ECONOMICS ANNUAL REVIEW 2021

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Trading on TASE was marked by price gains and highly active trading, boosted by the efficient nationwide coronavirus vaccination campaign as well as by the support of the Government and the Bank of Israel.

The leading share indices broke their pre-corona record and the market cap of the equity market crossed the US$ 300 billion mark for the first time.

The TA-35 index increased by 32% during the year, while TA-90 and TA-SME60 indices increased by 33% and 30%, respectively, reaching a historic high.

The TA-Construction index increased by 75%, influenced by the surging demand for housing, the TA-Banks5 index increased by 68% reaching an all-time record high, and the TA-Oil & Gas index increased by 62%, influenced by the soaring global commodity prices;
Over the past five years, 2017-2021, the TA-Real Estate and TA-Technology indices have been leading, with a cumulative return of 177%, each.

In 2021, foreign investors reentered the equity market, purchasing net shares in an amount of US$ 4 billion on TASE, after two years of reduced investing activity.

The average daily trading volume in the equity market, including ETFs, totaled US$ 581 million, 8% over the volume in 2020 and 60% greater than the average volume in 2019, shortly before the coronavirus outbreak.

This year, 96 new companies joined TASE and 2 companies dually-listed their shares on TASE - the highest number since 1993, when 55 high-tech companies and 9 R&D partnerships listed on TASE.

The new companies raised US$ 3.2 billion in IPOs. 12 of the new companies joined TASE's flagship index, the TA-90 index.

In addition, 9 new companies listed on TASE following reverse mergers with inactive TASE-traded companies, mostly high-tech companies.

The number of companies whose shares trade publicly on TASE stands at 541 companies – the highest number since 2012, of which 52 are dual listings.

The rate of increase in new share companies in the past two years was 28% - the second largest in the world[1].

On the equity market, US$ 8 billion was raised from the public - a record amount, compared to US$ 5 billion in the previous year;

[1]According to data published by the World Federation of Exchanges (WFE).

During the year, principal shareholders sold equity holdings of US$ 2.2 billion and purchased equity holdings of US$ 1 billion.

In 2021, foreign investors were also more active in the bonds market, making net purchases of government bonds on TASE in an amount of US$ 7.2 billion, further to purchases of US$ 5 billion in 2020. A contributing factor was the Israeli Government bonds' inclusion in the World Government Bond Index (WGBI) commencing in April 2020.

The average daily trading volume of bonds (including ETFs) totaled US$ 1.2 billion - similarly to the volume in 2020 and 23% greater than the volume in 2019, shortly before the onset of the coronavirus crisis;

Price rose in virtually all classes of government and corporate bond indices, led by CPI-linked bonds that increased by 7%-9%. An exception to this were the fixed-rate non-linked government bonds, with price drops of fell up to 4%, similarly to U.S. treasuries, due to expected interest rate raises.

The bond market met the growing financing needs of the business sector both in the recovery year 2021 and in the crisis year of 2020. US$ 29.5 billion was raised on TASE in offerings of corporate and structures to the public and to institutional investors.

The real sector raised US$ 16.1 billion from the public this year in bond offerings, compared to US$ 11.5 billion and US$ 8.5 billion raised in 2020 and 2019, respectively, with an additional US$ 3.2 billion raised through bonds on TASE UP. This increase stemmed from the expansion of economic activity in the market and the low interest rate.
The financial sector raised US$ 8.2 billion this year from the public in bond offerings and an additional US$ 2 billion on TASE UP, compared to US$ 4.3 billion raised in the previous year.

Trading in TA-35 options was less active as a result of the lower volatility in the equity market, and the decreasing the trading volumes in dollar options despite dollar purchases by the Bank of Israel, influenced by the Federal Reserve's continued monetary easing and the unchanged U.S. interest rate;

551 ETFs are traded on TASE on a wide variety of local and global equity and bond indices and on commodity indices, alongside 26 foreign ETFs on international equity and bond indices, which are also traded overseas and are managed by finance giants, Blackrock and Lyxor. The joint public holdings of ETFs and foreign ETFs, increased by US$ 6.3 billion this year, crossing the US$ 30 billion threshold for the first time;
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[3] **All the data in this review are in dollar terms, with the exception of index returns that are in the local currency - unless stated otherwise. In 2021, the dollar depreciated by 3.3% relative to the NIS.**

Equity market

Share prices

Stock trading on TASE was highly volatile, as it was on leading securities exchanges worldwide, **influenced by the global spread of the coronavirus pandemic over the past two years, in waves of outbreak and abatement.** 2021 was influenced by the abatement of another wave (the fourth) in Israel that began in June 2021, and ended with concerns surrounding the outbreak of a new variant ("Omicron").
Trading concluded with price gains across all leading indices and **in late August 2021 the equity market's market cap crossed the US$ 300 billion threshold for the first time, reaching a record high.**

In total of 2021, the TA-35 index increased by 32% in 2021, while the TA-90 index and the TA-SME60 index increased by 33% and 30%, respectively, reaching a record high. The rate of increase in indices on TASE exceeded that of the MSCI World index that increased 17%, while the U.S. indices, S&P 500 and Dow Jones, increased by 27% and 19%, respectively and the Exchanges in Europe increased by an average of 21% in local currency terms.

It should be noted that, due to the price gains on the equity market since the beginning of the year, **each of the shares on the TA-125 index has achieved a market capitalization in excess of US$ 300 million.**

The key factors having a positive impact on the Tel Aviv equity market include:

- **Curbing of the coronavirus in Israel, with the highest rate of vaccinated population,** administration of a third "booster" shot and expansion of the vaccine to the younger population - youths and, more recently, also children.

- **The Government support continued** with the implementation of several steps, including: extension of the unemployment benefits period for furloughed workers, further to the assistance of more than US$ 35 billion extended since March 2020 to businesses and households. In view of the reduction in the overall unemployment rate among furloughed workers to less than 7.5% (starting in May 2021), in June 2021 the unemployment benefits were discontinued for furloughed workers under the age of 45 and in October 2021 also for individuals over the age of 45.
  In early November, the payment of isolation benefits to employees was extended by two months, until the end of 2021; the Ministry of Finance, together with the Labor Federation and the Employers' Representation jointly signed a "package deal", the first since 1984, which also includes support for the self-employed in the form of unemployment benefits and the gradual raising of the minimum wage in the economy; an assistance program of US$ 19 million was approved for small- and medium-sized businesses affected by the coronavirus crisis, towards participation in the rent for 2020.

