indices' Activity"). On 2.11.2022, the Company consented to the dismissal of the motion without adjudication of costs, while maintaining all of the rights and claims of the Company with regard to additional topics addressed in the motion that have not yet been resolved, and on 3.11.2022 the Supreme Court approved the dismissal of the motion. For information regarding the notice of the Israel Securities Authority in connection with the updating of the indices' tariffs and the continued Indices' Activity, see section 1.6.8 below.

For further details, see section 1.35 of Part One, "Description of the Company's Business", which is included in this Periodic Report.

1.6.8 Securities Indices

On 21.12.2022, the Company received the resolution of the Israel Securities Authority's Secondary Market Committee concerning amendments to the TASE Rules and the regulations by virtue thereof in connection with indices' activity on TASE (hereafter: "the Authority's Resolution") pursuant to which, inter alia, the Committee has approved the amendment of the pricelist concerning the TASE indices (hereafter: "the Indices' Pricelist"). At the same time, the Committee determines that TASE's engagement in the editing and calculation of the indices will be deemed as an auxiliary service that raises substantial concern for a conflict of interest with its engagement in the management of a securities' trading system, in which it may continue to engage subject to its compliance with certain terms, as set forth in the Authority's Resolution (hereafter: "the Terms for the Indices' Activity"), within the timeframes stipulated ion the Authority's Resolution for their implementation, ranging from three months to one year. It should be noted that the Terms for the Indices' Activity mainly address the improvement of corporate governance rules and the implementation of organizational, professional and operational segregation of duties in the Company between the Indices' Activity and the trading management activity, and have been set based on discussions with the Company.

It is hereby clarified that the approval of the amendment of the Indices' Pricelist is not conditional on the fulfillment of the Terms for the Indices' Activity, and therefore the new rates pursuant to the Indices' Pricelist will take effect gradually, in two steps - the first at a partial rate of 50% commencing on 1.1.2023, and the second at the full rate commencing on 1.1.2024.

For further details, see section 1.35.1 of Part One, "Description of the Company's Business", which is included in this Periodic Report.

1.6.9 Collective Relations in the Company

On 14.9.2022, the collective agreements at TASE expired. On 6.11.2022, a labor dispute was declared at TASE. In accordance with the Labor Disputes Law, commencing on 21.11.2022 and subject to obtaining the Labor Federation's consent, the employees are entitled to initiate various organizational steps.

1.6.10 Bonus Plan for 2022

Pursuant to the approval of the 2021-2023 Compensation Policy and based on its principles, on 20.3.2022 the Board of Directors of the Company approved a bonus plan for the payment of an annual bonus for 2022. Following the approval of the Company's financial statements as of 31.12.2022, the payment of the bonuses under the 2022 bonus plan to 10 officers in a total amount of NIS 3,979 thousand was also approved.

For additional information, see section 1.26.8 of Part One, "Description of the Company's Business", which is included in this Periodic Report.

1.6.11 Compensation Policy

On 12.1.2023, the general meeting of the Company approved the updated compensation policy for officers in the Company for the years 2023-2025.

For further details, see section 1.26.7 of Part One, "Description of the Company's Business", which is included in this Periodic Report.

1.6.12 Bonus Plan for 2023

Pursuant to the approval of the 2023-2025 Compensation Policy and based on its principles, on 28.3.2023 the Board of Directors of the Company approved a bonus plan for the payment of an annual bonus for 2023 to all officers of the Company, excluding directors.

For additional information, see section 1.26.9 of Part One, "Description of the Company's Business", which is included in this Periodic Report.

1.6.13 Warrant Plan

On 26.2.2023, the Board of Directors of TASE, after obtaining the approval of the Compensation Committee, approved a plan for the grant of warrants to all officers of the Company, including directors, in a total quantity of up to 4,100,000 illiquid warrants, registered in name, for up to 4,100,000 ordinary shares without par value, subject to adjustments (hereafter: "the 2023 Warrant Plan"). Within this framework, the Board of Directors of TASE, after obtaining the approval of the Compensation Committee, approved the grant of 2,980,000 warrants to 9 officers reporting to the CEO, which are exercisable into shares of the Company in three equal annual batches, commencing at the end of 12 months from their allotment until the end of 48 months from that date, for an exercise price of NIS 24.386 per share. The cost of the benefit inherent in the warrants granted as aforesaid, based on their fair value on their grant date, amounted to NIS 10 million. The warrants will be allotted to a trustee, subject to the receipt of the approvals required pursuant to Section 102 of the Income Tax Ordinance under the capital gains track, and subject to obtaining TASE's approval for the listing of the exercise shares.

1.6.14 Retention Plan for the CEO

On 28.3.2023, the Company's Board of Directors, after receiving the Compensation Committee's approval and subject to obtaining the approval of the general meeting of the Company's shareholders, approved a plan for the retention of TASE's CEO (hereafter: "the Retention Plan"). Within the framework of the Retention Plan, it is prescribed that, subject to receiving the approvals required by law, on 1.6.2023, the Company will provide the CEO with a loan of NIS 3.5 million, for a period of five years, so long as the CEO continues to work at TASE at least until 31.5.2028; on 31.5.2028, the loan will be converted into a grant. In addition, subject to obtaining the necessary approvals, on 1.6.2023, the Company will grant 544,435 warrants to the CEO, which are convertible into 544,435 ordinary shares of the Company, in accordance with the terms set forth in the warrant plan for the CEO. The warrants will be convertible (by means of a cashless mechanism) from 1.6.2028 through 31.5.2030, at an exercise price of NIS 40 per warrant (subject to adjustments). The cost of the benefit inherent in the warrants that are granted as aforesaid, based on the fair value on their grant date, amounts to approximately NIS 1.5 million. The warrants will be allocated to a trustee, subject to obtaining the approvals required pursuant to Section 102 of the Income Tax Ordinance under the capital gains track, and subject to obtaining TASE's approval for the listing of the conversion shares.

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.

Following the advancement of the legislation concerning changes in the judicial system and its implications, together with the potential effects of the collapse of several mid-sized banks in the United States, and developments in principle macroeconomic indicators over the past year, such as the interest rate, the exchange rates and inflation – there is increased uncertainty in the economy and in the capital market.

In the assessment of the Company, these factors could impact the economy and the capital market in general, and the revenues of the Company, in particular, including in the medium and the long term. Accordingly, the Company decided to raise the estimated impact of the risk factor, "State of the economy and the state of the capital market and its image", from "low" to "medium".

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 Ben-Ezra.

For details regarding the education and experience of Mr. Yehuda Ben-Ezra, 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 31.12.2021, ESMA had given the Clearing Houses the temporary status of a qualifying clearing house, as is stated on ESMA's public websites. On 5.7.2021, ESMA gave notice that the recognition process had been extended until 28.6.2022.

On 22.6.2022, the European Union announced its recognition of Israeli regulation as equivalent to the EMIR principles. Consequently, ESMA questionnaires were delivered to TASE-CH and MAOF-CH, which are required to reapply for recognition as qualified counterparties.

On 31.10.2022, the Company submitted the reapplication on behalf of TASE-CH. It should be noted that the recognition by ESMA will enable the provision of clearing services to entities incorporated in European Union member states, the joining of such entities as TASE members and the clearing of financial instruments issued by European issuers, which according to European regulation requires such recognition. It should be noted that these actions are also consistent with the Company's strategy.

On 15.3.2023, ESMA announced that it recognizes the TASE Clearing House as a Tier-1 Third-Country CCP, in accordance with the principles of the applicable European regulation and that, therefore, the Clearing House is qualified to provide clearing services to EU member states for a variety of financial instruments.

The classification of the Clearing House as a Tier-1 Third-Country CCP signifies that the Clearing House was established in a country outside the European Union, and is not deemed as systemically important to the stability of the European Union or of any of its member states, and is not expected to become systemically important, considering its current activity and characteristics.

At this stage, the TASE staff has decided to suspend the reapplication on behalf of MAOF-CH.

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 based 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 regularly acts to improve and upgrade its 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 to improve and upgrade the risk management array were as follows:

2.4.1 Development of a Recovery Plan

On 24.5.2022, the Board of Directors of TASE approved a comprehensive recovery plan for the TASE Group, in accordance with the Israel Securities Authority's Clearing Houses' Stability Directive and with the PFMI principles.

The plan focuses on the various recovery aspects and the steps that the Group and/or any of the Clearing Houses would be required to implement in the event of realization of various business, financial and operational stress scenarios, or even in the event of the crossing of the thresholds set in relation to various indicators as alerts prior to the realization of the stress scenarios.

2.4.2 Mix of the Default Fund and Safety Factors Model

On 29.6.2022 the Clearing Houses entered into an addendum to the framework agreements with the Bank of Israel with respect to repo transactions in relation to securities that are deposited as collateral at the Clearing Houses in the event of default by Clearing members (hereafter: "the Liquidity Agreements"), by virtue of which the period of the Liquidity Agreements was extended by 3 months, until 30.9.2022, on which date they expired.

As part of the preparations for the termination of the Liquidity Agreements and in view of the provisions of the Rules Securing the Proper Operation of The Tel Aviv Stock Exchange Clearing House Ltd. and of The MAOF Clearing House Ltd., in July 2022, each of the Clearing Houses notified its members of a change in the cash component of the Default Fund, pursuant to which this component will constitute at least 50% of the total collateral that each of the aforesaid is

required to deposit in the Default Fund, this in accordance with the recommendation of the Committee for the Management and Calculation of the Default Fund. On 8.8.2022, the Audit Committee and the Board of Directors of each of the Clearing Houses approved the aforesaid change in the rate of the cash component. In addition, the Board of Directors of each of the Clearing Houses approved the updating of the safety factors (haircut) model, concerning the value for security purposes of securities that are deposited as collateral in the TASE Clearing House and the MAOF Clearing House, and with regard to the MAOF Clearing House it has been determined that the cash component with respect to MAOF transactions carried out by a Clearing member will be an amount equal to at least 35% of the total current collateral that such member is required to furnish.

In January 2023, the Audit Committee and the Board of Directors of TASE-CH approved an increase in the minimum cash component that each member is required to deposit as collateral in the Default Fund of TASE-CH to 100%.

2.4.3 **Updating of the Capital and Liquidity Model**

On 29.11.2022, the Board of Directors of TASE and the Boards of Directors of each of the Clearing Houses approved a methodology update concerning the calculation of the qualified capital, the liquid assets and the capital and liquidity requirements, that provides, inter alia, for the calculation of "required levels of capital and liquidity" (based on the Clearing Houses' Stability Directive, for the Clearing Houses, and based on the general framework of the Banking Supervision Directives, with the adjustments necessary for the activity of TASE, at TASE). The Boards of Directors also approved the establishment additional capital and liquidity safety cushions, which serve as an additional layer for handling stress scenarios and are at the discretion of the Board of Directors.

The effect on the Group of the implementation methodology for the setting of the required capital and liquidity levels, as above, had all of the necessary internal processes been fully implemented as of 31.12.2021, would have been an increase of NIS 202 million in the Company's qualified capital to a total of NIS 747 million, an increase of NIS 286 million in the capital surplus to a total of NIS 597 million, an increase of NIS 61 million in the balance of liquid assets to a total of NIS 373 million, and an increase of NIS 95 million in the liquidity surplus to a total of NIS 260 million. For additional information, see note 5 to the Company's consolidated financial statements as of 31.12.2022, which are included in this Periodic Report.

2.4.4 **Submission of an application to ESMA for the recognition of TASE-CH as a third-country qualified CCP**

On 22.6.2022, the European Union announced its recognition of Israeli regulation as equivalent to the EMIR principles. Consequently, ESMA questionnaires were delivered to TASE-CH and MAOF-CH, which were required to reapply for recognition as qualified counterparties.

On 31.10.2022, the Company submitted the application on behalf of TASE-CH. On 1.2.2023, ESMA notified TASE-CH that the application process has been completed and that ESMA is obligated to rule on the recognition within 180 working days.

On 15.3.2023, ESMA announced that it recognizes TASE-CH as a Tier-1 Third-Country CCP, in accordance with the principles of the applicable European regulation. For additional details, see section 2.2 above.

At this stage, the TASE staff has decided to suspend the reapplication on behalf of MAOF-CH. For additional information, see section 2.2 above.

2.4.5 **Validation of the risk-rating methodology**

On 15.9.2022, the Board of Directors of TASE approved a validation of the risk-rating methodology performed by outside consultants. The principals of the examination indicate that TASE's methodology for assessing the severity levels of the risks, taking into consideration the inherent risk and the residual risk, is acceptable both as a good practice and as a common practice and its principles are aligned with the internationally accepted COSO methodology.

2.4.6 **Development and institution of a risk management policy**

On 24.5.2022, the Board of Directors of TASE approved, for the first time, a policy for the management of collateral at the TASE Group and a policy for the setting of a margin requirement at the TASE Group. The policy documents are designed to constitute and formalize a cross-organizational framework - at the TASE Group, for definition, specification and control in relation to the deposited collaterals and the margin requirement at TASE's Clearing Houses, including the mitigation of potential exposures in relation to such issues, all for the purpose of enhancing the ability of the Clearing Houses to optimally manage the collaterals and the margin requirement.

On 15.9.2022, the Board of Directors of TASE approved, for the first time, a policy for the management of the goodwill risk. The policy is designed to serve as a general framework for the management of the goodwill risk, including the goodwill risk management approach, the areas of responsibility, authority and reporting.

2.4.7 **Clearing member default procedure drill**

On 21.9.2022, the first Clearing member default procedure drill was performed at TASE's Clearing Houses. The drill simulated default by one of the Clearing members as an internal walkthrough of the activation of the procedure and the related computerized simulation tools. The purpose of the drill is to raise awareness and improve readiness and the synchronization of the functions involved.

2.4.8 **Validation of the models for the calculation of the Default Funds of TASE's Clearing Houses**

In accordance with the Rules Securing the Proper Operation of TASE's Clearing Houses and with the model risk management at the TASE Group, in 2022 outside consultants validated the models of the Default Funds at TASE's Clearing Houses. On 28.12.2022, the Board of Directors of the MAOF Clearing House was presented with the findings of the validation of the MAOF Clearing House Default Fund, which indicated that the model coincides with the Clearing House's risk profile, with no material gaps that require immediate action.

2.4.9 **Upgrading of the calculation of the MAOF Clearing House end-of-day margin model**

Upgrading of the calculation of the MAOF Clearing House end-of-day margin model, such that the set of scenarios at the end of every trading day will be calculated for the updated price of the underlying asset, and for TA-35 Index and dollar underlying assets, also using the updated implied volatility. The upgrade is designed to enable the establishment of the margin requirement at the end of the trading day on the basis of updated data, thereby reducing the differences between the margin requirement at the end of the trading day and at the beginning of the following trading day, and to ensure a more proper use of the scan range parameters of the prices of the underlying assets.

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.

The main credit risk in the Group derives from 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 31.12.2022, 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, and so forth.

In January 2023, the Audit Committee and the Board of Directors of TASE-CH approved an increase in the minimum cash component that each member is required to deposit as collateral in the Default Fund of TASE-CH to 100%.

For further details, see note 4 to the Company's consolidated financial statements as of 31.12.2022, 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 31.12.2022, 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.

The Company believes that its exposure to Consumer Price Index risk with respect to its holdings in securities that are not CPI-linked is immaterial, since, inter alia, part of the Company's revenue is linked to the CPI. For details regarding the Company's exposure to changes in the interest rate, see note 8 to the consolidated financial statements of the Company as of 31.12.2022, which are included in this Periodic Report.

For further details, see note 4 to the Company's consolidated financial statements as of 31.12.2022, 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 1.38.11 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 31.12.2022 and 31.12.2021 (NIS, in thousands):**

	31.12.2022					
	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 31.12.2022
Assets:						
Current assets:						
Cash and cash equivalents and short-term investments	5,424	92,088	291,115	-	-	388,627
Trade receivables	1,726	-	14,295	-	-	16,021
Other receivables	-	590	672	-	6,308	7,570
Assets derived from clearing operations with respect to open derivative positions	-	-	-	937,259	-	937,259
Non-current assets:						
Property and equipment and intangible assets, net	-	-	-	-	455,662	455,662
Deferred taxes and other assets	-	-	-	-	5,586	5,586
Other long-term receivables	-	-	720	-	685	1,405
Total assets	**7,150**	**92,678**	**306,802**	**937,259**	**468,241**	**1,812,130**
Liabilities:						
Current liabilities:						
Trade payables	27	-	13,837	-	-	13,864
Current liabilities for employee benefits	-	-	37,564	-	-	37,564
Other payables	-	-	3,036	-	-	3,036
Current maturities of lease liabilities	-	2,996	5,477	-	-	8,473
Liabilities for current taxes	-	-	4,743	-	-	4,743
Deferred income from listing fees and levies	-	-	-	-	28,412	28,412
Liabilities derived from clearing operations with respect to open derivative positions	-	-	-	937,259	-	937,259
Non-current liabilities (including current maturities):						
Non-current liabilities for employee benefits	-	-	-	-	6,580	6,580
Lease liabilities	-	3,853	2,719	-	-	6,572
Deferred income from listing fees and levies	-	-	-	-	78,459	78,459
Other liabilities	-	-	720	-	-	720
Total liabilities	**27**	**6,849**	**68,096**	**937,259**	**113,451**	**1,125,682**
Excess assets over liabilities	**7,123**	**85,829**	**238,706**	**-**	**354,790**	**686,448**

	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**

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 and in the CPI, see note 8 E to the Company's consolidated financial statements as of 31.12.2022, 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 31.12.2022, 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 31.12.2022, 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 31.12.2022, 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 31.12.2022 and 31.12.2021:

	As of 31.12.2022	Maximum value for 2022	Average for 2022
	NIS, in millions		
The VaR for the investment portfolio and the cash balance held in foreign currency	9.4	10.2	9.6
	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

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 31.12.2021, 31.3.2022, 30.6.2022 and 30.9.2022, 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 2022 no monetary donations were made in the name of the Company.

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:

- Ms. Merav Ben Canaan Heller – external director, independent director, recommended by the Nominations Committee.
- Mr. Salah Saabneh – director, Interim Chairman of the Board of Directors since 27.4.2022.
- Mr. Yoav Chelouche – external director, independent director, recommended by the Nominations Committee.

- Mr. Arik Steinberg – director (served as Chairman of the Board of Directors since 1.8.2021 until the end of his office on 10.5.2022).
- Mr. Aharon Aharon - external director, independent director recommended by the Nominations Committee (serves since 12.1.2022).

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 15.4.2011 and with the Clearing Houses since 5.5.2011.

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 31.12.2023 (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 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 2022 was discussed at the Company's Audit Committee and was approved by the Company's Board of Directors on 20.1.2022.

The work plan for 2022 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 EVPs.

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 management, 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 2022 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 2022:

Topic covered in the report	Date of report's final presentation	Date of Audit Committee discussion
Security and information	14.6.2022	23.6.2022
Comprehensive audit of HR	10.7.2022	4.8.2022
Administrative enforcement, including compliance and enforcement	18.10.2022	22.11.2022
Treasury, controllership and payments	20.11.2022	15.12.2022
Implementation of recommendations from the years 2020-2021	8.12.2022	15.12.2022

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 2022:

Name of auditors	Service	Professional fees (NIS, in thousands)
Brightman Almagor Zohar & Co., CPAs	Audit	450
	Tax and consulting services	13

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 2021:

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

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 1.8.2019, 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 2022 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 1.8.2024.

