

**MEITAV DASH INVESTMENTS LTD.**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF MARCH 31, 2018**

**UNAUDITED**

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## **Auditors' review report to the shareholders of Meitav Dash Investments Ltd.**

### **Introduction**

We have reviewed the accompanying financial information of Meitav Dash Investments Ltd. and its subsidiaries ("the Company"), which comprises the consolidated statement of financial position as of March 31, 2018 and the related consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three months then ended. The Company's board of directors and management are responsible for the preparation and presentation of interim financial information for this period in accordance with IAS 34, "Interim Financial Reporting", and are responsible for the preparation of this interim financial information in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not review the condensed interim financial information of certain subsidiaries, whose assets included in consolidation constitute approximately 2.2% of total consolidated assets as of March 31, 2018 and whose revenues included in consolidation constitute approximately 11.2% of total consolidated revenues for the three months then ended. The condensed interim financial information of those companies was reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to the financial information in respect of those companies, is based on the review reports of other auditors.

### **Scope of review**

We conducted our review in accordance with Review Standard 1 of the Institute of Certified Public Accountants in Israel, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review and the review reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

In addition to the abovementioned, based on our review and the review reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not comply, in all material respects, with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<u>March 31,</u>	<u>December 31,</u>
	<u>2018</u>	<u>2017</u>
	<u>Unaudited</u>	<u>Audited</u>
	<u>NIS in millions</u>	
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	198	160
Short-term investments	355	408
Current investments of special purpose subsidiaries for covering ETNs and CDs	26,985	27,819
Customer credit	569	525
Trade receivables	35	37
Other accounts receivable	42	21
Current taxes receivable	12	14
	<u>28,196</u>	<u>30,137</u>
<b>NON-CURRENT ASSETS:</b>		
Investments of provident fund members	95	94
Investments, loans and receivables	64	24
Investments, loans and capital notes in associates	22	24
Property, plant and equipment	39	42
Deferred taxes	11	20
Intangible assets	1,165	1,170
	<u>1,396</u>	<u>1,374</u>
	<u>29,592</u>	<u>31,500</u>

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<b>March 31,</b>		<b>December 31,</b>
	<b>2018</b>	<b>2017</b>	<b>2017</b>
	<b>Unaudited</b>		<b>Audited</b>
	<b>NIS in millions</b>		
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Credit from banks and current maturities of debentures	445	554	416
ETNs and CDs	26,118	27,208	28,329
Current liabilities of special purpose subsidiaries for covering ETNs and CDs	836	589	621
Liabilities for short sale of securities	35	86	29
Trade payables	60	74	70
Other accounts payable	175	131	122
Current taxes payable	10	8	12
Dividend declared	13	14	-
	<u>27,692</u>	<u>28,664</u>	<u>29,599</u>
<b>NON-CURRENT LIABILITIES:</b>			
Loans from banks	104	113	106
Debentures	682	494	683
Liabilities to provident fund members	96	95	96
Liabilities for purchase of operations	20	32	22
Liabilities due to put options to non-controlling interests	-	4	-
Other accounts payable	17	21	18
Employee benefit liabilities	7	8	7
Deferred taxes	41	42	41
	<u>967</u>	<u>809</u>	<u>973</u>
Total liabilities	<u>28,659</u>	<u>29,473</u>	<u>30,572</u>
<b>EQUITY:</b>			
Share capital	64	63	64
Share premium	563	561	561
Treasury shares	(51)	(54)	(52)
Capital reserve for share-based payment transactions	13	14	14
Retained earnings	184	143	179
Other reserves	36	43	36
	<u>809</u>	<u>770</u>	<u>802</u>
Equity attributable to equity holders of the Company	<u>809</u>	<u>770</u>	<u>802</u>
Non-controlling interests	<u>124</u>	<u>115</u>	<u>126</u>
Total equity	<u>933</u>	<u>885</u>	<u>928</u>
	<u>29,592</u>	<u>30,358</u>	<u>31,500</u>

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

<u>May 24, 2018</u>			
Date of approval of the financial statements	Eli Barkat Chairman of the Board	Ilan Raviv CEO	Einat Rom CFO

MEITAV DASH INVESTMENTS LTD.

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Three months ended		Year ended
	March 31,		December 31,
	2018	2017	2017
	Unaudited		Audited
	NIS in millions (except per share data)		
Revenue from management fees, commissions and other, net	202	210	818
Finance income from non-bank loans	14	13	56
Total revenues	216	223	874
Marketing, operating, general and administrative expenses	169	168	666
Operating income	47	55	208
Gain from securities held for Nostro portfolio investments, net	1	1	4
Finance income	-	-	2
Finance expenses	(6)	(6)	(32)
Other expenses, net	(7)	(8)	(17)
Company's share of earnings of companies accounted for at equity, net	1	1	5
Income before taxes on income	36	43	170
Taxes on income	13	17	64
Net income for the period	23	26	106
Other comprehensive income (loss) (net of tax effect):			
Actuarial gain on defined benefits plans	-	-	1
Loss on available-for-sale financial assets	-	-	(1)
Total comprehensive income	23	26	106
Net income attributable to:			
Equity holders of the Company	20	24	95
Non-controlling interests	3	2	11
	23	26	106
Comprehensive income attributable to:			
Equity holders of the Company	20	24	95
Non-controlling interests	3	2	11
	23	26	106
Basic and diluted net earnings per share attributable to equity holders of the Company (in NIS):			
Basic net earnings	0.31	0.37	1.47
Diluted net earnings	0.30	0.36	1.43