- **Continued support by the Bank of Israel:**

- The Bank of Israel maintained the market interest rate at a 0.1% low point, similarly to the United States, despite the anticipated rise of the inflation rate to 2.5% in 2021 which, although within the target set by the Government (1%-3%), is the highest in a decade. The low interest rate contributed to brisk capital raising activity on the primary equity and the bond markets.
- Quantitative easing - A program to purchase government bonds for a total of US$ 25 billion on the secondary market was completed in December 2021.
- The Bank of Israel extended, until the end of December 2021, the ad hoc exemptions granted to banks last year, with the outbreak of the pandemic. The exemptions include reduction of the minimum capital-credit ratio required of banks and expansion of the banks' exposure to the real estate and infrastructure sectors.

- **Positive macroeconomic indicators:**
  - The economy resumed positive growth - according to data published by the Israel Central Bureau of Statistics (CBS), in the first half of 2021 GDP grew by 5.7% in annual terms, after dropping by 2.6% in 2020, and is expected to rise by 6.5% in 2021 according to the Bank of Israel's forecasts.
  - The unemployment rate dropped significantly - the CBS data show that the rate of workers furloughed due to the coronavirus, combined with the unemployed, dropped from the 65% record high of April 2020, settling at 5% in December 2021.
  - The Composite State of the Economy Index, which plunged at the height of the crisis in March-April 2020, resumed an upward climb in 2021 at an average monthly rate of 0.2%, in line with the index's long-term trend.

- **Israel's sovereign credit rating -** The international credit rating agency, **S&P**, affirmed (in May 2021 and November 2021) its highest ever credit rating for Israel at AA-, stable outlook, the international credit rating agency, **Fitch**, affirmed (in January 2021 and July 2021) its rating for Israel at A+ with a stable outlook, and the international credit rating agency, **Moody's**, affirmed (in May 2021) its rating for Israel at A1 with a stable outlook (in May 2021).

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

- **Contributing international factors:**

  - **In the United States,** the interest rate was maintained at a low point of 0%-0.25% and the Federal Reserve continued its purchases of bonds (government and mortgage-backed) for a total of US$ 120 billion a month, and starting in the final quarter of 2021 started scaling back the purchases that will continue until March 2022.
    The European Central Bank (ECB) maintained the interest rate at 0% and announced that it will continue to purchase government bonds until March 2022, albeit at a reduced rate of less than the EUR 80 billion a month practiced in recent months.

  - **Alongside monetary easing implemented by central banks globally,** governments are extending budgeted assistance in unprecedented amounts, most notably the United States, with an assistance program totaling US$ 6 trillion since the onset of the coronavirus crisis. The substantial assistance programs have kept the dollar at a stable exchange rate of close to NIS 3.1, despite dollar purchases of more than US$ 35 billion by the Bank of Israel in 2021.
  - **Full approval of Pfizer's coronavirus vaccine** by the FDA **in August**, and approval of the emergency use of the vaccine in children aged 5-11 years **in October**. **In November,** Pfizer

announced that it has developed a treatment for the coronavirus, which is pending FDA approval, and the administration of the third "booster" shot in the United States to the population over the age of 18 was approved.

The key factors negatively affecting the Tel Aviv equity market include:

- **Negative macroeconomic indicators:**
  - **The government budget deficit** for 2021 is expected to reach 4.5% of the GDP, although less than the deficit in 2020, which amounted to 12% as a result of the Government's substantial support programs, but greater than the deficit in the pre-pandemic year of 2019, which amounted to 3.7% of the GDP.
  - **Continued of high debt-to-GDP ratio**, to 70% in 2021 (according to the Ministry of Finance projections), as compared to 72% at the end of 2020 and 60% at the end of 2019.
  - **The unemployment rate,** including workers furloughed due to the coronavirus crisis and the unemployed, remains high - 5% in December 2021, as compared to an unemployment rate of 3.3% shortly before the onset of the coronavirus crisis.
  - **The inflation rate** reached a positive rate of 2.8% in 2021, the highest rate since 2009.
  - **The Bank of Israel,** which has been maintaining its interest rate at 0.1%, despite the rising rate of inflation, announced that it will be discontinuing the quantitative easing: a completed program for the purchase of government bonds in an amount of US$ 25 billion will not be renewed, programs for bond purchases of US$ 4.3 billion have already been halted in November 2020 at US$ 1 billion, a completed program for the purchase of dollars in an amount of US$ 30 billion will not be renewed, and the long-term loans to banks against their extension of loans to small and medium businesses were discontinued at US$ 12 billion in August 2021.
- **In the international arena:**

  2021 was marked by the outbreak of the Delta variant in waves across the globe, the same as in Israel, alongside the expanded administration of coronavirus vaccines. The markets, which had suffered restrictions up to complete lockdowns in 2020, started to recover and regain some positive growth, while inflation rates started to climb as a result of disruptions in the chain of supply and trading restrictions, combined with a growing demand for commodities. Consequently:
  - The prices of natural gas (TTF) and oil (WTI) soared this year by more than 250% and 55%, respectively, the Dollar depreciated relative to the NIS, which reached the lowest exchange rate in 26 years, as well as relative to the Euro relative to the NIS, which reached the lowest exchange rate in 21 years – an appreciation that encumbers the economy's income from export.
  - Following the increase of the inflation rate to 3% in 2021 in developed economies alongside a 5% growth in GDP projected by the International Monetary Fund, central banks have initiated monetary contraction: while some central banks started raising the interest rate, other central banks, such as the ECB, are maintaining the interest rate at a low point and continuing the monetary easing, and the central banks such as the Federal Reserve are maintaining the low interest rate but have announced withdrawal from the easing policy, including bond purchases.

  It should be noted that, towards the end of November 2021, as the fourth coronavirus wave was wreaking havoc in Europe, the World Health Organization announced the detection of a new variant of concern in Africa ("Omicron"). The growing concern surrounding the spreading of the variant and the rising morbidity rates, has led many countries to reinstate the restrictions on flights

and tourism, to which the markets reacted with price drops in share indices and reduced commodity prices.