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.

Salah Saabneh	**Ittai Ben-Zeev**
Interim Chairman of Board of Directors*	**Chief Executive Officer**

* For details regarding the appointment of Mr. Saabneh as Chairman of the Board of Directors of the Company, see section 1.26.11.1 of Part One, "Description of the Company's Business", which is included in this Periodic Report.

Date: March 28, 2023

TEL AVIV STOCK EXCHANGE
הבורסה לניירות ערך תל אביב

PART 3

Consolidated Statements of Financial Position as of December 31, 2022

Separate Financial Information as of December 31, 2022



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, 2022

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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, 2022 and 2021, 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, 2022. 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, 2022 and 2021, 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, 2022, 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 28, 2023

Tel Aviv - Main Office
1 Azrieli Center Tel Aviv, 6701101 P.O.B. 16593 Tel Aviv, 6116402 | Tel: +972 (3) 608 5555 | info@deloitte.co.il

Jerusalem
3 Kiryat Ha'Mada
Har Hotzvim Tower
Jerusalem, 914510
D. BOX 45396
Tel: +972 (2) 501 8888
Fax: +972 (2) 537 4173
info-jer@deloitte.co.il

Haifa
5 Ma'aleh Hashichrur
P.O.B. 5648
Haifa, 3105502
Tel: +972 (4) 860 7333
Fax: +972 (4) 867 2528
info-haifa@deloitte.co.il

Eilat
The City Center
P.O.B. 583
Eilat, 8810402
Tel: +972 (8) 637 5676
Fax: +972 (8) 637 1628
info-eilat@deloitte.co.il

Nazareth
9 Marj Ibn Amer St.
Nazareth, 16100
Tel: +972 (73) 399 4455
Fax: +972 (73) 399 4455
info-nazareth@deloitte.co.il

	Note	December 31, 2022	December 31, 2021
		NIS, in thousands	NIS, in thousands
Assets			
Current assets			
Cash and cash equivalents	6 A	192,416	179,768
Financial assets at fair value through profit or loss	8	196,211	210,289
Trade receivables		16,021	15,438
Other receivables	11 B	7,570	9,307
		412,218	414,802
Assets derived from clearing operations with respect to open derivative positions	7	937,259	665,271
Total current assets		1,349,477	1,080,073
Non-current assets			
Earmarked Cash	6 B	720	720
Deferred Tax Assets	16	5,586	15,157
Property and equipment, net	10, 11	315,598	333,109
Intangible assets, net	12	140,064	128,680
Other long terms receivables	24 B	685	1,689
Total non-current assets		462,653	479,355
Total assets		**1,812,130**	**1,559,428**

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

	Note	December 31, 2022 NIS, in thousands	December 31, 2021 NIS, in thousands
Liabilities and Equity			
Current liabilities			
Current maturities of lease liabilities	11 B	8,473	8,726
Trade payables		13,864	18,985
Other payables		3,086	3,872
Deferred income from listing fees, levies and other	14	28,412	24,588
Current tax liabilities	16	4,743	2,181
Short-term liabilities for employee benefits	13	37,564	32,878
		96,092	91,230
Liabilities derived from clearing operations with respect to open derivative positions	7	937,259	665,271
Total current liabilities		1,033,351	756,501
Non-current liabilities			
Lease liabilities	11 B	6,572	14,410
Deferred income from listing fees and levies	14	78,459	86,439
Non-current liabilities for employee benefits	13	6,580	39,490
Other liabilities	6 B	720	720
Total non-current liabilities		92,331	141,059
Equity			
Remeasurement of net defined benefit liability		5,207	(16,536)
Share-based payments reserve	15	33,787	33,257
Other capital reserves	18 C	54,222	48,698
Retained earnings		593,232	596,449
Total equity		686,448	661,868
Total liabilities and equity		**1,812,130**	**1,559,428**

March 28, 2023			
Date of Financial Statements Approval	**Salah Saabneh Interim Chairman of the Board of Directors**	**Ittai Ben Zeev CEO**	**Yehuda Ben Ezra EVP, CFO**

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

TEL-AVIV STOCK EXCHANGE LTD.
Consolidated Statements of Profit or Loss

	Note	Year Ended December 31,		
		2022	2021	2020
		NIS, in thousands	NIS, in thousands	NIS, in thousands
Revenue from services:	20			
Trading and clearing commissions		142,490	131,116	136,451
Listing fees and levies		84,489	69,056	59,887
Clearing House services		70,908	65,505	57,453
Data distribution and connectivity services		58,060	52,268	48,408
Other revenue		5,064	5,712	2,067
Total revenue from services		361,011	323,657	304,266
Costs:				
Employee benefits expenses	21 A	147,905	148,395	139,355
Share-based payments expenses	15	530	739	1,280
Computer and communications expenses		29,953	27,823	26,753
Property taxes and building maintenance expenses		13,798	13,190	11,762
General and administrative expenses		11,648	10,883	9,373
Marketing expenses		13,171	11,203	11,098
Fee to the Israel Securities Authority		9,341	9,123	10,776
Depreciation and amortization expenses	21 B	51,335	47,618	44,510
Other expenses		132	262	587
Total costs		277,813	269,236	255,494
Profit before financing income (expenses), net		83,198	54,421	48,772
Financing income		(12,802)	5,488	410
Financing expenses		423	948	983
Total financing income (expenses), net	22	(13,225)	4,540	(573)
Profit before tax on income		69,973	58,961	48,199
Taxes on income	16	19,137	13,491	11,295
Profit for the year		**50,836**	**45,470**	**36,904**
Basic earnings per share in NIS	**23**	**0.500**	**0. 449**	**0.368**
Diluted earnings per share in NIS	**23**	**0.492**	**0.436**	**0.358**

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

	Year Ended December 31,		
	2022	2021	2020
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Profit for the year	50,836	45,470	36,904
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	21,743	1,373	(1,004)
Comprehensive income for the year	**72,579**	**46,843**	**35,900**

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

TEL-AVIV STOCK EXCHANGE LTD.
Consolidated Statements of Changes in Equity

	Share-based payments reserve	Remeasurement of net defined benefit liability	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, 2020	31,238	(16,905)	43,079	541,295	598,707
Profit for the year	-	-	-	36,904	36,904
Other comprehensive income (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 at December 31, 2020	**32,518**	**(17,909)**	**46,802**	**569,429**	**630,840**
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 at December 31, 2021	**33,257**	**(16,536)**	**48,698**	**596,449**	**661,868**

	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, 2022	33,257	(16,536)	48,698	596,449	661,868
Profit for the year	-	-	-	50,836	50,836
Other comprehensive income for the year	-	21,743	-	-	21,743
Total comprehensive income for the year	-	21,743	-	50,836	72,579
Dividend paid	-	-	-	(22,735)	(22,735)
Share-based payment	530	-	-	-	530
Acquisition of treasury shares	-	-	-	(31,318)	(31,318)
Receipts carried directly to equity within the framework of implementing the TASE Restructuring Law, net (see note 18 C)	-	-	5,524	-	5,524
Balance at December 31, 2022	**33,787**	**5,207**	**54,222**	**593,232**	**686,448**

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,		
	2022	2021	2020
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Cash Flows from Operating Activities:			
Profit for the year	50,836	45,470	36,904
Share-based payments expenses	530	739	1,280
Tax expenses recognized in profit or loss	19,137	13,491	11,295
Net financing expense (income) recognized in profit or loss	13,225	(4,540)	573
Depreciation and amortization	51,335	47,618	44,510
Loss from disposal of property and equipment and intangible assets	131	262	587
	135,194	103,040	95,149
Changes in asset and liability items:			
Decrease (increase) in trade receivables and other receivables	(532)	(5,000)	2,514
Decrease in receivables with respect to open derivative positions	(271,988)	(312,078)	(1,451)
Increase (decrease) in trade payables and other payables	(2,320)	5,791	(2,673)
Increase (decrease) in deferred income with respect to listing fees, levies and others	(4,156)	11,317	6,412
Increase in payables with respect to open derivative positions	271,988	312,078	1,451
Increase in employee benefits related liabilities	14	1,725	436
	128,200	116,801	101,838
Interest received	5,297	4,300	5,008
Interest paid	(417)	(726)	(723)
Tax payments from operating activities	(13,498)	(13,993)	(10,694)
	(8,618)	(10,419)	(6,409)
Net cash provided by operating activities	**119,582**	**106,382**	**95,429**
Cash Flows for Investing Activities:			
Acquisition of property and equipment	(14,841)	(6,239)	(11,145)
Proceeds from the disposal of property and equipment	-	16	-
Acquisitions of intangible assets	(14,086)	(11,883)	(11,161)
Payments with respect to costs capitalized to property and equipment and to intangible assets	(19,331)	(17,527)	(15,583)
Acquisition of financial assets at fair value through profit or loss, net	(4,632)	(4,591)	(4,206)
Net cash used in investing activities	**(52,890)**	**(40,224)**	**(42,095)**
Cash Flows for Financing Activities:			
Lease payments	(8,815)	(9,125)	(9,929)
Acquisition of treasury shares	(31,318)	-	-
Dividend paid	(22,735)	(18,450)	(8,770)
Receipts (payments) carried directly to equity within the framework of implementing the TASE Restructuring Law, net (see note 18 C)	8,220	(800)	3,723
Net cash used in financing activities	**(54,648)**	**(28,375)**	**(14,976)**
Net increase in cash and cash equivalents	12,044	37,783	38,358
Cash and cash equivalents, beginning of the year	179,768	142,154	103,928
Effect of changes in exchange rates on cash balances held in foreign currency	604	(169)	(132)
Cash and cash equivalents, end of the year	**192,416**	**179,768**	**142,154**

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

	Year Ended December 31,		
	2022	2021	2020
	NIS, in thousands	NIS, in thousands	NIS, in thousands
APPENDIX A – NON-CASH ACTIVITIES:			
Acquisition of property and equipment and intangible assets, under short-term credit	4,511	8,150	4,159
Increase in right-of-use assets and lease liabilities, Net	715	18,849	1,133
Increase in receivables for lease and lease liabilities	6	21	165
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 25.10.2017. 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 31.12.2022, 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 31.12.2022, the Board of Directors of TASE has approved two new entities, one is an NBM acting on its own account (nostro) only, the second a remote member. The commencement of their activity on TASE is subject to the completion of their operational, technological and corporate governance preparations. As of 31.12.2022, TASE's Board of Directors approved the joining of a new NBM member. The member is expected to commence operations in 2023, upon completion of the necessary operational, technological and corporate governance preparations.

As of 31.12.2022, TASE-CH has 18 members, consisting of 12 banks (including the Bank of Israel), 4 non-banking Clearing House members ("NBCHMs") and 2 custodial members. As of 31.12.2022, the Board of Directors of TASE-CH approved the joining of a new Clearing House member (as a custodial member). The member is expected to commence operations in the first half of 2023, upon completion of the necessary operational, technological and corporate governance preparations.

As of 31.12.2022, MAOF-CH has 9 members, consisting of 8 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.

With respect to a model regarding the allocation of income and expenses of TASE, TASE-CH, MAOF-CH, and the Nominee Company ("the Group") between the Group companies, see note 24 C (2).

NOTE 1 - GENERAL (CONT.):

B. On 30.7.2015, 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, relate to anyone that was a TASE member on 30.6.2015.

On 6.4.2017, the Securities Law (Amendment No. 63), 2017, which deals with changes in the ownership structure of TASE, was passed ("TASE Restructuring Law", "Law"). The aim of the Law is to change the ownership structure of TASE, while transforming it into a "for-profit" company, and to expand the TASE membership base and to make TASE accessible to a larger number of parties. Another aim of the Law is to lay the infrastructure for future strategic collaborations with foreign stock exchanges and strategic investors.

The main points of the Law are as follows:

- With the TASE restructuring and upon the corporate governance arrangements in the aforementioned Securities Law amendment taking effect, the provisions prescribed in the Securities Law prohibiting the distribution of TASE profits will be revoked, so as to permit TASE to become a "for profit" company entitled to distribute profits to its owners.
- Prescribing terms for obtaining a stock exchange license in Israel. In accordance with the transitional provisions set forth in the Law, the license granted to the Tel-Aviv Stock Exchange prior to the Law taking effect will be deemed a license granted to it pursuant to the provisions of the Law.
- Prescribing terms for obtaining a clearing house license in Israel. In accordance with the transitional provisions set forth in the Law, TASE-CH and MAOF-CH will be deemed as having been granted a license pursuant to the provisions of the Law.
- Setting a proscription against TASE engaging in the provision of services giving rise to a substantive concern regarding a conflict of interests with its business of managing a securities trading system.
- Setting a proscription against a holding of five percent or more in TASE without receipt of a permit from the Israel Securities Authority, setting a proscription against control of TASE without a permit and setting a proscription against control of a clearing house without a permit. In accordance with the transitional provisions set forth in the Law, TASE will be deemed as having been granted a permit to control the clearing houses under its control prior to the Law taking effect pursuant to the provisions of the Law.
- Prescribing corporate governance arrangements.
- Imposing an obligation on clearing houses to provide services to every stock exchange or clearing member and not to unreasonably refuse to provide such services.

NOTE 1 - GENERAL (CONT.):

B. (Cont.):

- 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 (see note 18 C (2) as to the "adjusted excess consideration"). 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, i.e., NIS 5.08 per share. 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 7.9.2017, 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 24.7.2019, and pursuant to a supplementary notice dated 29.7.2019, on 1.8.2019, 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. 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.

D. Format for Reporting Expenses in Profit or Loss:

Group expenses in the Statement of Profit or Loss and Other Comprehensive Income are reported based on the nature of the expenses. The Group estimates, because of its organizational structure, that the classification of expenses in this manner is more reliable and relevant than any classification by function of expense.

E. Foreign Currency:

(1) Functional Currency and Presentation Currency:

The financial statements of each of the Group companies are drawn up in the currency of the primary economic environment in which it operates ("functional currency"). The consolidated financial statements of the Group have been prepared in New Israeli Shekels ("NIS"), which is the functional currency of all the Group companies, and are rounded to the nearest thousand.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.):

E. Foreign Currency (cont.):

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

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

(3) Recognition of exchange differences:

Exchange differences are recognized in profit or loss in the period in which they arise. Income and expenses from exchange differences are presented in the "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.

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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

H. Property and Equipment (cont.):

(2) Depreciation of Property and Equipment:

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

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

	Estimated Useful Lives	Depreciation Rates
Property and equipment:		
Building	15-50 years	2%-6.7% (mainly 2%)
Computer systems and related equipment	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, are classified as financial assets measured at amortized cost. These assets are not measured using the effective interest method as the interest to be recognized thereon is not material.

(c) Financial Assets at Fair Value through Profit or Loss:

Financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period. Any profit or loss arising from changes in the fair value is recognized in profit or loss in the period in which the change occurred. The net profit or loss recognized in profit or loss incorporates any interest that has accrued with respect to the financial asset.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

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

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

(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 contract 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 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.

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.):

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 in close proximity to the end of 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.

(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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

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

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

(d) Transfer of a Financial Asset Eligible for Retirement:

The Nominee Company is engaged in the registration of securities in the name of the Nominee Company in the securities register of the issuing company, depositing them with the clearing house, and handling corporate actions and payments – ongoing handling of the rights attached to the securities.

Within the framework of its operations, the Nominee Company reserves the contractual right to receive the cash flows from the financial asset that was received, but takes upon itself a contractual obligation to pay these cash. Assets and liabilities with respect to financial instruments that arise from the operations of the Nominee Company, as stated above, are not recorded in the financial statements as they are treated as a transfer of a financial asset eligible for retirement.

In some cases, TASE-CH handles corporate events, in the same manner that the Nominee Company handles corporate actions. The Clearing House reserves the contractual right to receive the cash flows from the financial asset that was received, but takes upon itself a contractual obligation to pay these cash flows. Assets and liabilities with respect to financial instruments that arise from the operations of the Clearing House, as stated above, are not recorded in the financial statements as they are treated as a transfer of a financial asset eligible for retirement.

M. Taxes on Income:

(1) General:

Tax expenses (tax income) comprise the total of current tax, and any changes in deferred tax balances, except the current tax relating to items that are recognized directly in equity 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

M. Taxes on Income (Cont.):

(3) Deferred Tax (cont.):

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

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

N. Revenue Recognition:

Revenues arising from contracts with customers are recognized in profit or loss when control of the asset or service has been transferred to the customer. The price of the transaction is the consideration amount that is expected to be received under the terms of the contract, less the amounts collected on behalf of third parties (such as taxes).

When determining the amount of the revenue from contracts with customers, the Group examines whether it is operating as a principal supplier or as an agent in the contract. The Group is a principal supplier when it controls the merchandise or service that has been promised prior to its delivery to the customer. In such cases, the Group recognizes the gross amount of the consideration in revenue. In cases in which the Group operates as an agent, it recognizes the net amount in revenue, after deducting the amounts due to the principal supplier.

(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 a 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:

Date of receipt of the deferred income	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, initial public offering (IPO), ETNs and ETFs			
Amortization period (*)	12 years	12 years	12 years
Amortization method	Straight-line	Straight-line	Straight-line
Shares, secondary offering			
Amortization period (*)	6 years	6 years	6 years
Amortization method	Straight-line	Straight-line	Straight-line
Corporate bonds			
Amortization period	Contractual life stipulated in the issued bond - limited to 12 years	Contractual life stipulated in the issued bond - limited to 12 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

(*) For details concerning the definition of the revenue recognition period with respect to the listing fees, see note 3 C. below.

(**) 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 1.1.2021, 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.

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.):

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.

(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, shelf offer report and private placement checking fees is recognized over time over a period of about 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

N. Revenue Recognition (Cont.):

(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.

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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Q. Employee Benefits:

(1) Post-Employment Benefits:

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

Expenses with respect to defined benefit plans are recognized in profit or loss or capitalized under the cost of assets (within the framework of self-development costs of computer software) using the projected unit credit method, based on actuarial studies conducted at the end of each reporting period. The present value of the Group's liability with respect to the defined benefit plan is determined by discounting the plan's expected future cash flows, using a discount rate that conforms with market returns on high quality corporate bonds, denominated in the currency in which the benefits will be paid with respect to the plan, and having maturity periods that are almost identical to the expected settlement dates of the plan. In accordance with the Group's accounting policy, net interest cost is included in employee benefits expenses, in the Statement of Profit or Loss.

Actuarial gains and losses with respect to remeasurement are recognized in other comprehensive income, as incurred. Actuarial gains and losses recognized in other comprehensive income will not be reclassified later to profit or loss.

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

The Group’s liability with respect to a defined benefit plan, which is presented in the Statement of Financial Position, comprises the present value of the obligation for the defined benefit, net of the fair value of the plan assets.

(2) Other Long-Term Employee Benefits:

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

Other employee benefits of the Group include accrued vacation and seniority grants. Expenses with respect to these benefits are recognized in profit or loss or are capitalized to the cost of assets (within the framework of self-development costs of computer software) in accordance with the projected unit credit method using actuarial valuations carried out at the end of each reporting period. The present value of the Group's obligation for these benefits is determined by discounting the expected future cash flows with respect to the benefits by market returns on high quality corporate bonds, denominated in the currency in which the other long-term employee benefits will be paid, and having maturity periods that are almost identical to the expected settlement dates of these benefits.