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Attributable to equity holders of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Capital reserve from share-based payment transactions	Retained earnings	Other reserves	Total		
NIS in millions									
Balance at January 1, 2018 (audited)	64	561	(52)	14	179	36	802	126	928
Cumulative effect of initial adoption of IFRS 9 at January 1, 2018	-	-	-	-	(1)	-	(1)	-	(1)
Balance at January 1, 2018 (after initial adoption of IFRS 9)	64	561	(52)	14	178	36	801	126	927
Net income for the period	-	-	-	-	20	-	20	3	23
Other comprehensive loss, net	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	20	-	20	3	23
Dividend to non-controlling interests	-	-	-	-	-	-	-	(6)	(6)
Dividend declared but not yet paid	-	-	1	-	(14)	-	(13)	-	(13)
Exercise of employee options	*) -	2	-	(2)	-	-	-	-	-
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	1	1
Company share-based payment	-	-	-	1	-	-	1	-	1
Balance at March 31, 2018	64	563	(51)	13	184	36	809	124	933

\*) Less than NIS 1 million.

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Attributable to equity holders of the Company						Total	Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Capital reserve from share-based payment transactions	Retained earnings	Other reserves			
	Unaudited								
	NIS in millions								
Balance at January 1, 2017 (audited)	63	559	(54)	15	134	(18)	699	68	767
Net income for the period	-	-	-	-	24	-	24	2	26
Other comprehensive loss, net	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	24	-	24	2	26
Dividend declared but not yet paid	-	-	1	-	(15)	-	(14)	-	(14)
Dividend to non-controlling interests	-	-	-	-	-	-	-	(5)	(5)
Exercise of employee options	(* -	2	-	(2)	-	-	-	-	-
Company's share-based payment	-	-	-	1	-	-	1	-	1
Issuance of shares to non-controlling interests	-	-	-	-	-	61	61	50	111
Net purchases of Company shares by subsidiaries	-	-	(1)	-	-	-	(1)	-	(1)
Balance at March 31, 2017	63	561	(54)	14	143	43	770	115	885

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Attributable to equity holders of the Company						Total	Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Capital reserve from share-based payment transactions	Retained earnings	Other reserves			
	Audited								
	NIS in millions								
Balance at January 1, 2017	63	559	(54)	15	134	(18)	699	68	767
Net income for the year	-	-	-	-	95	-	95	11	106
Other comprehensive income, net	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	95	-	95	11	106
Dividend declared and paid	-	-	2	-	(50)	-	(48)	-	(48)
Dividend to non-controlling interests	-	-	-	-	-	-	-	(8)	(8)
Exercise of employee options	1	2	-	(3)	-	-	-	-	-
Company's share-based payment	-	-	-	2	-	-	2	-	2
Net purchases of non-controlling interests	-	-	-	-	-	(9)	(9)	(6)	(15)
Issuance of capital to non-controlling interests	-	1	-	-	-	63	64	62	126
Reduction of capital to non-controlling interests	-	-	-	-	-	-	-	(1)	(1)
Net purchases of Company shares by subsidiaries	-	(1)	-	-	-	-	(1)	-	(1)
Balance at December 31, 2017	<u>64</u>	<u>561</u>	<u>(52)</u>	<u>14</u>	<u>179</u>	<u>36</u>	<u>802</u>	<u>126</u>	<u>928</u>

\*) Less than NIS 1 million.

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



**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Three months ended</b>		<b>Year ended</b>
	<b>March 31,</b>		<b>December 31,</b>
	<b>2018</b>	<b>2017</b>	<b>2017</b>
	<b>Unaudited</b>		<b>Audited</b>
	<b>NIS in millions</b>		
<u>Cash flows from operating activities:</u>			
Net income for the period	23	26	106
Adjustments to reconcile net income to net cash provided by operating activities:			
Adjustments to the profit or loss items:			
Depreciation of property, plant and equipment	2	2	7
Amortization of intangible assets	14	12	49
Impairment loss of goodwill	-	-	3
Capital gain from disposal of an investee	-	(1)	(1)
Amortization of deferred acquisition costs	2	2	9
Revaluation of investments to provident fund members	-	(1)	(2)
Revaluation of liabilities to provident fund members	-	1	2
Change in liabilities for purchase of operations	-	-	(1)
Revaluation of loans from banks	-	-	(1)
Gain from change in TASE equity rights	-	-	(22)
Gain from sale of available-for-sale financial asset	-	-	(2)
Company's share of earnings of companies accounted for at equity, net	(1)	(1)	(1)
Deferred taxes, net	(1)	3	11
Revaluation of debentures	(2)	(2)	(2)
Gains from securities measured at fair value through profit or loss, net	(2)	-	(1)
Revaluation of liabilities due to put options to non-controlling interests	-	-	1
Share-based payment	1	1	2
	<u>13</u>	<u>16</u>	<u>51</u>
Changes in asset and liability items attributable to ETN operation:			
Revaluation of current investments of special purpose subsidiaries	447	(309)	(2,079)
Revaluation of ETNs and CDs	(290)	360	2,469
Change in assets, net	1,552	1,120	1,713
Change in liabilities, net	214	105	148
Change in ETNs and CDs	(1,921)	(1,257)	(2,243)
Change in securities, net	4	(69)	12
Change in liabilities for short sale of securities	5	43	(22)
	<u>11</u>	<u>(7)</u>	<u>(2)</u>
Changes in asset and liability items:			
Customer credit, trade receivables and other accounts receivable	(6)	(34)	(99)
Short-term credit from giving non-bank loans	(3)	25	(165)
Trade payables and other accounts payable	36	-	(12)
	<u>27</u>	<u>(9)</u>	<u>(276)</u>
Net cash provided by (used in) operating activities	<u>74</u>	<u>26</u>	<u>(121)</u>