Table 1 - Rate of Return on Select TASE Share Indices *:

	2021	2020	2017-2021
TA-35 index	32%	-11%	35%
TA-90 index	33%	18%	159%
TA-125 index	31%	-3%	60%
TA-SME60 index	30%	16%	19%
TA-Growth index	10%	29%	58%
TA-Banks5 index	68%	-22%	117%
TA-Real Estate index	53%	-5%	178%
TA-Technology index	11%	38%	177%
TA Tech-Elite index	9%	39%	116%

*** All indices in the table have reached historic highs this year.**

Outstanding among the sectorial indices:

- The **TA-Banks5 index** broke its record from January last year, soaring by **68%** this year to a record high. The increase in the index was influenced by the growing profitability of the banks, alongside the two extensions, until the end of 2021, of the ad hoc exemptions granted to the banks by the Bank of Israel last year following the outbreak of the coronavirus. In view of the increase in lending activity and in the profitability of the banks, the Supervisor of Banks announced (in December 2021) the cancellation of most of the ad hoc exemptions as from January 1, 2022.
- The **TA-Oil & Gas index** also soared by **62%** this the year, as a result of the increase in global production activities and the energy crisis, which together generated sharp price hikes in commodities, primarily gas and oil.
- The **TA-Real Estate index** broke its record from February last year, surging by **53%** this year to an all-time record - when the **TA-Construction index** skyrocketed by **75%** due to the steep rise in the demand for housing, a direct result of the Bank of Israel's resolution to expand, commencing in January 2021, variable rate lending (Prime) for apartment buyers, with an ensuing 11% rise in housing prices reported by CBS. Consequently, the Bank of Israel announced the implementation of several measures (in August 2021), most notably the prohibition of mortgaging an existing apartment to purchase another, and required the banks to increase the provision for credit losses in respect of loans to apartment buyers; the Ministry of Finance decided to raise the purchase tax on a second apartment purchase from 5% to 8% in an attempt to curb the price hikes that took place in late November 2021, and the Bank of Israel announced a reform aimed at increasing transparency and competition in the mortgages market, which will come into effect in early July 2022.
  The TA-Investment Properties indices also rose at an impressive rate of up to **47%** as employees returned to work from the offices (in place of remote work).

Technology companies, which had enjoyed sharp price gains last year, reaching an all-time record in December 2020, continued their upward climb in 2021. **The TA Tech-Elite and TA-Technology indices** increased by **9%** and **11%**, respectively, in 2021, after surging by 39% last year.

It should be noted that the growing concern, at the end of the year, surrounding the spread of a new variant had an adverse effect on the **TA-Biomed index,** which in total fell by **9%** in 2021, after increasing by 18% last year.

7Over the past five years, 2017-2021, the **TA-Real Estate and TA-Technology indices** have been leading, with an increase of **177%**, each.

Three new share indices were launched in 2021:

- **On February 7, 2021,** the **TA-Cannabis index** was launched, comprising the shares included in the Cannabis Subsector under the Biomed Sector. The index includes 10 companies that are primarily engaged in the fields of research, cultivation, sale or production and marketing of medical cannabis products, with a total market capitalization of US$ 0.5 billion.
- **On June 6, 2021,** the **TA-Dual Listing index** was launched, comprising Israeli-oriented dual listings included in the Tamar Universe. Of the 45 Israeli-oriented dual listings included in the Tamar Universe - 10 shares are included in the TA-35 index, 15 shares are included in the TA-90 index and 9 shares are included in the TA-SME60 index, with a total market capitalization of US$ 93.6 billion.
- **On September 5, 2021,** the **TA-Retail index** was launched, comprising shares of companies included in the Retail Subsector split off from the "Commerce and Services - Commerce" Sector on August 1, 2021. The Retail Subsector includes physical and online retail chains specializing in the retail marketing of a wide variety of consumer products. The index comprises 20 companies with a total market capitalization of US$ 13.5 billion.

The "Insurance Shares and Convertibles" index was transformed into a continuous index:

- **On June 6, 2021,** the **Insurance Shares and Convertibles index** was upgraded into a continuous index – the **TA-Insurance index.** The index comprises 9 insurance companies with a total market capitalization of US$ 11.6 billion. In October, a first tracking mutual fund on the index was launched.

Equity Trading Volumes:

Table 2 – Average Daily Trading Volume in the Equity Market (US $ millions)

	2021	2020	% CHANGE IN 2021
Shares including ETFs	**581**	**540**	**8%**
Shares excluding ETFs	477	426	12%

Shares trading was active posting an average daily volume of US$ **581** million, 8% greater than the average daily volume in 2020 and 60% greater than the volume in pre-pandemic year 2019.
The active trading this year was influenced by **the return of foreign investors into TASE's equity market,** as reflected in the Bank of Israel's data: in 2021, foreign residents made net share purchases of US$ **4** billion on TASE, after net sales of US$ 1.4 billion and US$ 0.4 billion in 2020 and 2019, respectively.

Shares' Market Free Float:

In 2021, **net sales of shares by principal shareholders** continued – principal shareholders sold shares in n amount of US$ 2.2 billion - similarly to the previous year, and at the same time purchased shares in an amount of US$ 1 billion. The free float in the equity market reached 61% at the end of the year.

Net sales came to US$ **1.2** billion, as compared to net sales of US$ 0.9 billion in 2020.

The most notable sales during the year were the sale by Shari Arison of a 7.8% shareholding in **Bank Hapoalim** for US$ **0.9** billion, and the sale of **Bank Mizrahi** shares in an amount of US$ **0.2** billion by Shlomo Eliahu.

In contrast to these sales, the purchase of **Gav-Yam** shares stood out in an amount of US$ **0.3** billion each, by Aaron Frenkel and by Property and Building.

Equity Capital Raising

Table 3: Equity Raised on TASE

	Amounts raised (US$ millions)	**Amounts raised (US$ millions)**	**Amounts raised (US$ millions)**	**No. of public offerings & private placements**	**No. of public offerings & private placements**	**No. of public offerings & private placements**
	2021	**2020**	**2019**	**2021**	**2020**	**2019**
Public offerings	5,626	3,572	2,353	167	115	60
Of which, New Companies (IPOs)*	3,220	1,371	902	94	27	7
Private placements**	2,220	1,244	1,183	145	121	98
Warrant exercise	127	151	223	-	-	-
Total	7,973	4,967	3,759	312	236	158

* Number of New Companies do not include companies which listed without raising capital (dual listings and reverse mergers).

** Excluding shares of US$ 0.2 billion raised on TASE UP in 2021.

The total equity raised from the public on TASE came to US$ 8 billion, a record amount - 54% greater than the record amount raised from the public in 2007, and compared to US$ 5 billion raised in 2020.