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Q. Employee Benefits (Cont.):

(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.

(4) Termination Benefits:

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

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

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

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

S. Earnings per Share:

The Company calculates the basic earnings per share with respect to the profit or loss attributable to the Company's shareholders by dividing the profit or loss attributable to the holders of the Company's ordinary shares by the weighted average number of ordinary shares in circulation during the reporting period. To calculate the diluted earnings per share the Company adjusts the profit or loss attributable to holders of the ordinary shares, and the weighted average of the shares in circulation, for the impact of all the dilutive potential shares. As part of the diluted earnings per share, the Company takes into account dilutive potential shares such as warrants for executives.

T. Standards, Amendments to Standards and Interpretations Issued that are not Relevant to the Group:

As of the financial statement date, other interpretations and additional amendments to standards had been issued, which Company management estimates are not relevant to the Group.

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

Key Factors for Uncertainty in an Estimate:

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

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

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.

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:

For the purpose of assessing whether a contract includes a significant financing component, the Group examines, among other things, the anticipated period between the time of it transferring the promised goods or services to the customer and the time of the customer paying for these goods or services and the reason for the timing difference. Within the framework of listing services, the consideration from customers for listing fees is received in advance and is nonrefundable. Since these are the customary terms of payment in the sector and since the purpose of collecting the payment in advance is not to obtain a significant financing benefit but to ensure that the customer meets its obligations, thereby providing assurance to the public that the securities will continue to be traded on TASE in subsequent periods, it has been determined that the contract does not contain a significant financing component.

Were it to be determined that said consideration includes a significant financing component, the Company would recognize an increase in financing expenses in parallel with an increase in revenues over the period that the revenue recognition is spread.

D. Determining the Recognition Period for Revenues from Listing Fees

For the purpose of determining the revenue recognition period for listing fees, the Group relies on an external economic study that divided the different securities into a number of main categories, with an average lifespan – based on historical data – being determined for each of these categories.

A change in the category division method or in the determined average lifespan would result in a change in the amount recognized in revenue over the periods.

As part of the a process for the validation of estimates and considering the changes that have occurred in offerings on TASE in the last three years, the Company examined, for revenue recognition purposes, the estimate of the period in which the customer's securities are traded on TASE as of 1.1.2022. The examination was conducted with regard to the recognition period for revenue from share listing fees (in IPOs and secondary offerings) and ETFs. An examination performed by the Company shows that the recognition period for revenue from listing fees in share IPOs and the listing of ETFs and ETNs is 12 years, and for secondary offerings - 6 years.

Consequently, for contracts whose performance obligation, according to the latest estimate, ended by 1.1.2022, the Company recognized revenue from listing fees in the amount of NIS 4.3 million in 2022.

For contracts whose performance obligation has not yet ended as of 1.1.2022, the remaining performance obligation period has been adjusted to the latest estimate, so that the effect of the update is an increase in revenue from listing fees in the amount of NIS 4 million.

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

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

	Revenue recognition forecast as of January 1, 2022				
	Up to One Year	One to Two years	Two to Five Years	After Five Years	Total amounts of performance obligations that have not yet been met (or have been partially met)
	אלפי ש"ח				
Before the change in estimate	24,588	18,169	36,956	31,314	**111,027**
After the change in estimate	32,890	19,971	37,504	20,662	**111,027**

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.

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

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 declarations made by the Israel Securities Authority regarding this on 29.6.2017 and on 24.1.2023. See note 27 B as to the recognition of TASE-CH by ESMA (European Securities and Market Authority).

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.

The main credit risk of the Group stems from 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 31.12.2022 and 31.12.2021, MAOF-CH's open positions as a CCP (at fair value after netting) amounted to NIS 937 million and NIS 665 million, respectively. For further details, see note 7.

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 31.12.2022 and 31.12.2021 is NIS 30 million and NIS 29 million , respectively (31.12.2022, and 31.12.2021 were a Saturday and a Friday, respectively; 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.

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

A. Credit Risk (Cont.):

(1) Risk Profile (Cont.):

The Group's exposure to the other credit risks is not material due both to its current assets (see note 8 B) and to it having an investment policy which restricts the exposure to credit risk in its investment portfolio (see paragraph D (2) of this note below).

(2) Risk Management and Mitigation Measures

(a) Minimum Qualification Terms for Membership of TASE-CH and MAOF-CH:

Every TASE member seeking to be accepted as a TASE-CH or MAOF CH Clearing member is required to comply with the membership qualification terms and the other obligations imposed on it pursuant to the By-Laws of the Clearing Houses, which include an undertaking by every member (apart from the Bank of Israel and a custodial member) to participate in the Clearing Houses' Default Funds, to deposit collateral with respect to its contribution to the Default Funds, to deposit margin with respect to transactions in derivatives and to deposit additional collateral with respect to its activity at the Clearing Houses, should it be requested to do so.

TASE-CH or MAOF CH Clearing members (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 are 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 are 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 31.12.2022 and 31.12.2021 amounted to NIS 107 thousand and NIS 124 thousand, respectively (31.12.2022 and 31.12.2021 were a Saturday and a Friday, respectively; therefore, the amount of exposure was 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,	
	2022	2021
	NIS, in millions	NIS, in millions
Total margin requirements with MAOF-CH	2,348	2,456
Total collateral required to be deposited in the MAOF-CH Default Fund (*)	633	627
Total collateral required to be deposited in the TASE-CH Default Fund (*)	1,899	1,606
Contribution against default waterfall allocated from the Group's equity (**)	28	28
Total financial resources	**4,909**	**4,717**

(*) 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 633 million and NIS 1,899 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 31.12.2022 amount to NIS 7.5 million and NIS 20.7 million, respectively (31.12.NIS 7.5 million and NIS 20.3 million, respectively).

(c) Haircuts on the Value of Collateral:

The Group deals with the exposure to a decrease in the value of the collateral deposited by 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.

Simultaneously with the termination of the framework agreements with the Bank of Israel for repo transactions, as stated in note 4.B.(2)(c) below, the Company examined the collaterals that it holds. As part of the aforementioned examination, on 8.8.2022, the Board of Directors of each of the Clearing Houses approved the updating of the safety factors (haircut) model, concerning the value, for security purposes, of securities that are deposited as collateral at the Clearing Houses, making it even more conservative, as a means to provide additional protection upon the realization of the securities in the event of a default event.

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

A. Credit Risk (Cont.):

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

(d) Netting Clearing Member's Obligations:

The Clearing Houses' By-Laws provide that, in the event of a member not fulfilling its obligations toward the Clearing Houses and in other instances detailed in the By-Laws, the Clearing Houses have the right to set off any obligation of a member toward them, of any type whatsoever, including with respect to their positions with different expiration dates against any obligation of the Clearing Houses toward that member.

(e) Additional Statutory Protections Regarding the Clearing Houses' Stability and the Settlement Finality:

The Securities Law states that a TASE member, that buys securities on TASE which are cleared by TASE-CH or by MAOF-CH, is not entitled to the securities so purchased, unless the Clearing House has received the full consideration for them, with title to the securities being conferred on the Clearing House if the aforementioned full consideration has not been received. Likewise, the Securities Law states that a TASE member, that sells securities on TASE which are cleared by the Clearing House, is not entitled to the consideration received at the time of their sale, unless it has transferred to TASE-CH the securities that were sold as aforesaid.

In accordance with the protection so prescribed in the Securities Law, TASE-CH has established a DVP (Delivery Versus Payments) clearing mechanism, which is intended to execute the transfer of the consideration simultaneously with the receipt of the securities, and vice versa, thereby also mitigating the exposure to settlement risk, as set forth in paragraph C of this note below.

Additionally, the Securities Law prescribes, with regard to the settlement finality, that a clearing order given to the Clearing House and a clearing action carried out by it cannot be canceled, other than in accordance with the Clearing House's rules. Such protection is also granted in the case of insolvency proceedings being instigated against a Clearing member that is a party to such an order or action, or against an officer serving with such a member, and all as stipulated in the law. Moreover, the Securities Law specifies that nothing in the insolvency laws is to be deemed as prejudicing the arrangements prescribed in the Clearing House's rules, including early termination arrangements, net calculation arrangements, fair value determination arrangements, and all as prescribed in the Securities Law.

(f) Policies, Procedures and Processes Followed by the Group and the Clearing Houses:

The Group has policies, procedures and processes aimed at identifying, monitoring, estimating and managing its exposures to credit risk, in particular a policy and procedures that exist at each of the Clearing Houses to manage a Clearing member's default; these outline how the Clearing House will manage and react to a Clearing member default event, including the risks that have to be covered and the manner in which the Clearing Houses will use the protections at their disposal by virtue of the Securities Law and the Clearing Houses' By-Laws.

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

B. Liquidity Risk:

(1) Risk Profile:

Liquidity risk is the risk that the Group will not be able to meet its liquidity needs, on time and in full, either at the time of the default of one of the Clearing Houses' member's, by virtue of each of 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. Nevertheless, in accordance with the Clearing Houses' Stability Directive, it holds liquid assets in an amount that does not fall below the capital requirement with respect to contribution against default waterfall of each Clearing House, and with the addition of the amount of the equity requirement with respect to business continuity and reorganization, which is calculated as the amount of the Clearing Houses' 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.

The expected maturity dates for most of the financial liabilities arising from the clearing activities undertaken by MAOF-CH (payables with respect to open positions) are as follows:

	December 31,	
	2022	2021
	NIS, in thousands	NIS, in thousands
Up to one month after the date of the Statement of Financial Position	740,365	592,444
1-2 months	171,751	36,069
2-3 months	14,136	8,145
Up to one year	11,007	25,613
Total financial liabilities from clearing activities (*)	**937,257**	**665,271**

(*) The total of the aforesaid financial liabilities from clearing activities and their expected maturity dates matches 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.

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

B. Liquidity Risk (Cont.):

(1) Risk Profile (Cont.):

The following table provides details of the expected maturity dates for lease liabilities based on the undiscounted cash flows of the lease liabilities. The cash flows are for both interest and principal.

	December 31,	
	2022	2021
	NIS, in thousands	NIS, in thousands
Up to one year after the date of the Statement of Financial Position	8,670	9,028
Second year	4,394	8,396
Third year	2,283	4,111
Fourth year	-	2,176
Total undiscounted cash flows of lease liabilities (*)	**15,347**	**23,711**

(*) The incremental interest rate used to discount the future lease payments in calculating the balance of the lease liability as of 31.12.2022 and 31.12.2021, as shown in the Statement of Financial Position, ranges from 0.85% to 4.46% and from 0.85% to 2.4%, 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.

(2) Risk Management and Mitigation Measures:

(a) Liquid Assets Deposited as Collateral in Default Funds:

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.

Further to the stated in Note 4 B (2) (c) below, and taking into consideration the provisions of the Rules Securing the Proper Operation of The TASE Clearing House and the MAOF Clearing House, on 8.8.2022, the Audit Committee and the Board of Directors of each of the Clearing Houses approved a change in the cash component of the Default Fund, pursuant to which this component will constitute at least 50% of the total collateral that each member is required to deposit in the Default Fund from time to time. In addition, in relation to MAOF-CH, it has been determined that the cash component with respect to MAOF transactions executed by a Clearing House member will be an amount equal to at least 35% of the total current margin that the member is required to provide.

Later on, in January 2023, the Audit Committee and the Board of Directors of TASE-CH approved an increase in the cash component of the default fund of TASE-CH to 100%.

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).

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

B. Liquidity Risk (Cont.):

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

(b) Holding Liquid Assets and Minimum Liquidity Buffer:

As of 31.12.2022, the Group holds particularly liquid assets, part of which is allocated in favor of the each of the Clearing Houses' minimum requirement, as referred to in note 5, whereby 96% of the Group's financial assets (excluding assets stemming from clearing activity with respect to open positions) are immediately liquid assets (cash and Government of Israel bonds), of which 47% 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 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. As mentioned, the agreement was valid for five years from the date of its signature.

On 30.9.2022, after receiving an extension to their validity, the liquidation agreements expired. For more details, see note 4 B (2) (a).

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 31.12.2023, 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 10 A.

C. Settlement Risk:

(1) Risk Profile:

Settlement risk is the risk that the settlement will not be properly completed, whereby the monetary consideration, the securities or the financial instrument will be transferred to the party to the transaction without the financial instrument, the securities, or the monetary consideration, as the case may be, being received simultaneously from the counterparty to said transaction. The materialization of settlement risk could cause a material increase in the credit and liquidity exposures of the Clearing Houses as a CCP.

(2) Risk Management and Mitigation Measures:

In order to mitigate the risk inherent in the monetary settlement at each of the Clearing Houses, this settlement is carried out on the Bank of Israel's system for performing bank transfers: the "ZAHAV" system (a Hebrew acronym for Real Time Credits and Transfers), which is an advanced system for the settlement of shekel payments in Israel, in real time and with finality (RTGS: Real Time Gross Settlement).

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

C. Settlement Risk (Cont.):

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

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.

(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 and T-bills, whose inherent credit risk is not material. The Group also restricts the duration of the portfolio and the repayment period of each of the securities, 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 determined at the level of the Group and 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.

On 29.11.2022, the Board of Directors of TASE and the Boards of Directors of each of the Clearing Houses approved a methodology update concerning the calculation of the qualified capital, the liquid assets and the capital and liquidity requirements, which provides, inter alia, for the calculation of "required levels of capital and liquidity" (based on the Clearing Houses' Stability Directive, for the Clearing Houses, and based on the general framework of the Banking Supervision Directives, with the adjustments necessary for the activity of TASE, at TASE). The Boards of Directors also approved the establishment of additional capital and liquidity safety cushions, which serve as an additional layer for handling stress scenarios and are at the discretion of the Board of Directors.

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,	
	2022	2021
	NIS, in thousands	
Capital requirements with respect to the risk components:		
Credit risk (1)	5,050	37,124
Market risk	4,992	6,059
Legal and operational risk (2)	49,254	44,204
Business continuity and reorganization (3)	68,139	119,573
Contribution against default waterfall (4)	28,182	27,809
Total capital requirements with respect to the risk components	155,617	234,769
Capital base components		
Retained earnings	593,232	596,449
Other capital reserves	54,222	48,698
Remeasurement of net defined benefit liability	5,207	(16,536)
Share-based payments reserve	33,787	33,257
Adjustments:		
Intangible assets (5)	-	(116,561)
Deferred income from listing fees, less deferred tax (5)	81,879	-
Total qualifying capital base	768,327	545,307
Capital surplus (qualifying capital base, less requirements)	**612,710**	**310,538**

(1) In accordance with the updated methodology for the calculation of the capital and liquidity requirements, as mentioned above, commencing on 31.12.2022, the Group does not allocate capital for property and equipment and deferred taxes that derive from timing differences.

(2) A capital allocation equivalent to 15% of the average gross income in the last twelve quarters.

(3) A capital allocation equivalent to six months' operating expenses (on an annual basis) with the necessary adjustments. In accordance with the updated methodology for the calculation of the capital and liquidity requirements, as mentioned above, commencing on 31.12.2022, the allocation only applies to the expenses of TASE-CH and MAOF-CH.

(4) As of 31.12.2022, 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 20.7 million, respectively (31.12.2021 – NIS 7.5 million and NIS 20.3 million, respectively).

(5) In accordance with the updated methodology for the calculation of the capital and liquidity requirements, as mentioned above, commencing on 31.12.2022 the Group does not deduct intangible assets, less the related deferred tax, from the qualified capital. The Group also adds the balance of deferred income from listing fees, less the related deferred tax, to the qualified capital.

NOTE 5 - THE GROUP'S CAPITAL ADEQUACY AND LIQUIDITY ADEQUACY REQUIREMENTS (CONT.):

Pursuant to the stated above, the impact of implementing the updated methodology for determining the required capital on the Group, had all internal processes been fully implemented as of 31.12.2021, would have been an increase of NIS 202 million in the Company's qualified capital, to an amount of NIS 747 million, and an increase of NIS 286 million in the capital surplus, to an amount of NIS 597 million.

B. Liquidity Adequacy – Liquidity Requirements, Net Liquid Asset Base and Liquidity Adequacy Position as of Reporting Date:

	December 31,	
	2022	2021
	NIS, in thousands	NIS, in thousands
Liquidity requirements with respect to the risk components:		
Business continuity and reorganization (1)	68,139	119,573
Anticipated cash flow, net (2)	21,451	-
Contribution against default waterfall	28,182	27,809
Total requirements for liquid assets	117.772	147,382
Eligible liquid assets		
Cash and cash equivalents	192,416	179,768
Securities portfolio at fair value	196,211	210,289
Less – amortization coefficients on the assets	(9,378)	(10,222)
Less – current liabilities (3)	(44,931)	(67,054)
Net liquid assets	374,318	312,781
Liquidity surplus (net liquid assets, less requirements)	**256,546**	**165,399**

(1) The allocation of liquid assets equal to six months' operating expenses (annualized) with the necessary adjustments, in accordance with the updated methodology for the calculation of the capital and liquidity requirements, commencing on 31.12.2022, the allocation applies only to the expenses of TASE-CH and MAOF-CH.

(2) In accordance with the updated methodology for the calculation of the capital and liquidity requirements, TASE allocates liquid assets equal to its liquidity needs, for a period of up to two months, based on its net anticipated cash flow within a one-year period ending on 31.12.2023.

(3) In accordance with the updated methodology for the calculation of the capital and liquidity requirements, the Group only deducts the current liabilities of TASE-CH and MAOF-CH.

Pursuant to the stated above, the impact of implementing the updated methodology for determining the required liquidity on the Group, had all internal processes been fully implemented as of 31.12.2021, would have been an increase of NIS 61 million in the Company's liquid assets, to an amount of NIS 373 million, and an estimated increase of NIS 95 million in the liquidity surplus, to an amount of NIS 260 million.

NOTE 5 - THE GROUP'S CAPITAL ADEQUACY AND LIQUIDITY ADEQUACY REQUIREMENTS (CONT.):

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

	December 31,	
	2022	2021
	NIS, in thousands	NIS, in thousands
Capital adequacy position:		
Total capital requirements	103,410	101,549
Total qualifying capital base	191,680	174,079
Total capital surplus	**88,270**	**72,530**
Liquidity adequacy position:		
Total liquidity requirements	75,433	75,051
Total net liquid assets	178,234	160,992
Total liquidity surplus	**102,801**	**85,941**

D. MAOF-CH's Capital Adequacy and Liquidity Adequacy as of Reporting Date:

	December 31,	
	2022	2021
	NIS, in thousands	NIS, in thousands
Capital adequacy position:		
Total capital requirements	37,500	37,500
Total qualifying capital base	51,500	51,065
Total capital surplus	**14,000**	**13,565**
Liquidity adequacy position:		
Total liquidity requirements	20,889	20,364
Total net liquid assets	49,620	49,159
Total liquidity surplus	**28,731**	**28,795**

NOTE 6 - CASH:

A. Composition of Cash and Cash Equivalents:

	Interest Rate, December 31,	December 31,	
	2022	2022	2021
	%	NIS, in thousands	NIS, in thousands
Cash at banks		71,102	17,142
Short-term deposits	Primarily 3%	121,314	162,626
Total cash and cash equivalents		**192,416**	**179,768**

B. Earmarked Cash (under non-current assets)

The earmarked cash held by TASE is a deposit held in a TASE account as collateral for a lease, as described in note 11 C.