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Three months ended		Year ended
	March 31,		December 31,
	2018	2017	2017
	Unaudited		Audited
NIS in millions			
<u>Cash flows from investing activities:</u>			
Change in short-term investments measured at fair value through profit or loss	(26)	3	13
Purchase of property, plant and equipment	(1)	(2)	(5)
Purchase of intangible assets	(29)	(5)	(27)
Purchase of customer credit	(4)	-	-
Proceeds from sale of assets held for sale	-	12	12
Repayment of liabilities for business combination	(2)	(2)	(10)
Repayment of loan to company accounted for at equity	-	-	2
Grant of long-term loan	-	-	(3)
Change in restricted deposits, net	(3)	(3)	(9)
Investment in companies accounted for at equity	-	-	(1)
Merger of activity against issuance of shares to non-controlling interests (b)	-	6	6
Sale of available-for-sale financial asset	-	-	1
Net cash provided by (used in) investing activities	<u>(65)</u>	<u>9</u>	<u>(21)</u>
<u>Cash flows from financing activities:</u>			
Issuance of Company debentures (net of issuance expenses)	-	-	141
Issuance of subsidiary's debentures (net of issuance expenses)	-	-	222
Repayment of debentures	-	-	(75)
Change in treasury shareholdings	-	(1)	-
Dividend paid to equity holders of the Company	-	-	(48)
Dividend paid to non-controlling interests	(1)	(1)	(8)
Repayment of long-term liabilities	(1)	(1)	(2)
Exercise of options in investee	-	-	(4)
Purchase of non-controlling interests	-	-	(11)
Repayment of long-term loans from banks	-	(7)	(20)
Issuance of capital to non-controlling interests	1	-	13
Short-term credit from banks, net	30	24	(17)
Net cash provided by financing activities	<u>29</u>	<u>14</u>	<u>191</u>
Increase in cash and cash equivalents	38	49	49
Cash and cash equivalents at the beginning of the period	<u>160</u>	<u>111</u>	<u>111</u>
Cash and cash equivalents at the end of the period	<u><u>198</u></u>	<u><u>160</u></u>	<u><u>160</u></u>

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Three months ended</b>		<b>Year ended</b>
	<b>March 31,</b>		<b>December 31,</b>
	<b>2018</b>	<b>2017</b>	<b>2017</b>
	<b>Unaudited</b>		<b>Audited</b>
	<b>NIS in millions</b>		
(a) <u>Additional information on cash flows from operating activities:</u>			
<u>Group operations, excluding ETN operation:</u>			
Cash paid during the period for:			
Interest	4	5	43
Taxes on income	13	10	32
Cash received during the period for:			
Interest	13	16	68
Taxes on income	4	3	5
<u>ETN operation:</u>			
Cash paid during the period in ETN operation for:			
Interest	2	2	7
Dividend	7	6	20
Cash received during the period in ETN operation for:			
Interest	69	95	279
Dividend	44	39	234

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Three months ended		Year ended
	March 31, 2018	2017	December 31, 2017
	Unaudited		Audited
	NIS in millions		
(b) <u>Merger of activity against issuance of shares to non-controlling interests</u>			
Working capital (excluding cash and cash equivalents)	-	14	14
Intangible assets attributable to operations	-	(62)	(62)
Goodwill	-	(48)	(48)
Deferred taxes	-	(9)	(9)
Non-controlling interests	-	50	50
Total	-	(55)	(55)
*) Total for merger	-	(55)	(55)
Total against issuance of shares	-	61	61
Total cash derived from the merger	-	6	6
(c) <u>Significant non-cash operations:</u>			
Dividend declared	13	14	-
Dividend declared to non-controlling interest	5	5	-

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 1:- GENERAL**

These financial statements have been prepared in a condensed format as of March 31, 2018 and for the three months then ended ("interim consolidated financial statements"). These financial statements should be read in conjunction with the Company's annual financial statements as of December 31, 2017 and for the year then ended and accompanying notes ("annual consolidated financial statements").

**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES**

- a. Basis of preparation of the interim consolidated financial statements:

The interim consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" and in accordance with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

- b. The significant accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements, except as described below:

In the first quarter of 2018, the Group initially adopted IFRS 9 (2014), "Financial Instruments" ("the Standard"), which replaces IAS 39, "Financial Instruments: Recognition and Measurement". The Group chose to adopt the Standard from January 1, 2018 without restating comparative figures while adjusting the retained earnings as of that date. As a result, the retained earnings decreased by approximately NIS 1 million simultaneously with a decrease in the balance of customer credit in the same amount.