Capital raised in public offerings amounted to US$ **5.6** billion in 2021, 58% greater than the amount raised last year, this in line with the upward trend of capital raising in the two previous years, 2019-2020. **The sharp rise in capital raised this year stemmed from the continuous growth in the number of IPOs** that began last year. **US$ 3.2 billion of the amount raised in public offerings was raised in 94 IPOs - the highest number of new issuers since 1993,** and compared to 27 new issuers last year. An analysis of this year's IPOs reveals that:

- **2021 is a turnaround year in high-tech companies' perception of capital raising in the local market** on TASE and their **acceptance into the institutional market**. This year, 65% of the new issuers are high-tech companies, i.e. **52 companies from the Technology, Cleantech and Biomed Sectors and 9 R&D partnerships** joined TASE, as compared to 13 high-tech companies and 5 R&D partnerships that performed an IPO in the previous year.
- **The largest IPOs performed this year - 12** new major companies: **two companies with a value of more than US$ 1 billion, each -** the cleantech company, **Veridis** (US$ 1.15 billion), the fintech

company, **Nayax** (US$ 1.05 billion) **and 10 companies with a value of more than US$ 0.3 billion, each.**

- **Most IPOs this year were carried out as a non-uniform offer to institutional investors (Book Building),** for the second consecutive year. 77 new companies carried out such IPOs, raising US$ 3 billion - 92% of the total amount raised in IPOs.
- **First SPAC listed on TASE - ISPAC,** a special purpose acquisition company with no business activity that is designated for reverse merger with a target company with a minimum market capitalization of US$ 0.3 billion, this within two years of its IPO. The company raised US$ **111** million in a non-uniform offer to institutional investors (Book Building), with an additional US$ **13** million invested by the entrepreneurs.
- It should be noted that one of the new issuers - **Cannabotech**, was the first to raise capital on TASE by reaching out to the public through a crowdfunding site, FUNDIT.

Global Offerings

This year, two international underwriters led 3 global offerings that are concurrently offered to institutional investors in Israel and overseas. **Jefferies** led the offering of **Nayax** and **UBS** led the offerings of **Retailors** and **Terminal X**.

For a list of the 94 new issuers, the amount raised and their post-offering market capitalization, **see the TASE website**.

The **traded companies raised** US$ **4.8** billion **on the equity market this year**. The follow-on offerings that stood out in terms of size:

- The renewable energy company, **Enlight Energy**, and the investment property company, **Amot**, raised US$ **286** million and US$ **224** million, respectively, in public offerings.
- The retail marketing of supermarket chain, **Shufersal**, raised US$ **212** million in a book building offering to institutional investors in Israel and overseas.
- The Oil & gas partnership, **Navitas Petroleum**, raised US$ **201** million in public offerings.
- The Renewable energy company, **Nofar Energy**, raised US$ **174** million in a private placement to classified investors.

Equity Raised on TASE UP:

This year, three companies raised equity on **TASE UP**, which up until 2020 served only in bond offerings. This platform enables private high-tech companies, venture capital funds, foreign REITs and credit funds to enjoy special access to institutional investors and accredited investors and raise funds without going public.

The first to offer shares on TASE UP listed shares in an amount of US$ **180** million in 2021: **Veev**, a company that develops prefabricated construction technology (US$ **100** million), **Group 11**, a U.S. venture capital fund that invests in fintech companies (US$ **72** million) and **PSC-Can**, a cannabis company (US$ **8** million).

Reverse Mergers

This year, **nine new companies completed reverse mergers**, primarily in the technology and biomed sectors:

#	Merging company (former name)	Merged company	Operations infused	Company valuation prior to reverse merger (US $ millions)	Company valuation at the end of 2021 (US $ millions)
1	Inbar Group	Blitz	Manufacturing and marketing of electric motorcycles	13	89
2	Somoto	Nostromo	Development of advanced technologies for the storage and the demand management of thermal energy	28	67
3	Medivie Therapeutic	Storage Drop	Development, manufacturing and distribution of energy storage systems	20	37
4	Fantasy Network	Biomilk	Development of technology for the production of cultured cow milk and breast milk	32	43
5	Nextgen	EYEPEN	Development of a smart device that attaches to insulin injection pens	36	20
6	Whitestone	Beeio Honey	A process for the development of cultured honey	12	40
7	Chiron Refineries	Upsellon	Supply of technological services to Amazon sellers	25	29
8	Matomy	Automax	Indirect import of private vehicles	14	30
9	New Horizon	Thirdeye	Development of AI-based technologies and electro-optical microsystems	9	25

Companies listed without raising capital:

- **Amiad**, a company engaged in the development, manufacturing and marketing of water treatment and filtration systems for agricultural and industrial uses, listed its shares on TASE commencing on August 23, 2021. The shares of the company, which had been traded on the AIM in London since 2005, were delisted from London upon their listing on TASE, at the initiative of the company. Following the transition to trading on TASE, the company has unlocked value, raising its market cap from US$ **129** million on listing to US$ 166 million at the end of 2021.
- **Tera Light -** Menora Mivtachim Holdings, distributed to its shareholders all of the shares of renewable energy company, Tera Light, as a dividend in kind and listed them on TASE commencing on September 19, 2021. Tera Light is engaged in the development and construction of solar energy projects and invests in cleantech companies. The shares of Tera Light entered trading at a market cap of US$ **275** million.

Dual Listings

Two technology companies listed shares for trading on TASE within the framework of the dual listing provisions:

- **RADA -** a company that develops, manufactures and markets mobile tactical radar systems for land combat forces and advanced electronic systems for manned and unmanned aircraft. The company, which is traded on Nasdaq (ticker symbol: RADA) dual-listed its shares on TASE commencing in February. The valuation of the company on the eve of the dual listing was US$ 424 million.
- **First dual-listing on TASE and the Singapore Exchange (SGX) - Sarine Technologies -** a company that develops precision technology for the planning and processing of diamonds. The shares of the company are traded on the Singapore Exchange (SGX: U77) and were dual-listed on TASE commencing in July (ticker symbol: SARN). The valuation of the company on the eve of the dual listing was US$ 207 million.

Two biomed companies that are traded on TASE listed theirs shares for trading also on foreign exchanges:

- **First dual listing on TASE and the Toronto Stock Exchange (TSX) -** the medical cannabis company, **Intercure**, which has been traded on TASE since 2007, completed a reverse triangular merger into a Canadian SPAC company and entered trading on TSX in April 2021 (ticker symbol: INCR:U). Later in the year, the company also dual-listed on the Nasdaq, commencing in September 2021.
- The medical devices company, **Icecure Medical**, whose shares have been traded on TASE since 2011, dual-listed its shares on Nasdaq without raising capital, commencing in August 2021.

The communications company, **Cellcom, delisted its shares from NYSE** (in February 2021) **and is currently traded exclusively on TASE.**

Three companies delisted their shares from TASE only and continue to be traded in the United States: the food flavor and fragrances company **IFF** (a foreign company), the technology company, **Medigus**, and foodtech company **Meatech**. At the end of the year, the energy company **Arko Corp**, and the pharma company **Perrigo**, announced their intention to delist from TASE at the beginning of 2022.