C. Regarding liquidity risk management**,** see note 4 B.

NOTE 7 - RECEIVABLES AND PAYABLES RELATING TO OPEN DERIVATIVE POSITIONS:

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

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

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

The amounts of assets and liabilities, as above, do not include such offsets relating to the open positions of that member with different expiration dates. Regarding the fair value of the assets and liabilities that arise from the open positions of all members of MAOF-CH, which also takes into account the offsetting of debits and credits resulting from the members' open positions with different expiration dates, see note 8 D below.

B. The final expiration date of derivatives issued by MAOF-CH, up to reporting date is up to June 2023 for warrants (mostly up to the end of January 2023). 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.

B. Financial Instrument Balances, by Category:

	December 31,	
	2022	2021
	NIS, in thousands	NIS, in thousands
Financial assets (*):		
Financial assets measured at amortized cost:		
Cash and cash equivalents	192,416	179,768
Trade and other receivables	17,283	19,484
Earmarked cash	720	720
Financial assets at fair value through profit or loss:		
Assets derived from clearing operations – receivables with respect to open derivative positions	937,259	665,271
Financial assets held for trading (**)	196,211	210,289
	1,343,889	1,075,532
Presented in the Statement of Financial Position under:		
Current assets	1,343,169	1,074,812
Non-current assets	720	720
	1,343,889	1,075,532
Financial liabilities:		
Financial liabilities measured at amortized cost:		
Trade and other payables	14,978	20,276
Lease liabilities	15,045	23,136
Other liabilities	720	720
Financial liabilities at fair value through profit or loss:		
Liabilities derived from clearing operations – payables with respect to open derivative positions	937,259	665,271
	968,002	709,403
Presented in the Statement of Financial Position under:		
Current liabilities	960,710	694,273
Non-current liabilities	7,292	15,130
	968,002	**709,403**

(*) 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 earmarked cash), 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 31.12.2022 and 31.12.2021 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.

In 2022, MAOF-CH changed the principles according to which the fair value of derivatives listed on TASE is calculated at the end of each trading day. The impact of the aforementioned change on the fair value of assets/liabilities with respect to open derivative positions, net as of the date of the change, is negligible.

Nevertheless, in light of the aforementioned change of principles and since the balance-sheet date of 31.12.2022, was a Saturday, a non-trading day, the fair value of most of the assets/liabilities with respect to open derivative positions has been classified at Level 2.

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.):

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, 2022:		
Level 1	8,101	196,211
Level 2	941,907	-
	950,008	196,211
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)	(12,749)	-
Total balance reported in the Statement of Financial Position	**937,259**	**196,211**
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**

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 PCP (Put-Call Parity) model, and if it cannot be determined based on that model, the fair value will be measured by the Black and Scholes model, with the parameters used in the implementation of the model are: the price of the underlying asset, the underlying asset multiplier, the settlement price for a Call or Put option, 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.

NOTE 8 - FINANCIAL INSTRUMENTS (CONT.):

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, 2022:			
Warrants (*)	**1,210,346**	**237,087**	**937,259**
December 31, 2021:			
Warrants (*)	**972,275**	**307,004**	**665,271**

(*) As of 31.12.2022 and 31.12.2021, 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, 2022:				
Member B'	872,919	2,200	870,719	-
Member H'	18.315	18,315	-	-
Other members	46,025	32,867	13,158	-
	937,259	**53,382**	**883,877**	**-**
December 31, 2021:				
Member B'	577,051	21	577,030	-
Member H'	46,934	9,117	37,817	-
Other members	41,286	38,321	2,965	-
	665,271	**47,459**	**617,812**	**-**

(*) The closing of open positions in the event of default will aim to minimize the losses of end customers, 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 31.12.2022, NIS 2,348 million (as of 31.12.2021, NIS 2,456 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, 2022:			
Member H'	599,047	2,025	597,022
Member C'	228,005	18,315	209,690
Other members	110,207	33,042	77,165
	937,259	**53,382**	**883,877**
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**

E. Interest Risks:

The Group has monetary surpluses that are placed in bank deposits and investments in financial instruments (government bonds) yielding variable interest rates and thus has cash flows exposure to changes in interest.

The following table details the impact of a +/- 0.5% and a +/- 1% change in interest on the aforementioned financial instruments (before the tax effect):

December 31, 2022			December 31, 2021		
Total Variable Interest Rate Instruments	Change of +/- 0.5%	Change of +/- 1%	Total Variable Interest Rate Instruments	Change of +/- 0.5%	Change of +/- 1%
		NIS millions			
132.0	**0.7**	**1.3**	**171.4**	**0.9**	**1.7**

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 +/- 0.5% and a +/- 1% change in the fair value of bonds (before the tax effect), when all other variables remain constant:

December 31, 2022			December 31, 2021		
Total Fixed Interest Rate Instruments	Change of +/- 0.5%	Change of +/- 1%	Total Fixed Interest Rate Instruments	Change of +/- 0.5%	Change of +/- 1%
		NIS, in millions			
186	**3.6**	**7.2**	**200**	**3.9**	**7.8**

NOTE 9 - INVESTMENTS IN SUBSIDIARIES:

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. Additional information pertaining to transactions with subsidiaries:

As to TASE's resolutions on providing a credit facility 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, TASE pledged and/or charged, in favor of the bank, as collateral for the repayment of all the debts secured by the credit agreement, by way of a lien in an unlimited amount, all of 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 of 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 bank.

The agreement with the bank permited 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 bank 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 may obtain from another bank and/or 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 bank and to the Other Lender shall 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 bank at every relevant examination date.

NOTE 10 - LAND RIGHTS (CONT.):

A. (cont.)

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 31.12.2020. Accordingly, the credit facility has not been renewed in 2021 and on 31.12.2021 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 10.1.2021.

B. Composition:

	December 31,	
	2022	2021
	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)	37,492	37,729
	57,002	**57,239**

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	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, 2022	245,224	92,153	49,033	7,320	393,730
Acquisitions during the year	39	8,900	627	19	9,585
Disposals during the year	(26)	(4,973)	(421)	(10)	(5,430)
Balance, December 31, 2022	245,237	96,079	49,240	7,329	397,885
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
Accumulated Depreciation:					
Balance, January 1, 2022	34,740	59,792	23,304	2,910	120,746
Depreciation for the year	4,630	11,085	3,129	307	19,152
Disposals during the year	(4)	(4,963)	(420)	(3)	(5,391)
Balance, December 31, 2022	39,366	65,914	26,013	3,214	134,507
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
Depreciated Cost:					
December 31, 2022	**205,871**	**30,165**	**23,227**	**4,115**	**263,378**
December 31, 2021	**210,484**	**32,361**	**25,729**	**4,410**	**272,984**

(*) 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, 2022	39,522	15,419	30,034	1,403	86,378
Additions (*)	-	390	151	248	789
Disposals	-	-	(232)	(523)	(755)
Balance, December 31, 2022	39,522	15,809	29,953	1,128	86,412
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
Accumulated Depreciation:					
Balance, January 1, 2022	1,793	7,235	16,688	537	26,253
Depreciation	237	2,525	5,406	452	8,620
Disposals	-	-	(232)	(449)	(681)
Balance, December 31, 2022	2,030	9,760	21,862	540	34,192
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
Depreciated Cost, December 31, 2022	**37,492**	**6,049**	**8,091**	**588**	**52,220**
Depreciated Cost, December 31, 2021	**37,729**	**8,184**	**13,346**	**866**	**60,125**

(*) 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 amounted to NIS 17.8 million (asset and liability).

NOTE 11 - PROPERTY AND EQUIPMENT (CONT.):

A. Composition and Changes (Cont.):

(3) Presentation in the Statement of Financial Position

	December 31,	
	2022	2021
	NIS, in thousands	NIS, in thousands
Property and Equipment, Net:		
Property and equipment	263,378	272,984
Right-of-use assets	52,220	60,125
	315,598	**333,109**

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

(1) Amounts Recognized in Profit or Loss:

	Year Ended December 31		
	2022	2021	2020
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Depreciation expenses with respect to right-of-use assets	**8,620**	**8,488**	**8,868**
Interest expenses with respect to lease liabilities	**312**	**427**	**352**
Interest income with respect to receivables for sublease	**(3)**	**(14)**	**(32)**
Expenses relating to short-term leases	**49**	**265**	**280**
Expenses relating to low-value-asset leases	**26**	**-**	**-**

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

	December 31	
	2022	2021
	NIS, in thousands	NIS, in thousands
Other receivables		
Receivables for sublease – current maturities	**-**	**428**

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, 2021	**13,391**
Cash flows from financing activities	(9,125)
Additions, net	18,870
Balance, December 31, 2021	**23,136**
Balance, January 1, 2022	23,136
Cash flows from financing activities	(8,815)
Additions, net	724
Balance, December 31, 2022	**15,045**

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 31.1.2021. 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 three years, commencing on 18.4.2021, with an option to extend the rent period for an additional two years. After 24 months of rent, the lessee has the option to terminate the agreement with a 6-month advance notice.

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

	December 31,	
	2022	2021
	NIS, in thousands	NIS, in thousands
In the first year	568	1,170
In the second year	-	390
	568	**1,560**

(3) Amounts Recognized in Profit or Loss:

	Year Ended December 31,		
	2022	2021	2020
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Income from operating lease	**1,200**	**942**	**860**

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, 2022	296,399	492	296,891
Acquisitions	15,708	-	15,708
Capitalization of expenses – software development for internal use	19,331	-	19,331
Disposals during the year	(1,498)	-	(1,498)
Balance, December 31, 2022	329,940	492	330,432
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
Accumulated Amortization:			
Balance, January 1, 2022	168,211	-	168,211
Acquisitions	23,563	-	23,563
Disposals during the year	(1,406)	-	(1,406)
Balance, December 31, 2022	190,368	-	190,368
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
Amortized Cost:			
December 31, 2022	**139,572**	**492**	**140,064**
December 31, 2021	**128,188**	**492**	**128,680**

NOTE 13 - EMPLOYEE BENEFITS:

A. Composition:

	December 31,	
	2022	2021
	NIS, in thousands	NIS, in thousands
Post-employment benefits under defined benefit plans (see paragraph B(1) below):		
Retirement and termination benefits obligation	5,261	36,818
Pension liability	-	981
	5,261	37,799
Other long-term employee benefits (see paragraph C below):		
Vacation benefits not utilized	14,459	14,385
Seniority benefits	1,319	1,691
	15,778	16,076
Short-term employee benefits (see paragraph E below)	23,105	18,493
	44,144	**72,368**
Presentation in the Statement of Financial Position:		
Liabilities for employee benefits:		
Current	37,564	32,878
Non-current	6,580	39,490
	44,144	**72,368**

For further details about the collective agreements of TASE employees, see note 17 D below.

B. Post-Employment Benefits:

The collective agreements at TASE expired in September 2022. Nevertheless, and pending the signing of a new collective agreement, the amounts in this report with regards to employees are based on the provisions of the expired collective agreements.

(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.

NOTE 13 - EMPLOYEE BENEFITS (CONT.):

B. Post-Employment Benefits (Cont.):

(1) Defined Benefits Plans (Cont.):

(a) General (cont.):

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, as of 31.12.2021, 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.
In the first quarter of 2022, the widow passed away. The decrease in the liability and the capital reserve was carried to other comprehensive income.

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

	December 31,	
	2022	2021
	%	%
Nominal discount rate (*)	5.46	2.91
Forecasted rates of salary increases:		
Employees (in nominal terms)	3.2	4.18
Executives (in real terms)	2	2
Forecasted inflation rates	2.71	2.56
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:

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, before tax. The sensitivity analysis does not consider any existing interdependence between the assumptions:

	December 31		December 31	
	2022	2021	2022	2021
	One percent increase		One percent decrease	
	NIS, in thousands	NIS, in thousands	NIS, in thousands	NIS, in thousands
Discount rate	(5,059)	(10,456)	6,168	12,220
Expected salary rises	6,724	11,871	(5,823)	(10,166)

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,		
	2022	2021	2020
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Opening balance	121,234	115,446	112,392
Current service cost	4,379	4,203	3,561
Interest cost	3,440	2,984	2,819
Actuarial losses (gains) with respect to remeasurements:			
Arising from changes in financial assumptions	(28,070)	960	613
Arising from past experience	(4,010)	148	(535)
Arising from changes in demographic assumptions	(1)	-	705
Benefits paid with respect to severance compensation	(14,073)	(2,267)	(3,867)
Benefits paid with respect to pensions	(61)	(240)	(242)
Closing balance	**82,838**	**121,234**	**115,446**

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

	Year Ended December 31,		
	2022	2021	2020
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Opening balance	83,435	76,862	76,816
Interest income from plan assets (*)	2,150	1,443	1,428
Actuarial gains (losses) with respect to the remeasurement of the return on plan assets	(3,843)	2,891	(521)
Deposits by the employer	3,722	3,816	3,673
Benefits paid	(7,887)	(1,577)	(4,534)
Closing balance	**77,577**	**83,435**	**76,862**

(*) After a transfer of benefits totaling NIS 193 thousand in 2022, NIS 554 thousand in 2021, and NIS 469 thousand in 2020.

(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,		
	2022	2021	2020
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Present value of funded obligations	82,838	120,253	114,437
Fair value of plan assets	(77,577)	(83,435)	(76,862)
	5,261	36,818	37,575
Present value of unfunded obligations	-	981	1,009
Net liability derived from obligation for defined benefits	**5,261**	**37,799**	**38,584**

(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 the Severance Pay Law, 1963. In addition, agreements with some of the holders of personal contracts, including an agreement with the Chief Executive Officer, state 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.

See note 21 A regarding the total amount of expenses recognized in the profit or loss with respect to the defined contribution plans.

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.

NOTE 13 - EMPLOYEE BENEFITS (CONT.):

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

(1) Vacation (cont.):

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,	
	2022	2021
	%	%
Discount rate	4.29	0.48
Forecasted rates of salary increases:		
Employees (in nominal terms)	3.7	4.75
Executives (in real terms)	2	2

(2) Seniority Grant:

Company employees customarily receive seniority grants totaling between NIS 1 thousand and NIS 8 thousand, net ,as follows – NIS 1 thousand upon reaching seniority of 15 years, NIS 2 thousand upon reaching seniority of 20 years, NIS 3 thousand upon reaching seniority of 25 years and so on, and every five years thereafter up to a maximum grant NIS 8 thousand.

D. Termination Benefits:

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

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 17.4.2018, and on 6.9.2018, 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 apply 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.

NOTE 13 - EMPLOYEE BENEFITS (CONT.):

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

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

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 17.4.2018, 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 29.3.2018, the Board of Directors approved the compensation plan for the officers of the Company who report to the CEO. The plan includes a monetary bonus and long-term equity compensation.

The compensation plan was drawn up in accordance with the Company's compensation policy as set forth above. Within the framework of the compensation plan, officers of the Company who report to the CEO will be granted up to 4.2 million warrants to purchase Company shares in consideration for the payment of an exercise price and subject to certain eligibility terms and conditions. The share warrants to be granted pursuant to the plan will not be listed on TASE and their exercise will be contingent, inter alia, on the listing of the Company's shares on TASE.

The main goals of the equity compensation plan are:

- The creation of a layer of long-term compensation and the retention of the offerees.
- The provision of an incentive to increase the value of the Company over the long term.
- The provision of an incentive to help complete the process of listing the Company's shares for trading.
- The creation of shared interests between the offerees and the Company's shareholders.
- The granting of competitive compensation relative to the market.

On 4.7.2018 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 11.4.2019, 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 1.5.2019, 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 10.3.2021, 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. However, on 12.1.2023, 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 2023-2025.

NOTE 13 - EMPLOYEE BENEFITS (CONT.):

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

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

As a rule, the compensation policy is for a period of three years and provides for fixed and variable components, monetary and equity-based, 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).

On 26.2.2023, a warrants plan for officers who report to the CEO was approved. See note 27 A below for further details.

(2) Retention Plan for the CEO:

On 1.5.2019, 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 1.6.2019 ("the Loan Term"). If the CEO continues to work at the Company until the end of the Loan Term (namely, until 30.5.2024), 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.

For information on the retention plan for the CEO, see details in note 27 B below.

(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	
	2022	2021
	NIS, in thousands	NIS, in thousands
Opening balance	110,170	98,721
Income recognized from the fulfillment of performance obligations with respect to amounts included in the opening balance	(32,012)	(20,076)
Income recognized with respect to progress in the fulfillment of a performance obligation during the year	(3,469)	(4,561)
Amounts received during the year	30,805	36,086
Closing balance	**105,494**	**110,170**

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

	Year Ended December 31	
	2022	2021
	NIS, in thousands	NIS, in thousands
Balance with respect to deferred income for a period of more than one year	105,494	110,170
Balance with respect to deferred income for a period of up to one year (*)	1,377	857
Total deferred income from listing fees and levies	**106,871**	**111,027**
Presented in the statement of financial position:		
Under current liabilities	28,412	24,588
Under non-current liabilities	78,459	86,439
	106,871	**111,027**

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

NOTE 14 - DEFERRED INCOME FROM LISTING FEES AND LEVIES (CONT.):

C. 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, 2022	28,412	22,143	36,814	19,502	**106,871**
December 31, 2021	24,588	18,169	36,956	31,314	**111,027**

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 13.9.2017, 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 in the allocation, 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.

The fair value of the shares was determined by an independent, external appraiser possessing recognized professional qualifications.

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 3,647,102 shares.

B. Granting of Warrants to Executives:

On 4.7.2018, 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	29.3.2018	4,179,797	3.7.2022	(2)	5.26	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).

- Following a dividend distribution on 16.4.2020, the exercise price of the warrants was adjusted from NIS 5.75 to NIS 5.66 per share.

- Following a dividend distribution on 5.4.2021, the exercise price of the warrants was adjusted from NIS 5.66 to NIS 5.48 per share.

- Following a dividend distribution on 7.4.2022, the exercise price of the warrants was adjusted from NIS 5.48 to NIS 5.26 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 11.4.2019 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.

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

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

(2) (cont.)

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)	5.26
Exercise price (NIS)	5.75
Exercise coefficient	2.2
Expected volatility of the share price (2)	25.66%
Lifespan of the warrants (in years)	4.17
Risk-free interest rate	0.73%
Expected dividend rate (3)	0%

(1) The value of the share is based on a valuation of the Company's equity capital as determined by an external assessor.

(2) The Company was a private company and no data existed regarding a historical standard deviation, hence the expected volatility was determined on the basis of historical volatility of traded stock exchanges with values of up to NIS 8 billion.

(3) Since the exercise price of the warrants is adjusted for the full dividend that the Company will distribute over the exercise period, the expected dividends were not included in the valuation and a dividend rate of 0% was assumed.

The Group recognizes share-based payment arrangements in the financial statements as an expense over the vesting period against an increase in equity, under the "Capital reserve with respect to share-based payment transactions" item. The vesting of the warrants in accordance with the compensation plan that was approved until 31.12.2018 was contingent on the listing of the Company's shares on the Tel-Aviv Stock Exchange Ltd. According to the amendment of the plan from 11.4.2018 (see also note 13 E above), which determined that the vesting is not dependent on a listing, the Company began to recognize an expense from a share-based payment on the basis of the fair value as determined on the original grant date, and for the duration of the vesting starting from 1.5.2019 (the approval date by the general meeting of the amendment of the compensation plan).