Also, effective from January 1, 2018, the Group applies the provisions of IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15") which establishes revenue recognition criteria. The adoption of IFRS 15 did not have a material impact on the financial statements.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**


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**NOTE 3:- FINANCIAL INSTRUMENTS**

## a. Fair value:

The following table presents the carrying amount and fair value of the groups of financial instruments that are presented in the financial statements not at fair value:

	Carrying amount			Fair value		
	March 31,		December 31,	March 31,		December 31,
	2018	2017	2017	2018	2017	2017
	Unaudited		Audited	Unaudited		Audited
NIS in millions						
Financial liabilities:						
Loans from banks (1) and (3)	117	129	117	117	129	117
Subsidiary's debentures (4)	224	-	223	196	-	225
Debentures (series C) (2) (3)	624	562	621	686	614	679
	<u>965</u>	<u>691</u>	<u>961</u>	<u>999</u>	<u>743</u>	<u>1,021</u>

- (1) The fair value is based on the discounted cash flows in respect of the loans based on interest quotes obtained from the banks for similar loans.
- (2) The debentures (series C) are traded on the TASE.
- (3) Including current maturities and accrued interest.
- (4) The debentures of Peninsula Group Ltd. are traded on the TASE with a fair value based on quoted market prices.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**


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**NOTE 3:- FINANCIAL INSTRUMENTS (Cont.)**

- b. Classification of financial instruments by fair value hierarchy:

The financial instruments presented in the financial statements at fair value are grouped into classes with similar characteristics using the following fair value hierarchy which is determined based on the source of input used in measuring fair value:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - inputs other than quoted prices included within Level 1 that are observable directly or indirectly.
- Level 3 - inputs that are not based on observable market data (valuation techniques which use inputs that are not based on observable market data).

Financial instruments measured at fair value (excluding ETNs and CDs):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
	<u>NIS in millions</u>		
<u>March 31, 2018 (unaudited)</u>			
<u>Financial assets at fair value through profit or loss</u>			
Shares and options, debentures and ETNs	103	3	25
Forwards and futures	-	6	-
<u>Available-for-sale financial assets</u>			
Shares	<u>1</u>	<u>-</u>	<u>4</u>
	<u>104</u>	<u>9</u>	<u>29</u>
<u>Financial liabilities</u>			
Shares, debentures and marketable options	35	-	-
Index forwards used for hedging	-	5	-
Contingent liability in business combination	<u>-</u>	<u>-</u>	<u>31</u>
	<u>35</u>	<u>5</u>	<u>31</u>

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**


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**NOTE 3:- FINANCIAL INSTRUMENTS (Cont.)**

- b. Classification of financial instruments by fair value hierarchy (Cont.):

Movement in financial assets classified at Level 3 (unaudited):

	<b>Financial assets at fair value through profit or loss</b>	<b>Available- for-sale financial assets</b>	<b>Financial liabilities at fair value through profit or loss</b>	<b>Total</b>
<b>NIS in millions</b>				
Balance at January 1, 2018	23	4	(33)	(6)
Total income recognized in profit or loss	2	-	-	2
Repayment of liabilities	-	-	2	2
Balance at March 31, 2018	<u>25</u>	<u>4</u>	<u>(31)</u>	<u>(2)</u>

In addition, as of March 31, 2018, there are financial assets measured at Level 1 in the fair value hierarchy included in investments of provident fund members at the amount of approximately NIS 7 million.

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>NIS in millions</b>			
<u>March 31, 2017 (unaudited)</u>			
<u>Financial assets at fair value through profit or loss</u>			
Shares and options, debentures and ETNs	134	-	1
Forwards and futures	-	10	-
Investment in financial derivative measured at fair value	-	-	4
<u>Available-for-sale financial assets</u>			
Shares	1	-	4
	<u>135</u>	<u>10</u>	<u>6</u>
<u>Financial liabilities</u>			
Shares, debentures and marketable options	86	-	-
Forwards and swaps	-	6	-
Contingent liability in business combination	-	-	43
	<u>68</u>	<u>6</u>	<u>43</u>



**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**


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**NOTE 3:- FINANCIAL INSTRUMENTS (Cont.)**

- b. Classification of financial instruments by fair value hierarchy (Cont.):

Movement in financial assets classified at Level 3 (unaudited):

	<b>Financial assets at fair value through profit or loss</b>	<b>Available- for-sale financial assets</b>	<b>Financial liabilities at fair value through profit or loss</b>	<b>Total</b>
<b>NIS in millions</b>				
Balance at January 1, 2017	5	4	(47)	(38)
Repayment of liabilities	-	-	4	4
Balance at March 31, 2017	<u>5</u>	<u>4</u>	<u>(43)</u>	<u>(34)</u>

In addition, as of March 31, 2017, there are financial assets measured at Level 1 in the fair value hierarchy included in investments of provident fund members at the amount of approximately NIS 5 million.