TASE-listed companies raised US$ **1.1** billion **abroad this year** through public shares offerings and private placements, close to half the amount that they had raised abroad in 2020.

The number of TASE-listed companies: , the shares of **541** companies traded on TASE at the end of 2021- the highest number since 2012, as compared to 455 companies at the end of 2020.

The combined market capitalization (after-the-money) of the **94** companies that listed shares on TASE for the first time in 2021, the **9** companies that completed a reverse merger with a TASE-traded company and the **4** companies that listed without raising capital amounts to US$ **15** billion. On the delisting side, **13** companies with a total market capitalization of US$ **12.6** billion (on the eve of the delisting) have been delisted (almost all of the amount - US$ 11.1 billion, relates to IFF). The distribution of delisting firms according to the reason for delisting follows:

- **2 companies** with a combined market capitalization of US$ **0.2** billion have been delisted as a result of corporate reorganization, which did not impact the group's TASE coverage, as the delisting was affected by way of merger into another public company that continues to be traded (Teldor was purchased by One Technologies, and Halman Aldubi was purchased by The Phoenix).

- **2 companies** have been merged into international companies - Itamar Medical was purchased by Zoll Medical, and Ham-Let was purchased by Ultra Clean. Their combined market capitalization on the eve of the delisting was US$ **0.8** billion.
- **One company** has been delisted following a merger into a local private company - Minrav, purchased by Essence. Its market capitalization on the eve of the delisting was US$ **0.2** billion.
- **2 companies** have been delisted as a result of a **tender offer of the controlling shareholders** (Leader Investments and Xenia). Their market capitalization on the eve of the delisting was US$ **0.2** billion.
- **3 dual listings companies** have been delisted from TASE: IFF with market capitalization of US$ **11.1** billion on the eve of the delisting, and Medigus and Meatech with combined market capitalization of US$ **0.1** billion on the eve of the delisting.
- **3 Companies** have been delisted after 4 years on the **maintenance list** – B.G.I., Vitala and KMN Capital. Their combined market capitalization on the eve of the delisting was negligible.

Bond Market

Bond Market Indices:

Bond trading concluded with price gains in most leading indices, as was the case for the equity market and other markets the world.

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

Price gains characterized all linked bonds:

- **CPI-linked corporate and government bonds rose by 7%-9%,** on the backdrop of the projected increased inflation rate in Israel. The Consumer Price Index increased by 2.8% in 2021, after dropping by 0.7% in the previous year.
- **Currency-linked corporate bonds rose by 5.7%** due to the anticipated appreciation of the dollar relative to the NIS, as a result of the Bank of Israel's announcement of a US$ 30 billion dollar purchase program in January 2021, which has been completed, and the anticipated earlier raising of the Federal Reserve's interest rate.
- Price gains also characterized **corporate shekel bonds** - bonds included in the **Tel Bond-Shekel index** rose by **3%**, while the bonds included in the **Tel Bond-Yield Shekel index** rose by **6.7%**, in compensation for their rating.

Table 5: Rate of Return of the Indices and Market Capitalization of the Bonds:

	2021 market cap (US$ billions)	2021 annual yield	2020 annual yield
Government Bonds			
CPI-linked bonds	**84**	**7.4%**	**1.2%**
Non-linked bonds - total	**130**	**-0.8%**	**1.3%**
Stood out among the above indices: Fixed-rate	115	-1.0%	1.5%
Floating-rate	13	0.8%	0.0%
Currency-linked bonds *	**13**	**Without index**	**Without index**
Total government bonds	**227**	**2.3%**	**1.2%**
Corporate bonds **			
CPI-linked - total	**73**	**8.7%**	**0.0%**
Stood out among the above indices: Tel-Bond 20	20	8.4%	-0.2%
Tel-Bond 40	21	7.4%	0.1%
Tel Bond-CPI Linked SmallCap	18	8.1%	-1.7%
Tel Bond-Yields	8	9.4%	-6.6%
Non-linked bonds - total	**47**	**Without index**	**Without index**
Stood out among the above indices: Tel-Bond Shekel	34	3.0%	-0.1%
Tel Bond-Yields - Shekel	13	6.7%	-3.9%
Currency-linked bonds	**4**	**5.7%**	**-2.8%**
Total corporate bonds	**124**	**7.2%**	**0.6%**

* Israeli government foreign currency bonds issued overseas were listed for parallel trading on TASE for the first time in October 2021.

** Excluding TASE UP bonds and financial instruments.

Changes in bond indices:

On May 23, 2021, TASE launched four new continuous All-Bond indices:

- **All-Bond General index** superseding the **All Bonds index**, and **All-Bond CPI Linked index** superseding the **CPI-Linked Bonds index**. The new indices are continuous and replace the previous indices calculated once a day at the end of trading.
- **Two new indices** - **All-Bond Dollar index,** comprising fixed-rate non-linked government and corporate bonds, and **All-Bond Floating index**, comprising variable-rate non-linked government and corporate bonds.

On August 22, 2021, TASE replaced Tel Bond-Floating index with the new All Bond-Floating index, which comprises both variable-rate government bonds and structured bonds.

Bond Trading Volumes:

Table 6 - Average Daily Trading Volume in the Bond Market (US $ millions)

	2021	2020	% change in 2021
Government bonds	**936**	**888**	**5%**
Corporate bonds including ETFs	**280**	**313**	**-11%**
Corporate bonds excluding ETFs*	**241**	**270**	**-11%**
MAKAM (Central Bank Treasury-bills)	**99**	**168**	**-41%**

* Includes structured bonds.

The average daily trading volume of bonds (including ETFs) totaled US$ **1.2** billion in 2021, similarly to the volume in the previous year, but 23% greater than the volume in 2019.

Active trading in government bonds - at an average daily US$ **0.9** billion, 5% greater than the trading volume in the preceding year and 27% greater than the volume in 2019, the pre-pandemic year. The average daily trading volume in **government non-linked bonds** totaled US$ **0.6** billion, while the trading volume in **CPI-linked government bonds** totaled US$ **0.3** billion.

The trading volumes in those bonds were driven by US$ 12 billion **government bond purchases by the Bank of Israel** in 2021, further to US$ 13 billion purchased in 2020.

This year, foreign investors' purchases of government bonds on TASE increased, totaling US$ **7.2** billion, net in 2021, further to purchases of US$ 5 billion, net in 2020, as reported by the Bank of Israel. These purchases were, among others, a direct result of the inclusion of the Israeli Government bonds in World Government Bond Index (WGBI) in April 2020.