The cumulative expense from the original grant date until the end of the plan, amounted to NIS 4.5 million (an amount of NIS 3.4 million was recognized as an expense in 2019, including NIS 1.8 million for the period from the original grant date to 31.12.2018. Amounts of NIS 0.7 million and NIS 0.2 million were recognized as expenses in 2020, and 2021, respectively).

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

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

(2) (cont.)

Additional information on warrants granted:

	December 31, 2022		December 31, 2021	
	No. of warrants	Weighted average exercise price	No. of warrants	Weighted average exercise price
Warrants granted to executives:				
In circulation at beginning of period	1,944,598	5.48	2,487,798	5.66
Exercised	(1,944,498)	5.26	(471,861)	5.48
Forfeited	-	-	(71,339)	5.48
In circulation at end of period	-	-	1,944,598	5.48
Exercisable at end of period	-	-	1,944,598	5.48

On 4.1.2021, 71,339 unvested warrants of a retiring executive expired. As of the reporting date, there are no additional warrants circulation.

C. Granting of Warrants to the CEO:

On 4.7.2019, 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	1.5.19	4,250,000	3.7.26	(2)	11.51	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 16.4.2020, the exercise price of the warrants was adjusted from NIS 12 to NIS 11.91 per share.

- Following a dividend distribution on 5.4.2021, the exercise price of the warrants was adjusted from NIS 11.91 to NIS 11.73 per share.

- Following a dividend distribution on 7.4.2022, the exercise price of the warrants was adjusted from NIS 11.73 to NIS 11.51 per share.

(2) The warrants will be fully vested at the end of 5 years from the allocation date, subject to the CEO serving in his position until that date.

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

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

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.

The cumulative expense from the grant date to 31.12.2022 totaled NIS 1.9 million (an amount of NIS 0.5 million was recognized as an expense in each of the years 2020-2022).

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, 2021	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
Changes in the reporting year:					
In profit or loss	914	(2,093)	(885)	(1,012)	(3,076)
In other comprehensive income	-	-	(6,495)	-	(6,495)
As of December 31, 2022	**1,081**	**(25,726)**	**5,773**	**24,458**	**5,586**

(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. Temporary Differences on Investments in Subsidiaries, Without Recognition of any Deferred Tax Liability:

	December 31,	
	2022	2021
	NIS, in thousands	NIS, in thousands
Subsidiaries	**145,793**	**130,270**

NOTE 16 - TAXES ON INCOME (CONT.):

C. Amounts for Which Deferred Assets Have Not Been Recognized:

(1) The balance of capital losses realized for tax purposes for which deferred tax assets have not been recognized by the Group as of 31.12.2022 is NIS 3,929 thousand (of which NIS 2,030 thousand in the Company).

(2) The balance of capital losses for which deferred tax assets have not been recognized by the Group as of 31.12.2022 is NIS 9,465 thousand (of which NIS 2,525 thousand in the Company).

D. Income Tax Expenses Recognized in Profit or Loss:

	Year Ended December 31,		
	2022	2021	2020
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Current tax:			
Current tax	15,959	14,297	11,988
Taxes for prior years	102	(47)	(246)
Total current tax	16,061	14,250	11,742
Deferred tax:			
Deferred tax expense (income) – recognition and reversal of temporary differences	3,076	(759)	(451)
Tax for prior years	-	-	4
Total deferred tax	3,076	(759)	(447)
Total expenses for taxes on income	**19,137**	**13,491**	**11,295**

E. 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, 2022:			
Actuarial gain with respect to the defined benefit plan	28,238	(6,495)	21,743
As of December 31, 2021:			
Actuarial loss 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)

F. 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,		
	2022	2021	2020
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Pretax income	69,973	58,961	48,199
Statutory tax rate	23%	23%	23%
Tax expense, at statutory tax rate	16,094	13,561	11,086
Tax increase (savings) with respect to:			
Income liable to special tax rates	-	1	25
Losses and temporary differences that are deductible for tax purposes for which deferred tax was not recognized (*)	2,555	3	161
Tax benefits for which deferred tax assets were not recognized in the past, for which taxes have been recognized in the reporting period	(2)	(41)	(213)
Differences between tax laws and accounting principles	212	(566)	95
Expenses which are not recognized for deduction, net (**)	176	580	383
Tax – prior years	102	(47)	(242)
Taxes on income, as reported in profit or loss	**19,137**	**13,491**	**11,295**

(*) As to capital losses utilized and unutilized for tax purposes, for which deferred tax assets have not been recognized by the Group, see note 16 C, above.

(**) Includes NIS 116 thousand, NIS 170 thousand, and NIS 294 thousand in 2022, 2021 and 2020, respectively, with respect to non-deductible share-based payments.

G. Additional Information:

(1) Corporate Tax Rate:

The tax rate relevant to the Company for the years 2020-2022 is 23%.

On 12.1.2012, 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 31.7.2014, 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 2022.

NOTE 16 - TAXES ON INCOME (CONT.):

G. 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 2017 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 3.7.2019 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 indemnity letter previously provided by the Company to officers in TASE-CH was also cancelled at the same time. A new letter of indemnity will be issued directly by TASE-CH to the officers of TASE-CH, except for officers whose tenure ended prior to the approval date of the 2019 Indemnity Letter.

The maximum indemnity payable 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, the indemnity will cover reasonable legal expenses as part of investigation proceedings and legal or administrative proceedings, including reasonable litigation expenses, with respect to damages payable to victims of administrative breaches and with respect to any other liability or expense for which indemnity is permitted by law.

On 10.7.2019, 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.

NOTE 17 - CONTINGENT LIABILITIES (Cont.):

A. Indemnification of Officers (Cont.):

Notwithstanding the above, the maximum indemnity, in the aggregate, from a Financial Liability to a Third Party under the 2019 indemnity letter of TASE-CH was set at the higher of the following: (a) NIS 10 million or (b) 25% of the total equity of TASE-CH plus the total secondary equity, as defined in the resolution, as per the most recent financial statements of TASE-CH, published prior to the actual payment date. The maximum indemnity, in the aggregate, with respect to a Financial Liability to a Third Party under the 2019 indemnity letters of MAOF-CH was set at the higher of the following: (a) NIS 5 million or (b) 25% of the total equity of MAOF-CH as per the most recent financial statements of MAOF-CH published prior to the actual payment date.

B. Exemption from Liability Granted to Officers:

TASE's general meeting has resolved, subject to the provisions of the Companies Law, to relieve TASE's directors and other officers of liability for any damage caused or to be caused due to a breach of their duty of care to TASE.

TASE-CH's general meeting has resolved, subject to the provisions of the Companies Law, to relieve TASE-CH's directors and other officers of liability for any damage caused or to be caused due to a breach of their duty of care to TASE-CH.

MAOF-CH's general meeting has resolved, subject to the provisions of the Companies Law, to relieve MAOF-CH's directors and other officers of liability for any damage caused or to be caused due to a breach of their duty of care to MAOF-CH.

In view of the changes in the corporate governance directives that apply to the Company and to TASE-CH and MAOF-CH, stemming from Amendment No. 63 of the Securities Law, the shareholders' meetings of the Company on 3.7.2019 and the shareholders' meetings of TASE-CH and MAOF-CH on 10.7.2019, (after obtaining the approvals of their respective boards of directors and their audit committees, also in their capacity as compensation committees), and including the Nominee Company, approved the granting of an exemption to officers in each company from liability for damages resulting from a breach of the duty of care, subject to the provisions and qualifications of the law.

C. Because of the field of their operations, the Group companies receive, in the ordinary course of business, inquiries from traded companies and/or from shareholders of traded companies, which include various claims. Some of the inquiries may lead to lawsuits being filed. The Group companies may incur amounts with respect to their operations. In cases where the extent of liability with respect to the above is not material and/or cannot be reasonably estimated, no provision is made in the financial statements.

D. Labor Dispute at TASE by the Histadrut (the New General Federation of Labor in Israel):

On 17.9.2018, 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 8.10.2018, TASE filed an ex parte motion in a collective dispute to the Tel Aviv Labor Tribunal against the Histadrut and TASE's employees committee, to cancel the collective dispute that was declared by them. On December 1, 2019, the Regional Labor Tribunal rejected TASE's ex parte motion, without adjudication of cost of action.

NOTE 17 - CONTINGENT LIABILITIES (Cont.):

D. Labor Dispute at TASE by the Histadrut (the New General Federation of Labor in Israel) (Cont.):

On December 15, 2019, the Tel Aviv Stock Exchange Ltd. appealed the ruling of the Regional Labor Tribunal from December 1, 2019 to the National Labor Tribunal. On 3.3.2020, 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 16.7.2020, 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 20.5.2019, 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 21.5.2019. Furthermore, trading on TASE was suspended on 7.6.2020 as part of the sanctions imposed by the employees committee in the collective labor dispute.

On 26.7.2020, 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.

On 14.9.2022, the collective agreements at TASE expired. On 6.11.2022, a labor dispute was declared at TASE. In accordance with the provisions of the Labor Disputes Law, starting from 21.11.2022, and subject to obtaining the approval of the Labor Federation, Company employees will be allowed to take various organizational measures.

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

For the purposes of the marketing and distribution of the Sale Shares, on 29.7.2019 the Company and the holders of the Sale Shares entered into an agreement with the pricing underwriter ("the Pricing Underwriter") for the secondary offering ("the Underwriting Agreement"). The offering of shares in Israel was carried out in accordance with the prospectus (the "Israeli Shares"), while the offering of shares outside Israel (the "International Shares") was carried out on the basis of a designated disclosure document, which consisted primarily of a translation into English of an advanced draft prospectus (the "International Disclosure Package"). In the Underwriting Agreement, the Company has undertaken to indemnify the Pricing Underwriter (including related entities, its officers and employees and anyone acting on its behalf) for claims, liabilities and losses resulting directly or indirectly from a misstatement in the prospectus in relation to the offering of the Israeli Shares (the "Prospectus Indemnification") or in the International Disclosure Package, or from the violation of laws or regulations of foreign countries (i.e., outside Israel and the United States) in which the Sale Shares have been offered or sold. The indemnification undertaking does not apply to a misstatement originating in information provided to the Company by the Pricing Underwriter or by the holders of the Sale Shares for the purpose of inclusion in the prospectus or in the International Disclosure Package.

NOTE 17 - CONTINGENT LIABILITIES (Cont.):

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

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	
	2022	2021	2022	2021
	Authorized		Issued and Paid-Up	
Ordinary shares having no par value	**150,000,000**	**150,000,000**	**100,752,247**	**101,399,817**

B. Change in the Paid-Up Capital

	Number of shares
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**
Balance as of January 1, 2022	101,399,817
Warrants exercised into shares of the Company (*)	1,243,690
Acquisition of treasury shares (**)	(1,891,260)
Balance as of December 31, 2022	**100,752,247**

(*) For further details see note 15 B.
(**) For further details, see note 18 D below.

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 16.4.2018, the Company entered into an agreement for the sale of the Company's shares (as amended on 8.8.2018) ("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 31.12.2019 and the execution of a public offering of the Company's shares, as decided by the Company, within the framework of which at least 31,717,504 Trust Shares will be sold at a net share price that is not less than NIS 5.51 ("Approved IPO"); in the event that the net share price (that is, net of underwriting and distribution commissions that will be paid by the Additional Investor) in the Approved IPO exceeds NIS 5.51 per share, the surplus amount will be distributed equally between the Additional Investor and the Company.

(d) Every Additional Investor will be entitled to sell, in the Approved IPO, all or some of the Company's shares that it has purchased.

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

C. Other Capital Reserves (Cont.):

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

(e) If an Approved IPO has not been carried out by 31.12.2019, 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 31.12.2019 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 31.12.2019 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, 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 27.8.2018, after holding permits were received from the Securities Authority for Manikay and for each of the Additional Investors, as well as for Mr. Moshe Terry as Trustee for 32,917,504 Trust Shares, the Sale Agreement with Manikay was closed, the sale agreements with the Additional Investors were closed, and trust deeds and irrevocable instructions between each of the Additional Investors and Mr. Moshe Terry, as Trustee, were signed, in the format set forth in the Sale Agreement with Manikay, pursuant to all of which, Mr. Terry was authorized, inter alia, to sell the Trust Shares at a net share price of not less than NIS 5.51, and to exercise the voting rights attached to the Trust Shares independently, at his discretion, and for the benefit of the Company, including, without derogating from the generality of the aforesaid, in accordance with that which is described above. In addition, at the same time, the Company received the excess consideration of NIS 10.2 million, which was credited directly to equity, net of costs.

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

C. Other Capital Reserves (Cont.):

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

As stated in note (c) above, the Company is entitled to 50% of the net consideration (after deduction of costs, as agreed with the sellers) that is received for the shares sold in the secondary offering, in excess of NIS 5.51 per share. The price per share set in the secondary offering is NIS 7.1. The total consideration to the holders of the Sale Shares and the Company received under the secondary offering based on the aforesaid share price is approximately NIS 225.2 million. The Company's share of the net consideration amounted to approximately NIS 15.5 million, which the Company intends to use for investment in technological infrastructures.

The amounts received by the Company, as above, total approximately NIS 16.2 million, after the tax benefit, and were carried directly to the equity of the Company in its financial statements as of 31.12.2019.

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 (hereafter: "Arrangement Shares"). 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. In 2022, the shareholders realized 485,401 shares, in consideration of approximately NIS 8.0 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, 2021, and 2022, NIS 13.8 million, NIS 3.7 million, NIS 2.7 million, and NIS 5.5 million, respectively, out of the aforesaid sale consideration .was carried to equity. The consideration from the exercise of the shares in 2021 was received in 2022.

After the reporting date, some of the abovementioned shareholders sold additional Arrangement Shares, for a total consideration of approximately NIS 2.6 million, with respect to which, in March 2023 the Company received NIS 1.85 million (based on the rate of NIS 5.08 per share, as detailed above).

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.)

It should be noted that the Company has contacted the boards of directors of each of the three largest holders from among the holders of Arrangement Shares, which are TASE members, requesting them to explain the reason for their refraining from selling their holdings in the Company, considering that such sale would realize the provisions of the Securities Law, as described in note 1 B. The holders maintained that they are not obligated by law to sell those holdings.

Consequently, and in view of claims raised on behalf of said shareholders against the discontinuance of the Company's dividend policy and the adoption of the buyback plan, as described in note 18 D. below, the Company has commissioned legal opinions in this regard. After receiving the legal opinions, the Company informed the aforesaid shareholders that, according to those opinions, the holding of the Arrangement Shares by the aforesaid shareholders creates legal difficulties with regard to the purpose of Amendment 63 of the Securities Law and Israeli corporate law, and that according to the legal opinions, the sale of the Arrangement Shares by the aforesaid shareholders would increase the excess consideration that they are required to transfer to the Company by an amount equal to the amounts of the dividends that had been distributed to them (and that may be distributed to them in the future, if distributed) in respect of the Arrangement Shares, commencing on the date of the TASE Restructuring through to the date of sale of the Arrangement Shares. The Company further informed them that the continued holding of the Arrangement Shares by TASE members also raises concerns from the perspective of the Economic Competition Law, 1988.

Shortly before the date of approval of the financial statements, to the best of the Company's knowledge, 18,256,927 shares are held by holders of Arrangement Shares.. The price of the share as of 27.3.2023 (shortly before the financial statements' approval date) was NIS17.72. In accordance with the TASE Restructuring Law, as stated in note 1 B above, and based on the aforementioned legal opinion, if the shareholders should realize the shares that are held by them, the adjusted consideration in excess of NIS 4.59 (NIS 5.08 after the deduction of an amount equal to the amount of dividends distributed) 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.

D. Buyback Plan

In March 2022, the Company's Board of Directors instructed the management of 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. The buyback will be executed in several consecutive plans that would be approved by the Board of Directors.

First Buyback Plan

In May 2022, the Board of Directors of the Company approved a first plan for the buyback of Company shares in an amount of up to NIS 36 million over a six-month period. In view of its non-revocable nature, the plan imposes restrictions and qualifications on the performance of the purchases with regard to the daily volume of purchases and the purchasing prices. For this purpose, the Company entered into an agreement with an outside broker (hereafter: "the Broker"), which is not related to the Company, for the execution of the purchases in accordance with the buyback plan, based on an irrevocable power of attorney that is effective until the end of the plan period.

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

D. Buyback Plan (Cont.):

First Buyback Plan (cont.)

From May 26, 2022 through to the end of the first plan, the Company purchased on the Tel Aviv Stock Exchange 1,844 thousand of its ordinary shares for a consideration totaling approximately NIS 30.4 million.

Second Buyback Plan (cont.)

On 29.11.2022, after establishing the fulfillment of the profit criterion and the solvency criterion (as the terms are defined in the Companies Law, 1999), the Board of Directors of the Company approved an additional plan for the buyback of Company shares in an amount of up to NIS 36 million and for a period of six months.

In the period from 29.11.2022 to 31.12.2022, the Company bought back, as part of the trading on TASE, 47 thousand of its ordinary shares in consideration for NIS 1 million. After the balance-sheet date until 27.3.2023, the Company bought back 1,183 thousand of its ordinary shares in consideration for NIS 21.8 million.

It should be noted that in the reported period several holders of Arrangement Shares raised various claims against the buyback plan and its legality. Some of the claims address the implications of the buyback for them as shareholders that are subject to the arrangement set out in the Securities Law. The aforesaid relates to the requirement to transfer to the Company the excess consideration in the event of the sale of their shares, as well as to the impact of the buyback on their percentage holding in the shares of the Company following the buyback. The Company has informed the aforesaid shareholders that it categorically rejects all of those claims, inter alia, in view of the conclusions of the legal opinions, as described in note 18 C. below.

NOTE 19 - DIVIDEND:

On 16.4.2020, a dividend of NIS 8,770 thousand (representing NIS 0.0877 per share), pursuant to the Board of Directors' resolution from 24.3.2020. 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 5.4.2021, 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 16.3.2021. 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 7.4.2022, a dividend of NIS 22,735 thousand (representing NIS 0.2220 per share) was distributed to the shareholders, following the Board of Directors' resolution dated 21.3.2022. The exercise price of the warrants granted to officers who report to the CEO was adjusted from NIS 5.48 to NIS 5.26 per share. Additionally, the exercise price of the warrants granted to the CEO was adjusted from NIS 11.73 to NIS 11.51 per share.

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,					
	2022		2021		2020	
	NIS, in thousands	%	NIS, in thousands	%	NIS, in thousands	%
Customer A	45,297	12.6	42,038	13.0	42,390	13.9
Customer B	48,976	13.6	41,781	12.9	40,663	13.4
Customer C	45,982	12.7	35,659	11.0	35,790	11.8

B. Composition of Trading and Clearing Commissions:

	Year Ended December 31,		
	2022	2021	2020
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Commission for trading and clearing securities, excluding derivatives:			
Shares (*)	58,469	49,538	49,150
Bonds (*)	31,806	32,513	35,711
Mutual funds	24,732	26,054	26,594
Other	6,583	2,403	3,055
	121,590	110,510	114,510
Commission for trading and clearing derivatives:			
TA Index options	16,244	15,066	16,242
Dollar/shekel options	3,451	4,088	4,910
Other derivatives	1,205	1,452	789
	20,900	20,606	21,941
	142,490	**131,116**	**136,451**

(*) Including ETFs.