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>NIS in millions</b>			
<u>December 31, 2017 (audited)</u>			
<u>Financial assets at fair value through profit or loss</u>			
Shares and options, debentures and ETNs	108	3	23
Forwards and futures	-	6	-
<u>Available-for-sale financial assets</u>			
Shares	1	-	4
	<u>109</u>	<u>9</u>	<u>27</u>
<u>Financial liabilities</u>			
Shares, debentures and marketable options	29	-	-
Index forwards used for hedging	-	5	-
Contingent liability in business combination	-	-	33
	<u>29</u>	<u>5</u>	<u>33</u>

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 3:- FINANCIAL INSTRUMENTS (Cont.)

- b. Classification of financial instruments by fair value hierarchy (Cont.):

Movement in financial assets classified at Level 3 (audited):

	<b>Financial assets at fair value through profit or loss</b>	<b>Available- for-sale financial assets</b>	<b>Financial liabilities at fair value through profit or loss</b>	<b>Total</b>
	<b>NIS in millions</b>			
Balance at January 1, 2017	5	4	(47)	(38)
Total income recognized in profit or loss	22	-	-	22
Repayment of liabilities	-	-	14	14
Sale of assets	(4)	-	-	(4)
Balance at December 31, 2017	<u>23</u>	<u>4</u>	<u>(33)</u>	<u>(6)</u>

Details of levels in the fair value hierarchy of current investments and current liabilities of special purpose subsidiary:

	<b>March 31, 2018 (unaudited)</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>NIS in millions</b>			
Financial assets at fair value through profit or loss:				
Government bonds	5,433	166	-	5,599
Marketable corporate debentures	4,709	132	-	4,841
Marketable shares	6,423	-	-	6,423
ETNs	19	1,010	-	1,029
IRs	4	10	-	14
Options	-	-	-	-
Forwards and futures	1	36	-	37
	<u>16,589</u>	<u>1,354</u>	<u>-</u>	<u>17,943</u>
Financial liabilities:				
Marketable corporate debentures	59	-	-	59
Marketable shares	235	-	-	235
ETNs	1	-	-	1
IRs	41	186	-	227
Forwards and futures	2	102	-	104
	<u>338</u>	<u>288</u>	<u>-</u>	<u>626</u>

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**


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**NOTE 3:- FINANCIAL INSTRUMENTS (Cont.)**

- b. Classification of financial instruments by fair value hierarchy (Cont.):

	<b>March 31, 2017 (unaudited)</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>NIS in millions</b>			
Financial assets at fair value through profit or loss:				
Government bonds	5,193	-	-	5,193
Marketable corporate debentures	5,090	-	-	5,090
Marketable shares	7,513	23	-	7,536
ETNs	10	134	-	144
IRSs	112	78	-	190
Options	79	-	-	79
Forwards and futures	50	2	-	52
	<u>18,047</u>	<u>237</u>	<u>-</u>	<u>18,284</u>
Financial liabilities:				
Marketable corporate debentures	61	-	-	61
Marketable shares	157	-	-	157
ETNs	2	-	-	2
IRSs	6	20	-	26
Forwards and futures	10	119	-	129
Options	51	-	-	51
	<u>287</u>	<u>139</u>	<u>-</u>	<u>426</u>

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 3:- FINANCIAL INSTRUMENTS (Cont.)

- b. Classification of financial instruments by fair value hierarchy (Cont.):

	<b>December 31, 2017 (audited)</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>NIS in millions</b>			
Financial assets at fair value through profit or loss:				
Government bonds	5,492	-	-	5,492
Marketable corporate debentures	4,819	213	-	5,032
Marketable shares	7,295	24	-	7,319
ETNs	331	887	-	1,218
IRs	17	179	-	196
Options	2	10	-	12
Forwards and futures	2	38	-	40
	<u>17,958</u>	<u>1,351</u>	<u>-</u>	<u>19,309</u>
Financial liabilities:				
Marketable corporate debentures	162	-	-	162
Marketable shares	216	-	-	216
ETNs	6	-	-	6
IRs	2	5	-	7
Forwards and futures	6	97	-	103
	<u>392</u>	<u>102</u>	<u>-</u>	<u>494</u>

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 4:- OPERATING SEGMENTS

a. General:

1. The Group operates in five reportable business segments:

- |   |  |
|---|--|
| Long and medium term savings management segment | - Marketing and managing compensation and severance pay funds, study funds, central severance pay funds, pension funds and funds earmarked for other purposes.                     |
| Current savings management segment              | - Marketing and managing security investment portfolios for private and institutional customers and managing mutual funds.   |
| ETN and CD segment                              | - Managing ETNs and CDs.   |
| TASE member and institutional brokerage segment | - Providing TASE member and institutional brokerage services that consist, among others, of security custodian services and security transactions for a wide variety of customers. |
| Non-bank loans                                  | - Extending credit to small and medium-sized corporates.   |

The other activities in the Group are included in the "other" segment and mainly consist of insurance agencies (other than an insurance agency that is wholly owned by the Company and is included in the Long and medium term savings management segment), distribution of foreign funds and the Capital Markets College

2. Management separately monitors the operating results of its business units for the purpose of making decisions of resource allocation and performance evaluation. Segment performances are evaluated based on the operating income or loss which in certain cases is measured differently from the operating income or loss in the consolidated financial statements.