This year, for the first time, Israeli government foreign currency bonds issued overseas were listed for parallel trading on TASE - this, as part of a joint initiative of the Accountant General in the Ministry of Finance and TASE. Six series were listed - 3 dollar-linked government bonds and 3 Euro-linked government bonds, in a total amount of US$ **13** billion, which as from October 31, 2021 are also traded on TASE. The trading in the foreign currency bonds is carried out in shekels, while the anticipated payments to the holders of the bonds (interest) will be made in the currency in which the bond is denominated.

The average daily trading volume of corporate bonds (including structured bonds and ETFs) totaled US$ **0.3** billion in 2021, 11% below the volume in 2020, but 12% greater than the volume of trading in 2019, the pre-pandemic year. The reduction in the trading volumes is partly due to the discontinuance of the purchase of corporate bonds by the Bank of Israel, already in December 2020, following purchases of US$ 1 billion in July-November 2020.

Debt Raised in the Bond Market

The Ministry of Finance's floatation of bonds on TASE reduced somewhat in 2021, as the Ministry of Finance halted the offering of bonds overseas this year, after raising record amounts last year as a result of the need to finance the increase in the national budget deficit, which reached 12% of the GDP in 2020. **The total amount raised by the Government** during the year amounted to a gross US$ **32** billion, as compared to the record figure of US$ 53 billion raised last year.

This year, the weight of debt raised in non-linked bonds offerings reduced to 74% of the total amount raised in government-bond offerings on TASE, as compared to 79% in 2020. At the same time, the

weight of debt raised in CPI-linked bonds offerings increased to 26% of the total amount raised in government-bond offerings, as compared to 21% in 2020.

The Ministry of Finance's offerings were accompanied by redemptions in an amount of US$ 27 billion, of which US$ 21 billion in non-linked bonds and US$ 6 billion in CPI-linked bonds.

Debt raised in public offerings and private placements of corporate bonds to the public

The volume of debt raised through corporate bonds on the Israeli bond market (excluding TASE UP and structured bonds) resumed an upward direction in 2021, totaling US$ **24.3** billion – **a historic record.** This followed a reduced raising volume US$ 15 billion in 2020 and US$ 19.3 billion in 2019, shortly before the onset of the pandemic.

This year's higher raising volumes also applied to companies in the real sector, which raised US$ **16.1** billion from the public - 40% more than the amount raised last year, stemming from the resuming of production activities and the need to refinance marketable bonds in view of the low interest rate in the economy, and **in financial sector companies**, which raised US$ **8.2** billion from the public - more than double the amount raised last year, driven by the growing demand for banking credit and non-banking credit.

Redemptions of traded bonds (real sector and financial sector) totaled US$ **14** billion this year, as compared to redemptions of US$ 15.5 billion and US$ 12 billion in 2020 and 2019, respectively. The increase in debt raised by the business sector, despite the drop in the volume of redemptions, testifies to the expansion of activities in the market. This year, too, debt was raised mainly for the purpose of refinancing marketable debt in 2021-2022 (70%) and partly in order to finance non-marketable debt towards the financing of operating activities as well as their expansion (30%).

In 2022, redemptions are expected to exceed US$ 16.5 billion - an increase that stems from bonds issued by the major banks.

Table 6: Debt Raised through Non-Government Bonds, by Sectors, 2019-2021 (US $ millions)

	2021	2021	2020	2020	2019	2019
Corporate bonds to the public	**24,257**	**100%**	**14,997**	**100%**	**19,291**	**100%**
Sectoral classification:						
Financial sector:	**8,181**	**34%**	**3,490**	**23%**	**6,511**	**43%**
Banks	6,250	26%	2,712	17%	4,888	33%
Financial services	1,067	4%	400	3%	532	4%
Insurance	864	4%	378	3%	1,091	6%
Real sector:	**16,075**	**66%**	**11,507**	**77%**	**8,487**	**57%**
Real estate and construction	9,996	41%	7,361	49%	5,691	38%
Energy and gas exploration	1,965	8%	1,545	10%	417	3%
Commerce and services	1,837	8%	1,283	9%	1,242	8%
Technology	1,246	5%	275	2%	227	2%
Investments	923	4%	417	3%	619	4%
Industry	243	1%	625	4%	291	2%
Corporate bonds on TASE UP *	**5,223**		**4,132**		**1,077**	
Exercise of warrants	**-**		**77**		**14**	
Total corporate bonds	**29,480**		**19,206**		**20,382**	
Structured bonds	**67**		**461**		**930**	
Total debt raised through non-government bonds	**29,547**		**19,667**		**21,312**	

* Including debt raising from institutional investors overseas and listing on TASE in an amount of US$ 4.1 billion and US$ 3.3 billion in 2021 and 2020, respectively.

Debt raised through corporate bonds in 2021 – key characteristics:

- **Increase in the volume of debt raised by the financial sector:**

  During the year, the financial sector raised US$ **8.2** billion in public offerings of bonds and an additional US$ **2** billion in offerings of bonds to institutional investors on TASE UP, compared to US$ **4.3** billion raised in 2020.
  Increase in debt raised by the major banks from the public and from institutional investors - which amounted to US$ **6.3** billion in 2021, as compared to US$ 2.7 billion in the previous year and US$ 4.9 billion in 2019. The activity of the banks in the past year was mainly affected by the growing demand for credit on the part of households (mainly apartment buyers) and of the business sector that has resumed full activity. The reduction of credit facilities to clients under the Strum Law (commencing in January 2021) and the Bank of Israel's directive to banks to increase the provisions for credit losses in respect of loans extended to real estate businesses did not have a material effect.

  At the same time, debt raising by **non-banking credit companies** on the bonds market grew to US$ **1.1** billion in 2021, more than double the amount raised by the sector in 2020.

This year's prominent issuers include:
Bank **Hapoalim,** which raised US$ **1.6** billion from the public **in the largest offering of bonds on TASE** - half with CPI-linked bonds and half with non-linked bonds. The bank raised **an additional** US$ **1** billion in an international offering of dollar-linked bonds listed on TASE UP to institutional investors, in **COCO** bonds, which includes a mechanism for the absorption of losses through conversion into shares. As the consideration from the offering of the COCO bonds is earmarked for "green projects", this is **the first green bond listed on TASE**
Bank **Mizrahi-Tefahot**, which raised US$ **1.7** billion from the public with CPI-linked bonds and another US$ **0.6** billion in an international offering of COCO dollar-linked bonds, which include a mechanism for the absorption of losses through principal write-down, listed on TASE UP.
And **Discount** Bank, which raised US$ **1.7** billion from the public - US$ 0.9 billion with CPI-linked bonds, US$ 0.3 billion with commercial paper, and US$ 0.5 billion with COCO CPI-linked bonds that include a mechanism for the absorption of losses through principal write-down.