C. Split of Revenues by Timing of the Provision of the Services:

	Year Ended December 31,		
	2022	2021	2020
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Revenue recognized at a point in time	211,834	197,617	195,108
Revenue recognized over time	149,177	126,040	109,158
Total	**361,011**	**323,657**	**304,266**

NOTE 21 - ADDITIONAL DETAILS REGARDING EXPENSES:

A. Employee Benefit Expenses:

	Year Ended December 31,		
	2022	2021	2020
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Salary (including grants and severance payments)	157,566	156,320	146,587
Other non-current employee benefits	(227)	28	(109)
Defined contribution plan expenses	4,228	3,830	3,507
Defined benefit plan expenses	5,669	5,744	4,953
	167,236	165,922	154,938
Less – amounts capitalized to intangible assets and property and equipment (see note 12)	(19,331)	(17,527)	(15,583)
	147,905	**148,395**	**139,355**

B. Depreciation and Amortization:

	Year Ended December 31,		
	2022	2021	2020
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Property and equipment	19,152	17,505	16,846
Right-of-use assets	8,620	8,488	8,868
Depreciation of property and equipment (see note 11)	27,772	25,993	25,714
Amortization of intangible assets (see note 12)	23,563	21,625	18,796
	51,335	**47,618**	**44,510**

NOTE 22 - FINANCING INCOME (EXPENSES), NET:

Composition:

	Year Ended December 31,		
	2022	2021	2020
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Financing expenses:			
Bank fees and commissions	99	160	232
Interest and linkage expense –Tax Authority	-	4	107
Lease financing expenses	309	413	320
Exchange rate differences	-	172	281
Other financing expenses	15	199	43
	423	948	983
Financing income:			
Net gain (loss) from the fair-value revaluation of financial assets	(15,024)	5,221	223
Interest income – short-term bank deposits	1,570	253	174
Exchange rate differences	608	-	-
Other financing income	44	14	13
	(12,802)	5,488	410
	(13,225)	**4,540**	**(573)**

NOTE 23 - BASIC AND DILUTED EARNINGS PER SHARE:

	Year Ended December 31,		
	2022	2021	2020
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Profit used to compute basic and diluted earnings per share from continuing operations	50,836	45,470	36,904
Weighted average number of ordinary shares used to compute basic earnings per share (*)	101,635,280	101,284,754	100,414,891
Warrants granted as part of share-based payment arrangements	1,656,798	2,977,213	2,718,315
Weighted average number of ordinary shares used to compute diluted earnings per share	103,292,078	104,261,967	103,133,206
Basic earnings per share	**0.500**	**0.449**	**0.368**
Diluted earnings per share	**0.492**	**0.436**	**0.358**

(*) The Company purchased 1,891 thousand ordinary shares of the Company during 2022 (For details see note 18 above).

NOTE 24 - INTERESTED AND RELATED PARTIES:

A. Benefits to Interested Parties (*):

	Year Ended December 31,		
	2022	2021	2020
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Short-term benefits	4,522	4,007	4,114
Post-employment benefits	132	129	139
Share-based payment	530	530	531
Salary and related expenses for the CEO (**)	5,184	4,666	4,784
Number of individuals	1	1	1
Fees of directors, not employed by the Company (***)	1,896	2,187	1,666
Number of individuals	7	6	7

(*) These amounts also represent compensation to key management personnel.
(**) Regarding the retention plan for the CEO, see note 13 E (2).
(***) On 6.7.2021, 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 31.8.2021.

B. Balances with Interested and Related Parties:

(1) Balances with Interested Parties: (1)

	December 31,	
	2022	2021
	NIS, in thousands	NIS, in thousands
Under current assets:		
Other receivables – MAOF-CH (2)	3,947	4,965
Other receivables – Nominee Company (2)	822	597
Under non-current assets:		
Long-term loan – TASE-CH (3)	65,002	61,743
Under current liabilities:		
Other payables – TASE-CH (2)	7,546	7,032

(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 C.3.

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

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

(2) Balances with Key Management Personnel:

	December 31,	
	2022	2021
	NIS, in thousands	NIS, in thousands
Under current assets:		
Other receivables (*)	700	700
Under non-current assets:		
Other long-term receivables (*)	292	992
Under current liabilities: (**)	974	839

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

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

C. Transactions with Interested and Related Parties:

	Year Ended December 31,		
	2022	2021	2020
	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	(165,362)	(153,116)	(153,213)
MAOF-CH	4,395	4,227	2,439
Nominee Company	-	(2)	(9)
Participation in expenses			
TASE-CH	102,039	102,239	99,124
MAOF-CH	24,902	24,227	24,758
Nominee Company	6,760	5,766	5,026
Initiation/balance fees			
TASE-CH	28,037	26,885	27,760
MAOF-CH	(11,917)	(10,252)	(8,644)
Nominee Company	(3,685)	(3,445)	(2,854)
Total			
TASE-CH	(35,286)	(23,992)	(26,329)
MAOF-CH	17,380	18,202	18,553
Nominee Company	3,075	2,319	2,163
Of which - share-based payments			
TASE-CH	243	332	546
MAOF-CH	25	49	115
Nominee Company	6	12	28
Financing income with respect to a loan to TASE-CH (see section 3 below)	5,975	4,050	2,201
Expenses with respect to annual fees paid to the Nominee Company	(14)	(14)	(14)

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 20.5.2021 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 26.11.2015. 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 USD 30 million (per incident and in aggregate).

(c) Current Officers' liability insurance policy

For the period from 1.8.2020 to 31.7.2021.

A liability insurance policy for Officers of the Company and its subsidiaries. This policy has a liability limit of USD 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 USD 10 million (per incident and in aggregate) in excess of the liability limit of up to USD 40 million.

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.)

For the period from 1.8.2021 to 31.7.2023:
Officers' liability insurance policy with a liability limit of up to USD 40 million (per incident and in aggregate). Without an additional coverage layer in the officers' liability insurance policy for the clearinghouses (TASE-CH and MAOF-CH).

(d) Professional liability insurance policy

Professional liability insurance policy with a liability limit of up to USD 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:

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).

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, that were paid in installments. In return, the Administration has committed to a minimum volume of advertising in the various media, as set out in the above agreement.

NOTE 26 COMMITMENTS (Cont.):

B. Monetary Claim Against the Ministry of Finance

On 5.5.2020, 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 31.12.2025 (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 31.12.2020, 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 statements 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 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.

C. Legal Proceedings – Motion Against the Israel Securities Authority

On 31.8.2022, the Company filed with the Supreme Court in its capacity as the High Court of Justice a motion for the issue of an order nisi against the Israel Securities Authority in connection with the latter's refrainment from approving the resolution of the Board of Directors of TASE from 20.3.2022 to amend the TASE Rules (hereafter: "the TASE Resolution") as regarding "Sources and Uses for the Development of the Indices' Activity on TASE - Pricelist Amendment" (hereafter: "the Indices' Activity"). On 2.11.2022, the Company submitted its response to the Israel Securities Authority's petition to dismiss the motion, in which the latter states that it had replied to the Company on the TASE's Resolution concerning the Indices' Activity. In its response, the Company consented to the dismissal of the motion without adjudication of costs, while maintaining all of the rights and claims of the Company with regard to additional topics addressed in the motion that have not yet been resolved. On 3.11.2022, the Supreme Court approved the dismissal of the motion, without adjudication of costs and while maintaining all the Company's rights and claims as stated above.

NOTE 26 COMMITMENTS (Cont.):

D. The Securities Authority Resolution Pertaining to the Activity of Securities Indices

On 21.12.2022, the Company received the resolution of the Israel Securities Authority's Secondary Market Committee pursuant to which, inter alia, the Committee has approved the amendment of the pricelist concerning the TASE indices, but at the same time has determined that TASE's engagement in the editing and calculation of the indices will be deemed as an auxiliary service that raises substantial concern for a conflict of interest with its engagement in the management of a securities' trading system, in which it may continue to engage subject to its compliance with certain terms, as set forth in the Authority's resolution, within the timeframes stipulated in the Authority's resolution for their implementation, ranging from three months to one year. It should be noted that the terms for the Indices' Activity mainly address the improvement of corporate governance rules and the implementation of organizational, professional and operational segregation of duties in the Company between the Indices' Activity and the trading management activity, and have been set based on discussions with the Company.

It is hereby clarified that the approval of the amendment of the indices' pricelist is not conditional on the fulfillment of the terms for the Indices' Activity, and therefore the new rates pursuant to the indices' pricelist will take effect gradually, in two steps - the first at a partial rate of 50% commencing on 1.1.2023, and the second at the full rate commencing on 1.1.2024.

E. Approval of a Strategic Plan for 2023-2027 – Restructuring Resolution

On 23.10.2022, the Board of Directors of the Company approved a new strategic plan for the years 2023-2027. Within this framework, the Board of Directors of the Company approved, inter alia, the advancement of a restructuring in the TASE Group in order to ensure the implementation of the aforesaid strategic plan and to further the continued development and upgrading of the capital market for the benefit of the public. It is hereby emphasized that the implementation of the aforesaid restructuring requires the obtaining of the approval of TASE's shareholders' meeting and various regulatory approvals, including the approval of the Israel Securities Authority.

NOTE 27 - EVENTS AFTER THE END OF REPORTING PERIOD:

A. Equity Compensation for Officers Reporting to the CEO – 2023 Warrant Plan

On 26.2.2023, the Board of Directors of TASE, after obtaining the approval of the Compensation Committee, approved a plan for the grant of warrants to all officers of the Company, including directors, in a total quantity of up to 4,100,000 illiquid warrants, registered in name, for up to 4,100,000 ordinary shares without par value, subject to adjustments (hereafter: "the 2023 Warrant Plan"). Within this framework, the Board of Directors of TASE, after obtaining the approval of the Compensation Committee, approved the grant of 2,980,000 warrants to 9 officers reporting to the CEO, which are exercisable into shares of the Company in three equal annual batches, commencing at the end of 12 months from their allotment until the end of 48 months from that date, for an exercise price of NIS 24.386 per share. The cost of the benefit inherent in the warrants granted as aforesaid, based on their fair value on their grant date, amounted to NIS 10 million. The warrants will be allotted to a trustee, subject to the receipt of the approvals required pursuant to Section 102 of the Income Tax Ordinance under the capital gains track, and subject to obtaining TASE's approval for the listing of the exercise shares.

NOTE 27 - EVENTS AFTER THE END OF REPORTING PERIOD (CONT.):

B. Retention Plan for the CEO:

On 28.3.2023, the Company's Board of Directors, after receiving the Compensation Committee's approval and subject to obtaining the approval of the general meeting of the Company's shareholders, approved a plan for the retention of TASE's CEO (hereafter: "the Retention Plan"). Within the framework of the Retention Plan, it is prescribed that, subject to receiving the approvals required by law, on 1.6.2023, the Company will provide the CEO with a loan of NIS 3.5 million, for a period of five years, so long as the CEO continues to work at TASE at least until 31.5.2028; on 31.5.2028, the loan will be converted into a grant. In addition, subject to obtaining the necessary approvals, on 1.6.2023, the Company will grant 544,435 warrants to the CEO, which are convertible into 544,435 ordinary shares of the Company, in accordance with the terms set forth in the warrant plan for the CEO. The warrants will be convertible (by means of a cashless mechanism) from 1.6.2028 through 31.5.2030, at an exercise price of NIS 40 per warrant (subject to adjustments). The cost of the benefit inherent in the warrants that are granted as aforesaid, based on the fair value on their grant date, amounts to approximately NIS 1.5 million. The warrants will be allocated to a trustee, subject to obtaining the approvals required pursuant to Section 102 of the Income Tax Ordinance under the capital gains track, and subject to obtaining TASE's approval for the listing of the conversion shares.

C. Recognition of TASE-CH by ESMA

On 15.3.2023, the European Securities and Markets Authority (ESMA) announced, pursuant to an application submitted by TASE-CH for its consideration as an entity that is permitted to provide clearing services to European group members and trading platforms, that it recognizes TASE-CH as a Tier-1 Third-Country CCP, in accordance with the principles of the applicable European regulation and that, therefore, TASE-TASE-CH is qualified to provide clearing services to EU member states for a variety of financial instruments (up to said date, ESMA adopted various resolutions, from time to time, for the temporary suspension of the processes pertaining to the application for recognition, the most recent of which expired on 28.6.2022, on which date the recognition process was resumed).

The classification of the Clearing House as a Tier-1 Third-Country CCP signifies that the Clearing House was established in a country outside the European Union, and is not deemed as systemically important to the stability of the European Union or of any of its member states, and is not expected to become systemically important, considering its current activity and characteristics.

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 2022

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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, 2022 and 2021 and for each of the three years in the period ended on December 31, 2022. 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 28, 2023

Tel Aviv - Main Office
1 Azrieli Center Tel Aviv, 6701101 P.O.B. 16593 Tel Aviv, 6116402 | Tel: +972 (3) 608 5555 | info@deloitte.co.il

Jerusalem
3 Kiryat Ha'Mada
Har Hotzvim Tower
Jerusalem, 914510
D. BOX 45396
Tel: +972 (2) 501 8888
Fax: +972 (2) 537 4173
info-jer@deloitte.co.il

Haifa
5 Ma'aleh Hashichrur
P.O.B. 5648
Haifa, 3105502
Tel: +972 (4) 860 7333
Fax: +972 (4) 867 2528
info-haifa@deloitte.co.il

Eilat
The City Center
P.O.B. 583
Eilat, 8810402
Tel: +972 (8) 637 5676
Fax: +972 (8) 637 1628
info-eilat@deloitte.co.il

Nazareth
9 Marj Ibn Amer St.
Nazareth, 16100
Tel: +972 (73) 399 4455
Fax: +972 (73) 399 4455
info-nazareth@deloitte.co.il

	Supplementary Information	December 31, 2022 NIS, in thousands	December 31, 2021 NIS, in thousands
Assets			
Current assets			
Cash and cash equivalents	B	95,776	112,373
Financial assets at fair value through profit or loss	C(6)	51,515	52,654
Trade receivables		16,021	15,436
Other receivables		12,296	14,830
Total current assets		175,608	195,293
Non-current assets			
Earmarked cash		720	720
Deferred tax assets	D(1)	4,767	15,009
Property and equipment, net		315,598	333,109
Intangible assets, net		139,572	128,188
Investment in subsidiaries		179,415	163,739
Long-term loan to a subsidiary		65,002	61,743
Other long-term receivables		685	1,689
Total non-current assets		705,759	704,197
Total assets		**881,367**	**899,490**
Liabilities and Equity			
Current liabilities			
Current maturities of lease liabilities		8,473	8,726
Trade payables		13,864	18,985
Other payables		10,285	10,376
Deferred income with respect to listing fees and levies		28,412	24,588
Short-term liabilities for employee benefits		37,564	32,878
Current tax liabilities		3,990	1,010
Total current liabilities		102,588	96,563
Non-current liabilities			
Lease liabilities		6,572	14,410
Deferred income with respect to listing fees and levies		78,459	86,439
Non-current liabilities for employee benefits		6,580	34,490
Other liabilities		720	720
Total Non-current liabilities		92,331	141,059
Equity			
Remeasurement of net defined benefit liability		5,207	(16,536)
Share-based payments reserve		33,787	33,257
Other capital reserves		54,222	48,698
Retained earnings		593,232	596,449
Total equity		686,448	661,868
Total liabilities and equity		**881,367**	**899,490**

March 28, 2023			
Date of Separate Financial Information Approval	**Salah Saabneh Interim Chairman of the Board of Directors**	**Ittai Ben Zeev CEO**	**Yehuda Ben Ezra EVP, CFO**

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

	Supplementary Information	Year ended December 31, 2022	2021	2020
		NIS, in thousands	NIS, in thousands	NIS, in thousands
Revenue from services:				
Trading and clearing commissions		45,889	40,482	34,132
Listing fees and levies		66,433	53,311	45,262
Data distribution and connectivity services		57,595	51,667	47,756
Other revenue		4,896	5,570	1,870
		174,813	151,030	129,020
Revenue from initiation fees, net from investees		12,435	13,188	16,261
Total revenue from services		187,248	164,218	145,281
Cost of revenue:				
Employee benefits expenses		80,070	78,597	69,730
Share-based payments expenses		256	346	591
Computer and communications expenses		13,055	11,301	11,338
Rent, property taxes and building maintenance expenses		7,409	6,880	5,904
Administrative, fee and general expenses		10,516	10,129	9,592
Marketing expenses		6,351	5,326	4,913
Depreciation and amortization expenses		26,924	24,569	24,007
Other expenses		109	134	498
Total costs		144,690	137,282	126,573
Profit before financing income, net		45,558	26,936	18,708
Financing income		4,608	5,213	2,367
Financing expenses		263	726	859
Total financing income, net		4,345	4,487	1,508
Profit after financing income, net		46,903	31,423	20,216
Company's share in profits of investees		15,676	21,499	21,452
Profit before tax on income		62,579	52,922	41,668
Taxes on income	D	11,743	7,452	4,764
Profit for the year		**50,836**	**45,470**	**36,904**
Basic earnings per share (NIS)		**0.500**	**0.449**	**0.368**
Diluted earnings per share (NIS)		**0.492**	**0.436**	**0.358**

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

	Supplementary Information	Year ended December 31,		
		2022	2021	2020
		NIS, in thousands	NIS, in thousands	NIS, in thousands
Profit for the year		50,836	45,470	36,904
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		21,743	1,373	(1,004)
Comprehensive income for the year		**72,579**	**46,843**	**35,900**

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

	Year ended December 31,		
	2022	2021	2020
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Cash Flows from Operating Activities			
Profit for the year	50,836	45,470	36,904
Share-based payments expenses	530	739	1,280
Tax expenses recognized in profit or loss	11,743	7,452	4,764
Net financing income recognized in profit or loss	(4,345)	(4,487)	(1,508)
Depreciation and amortization	51,335	47,618	44,510
Loss from disposal of property and equipment and intangible assets	131	262	587
Company's share in profits of investees	(15,676)	(21,499)	(21,452)
	94,554	75,555	65,085
Changes in Asset and Liability Items			
Increase (decrease) in trade receivables and other receivables	363	(5,386)	3,196
Increase (decrease) in trade payables and other payables	(1,147)	4,937	1,940
Income in income received in advance with respect to annual fees	-	179	6,307
Increase (decrease) in deferred income with respect to listing fees	(4,156)	11,243	-
Increase in employee benefits related liabilities	14	1,725	436
	(4,926)	12,698	11,879
Interest received	4,465	3,761	3,824
Interest paid	(360)	(651)	(684)
Tax payments - operating activities	(5,439)	(8,007)	(4,745)
	(1,334)	(4,897)	(1,605)
Net cash provided by operating activities	**88,294**	**83,356**	**75,359**
Cash Flows from Investing Activities			
Investments in property and equipment	(14,841)	(6,239)	(11,145)
Proceeds from the disposal of property and equipment	-	16	-
Investments in intangible assets	(14,086)	(11,883)	(11,161)
Payments with respect to development costs capitalized to property and equipment and to intangible assets	(19,331)	(17,527)	(15,583)
Proceeds from the acquisition of financial assets held for trading, net	(2,565)	(1,129)	(655)
Change in restricted cash, net	-	(178)	(1)
Changes in other non-current liabilities	-	178	1
Net cash used in investing activities	**(50,823)**	**(36,762)**	**(38,544)**
Cash Flows from Financing Activities			
Lease payments	(8,815)	(9,125)	(9,929)
Acquisition of treasury shares	(31,318)	-	-
Dividend paid	(22,735)	(18,450)	(8,770)
Receipts (payments) from shareholders within the framework of implementing the Ownership Restructuring Law, net	8,220	(800)	3,723
Net cash provided by (used in) financing activities	**(54,648)**	**(28,375)**	**(14,976)**
Net increase in cash and cash equivalents	(17,177)	18,219	21,839
Cash and cash equivalents at beginning of the year	112,373	94,302	72,581
Effect of changes in exchange rates on cash balances held in foreign currency	580	(148)	(118)
Cash and cash equivalents at end of the year	**95,776**	**112,373**	**94,302**

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

	Year ended December 31,		
	2022	2021	2020
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Appendix A – Non-Cash Activities:			
Acquisition of property and equipment with short-term credit	4,511	8,150	4,159
Increase in receivables for lease and lease liabilities	6	21	165
Increase in right-of-use assets and lease liabilities, net	715	18,849	1,133
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, 2022 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(A).