The finance expenses, finance income and taxes on income are managed on a group basis and not allocated to operating segments. Other expenses, which mainly consist of amortization of intangible assets, are not allocated to operating segments since they are not part of the CODM's decision-making process. Moreover, expenses that are not allocated to segments mainly include headquarter expenses.

3. The Group accounts for inter-segment revenues as if the revenues are derived from third parties and therefore recognizes them at current market prices.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 4:- OPERATING SEGMENTS (Cont.)**

a. General: (Cont.)

4. In the context of liabilities for ETNs in the consolidated financial statements, the Company's share is included in several indices, which are tracked by the ETNs. Against those liabilities, the special purpose subsidiaries of the ETNs hold Company shares as part of the assets backing the liabilities. These shares are presented in the Company's consolidated financial statements as treasury shares and accordingly, the gains or losses from revaluation and exercise of these shares are not recognized in profit or loss. For the purpose of making decisions, the CODM takes into account the gains and losses arising from the liabilities for the Company's shares.

As a result of the above, the Company's consolidated revenues in the statement of comprehensive income differ from the total consolidated revenues of the segments.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**
**NOTE 4:- OPERATING SEGMENTS (Cont.)**

b. Reporting on operating segments:

	Three months ended March 31, 2018							Total
	Long and medium term savings management	Current savings management	ETNs and CDs	TASE member and institutional brokerage	Non-bank loans	Other	Adjustments	
	Unaudited							
	NIS in millions							
Revenues:								
Revenues from external entities	81	54	21	25	14	21	-	216
Inter-segment revenues	-	1	-	-	-	1	(2)	-
Total revenues	<u>81</u>	<u>55</u>	<u>21</u>	<u>25</u>	<u>14</u>	<u>22</u>	<u>(2)</u>	<u>216</u>
Company's share of earnings of companies accounted for at equity, net	-	-	-	-	-	1	-	1
Segment income	<u>13</u>	<u>19</u>	<u>4</u>	<u>7</u>	<u>6</u>	<u>9</u>	<u>-</u>	<u>58</u>
Expenses not allocated to segments								(10)
Gain from securities held for Nostro portfolio investments, net								1
Finance expenses, net								(6)
Other expenses, net								(7)
Income before taxes on income								<u>36</u>

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**
**NOTE 4:- OPERATING SEGMENTS (Cont.)**

## b. Reporting on operating segments (Cont.)

	Three months ended March 31, 2017							Total
	Long and medium term savings management	Current savings management	ETNs and CDs	TASE member and institutional brokerage	Non-bank loans	Other	Adjustments	
	Unaudited							
	NIS in millions							
Revenues:								
Revenues from external entities	83	55	31	19	13	22	-	223
Inter-segment revenues	-	1	-	-	-	1	(2)	-
Total revenues	<u>83</u>	<u>56</u>	<u>31</u>	<u>19</u>	<u>13</u>	<u>23</u>	<u>(2)</u>	<u>223</u>
Company's share of earnings of companies accounted for at equity, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>1</u>
Segment income	<u>10</u>	<u>20</u>	<u>14</u>	<u>5</u>	<u>6</u>	<u>10</u>	<u>(1)</u>	<u>64</u>
Expenses not allocated to segments								(8)
Gain from securities held for Nostro portfolio investments, net								1
Finance expenses, net								(6)
Other expenses, net								<u>(8)</u>
Income before taxes on income								<u>43</u>



**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**
**NOTE 4:- OPERATING SEGMENTS (Cont.)**

b. Reporting on operating segments (Cont.):

	Year ended December 31, 2017							Total
	Long and medium term savings management	Current savings management	ETNs and CDs	TASE member and institutional brokerage	Non-bank loans	Other	Adjustments	
	Audited							
	NIS in millions							
Revenues:								
Revenues from external entities	338	218	112	77	56	72	-	873
Inter-segment revenues	-	2	-	-	-	6	(8)	-
Total revenues	<u>338</u>	<u>220</u>	<u>112</u>	<u>77</u>	<u>56</u>	<u>78</u>	<u>(8)</u>	<u>873</u>
Company's share of earnings of companies accounted for at equity, net	-	-	-	-	-	5	-	5
Segment income	<u>48</u>	<u>80</u>	<u>46</u>	<u>21</u>	<u>26</u>	<u>27</u>	<u>(2)</u>	246
Expenses not allocated to segments								(35)
Gain from liability arising from treasury shares								1
Gain from securities held for Nostro portfolio investments, net								4
Finance expenses, net								(30)
Other expenses, net								<u>(16)</u>
Income before taxes on income								<u>170</u>

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 5:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD**

- a. In keeping with the matters discussed in Note 4a(8) to the annual consolidated financial statements regarding agreements signed between Meitav Dash Trade Ltd. ("Meitav Dash Trade") and Meitav Dash Brokerage Ltd. ("Meitav Dash Brokerage") for the purchase of the operation of Bank of Jerusalem Ltd. ("the Bank") for providing securities trading services to independent and institutional customers, respectively, on January 25, 2018, following the fulfillment of the suspending conditions underlying the institutional customer portfolio sale transaction in consideration of NIS 6.5 million, the sale was completed. Meitav Dash Brokerage also signed an agreement with the Bank according to which the Bank will continue to grant Meitav Dash Brokerage Stock Exchange Member and operating services in connection with the sold operation for a transition period as agreed upon between the parties. In the PPA study underlying the above transaction, Meitav Dash Brokerage allocated an amount of approximately NIS 6.1 million to customer relations and the balance of approximately NIS 0.4 million to goodwill.