- **Increase in the volume of debt raised by the real sector:**

  In 2021, the real sector raised US$ **16.1** in public offerings of bonds and an additional US$ **3.2** billion in offerings of bonds to institutional investors on TASE UP, compared to US$ 15 billion raised in 2020. Redemption of marketable bonds by the real sector totaled US$ 10.5 billion in 2021, as compared to US$ 9 billion in the previous year, and is expected to reach the same volume in 2022.

  Presented below are the principal trends in **debt raising by the real sector through public offerings of bonds:**

  - **Real estate companies** continue to lead debt raising, with US$ **10** billion raised in 2021, representing 41% of total debt raised through corporate bonds, and 36% more than the amount raised last year. It should be noted that 85% of the mount raised in public offerings by the real estate companies this year is attributed to investment property companies, which had been hit hard by the coronavirus crisis - with the lifting of restrictions and the resuming of normal activities that created a demand for office spaces and warehouses. The real estate companies that raised capital during the year redeemed marketable bonds in an amount of US$ 3 billion in 2021 and are expected to redeem marketable bonds of US$ 3.5 billion in 2022.

    The issuers include **five new companies** that raised US$ **113** million in their first offering on the TASE. The amount raised in a public offerings of fixed-rate non-linked bonds by: **four construction companies - Av-Gad** (US$ 19 million), **AFI Capital** (US$ 33 million), **Gilad May** (US$ 12 million), **Yuvalim Group** (US$ 31 million), and an **investment property company - Hilla Offices** (US$ 18 million).

    Investment property companies stood out among the 60 issuers in the Real Estate Sector: shopping malls company, **Azrieli Group**, which raised US$ **1.1** billion through CPI-linked bonds - **in the largest public offering of bonds on TASE by a real-sector company**, **Melisron**, which raised US$ **0.6** billion, and **Blue Square Real Estate, AFI Properties, Amot, Big** and **Gazit Globe** that raised more than **US$ 300 million**, each.

  - The **Energy and Oil & Gas Exploration** Sector also stood out, with 9 companies, mostly energy companies, that raised US$ **2** billion from the public - 27% over the amount raised in 2020. These companies redeemed marketable bonds in an amount of US$ 1.2 billion in 2021

and are expected to redeem marketable bonds of US$ 1.4 billion in 2022. The companies that raised the most capital are: the government company **Israel Electric Corporation**, **Delek Group** and **OPC**, which raised **US$ 300 million**, each.

It should be noted that of the 14 **Commerce and Services** companies which raised US$ **1.8** billion this year, the government company, **Mekorot**, stood out with US$ **0.3** billion raised, alongside the communications company, **B Communications** and the car lease company, **Shlomo Holdings**, with US$ **0.3** billion, each.

- The **Technology Sector** recorded the steepest climb in volumes raised this year - nine companies raised US$ **1.2** billion, as compared to US$ 0.25 billion in each of the years 2019-2020. These companies redeemed marketable bonds of US$ 30 million during the year and are expected to redeem marketable bonds in a similar amount in 2022. The company that raised the largest amount in this sector is the dual listing company, **Elbit Systems**, which raised US$ **0.6** billion.

- **The weight of debt raised through bonds rated above "A" decreased this year and accounted for 85%** of the amount raised in public offerings of bonds, as compared to 93% in each of the years 2019-2020. 5% of total capital was raised through lower rated bonds and 10% was raised through non-rated bonds.

- **The weight of debt raised through CPI-linked bonds** in the total debt raised in public offerings of bonds dropped for the first time in three years, accounting for **59%** in 2021, as compared to 64% and 52% in 2020 and 2019, respectively. A total of US$ **14.3** billion was raised through CPI-linked bonds this year, as compared to US$ 9.7 billion in 2020.
  The weight of debt raised through non-linked bonds grew this year, accounting for **40%**, as compared to 34% and 47% in 2020 and 2019, respectively, with US$ **9.7** billion raised this year, as compared to US$ 5.1 billion in 2020. The entire amount was raised through fixed-interest bonds. US$ **0.4** billion of the amount raised through non-linked bonds this year relates to **commercial paper**, as compared to US$ 0.04 billion in 2020 and US$ 0.4 billion in 2019.
  Offerings of dollar-linked bonds totaled US$ **0.2** billion, similarly to the amount raised last year, and their weight in the total debt raised in public offerings of bonds was **1%** in 2021, unchanged from the average in 2020 and 2019.

Debt raised through bonds on TASE UP

US$ 5.2 billion was raised from institutional investors by TASE UP bonds, as compared to US$ 4.1 billion in 2020.

Thereof, US$ **4.1** billion was raised in bond offerings to foreign institutional investors which listed on TASE UP, including: US$ **2.5** billion raised by its first offering of **Energean Israel** - an SPC of the **Energean** oil and gas company, in an issuance of dollar bonds to foreign and Israeli institutional investors overseas.

US$ **1.1** billion was issued to institutional investors in Israel on TASE UP, including: US$ **0.4** billion raised by the insurance company, **The Phoenix**, in the first offering on TASE of COCO bonds, which contain a mechanism for the absorption of losses through the write-down of interest in addition to the principal write-down, and US$ **0.4** billion was raised by its first offering of **Dalia Energy,** a company that develops, constructs and operates power plants.

ETFs

In 2021, 34 new ETFs were issued with a total market cap of US$ **320** million as of the end of the year. **10** of the ETFs track local share indices, **21** of the ETFs track foreign share indices and **3** of the ETFs track local corporate bond indices.
The new ETFs include:

- First four ETFs on “green” share indices, with an aggregate market cap of US$ 10 million:
  - Three ETFs, including a short-sale ETF, track the **TA-Cleantech index,** launched by TASE in November 2020.
  - An ETF track the **TA-125 Fossil Fuel Free Climate Index**, launched by TASE in December 2020.
- Two ETFs track the **TA-Construction index**, launched by TASE in February 2020.

On the other hand:

- **9** ETFs with a US$ 37 million total market cap became tracking mutual funds.
- **5** ETFs with a US$ 8 million total market cap were liquidated and delisted.

There are currently 551 ETFs **listed on TASE**, including: 379 ETFs track local and foreign share indices and 172 ETFs track local and foreign bond indices.

The total market cap of the ETFs crossed the US$ 30 billion mark for the first time, and amounts to US$ **33.9** billion.