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 (contd.)

(1) General (contd.):

b. (contd.)

- Prescribing corporate governance arrangements.
- Imposing an obligation on clearing houses to provide services to every stock exchange or clearing member and not to unreasonably refuse to provide such services.
- Prescribing a provision stating that if an entity has sold means of control in TASE, which it held prior to the date that the change in the TASE ownership structure was approved, and if the sale proceeds exceeded the value of the means of control sold, the seller will transfer to TASE an amount equivalent to the difference between the sale proceeds and the value of the means of control sold. For this purpose, "value of the means of control sold" – the means of control sold as a percentage of the total means of control in TASE on the arrangement's approval date, multiplied by the TASE equity according to its 2015 financial statements, in the amount of NIS 508 million. TASE may make use of sums transferred to it pursuant to this clause in order to reduce the fees TASE charges and to invest in technological infrastructure, and for these purposes alone.

On September 7, 2017, the Tel Aviv District Court approved the demutualization arrangement of TASE in accordance with Section 350 of the Companies Law, the main principles of which are detailed below: replacing TASE's present Articles of Association with a new version of the Articles of Association that conforms with the provisions of the TASE Restructuring Law.

In addition, it was prescribed that the authorized share capital of TASE will be 150,000,000 ordinary shares having no par value. Within the framework of the arrangement, TASE allocated 94,000,000 ordinary shares to the TASE members in accordance with the Allocation Table, for no consideration. Likewise, TASE allocated 6,000,000 shares to a trustee for TASE employees and service providers, for no consideration. The allocation of shares to TASE employees was done within the framework of the Compensation Plan, which had been approved by the organs of TASE, in accordance with the principles set forth in note 15 (A) of the consolidated financial statements.

c. Pursuant to a prospectus for an initial public offering by way of a secondary offering of Company shares, dated July 24, 2019, and pursuant to a supplementary notice dated July 29, 2019, on August 1, 2019, 100,000,000 ordinary shares with no par value, existing in the Company's share capital, were listed on TASE, of which 31,717,504 shares were offered in a secondary offering to institutional investors in Israel and overseas, as well as to the public in Israel, and approval was received for the listing of up to 8,429,797 ordinary shares that will result from the exercise of options allotted to the Company's CEO and to officers of the Company.

Regarding the indemnification for the pricing underwriter ("the Prospectus Indemnification"), see note 17 E to the consolidated financial statements.

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

A. General (contd.)

(2) The text in these financial statements is an English translation of the original Hebrew financial statements.

In the event of any discrepancy between the original Hebrew and this translation, the Hebrew alone will prevail.

(3) Definitions:

Company or TASE	-	The Tel-Aviv Stock Exchange Ltd.
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 (contd.)

(4) Accounting policies (contd.):

b. Standards, amendments to standards and interpretations published, which are not applicable to the Group:

As of the date of the financial statements, additional interpretations and additional amendments to standards had been published that, in the opinion of the Company's management, are not relevant to the Group.

B. Cash

(1) Composition of cash and cash equivalents:

	December 31,	
	2022	2021
	NIS, in thousands	NIS, in thousands
Cash and cash equivalents denominated in NIS	91,490	108,087
Cash and cash equivalents denominated in other currencies	4,286	4,286
Total cash and cash equivalents	**95,776**	**112,373**

(2) Earmarked cash:

Earmarked 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,	
	2022	2021
	NIS, in thousands	NIS, in thousands
Financial assets (*):		
Cash and cash equivalents	95,776	112,373
Financial assets - held for trading (**)	51,515	52,654
Trade and other receivables	22,009	25,005
	169,300	190,032
Non-current assets:		
Long-term loan to a subsidiary	65,002	61,743
Earmarked cash	720	720
	65,722	62,463
	235,022	252,495
Financial liabilities:		
Financial liabilities measured at amortized cost	22,230	26,921
Lease liabilities – current maturities	8,473	8,726
	30,703	35,647
Non-current liabilities:		
Other liabilities	720	720
Lease liabilities	6,572	14,410
	7,292	15,130
	37,955	50,777

(*) 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 earmarked 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 31.12.2022 and 31.12.2021 closely reflect their fair values.

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

	Carrying amount		Fair value	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	NIS, in thousands	NIS, in thousands	NIS, in thousands	NIS, in thousands
Long-term loan to TASE-CH	65,002	61,743	63,919	67,319

The fair value of the financial instruments that are presented in the statement of financial position at fair value is based on quoted prices (record rate), as determined in the trading on the Stock Exchange at the end of the reporting period.

C. Financial Assets and Liabilities (contd.)

(3) Risk management objectives and policy:

The operations of TASE involve exposure to various financial risks, mainly: credit risk, liquidity risk and market risk, but also involve exposure to other risks (e.g. business risk, operational risk, etc.), the materialization of which could lead to a loss and to a material reduction in TASE's equity.

The risk management policy of TASE is designed to establish an effective organization-wide risk management setup to ensure its stability, while strengthening its ability to identify, monitor and manage its risks.

(4) Credit risk management:

Credit risk is the risk of a counterparty, a custodian bank or another debtor, being unable to fully meet its obligations when due, or at any time in the future.

The Company's exposure to credit risk is immaterial, both in view of its current mix of assets (see Section 1 above) and in view of the investment policy that limits the exposure to credit risk in its portfolio (see Section 6 below).

(5) Liquidity risk management:

Liquidity risk is the risk that the Company will not be able to meet its liquidity needs, on time and in full, for financing its operating activities.

As of 31.12.2022, close to 63% 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 payables.

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 (contd.)

(6) Market Risk Management (contd.):

Exposure as of December 31, 2022 and 2021:

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

	December 31,	
	2022	2021
	NIS, in thousands	NIS, in thousands
Cash and cash equivalents	95,776	112,373
Israeli Government treasury bills and bonds	51,515	52,654
Earmarked cash	720	720
	148,011	**165,747**

(7) Interest Risks:

The Company has monetary surpluses that are placed in bank deposits and investments in financial instruments (government bonds) yielding variable interest rates, giving rise to a cash flow exposure to changes in interest.

The following table details the impact of a +/- 0.5% and a +/- 1% change in interest on the aforementioned financial instruments (before the tax effect):

December 31, 2022			December 31, 2021		
Total variable-interest-rate instruments	Change of +/- 0.5%	Change of +/- 1%	Total variable-interest-rate instruments	Change of +/- 0.5%	Change of +/- 1%
NIS, in millions					
67.0	**0.3**	**0.7**	**115.6**	**0.6**	**1.2**

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 +/- 0.5% and a +/- 1% change in the fair value of the aforesaid bonds (before the tax effect):

December 31, 2022			December 31, 2021		
Total fixed-interest-rate instruments	Change of +/- 0.5%	Change of +/- 1%	Total fixed-interest-rate instruments	Change of +/- 0.5%	Change of +/- 1%
NIS, in millions					
47.3	**0.8**	**1.6**	**43.9**	**0.7**	**1.4**

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, 2021	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
Movement in the reporting year:					
Movement in profit or loss in the reporting year	243	(2,093)	(1,012)	(885)	(3,747)
Movement in other comprehensive income in the reporting year	-	-	-	(6,495)	(6,495)
Balance as of December 31, 2021	**262**	**(25,727)**	**24,458**	**5,774**	**4,767**

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

	December 31,	
	2022	2021
	NIS, in thousands	NIS, in thousands
Subsidiaries	**145,793**	**130,270**

(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, 2022:			
Actuarial gain with respect to defined benefit plan	28,238	(6,495)	21,743
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)

D. Income Taxes (contd.):

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

	Year ended December 31,		
	2022	2021	2020
	NIS, in thousands	NIS, in thousands	NIS, in thousands
Current assets:			
Current assets	9,071	9,059	5,414
Tax benefit with respect to previous years	56	(19)	(118)
Total current assets	9,127	9,040	5,296
Deferred taxes:			
Deferred tax expense (income) with respect to recognition and reversal of temporary differences	3,748	(876)	(171)
Deferred tax income with respect to previous years	-	-	4
	3,748	(876)	(167)
Participation in expenses by the Clearing Houses			
Income from current participation in tax expenses by the Clearing Houses	1,132	(712)	(330)
Income (expenses) from participation in tax expenses by the Clearing Houses in previous years	-	-	(35)
	(1,132)	(712)	(365)
Total tax expenses	**11,743**	**7,452**	**4,764**

(5) Amounts for Which Deferred Tax Assets Were Not Recognized:

a. The balance of capital losses realized for tax purposes for which deferred tax assets were not recognized by the Company as of 31.12.2022 is approximately NIS 2,030 thousand, of which NIS 1,991 thousand was carried over from previous years.

b. The balance of capital losses not yet realized for tax purposes for which deferred tax assets were not recognized by the Company as of 31.12.2022 is approximately NIS 2,525 thousand,

(6) 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,	
	2022	2021
	NIS, in thousands	NIS, in thousands
Among current assets - other receivables (*):		
Subsidiaries	4,769	5,562
Among non-current assets:		
Long-term loan to TASE-CH - see Section E 2 (b) below	65,002	61,743
Among current liabilities - other payables (*):		
Subsidiaries	7,546	7,032

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

(2) Transactions with investees:

	Year ended December 31,		
	2022	2021	2020
	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	(165,362)	(153,116)	(153,213)
Participation in revenue - MAOF-CH	4,395	4,227	2,439
Participation in revenue - Nominee Company	-	(2)	(9)
Participation in expenses			
Participation in expenses - TASE-CH	102,039	102,239	99,124
Participation in expenses - MAOF-CH	24,902	24,227	24,758
Participation in expenses - Nominee Company	6,760	5,766	5,026
Initiation/balancing fees			
Initiation fees - TASE-CH	28,037	26,885	27,760
Balancing fees - MAOF-CH	(11,917)	(10,252)	(8,644)
Balancing fees - Nominee Company	(3,685)	(3,445)	(2,854)
Total			
Initiation fees - TASE-CH	(35,286)	(23,992)	(26,329)
Balancing fees - MAOF-CH	17,380	18,202	18,553
Balancing fees - Nominee Company	3,075	2,319	2,163
Of which - share-based payments			
Share-based payments - TASE-CH	243	332	546
Share-based payments - MAOF-CH	25	49	115
Share-based payments - Nominee Company	6	12	28
Interest income and linkage differences on long-term loan from TASE (b)	5,975	4,050	2,201
Expenses with respect to annual fees to the Nominee Company	(14)	(14)	(14)

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

(2) Transactions with investees (contd.):

(a) Distribution model:

TASE and the other Group companies are closely interconnected .This as TASE provides the companies with their required operational infrastructure(information technology ,human resources ,management ,etc.).

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 2021 ,20by 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 15.12.2015, TASE granted a loan to TASE-CH pursuant to an agreement signed between those companies on December 8, 2015 and which was approved by the Board of Directors of TASE and by the Board of Directors of TASE-CH on November 26, 2015. Pursuant to the above agreement, TASE has granted a loan to TASE-CH in an amount of NIS 60 million, under the following terms:

- The rights by virtue of the loan are subordinate to those of other creditors of TASE-CH.
- No collateral will be provided against the loan.
- The term until the maturity of the loan is 10 years.
- Early repayment of the loan will only be permitted after the elapse of five years and only at the demand of TASE-CH.
- The loan is linked to the consumer price index and bears annual interest (at a rate of 4.25% per year).

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

(3) Additional information on Transactions with Investees:

(a) TASE Resolutions on Providing a Credit Line to TASE-CH and to MAOF-CH:

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

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

Since the approvals that were granted in 2004 and 2009, respectively, and up to the date of approving the separate financial information, no such loans have been requested or granted.

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 1.8.2020 to 31.7.2021:

   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 (contd.):

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

(b) Officers' and Professional Liability Insurance:

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

For the period from 1.8.2021 to 31.7.2023:

Officers' liability insurance policy with a liability limit of up to US$ 40 million (per incident and in aggregate), without an additional layer of insurance for the Clearing Houses.

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) Compensation of officers

As to the updated compensation policy for officers in the Company, in accordance with the provisions of the Companies Law, which shall be in effect for the years 2023 to 2025, see note 13 (E) to the consolidated financial statements.

(e) Equity compensation to officers reporting to the CEO – 2023 warrant plan

On 26.2.2023, a warrant plan was approved for officers reporting to the CEO. See details in note 27 A to the consolidated financial statements.

(f) Retention plan for the CEO

For details regarding a retention plan for the CEO, see note 27 B to the consolidated financial statements.

(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.

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

(4) Charges (contd.):

On 13.1.2020, the Company signed an amendment letter for the reduction of the Company's credit facility granted to it by the banking corporation, effective from 31.12.2019. 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 31.12.2020.

During 2020, TASE informed the bank that it will not be renewing the credit facility that had been extended to it by the bank until 31.12.2020. Accordingly, the credit facility has not been renewed in 2021 and on 31.1.2021 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 10.1.2021.

F. Contingent Liabilities:

See note 17 to the consolidated financial statements.

G. Events After the End of the Reporting Period:

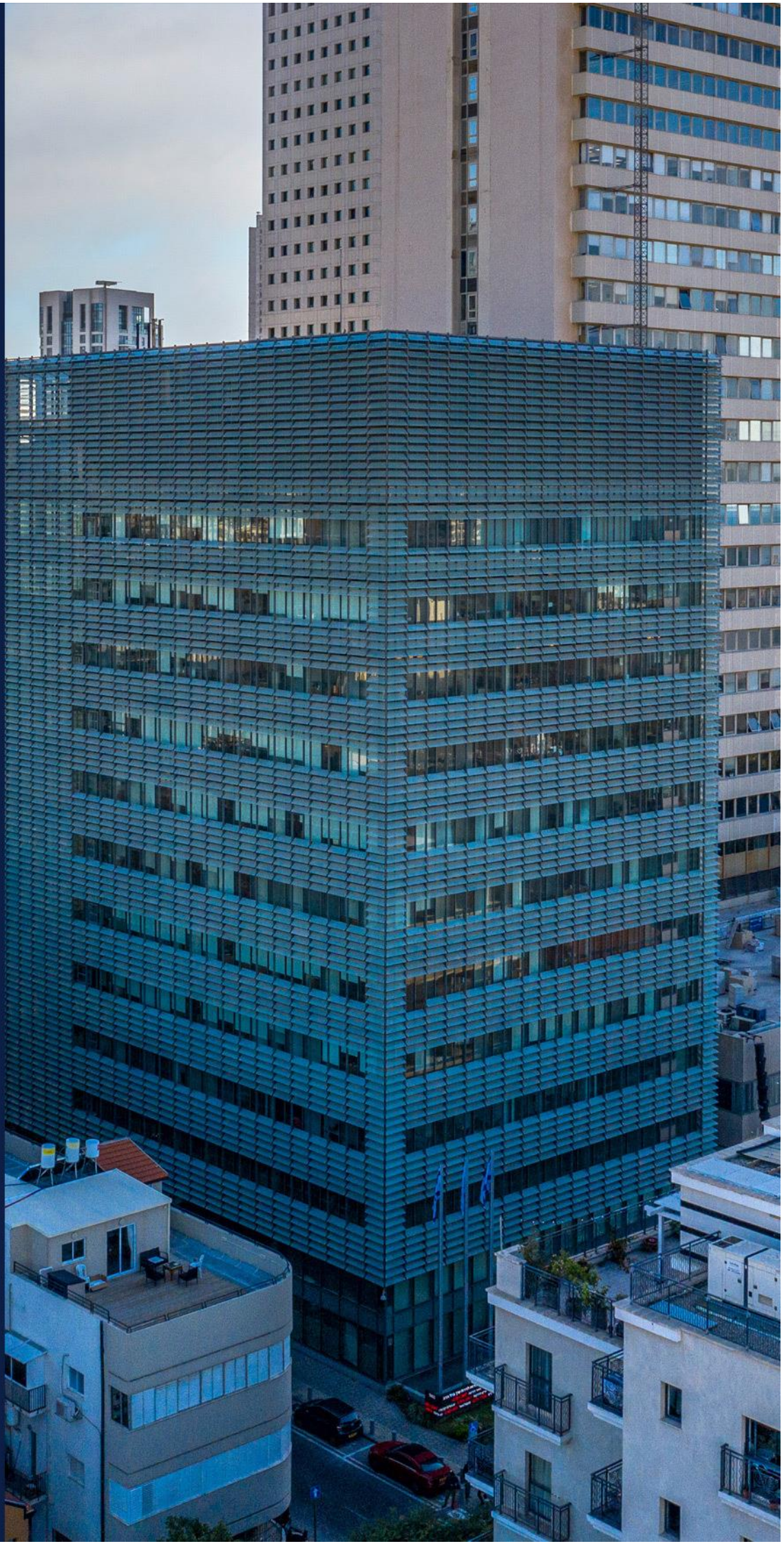
1. As to equity compensation to officers reporting to the CEO – 2023 warrant plan, see note 27 A to the consolidated financial statements.

2. As to a retention plan for the CEO – see note 27 B to the consolidated financial statements.

TEL AVIV STOCK EXCHANGE
הבורסה לניירות ערך תל אביב

PART 4

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 2022, in interim report format (see Section 1.4 of the Board of Directors' Report as of 31.12.2022, which is included in this Periodic Report).