On February 15, 2018, following the fulfillment of the suspending conditions, the transaction for the sale of the independent customer portfolio to Meitav Dash Trade was consummated. Accordingly, the overall price of the operation amounted to approximately NIS 18.2 million, of which NIS 14.5 million was paid to the Bank for the purchase of the operation and approximately NIS 3.7 million was allocated to the Bank's customer credit portfolio which was transferred to Meitav Dash Trade. It should be noted that the purchased credit portfolio is secured by the customers' securities portfolios acquired in the context of the transaction. Meitav Dash Trade is also required to hold variable liquid assets in respect of the acquired operation as per the TASE's regulations. In the PPA study underlying the above transaction, Meitav Dash Trade allocated an amount of approximately NIS 14.3 million to customer relations and the balance of approximately NIS 0.2 million to goodwill.

- b. On March 15, 2018, the Company entered into an investment agreement and a shareholders' agreement with Liquidity Capital General Partner Ltd. ("Liquidity") and Liquidity's founders. Liquidity plans to focus on the purchase of SaaS based portfolios of international and local tech companies for nostro and third party accounts through a Cayman limited partnership (fund), whose general partner is Liquidity Capital (Cayman) G.P., which is jointly owned by Mr. Yaron Sela and Mr. Ron Daniel, shareholders in Liquidity. In the context of the transaction, the Company invested approximately \$ 540 thousand in Liquidity against the allocation of shares to the Company, as a result of which, the Company holds 54% of the share capital of Liquidity on a fully diluted basis. Moreover, after obtaining the approval of the Company's Audit Committee and Board, the Company's CEO, Mr. Ilan Raviv, invested in Liquidity a total of approximately \$ 60 thousand in return for shares in Liquidity accounting for 6% of its share capital on a fully diluted basis. According to the transaction, the Company also undertook to invest an amount of \$ 3.4 million by itself or through potential investors that will be recruited by it for making the initial investments in Liquidity. The above investments are subject to an agreed profit distribution mechanism established between the Company and Liquidity. In the context of the transaction, Liquidity's shareholders, Mr. Yaron Sela and Mr. Ron Daniel, signed an agreement with the Company for settling their interests in Liquidity. These shareholders will also provide management services to Liquidity.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 5:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (Cont.)**

- c. In keeping with the matters discussed in Note 23b(1)(a) to the annual consolidated financial statements regarding a claim and motion to approve the claim as a class action filed with the Central District Court on March 23, 2009 against 26 defendants (among which are the underwriters in the issuance including M.D. Treasury Ltd., "M.D. Treasury"), in hearings held on March 14, 2018 and March 21, 2018 in the case of a derivative action approved against officers in Pacifica Holdings Ltd. ("the approved derivative action" and "Pacifica", respectively), intensive negotiations were held between the parties as a result of which the Court proposed a potential settlement which, if signed and approved, will conclude all the pending proceedings in Pacifica's case.

On April 1, 2018, the Court validated the proposed settlement as a court decision and ordered the parties to reach a settlement based on the proposed settlement by May 6, 2018. On April 29, 2018, the underwriters in the class action filed a notice and petition by mutual consent with the petitioners for delaying the class action proceeding and receiving the underwriters' response to the motion for approval. On May 1, 2018, among others, the Court ordered to extend the date for submitting the underwriters' response to the motion for approval. A pretrial hearing was scheduled for June 11, 2018.

- d. In keeping with the matters discussed in Note 23b(1)(c) to the annual consolidated financial statements regarding a claim and motion to approve the claim as a derivative action filed with the Tel-Aviv District Court on September 14, 2017, among others against M.D. Treasury, in view of the settlement proceedings, as specified in paragraph c above, on March 25, 2018, the Court decided to defer the date of submitting the petitioners' response to the motion for approval until a different decision is rendered.

Regarding the proceedings detailed in paragraph c above and in this paragraph, and in view of the advanced stage of the settlement proceedings, the attorneys handling the motion believe that the entire proceedings being held in Pacifica's case will be concluded in a settlement.