317 of the ETFs, with a total market cap of US$ 12.2 billion, are tracking foreign equity and bond indices, as well as commodities. These ETFs enable the Israeli investor to invest in baskets of securities around the world, in local currency (without conversion), using a familiar trading method and with full transparency and low costs. The most popular base assets among the ETFs tracking foreign share indices are U.S. indices, S&P 500 and NASDAQ 100, that are tracked by ETFs with a total market cap of US$ 7 billion.

Other popular indices include 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 addition, commencing in August 2019, ETFs issued by leading foreign entities are traded in parallel on TASE and overseas.

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

The public holdings of the 26 foreign ETFs is US$ **0.7** billion at the end of 2021, US$ 0.4 billion over their value at the end of 2020. The increase is almost fully attributed to purchases of ETFs on foreign share indices.

Table 7-A: market Capitalization and Purchases/Sales of ETFs* by the Public (US$ billions):

	Number of ETFs	Market capitalization	market capitalization	Purchases/(sales), net
	December 2021	December 2020	December 2021	Full year 2021
ETFs tracking share indices on TASE	89	8.2	11.7	-0.2
ETFs **tracking** foreign share market indices	290	10.3	11.9	-0.8
ETFs tracking bond market indices, primarily local corporate bonds**	172	9.5	10.3	0
Total	**551**	**28.0**	**33.9**	**-1.0**

* Excluding foreign ETFs.

** Including ETFs tracking government bond indices on TASE and tracking foreign corporate bond indices.

In 2021, the ETFs' market capitalization surged by US$ 5.9 billion:

- The market capitalization of ETFs tracking **local share indices rose by US$ 3.5 billion** - a US$ 3.7 billion appreciation due to the increase in the share indices was partly offset by the public's net sales of US$ 0.2 billion (primarily the sale of ETFs tracking the TA-125 index).
- The market capitalization of ETFs tracking **foreign share indices rose by US$ 1.6 billion** - a US$ 2.4 billion appreciation due to the increase in the share indices was partly offset by the public's net sales of US$ 0.8 billion (primarily the sale of ETFs tracking the MSCI AC WORLD index).
- The market capitalization of ETFs tracking **bond indices,** primarily corporate bond indices on TASE, **rose by US$ 0.8 billion** - a US$ 0.8 billion increase in the market cap of ETFs on corporate bond indices on TASE, stemming from price rises, and a US$ 0.2 billion increase in the market capitalization of ETFs on government bond indices, stemming from purchases made by the public, were partly offset by a US$ 0.2 billion reduction in the market capitalization of ETFs on foreign bond indices resulting from sales by the public.

Table 7-B: Creations/Redemptions in Mutual Funds (US$ billions)

	2021	2020
Funds specializing in TASE-listed shares	**1.5**	**-0.9**
Funds specializing in TASE-listed bonds	**8.7**	**-4.8**
Money market funds	-1.8	-1.8
Funds investing in foreign markets	1.3	1.7

influenced by the market's recovery from the crisis and the price gains on the equity market and the bond market - **the public purchased mutual funds that invest in securities on TASE in a whopping amount of US$ 10.2 billion**, primarily those investing in bonds (US$ 8.7 billion), as well as **mutual funds that invest in foreign securities** in an amount of US$ **1.3** billion.

On the other hand, due to the economy interest rate remaining unchanged in 2021, at 0.1%, the public sold **money market funds** in an amount of US$ **1.8** billion, further to similar sales last year.

As of the end of 2021, there are 570 **tracking funds** on TASE that manage US$ 22 billion. During the year, 110 new tracking funds were opened, raising US$ **1.1** billion in aggregate.

It should be noted that this year the public has made significant purchases of ETFs and tracking funds on two local share indices:

- TA-90 index - US$ 325 million
- TA-Construction index - US$ 180 million

- The public has also made significant purchases of ETFs and tracking funds on 3 local bond indices:
  - Tel Bond-CPI Linked A index - US$ 380 million
  - Tel Bond-CPI Linked AA-AAA index - US$ 142 million
  - Tel Bond-Composite index - US$ 101 million

Trading Volumes Israeli ETFs:

Table 8 – Average Daily Trading Volume in the ETF Market (US $ millions)

	2021	**2020**
Share market ETFs	**104**	**114**
% of total shares trading volume	**18%**	**21%**
Bond market ETFs	**39**	**43**
% of total non-government bonds trading volume	**14%**	**14%**

Derivatives Market

Trading on the derivatives market was characterized by more moderate volumes than last year's, due to the lesser uncertainty and reduced volatility that had marked last year's trading. **The trading volumes in 2021 exceed or are similar to those in pre-pandemic year 2019.**

The average daily volume of trading **in options on TA-35 index (monthly and weekly)** totaled **106** thousand contracts in 2021, 5% below the volume last year, but 9% greater than the trading volume in 2019.

The reduced volume of trading in these options stemmed from the lesser volatility in the equity market, as reflected in the **VTA35 index**. The index dropped from 19 points at the beginning of the year to 11 points by mid-November 2021, settling at 15 points at the end of the year, with some fluctuations, **this**

Similarly to S&P VIX, which dropped from 23 points at the beginning of the year to 16 points by mid-November 2021, ultimately settling at 17 points.

The average daily trading volume of **dollar options** amounted to **47** thousand contracts in 2021, 13% below the volume in 2020, but 9% greater than the trading volume in 2019.
The reduction in the trading volume of these options resulted from the depreciation of the dollar, from NIS 3.215 at the end of 2020 to NIS 3.07 as of November 17, 2021 - the lowest exchange rate in 26 years. Consequently, the Bank of Israel continued to purchase the currency, bringing it up to NIS 3.11 at the end of the year. It should be noted that the dollar purchases, which exceeded US$ 35 billion in 2021, brought the Bank of Israel's foreign currency balance to a historic high of US$ 213 billion.

Central Bank T-bills (Makam)

The daily average turnover of MAKAM (on-exchange and off-exchange transactions) totaled US$ **99** million in 2021, 41% less than the volume last year. The reduction in the turnover relates to both on and off-exchange transactions.

The **prices of MAKAM** remained unchanged in 2021, as did the 0% yield-to-maturity.

In 2021, the **Israeli and international public holdings in of MAKAM** rose, reaching US$ **37** billion at the end of the year, as compared to US$ 27 billion and US$ 34.7 billion at the end of 2020 and 2019, respectively. The Bank of Israel has increased capital raising with MAKAM in 2021 by US$ 10 billion as a way of curbing the climbing inflation rate without changing the interest rate in the economy.

According to the Bank of Israel data, in the period from January to October 2021, **foreign investors purchased MAKAM on TASE** in an amount of US$ **10.7** billion, further to net purchases of US$ 0.9 billion in 2020.