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 31.12.2022:

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 31.12.2022 (NIS, in thousands)
The Company	The Tel-Aviv Stock Exchange Clearing House Ltd.	NIS 30,000,022	100%	127,170
The Company	MAOF Clearing House Ltd.[1]	NIS 3,000,079	100%	51,500
The Company	The Tel-Aviv Stock Exchange Nominee Company Ltd.	-	100%	745

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 31.12.2022	Balance of loans/ capital notes as of 31.12.2022 (NIS)	Terms of the loans
The Tel-Aviv Stock Exchange Clearing House Ltd.	100%	(65,002)	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 31.12.2022 (NIS, in thousands)

In the accounts of the Company	Intercompany balances (**)
The Tel-Aviv Stock Exchange Clearing House Ltd.	7,546
MAOF Clearing House Ltd.[2]	(3,947)
The Tel-Aviv Stock Exchange Nominee Company Ltd.	(822)

* 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 2022 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 2022

Name of company	Profit (loss) before tax	Profit (loss) after tax	Comprehensive income (loss) for the year
TASE-CH	20,924	14,342	14,342
MAOF-CH	1,142	435	435
Nominee Company	1,004	899	899

2022

Name of company	Dividend (NIS, in thousands)	Interest income (expenses) (NIS, in thousands)
TASE-CH	-	* (2,716)
MAOF-CH	-	-
Nominee Company	-	-

* Excluding Linkage to the CPI.

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 1.16.2 of Part One - "Description of the Company's Business", above, and note 24 to the consolidated financial statements of the Company as of 31.12.2022 above.

Regulation 20: Trading on TASE

During 2022, 1,243,690 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 2022. It should be noted that, in 2022, the Company purchased, within the framework of a buyback plan, 1,891,260 shares of the Company. For further details, see note 18D to the financial statements as of 31.12.2022.

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 2022 (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%	-	3,964	818	530	-	-	**5,312**
Yaniv Pagot	EVP	100%	-	1,144	421	-	-	-	**1,565**
Sraya Orgad	EVP	100%	0.22%	1,164	400	-			**1,564**
Orly Grinfeld	EVP	100%	-	1,117	423				**1,540**
Hani Shitrit-Bach	EVP	100%	0.14%	1,136	396	-	-	-	**1,532**

* Not fully diluted.

** Including salary benefits.

[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.

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 1.1.2017, and until 5.7.2018 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 204,000, following its update with effect from January 2022 as set out in and subject to subsection (f) below (linked to the increase in the CPI - NIS 136,000 linked to the CPI for November 2016, NIS 32,000 linked to the CPI for April 2019, and the balance is linked to the CPI for January 2022). 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.

(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 (which expired upon the approval of the Compensation Policy for the years 2023 through 2025) and in conformity with the stated therein, the CEO is included in the bonus plan for 2022, by virtue of which he is entitled for said year to a bonus in an amount of NIS 818 thousand. As of the report publication date, the CEO is also included in a bonus plan for 2023, by virtue of the Compensation Policy of the Company for the years 2023 through 2025, 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 2022 and the bonus plan for 2023, see section 1.26.8 and section 1.26.9 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 of the date of termination of his employment in the Company, as well as a confidentiality undertaking, without any time limit.

(e) The provisions of the Collective Agreement (as set forth in section 1.26.12 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 1.5.2019, 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 is 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 1.6.2019). 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.

(h) On 28.3.2023, the Board of Directors of the Company, after obtaining the approval of the Audit Committee in its capacity as Compensation Committee, approved a new retention plan for the CEO, which will come into effect on 1.6.2023, subject to receiving the approval of the Company's shareholders' meeting.

The new retention plan includes a retention loan in an amount of NIS 3.5 million for a period of 5 years, under the terms that are set out in section (f)(2) above, with the necessary changes, as well as an equity-based compensation plan, by virtue of which the CEO will be allocated warrants with a value of NIS 1.5 million that are convertible into shares of the Company at a price that reflects a Company valuation of NIS 4 billion, which will vest in one installment on 31.5.2028.

For further details, see the General Meeting Convening Report that is being published shortly after the publication of this report.

(2) <u>Yaniv Pagot</u>

Mr. Yaniv Pagot has served as Executive Vice President in the role of head of the Trading Derivatives and Indices Department since 5.1.2021.

Mr. Pagot's gross monthly salary is NIS 70,000 (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 2022 bonus plan, by virtue of which he is entitled for said year to a bonus in an amount of NIS 421 thousand. As of the publication date of the report, Mr. Pagot is also included in a bonus plan for 2023, 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 26.2.2023, the Board of Directors of the Company, after receiving the approval of the Compensation Committee, approved the grant of warrants exercisable into shares of the Company in favor of a trustee, within the framework of an equity-based compensation plan for officers reporting to the CEO. For further details regarding the bonus plan for 2022 and the bonus plan for 2023, 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.

(3) <u>Sraya Orgad</u>

Mr. Sraya Organ has served as Executive Vice President in the role of head of the Strategy and Business Development Department since 1.1.2015.

Mr. Orgad's gross monthly salary is NIS 70,000 (linked to the increase in the CPI for November 2014). 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. Orgad's use, and it bears all the costs of the vehicle, including maintenance expenses (but excluding in respect of the tax value of the vehicle). Mr. Orgad is entitled to participation in expenses and salary benefits as is standard practice at the Company.

In the event of dismissal, Mr. 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. Orgad is included in the 2022 bonus plan, by virtue of which he is entitled for said year to a bonus in an amount of NIS 401 thousand. As of the publication date of the report, Mr. Orgad is also included in a bonus plan for 2023, 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 26.2.2023, the Board of Directors of the Company, after receiving the approval of the Compensation Committee, approved the grant of warrants exercisable into shares of the Company in favor of a trustee, within the framework of an equity-based compensation plan for officers reporting to the CEO. For further details regarding the bonus plan for 2022 and the bonus plan for 2023, 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.

(4) Orly Grinfeld

Ms. Orly Grinfeld has served as Executive Vice President in the role of head of the Clearing Department since 19.3.2017.

Mr. Grinfeld's gross monthly salary is NIS 71,000 (linked to the increase in the CPI for February 2017). The period of Ms. Grinfeld'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. Grinfeld'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). Ms. Grinfeld is entitled to participation in expenses and salary benefits as is standard practice at the Company.

In the event of dismissal, Ms. Grinfeld 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. Grinfeld is included in the 2022 bonus plan, by virtue of which she is entitled for said year to a bonus in an amount of NIS 423 thousand. As of the publication date of the report, Ms. Grinfeld is also included in a bonus plan for 2023, pursuant to which, subject to meeting targets and conditions set out in the plan, she shall be entitled to a bonus of up to 6 salaries. In addition, on 26.2.2023, the Board of Directors of the Company, after receiving the approval of the Compensation Committee, approved the grant of warrants exercisable into shares of the Company in favor of a trustee, within the framework of an equity-based compensation plan for officers reporting to the CEO. For further details regarding the bonus plan for 2022 and the bonus plan for 2023, 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. Grinfeld. It should be noted that Ms. Grinfeld's terms of employment do not deviate from the Company's compensation policy.

(5) Hanna (Hani) Shitrit-Bach

Ms. Hani Shitrit-Bach has served as Executive Vice President, in the role of head of the Economic Department, since 2.10.2011.

Ms. Shitrit-Bach's gross monthly salary is NIS 71,000 (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 2022 bonus plan, by virtue of which she is entitled for said year to a bonus in an amount of NIS 396 thousand. As of shortly before the publication date of the report, Ms. Shitrit-Bach is also included in a bonus plan for 2023, 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 26.2.2023, the Board of Directors of the Company, after receiving the approval of the Compensation Committee, approved the grant of warrants exercisable into shares of the Company in favor of a trustee, within the framework of an equity-based compensation plan for officers reporting to the CEO. For further details regarding the bonus plan for 2022 and the bonus plan for 2023, 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.

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 amounted to a total of NIS 1,896 thousand in 2022 (this amount also includes the directors' remuneration of Mr. Salah Saabneh, who has been serving as Deputy Chairman of the Board of Directors of the Company since 10.5.2022, who is entitled solely to the reimbursement of expenses).

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 "maximum 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 1.1.2021, 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 23.11.2021 (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 officers' liability insurance, as is standard practice at the Company from time to time. In addition, on 28.2.2019, 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 any of its related companies, 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	20.09	20.09	19.26	19.26
2.	**Artisan Partners**	Interested party	TASE ordinary share, with no par value	5,238,119	5.26	5.26	5.05	5.05
3.	**Ittai Ben-Zeev**	CEO	TASE CEO, warrant	4,250,000	-	-	4.09	4.09
4.	**Hanna Shitrit-Bach**	Officer	TASE ordinary share, with no par value	143,668	0.14	0.14	0.14	0.14
5.	**Sraya Orgad**	Officer	TASE ordinary share, with no par value	220,615	0.22	0.22	0.21	0.21
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	0.19	0.19	0.18	0.18
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 7.9.2017, 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 99,569,596 ordinary shares, with no par value (excluding 3,073,911 dormat shares acquired by the Company, as described in Section 1.4.3. of Part One, "Description of the Company's Business" above).

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 officers, no more warrants are in circulation as of the date of the Report. 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: efratb@tase.co.il

Telephone no.:076-8160571

Facsimile no.: 076-8160331

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?
Meirav Ben Cnaan Heller 029641883 19.9.1972 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	9.12.2016	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.	No	Yes
Salah Saabneh 23231632 12.5.1968 Israeli citizenship (U.S . resident)	1280 5th Ave ,. 6BC , New-York ,NY 10029	No	Partner and Manager in the Manikay Group	6.9.2018	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 18.7.1953 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 acting as the Compensation Committee and as the Committee for the Review of the Financial Statements).	No	15.5.2014[5]	Education : M.B.A., INSEAD) European Institute of Business Administration); B.A. in Economics and Statistics, Tel Aviv University. Occupation in the last 5 years: Managing Partner at Aviv Venture Capital Fund; invests in emerging technology companies (startups) and mentors entrepreneurs, Shufersal Ltd (until 2022). 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.; Yunsen Ltd.; Aviv Venture Capital Fund; chairman of the board of Cognni Ltd. (formerly Shieldox Security Ltd.); Xtend Reality Expansion Ltd.; Bioplasmar Ltd.	No	Yes

[5] Except during the period from 15.5.2018 to 28.2.2019.

Aharon Aharon 052069796 8.3.1954 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	12.1.2022	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 (an 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
Gedon Hertshten 051385268 22.9.1952 Israeli	# 15 Masarik St., Tel Aviv	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) and member of the Company's Risk Management Committee.	No	14.9.2022	Education: Bachelor of Arts, Northeastern University, Illinois Occupation in the last 5 years: Owner – GH Financials Hertshten Group Partner – Random Forest Ltd. Other corporations in which he serves as a director : Futures First (Israel) Ltd.; Raft Technologies Ltd., Random Forest Ltd., Hertshten Group	No	No

Regulation 26a: Senior Officers of the Company

a.	**Name:**	**Ittai Ben-Zeev**
	ID no.:	032166225
	Date of birth:	23.2.1975
	Commencement of office:	1.1.2017
	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.
	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:	14.10.1959
	Commencement of office:	2.6.2011
	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:	5.12.1972
	Commencement of office:	5.1.2021
	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:	19.3.1974
	Commencement of office:	1.1.2015
	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 Ben Ezra**
	ID no.:	022656029
	Date of birth:	16.6.1967
	Commencement of office:	20.11.2022
	Position in the Company, in a subsidiary or in an interested party therein:	EVP, Head of Finance and Administration CFO, TASE-CH CFO, MAOF-CH CFO, Nominee Company
	Business experience in the past 5 years:	Vice President and Comptroller of Clal Industries Ltd., (8/2016 – 11/2022) CFO of Clal Beverages Ltd. Director in Adika Style, Golf & Co. and Plasto-Cargal and in other private companies in the Call Industries Group.
	Education:	B.A. in Accounting and Economics (Cum Laude), Hebrew University of Jerusalem M.B.A., Hebrew University of Jerusalem CPA
	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:	30.7.1974
	Commencement of office:	16.1.2022
	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:	12.6.1965
	Commencement of office:	14.2.2017
	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:	19.12.1972
	Commencement of office:	19.3.2017
	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:	17.6.1976
	Commencement of office:	1.7.2015
	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:	15.7.1977
	Commencement of office:	8.2.2016
	Position in the Company, in a subsidiary or in an interested party therein:	EVP, 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:	20.9.1979
	Commencement of office:	1.1.2021
	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:	BA, 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:	14.4.1970
	Commencement of office:	15.4.2011
	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. Also: Partner and Head of Internal Audit and Risk Management at BDO Ziv Haft Consulting & Management Ltd.
	Education:	BA (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 7.4.2022, the Company distributed a dividend of NIS 0.2229 per share in a total amount of NIS 22,735 thousand (gross).
2. For details regarding the buyback of Company shares, see Section 1.4.3. to Part One - "Description of the Company's Business", above.
3. At the Company's Extraordinary General Meeting held on 12.1.2022 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 ,warrants that are exercisable into shares of the Company ,under a warrant 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 6.12.2021 and 12.1.2022 (reference nos.: 2021-01-106756 and 2022-01-006274). The information provided in said reports is included herein by way of reference.
4. At the Company's Extraordinary General Meeting held on 12.1.2023, it was resolved to approve the Company's updated officers' compensation policy for the years 2023 through 2025. For further details, see the Company's immediate reports dated 6.12.2022 and 12.1.2023 (reference nos. 2022-01-117525 and 2023-01-005839). The information provided in said report 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 1.26.13 of Part One, "Description of the Company's Business".

2. Officers' indemnification undertaking

   For details regarding indemnity letters for officers' events, see section 1.26.14 of Part One, "Description of the Company's Business".

3. Officers' Exemption

   For details regarding deeds of exemption for officers, see section 1.26.15 of Part One, "Description of the Company's Business".

Date: March 28, 2023

The Tel Aviv Stock Exchange Ltd.

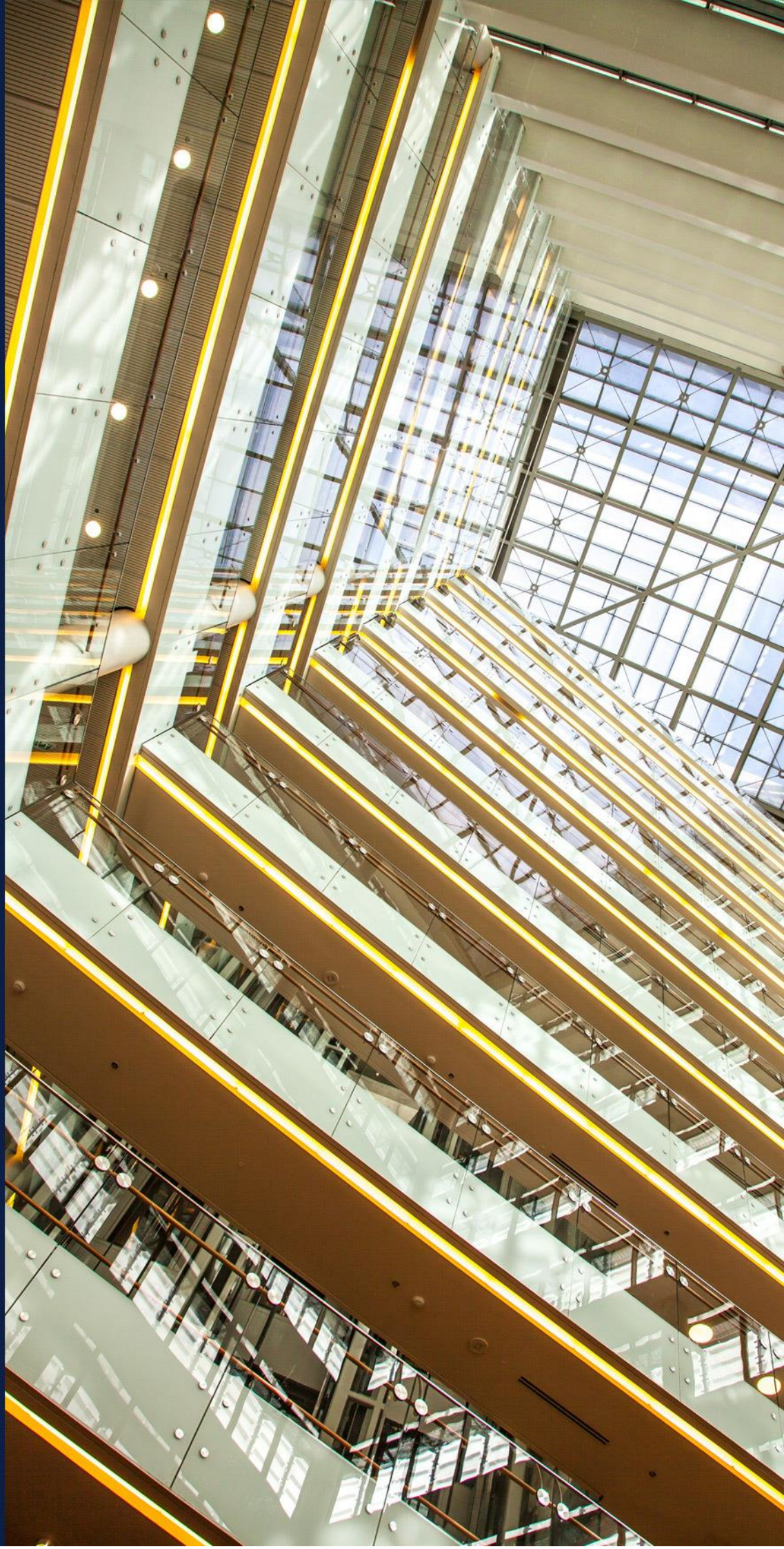
Ittai Ben-Zeev ,CEO	**Salah Saabneh,** **Chairman of the Board** **of Directors***

* For details regarding the process for the appointment of Mr. Saabneh as Deputy Chairman of the Board of Directors of the Company, see section 1.26.11.2, 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 the Financial Reporting and Disclosure for 2022



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 Ben Ezra, 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. Zohar Sela, EVP, Head of Human Resources
11. Liran Gordon, EVP, Senior VP, Head of Corporate Communication
12. Sarit Levitan, EVP, Chief Legal Advisor and Company Secretary[1]

Internal control over financial reporting and disclosure consists of controls and procedures existing at the Corporation, designed by, or under the supervision of, the CEO and the most senior financial officer, or by anyone actually performing such functions, under the supervision of the Board of Directors of the Corporation, which are designed to provide reasonable assurance regarding the reliability of the financial reporting and the preparation of the reports in accordance with the provisions of the law, and to ensure that information which the Corporation is required to disclose in reports that it publishes pursuant to the provisions of the law is gathered, processed, summarized and reported within the time frames and in the format set forth in the law.

Internal control includes, inter alia, controls and procedures designed to ensure that information which the Corporation is required to disclose as above, is gathered and transferred to the management of the Corporation, including the CEO and the most senior financial officer, or anyone actually performing such functions, in order to enable timely decision-making in reference to the disclosure requirements.

In view of its inherent limitations, internal control over financial reporting and disclosure is not designed to provide absolute assurance of the prevention or detection of a misstatement or omission of information in the reports.

Management, under the supervision of the Board of Directors, has examined and assessed the internal control over financial reporting and disclosure in the Corporation and its effectiveness.

The assessment of the effectiveness of the internal control over financial reporting and disclosure performed by management, under the Board of Directors' supervision, included:

[1] Sarit Levitan completed her term as an EVP, Chief Legal Advisor and Company Secretary on January 31, 2023 and no longer an employee of the company.

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 31.12.2022 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 2022 ("**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 28, 2023

Ittai Ben Zeev, CEO.

(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 Ben Ezra, 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 2022 ("**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 28, 2023

Yehuda Ben Ezra,
EVP, Head of Finance
and Administration