- e. In keeping with the matters discussed in Note 23b(2)(d) to the annual consolidated financial statements regarding various claims and motions to approve the claims as class actions regarding similar matters filed with the Jerusalem Regional Labor Court and the Central District Court in October, November and December 2016 against Meitav Dash Provident Ltd. ("Meitav Dash Provident") and Ayalon Pension and Provident Ltd. (which was merged into Meitav Dash Provident on January 1, 2017, "Ayalon"), on May 15, 2018, the Commissioner of Capital Markets, Insurance and Savings at the Ministry of Finance submitted her response to the claim. Among others, the response states that institutional entities may charge expenses directly from members or policyholders even if it is not explicitly prescribed in the institutional entity's articles of association, provided that it is done in conformity with the Regulations.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 5:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (Cont.)**

- f. In keeping with the matters discussed in Note 23b(2)(f) to the annual consolidated financial statements regarding a claim and motion to approve the claim as a class action filed with the Tel-Aviv District Court on July 10, 2017 against Meitav Dash Provident, on April 17, 2018, a hearing of the case was held at the Court (Economic Department). As agreed upon between the parties, the hearing was assigned to the Labor Court (including the negligence clause) and it was decided to allow the petitioner to file an amended motion for approval to the Labor Court. In view of the preliminary stage of the proceedings, the attorneys handling the case cannot presently assess the chances of the claim or motion for approval.
- g. On March 20, 2018, a claim and motion to approve the claim as a class action were filed with the Tel-Aviv Regional Labor Court against Meitav Dash Provident and five other managing companies (jointly with Meitav Dash Provident - "the defendants") by members of pension funds managed by the defendants. The claim alleges that survivors' insurance fees were charged from members with no survivors. The group which the plaintiffs wish to represent includes anyone who joined or was added to a pension fund managed by any of the defendants who has no survivors but was charged for survivors' insurance fees nonetheless. In their claim, the plaintiffs state that they are unable to assess the overall damage caused to the group members. Meitav Dash Provident is studying the claim and preparing to submit its response. Due to the preliminary stage of the claim, it is impossible to assess its chances to be accepted.

**NOTE 6:- EVENTS AFTER THE REPORTING DATE**

- a. On April 25, 2018, Midroog Ltd. announced a rating of A1.il with a stable outlook for the debentures (series C) which the Company will issue at a maximum scope of NIS 100 million par value in view of a master decision made by the Company's Board on April 25, 2018 to execute a public offering of debentures by way of expansion of an existing series of debentures (series C) which had been initially issued by virtue of the Company's shelf prospectus of November 29, 2010. On April 30, 2018, based on a shelf offering report issued based on the Company's shelf prospectus, the Company raised approximately NIS 94.9 million (net of issuance expenses) in debentures (series C). According to the shelf offering report, the Company offered to the public up to NIS 100 million par value of debentures (series C). The effective interest rate of the issued debentures is 0.98%.

The debentures (series C) are repayable in eight equal installments on December 10 of each of the years 2018 through 2025 (inclusive), bearing annual interest of 3.95% and are linked (principal and interest) to the Israeli CPI. As of the date of approval of the financial statements, the par value of the debentures (series C) issued by the Company is NIS 651,809,363.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 6:- EVENTS AFTER THE REPORTING DATE (Cont.)**

- b. In keeping with the matters discussed in Note 10(1) to the annual consolidated financial statements regarding the approval of Meitav Dash Trade's board to respond to the TASE's tender for offers from its shareholders for the purchase of shares out of the 5.3 million TASE shares held by Meitav Dash Trade (accounting for about 5.3% of the TASE's shares) for a total of NIS 26.5 million, on April 16, 2018, Meitav Dash Trade received the TASE's notice of accepting Meitav Dash Trade's offer for the purchase of the entire offered TASE shares ("the notice of acceptance").

According to the notice of acceptance, the transaction consummation is scheduled for June 19, 2018, subject to obtaining the ISA's approval and the Antitrust Authority's approval (if needed) ("the regulatory approvals"). Insofar as the transaction is not consummated by said date for whatever reason, and this date is not extended by mutual consent, the transaction will be cancelled. It should be clarified that the consummation of the transaction is contingent on the fulfillment of various conditions, including obtaining the regulatory approvals, and there is no certainty that these conditions will be met and/or that the transaction will be consummated. The financial statements include income recorded in other expenses, net totaling approximately NIS 1.9 million from the adjustment of the fair value of the TASE's shares.

- c. On April 23, 2018, the Peninsula Group Ltd. ("Peninsula") issued a shelf offering report based on its shelf prospectus of January 27, 2016 which was extended until January 26, 2019, according to which it offered to the public 100,188 thousand debentures (series B) of NIS 1 par value each. The debentures bear fixed annual interest of 1.5% and are not linked (principal or interest) to any index. The immediate (gross) proceeds from the public offering amounted to approximately NIS 98.7 million. The debenture principal is repayable in eight equal consecutive quarterly installments of 12.5% each of the overall principal from April 1, 2020. The interest on the unsettled principal balance of the debentures is payable in 15 quarterly installments from July 1, 2018.
- d. In keeping with the matters discussed in Note 23a(9) to the annual consolidated financial statements regarding the announcement of a National Employee Federation to represent the Company's employees, the Company and the Workers' Committee reached commercial and organizational understandings towards signing a collective agreement. The parties are preparing to draft a legal agreement.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 6:- EVENTS AFTER THE REPORTING DATE (Cont.)**

- e. On May 1, 2018, the Israeli Parliament's Finance Committee approved the reform prescribed in the designated ETF regulations by virtue of the Joint Investment Trust Law (Amendment No. 28) (ETFs). The reform will become effective on a gradual basis at the beginning of October 2018 and is expected to be fully integrated by the end of this year.
  
- f. On May 24, 2018, the Company declared the distribution of a dividend of NIS 0.15 per share, totaling approximately NIS 9.8 million (net of a dividend to subsidiaries holding the Company's shares).

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