MEITAV DASH INVESTMENTS LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2018

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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 condensed consolidated statement of financial position as of September 30, 2018 and the related consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the nine and three months then ended. The Company's board of directors and management are responsible for the preparation and presentation of interim financial information for these interim periods 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 2.3% of total consolidated assets as of September 30, 2018 and whose revenues included in the in the consolidation constitute approximately 9.4% and approximately 9.2% of total consolidated revenues for the nine and three months periods then ended, respectively. The condensed interim financial information of those companies were 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 the 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.

Tel-Aviv, Israel
November 28, 2018

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30, 2018	September 30, 2017	December 31, 2017
	Unaudited	Unaudited	Audited
	NIS in millions		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	166	236	160
Short-term investments	426	351	332
Current investments of special purpose subsidiaries for covering ETNs and CDs	26,688	28,331	28,981
Customer credit	679	609	592
Trade receivables	31	31	37
Other accounts receivable	44	33	21
Current taxes receivable	11	12	14
	28,045	29,603	30,137
NON-CURRENT ASSETS:			
Investments of provident fund members	96	95	95
Investments, loans and receivables	61	36	47
Investments, loans and capital notes in associates	23	28	21
Property, plant and equipment	38	41	40
Deferred taxes	15	12	10
Intangible assets	1,149	1,155	1,150
	1,382	1,367	1,363
	29,427	30,970	31,500

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30, 2018	September 30, 2017	December 31, 2017
	Unaudited		Audited
	NIS in millions		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Credit from banks and current maturities of debentures	483	424	416
ETNs and CDs	26,122	27,710	28,329
Current liabilities of special purpose subsidiaries for covering ETNs and CDs	536	598	621
Liabilities for short sale of securities	35	35	29
Trade payables	61	59	70
Other accounts payable	168	114	122
Current taxes payable	14	8	12
	27,419	28,948	29,599
NON-CURRENT LIABILITIES:			
Loans from banks	99	106	106
Debentures	785	787	683
Liabilities to provident fund members	98	96	96
Liabilities for purchase of operations	15	31	22
Other accounts payable	14	19	18
Employee benefit liabilities	7	7	7
Deferred taxes	43	45	41
	1,061	1,091	973
Total liabilities	28,480	30,039	30,572
EQUITY:			
Share capital	64	64	64
Share premium	562	561	561
Treasury shares	(51)	(53)	(52)
Capital reserve for share-based payment transactions	14	13	14
Retained earnings	199	173	179
Other reserves	35	43	36
Equity attributable to equity holders of the Company	823	801	802
Non-controlling interests	124	130	126
Total equity	947	931	928
	29,427	30,970	31,500

November 28, 2018			
Date of approval of the financial statements	Eli Barkat Chairman of the Board	Ilan Raviv CEO	Einat Rom CFO

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2018	2017	2018	2017	2017
	Unaudited				Audited
	NIS in millions (except per share data)				
Revenue from management fees, commissions and other, net	625	612	216	195	818
Finance income from non-bank loans	43	41	15	14	56
Total revenues	668	653	231	209	874
Marketing, operating, general and administrative expenses	513	497	175	164	666
Operating income	155	156	56	45	208
Gain from securities held for investment purposes in nostro portfolio, net	2	2	-	1	4
Finance income	1	2	-	2	2
Finance expenses	(29)	(24)	(8)	(5)	(32)
Other income (expenses), net	(24)	(7)	(8)	9	(17)
Company's share of earnings of companies accounted for at equity, net	2	5	1	3	5
Income before taxes on income	107	134	41	55	170
Taxes on income	44	53	16	21	64
Net income for the period	63	81	25	34	106
Other comprehensive income (loss) (net of tax effect):					
Actuarial gain on defined benefits plans	-	-	-	-	1
Gain on cash flow hedges	2	-	-	-	-
Loss on cash flow hedges	-	-	-	-	(1)
Total comprehensive income	65	81	25	34	106
Net income attributable to:					
Equity holders of the Company	55	74	22	31	95
Non-controlling interests	8	7	3	3	11
	63	81	25	34	106
Comprehensive income attributable to:					
Equity holders of the Company	57	74	22	31	95
Non-controlling interests	8	7	3	3	11
	65	81	25	34	106
Basic and diluted net earnings per share attributable to equity holders of the Company (in NIS):					
Basic net earnings	0.85	1.14	0.34	0.48	1.47
Diluted net earnings	0.83	1.11	0.34	0.48	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								
	Share capital	Share premium	Treasury shares	Capital reserve from share-based payment transactions	Retained earnings	Other reserves	Total	Non-controlling interests	Total equity
	Unaudited								
	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	-	-	-	-	55	-	55	8	63
Other comprehensive income, net	-	-	-	-	-	2	2	-	2
Total comprehensive income	-	-	-	-	55	2	57	8	65
Dividend declared and paid	-	-	2	-	(34)	-	(32)	-	(32)
Exercise of employee options	*) -	1	-	(1)	-	-	-	-	-
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	1	1
Dividend to non-controlling interests	-	-	-	-	-	-	-	(7)	(7)
Share-based payment	-	-	-	1	-	-	1	-	1
Acquisition of non-controlling interests	-	-	-	-	-	(3)	(3)	(4)	(7)
Net purchases of treasury shares by subsidiaries	-	-	(1)	-	-	-	(1)	-	(1)
Balance at September 30, 2018	64	562	(51)	14	199	35	823	124	947

*) 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								
	Share capital	Share premium	Treasury shares	Capital reserve from share-based payment transactions	Retained earnings	Other reserves	Total	Non-controlling interests	Total equity
	Unaudited								
	NIS in millions								
Balance at January 1, 2017 (audited)	63	559	(54)	15	134	(18)	699	68	767
Net income for the period	-	-	-	-	74	-	74	7	81
Other comprehensive income, net	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	74	-	74	7	81
Dividend declared and paid	-	-	2	-	(35)	-	(33)	-	(33)
Dividend to non-controlling interests	-	-	-	-	-	-	-	(7)	(7)
Exercise of employee options	1	3	-	(4)	-	-	-	-	-
Share-based payment	-	-	-	2	-	-	2	-	2
Purchases non-controlling interests	-	-	-	-	-	(3)	(3)	(1)	(4)
Issuance of shares to non-controlling interests	-	-	-	-	-	64	64	63	127
Net purchases of treasury shares by subsidiaries	-	(1)	(1)	-	-	-	(2)	-	(2)
Balance at September 30, 2017	64	561	(53)	13	173	43	801	130	931

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								
	Share capital	Share premium	Treasury shares	Capital reserve from share-based payment transactions	Retained earnings	Other reserves	Total	Non-controlling interests	Total equity
	Unaudited								
	NIS in millions								
Balance at July 1, 2018	64	563	(51)	13	187	35	811	121	932
Net income for the period	-	-	-	-	22	-	22	3	25
Other comprehensive income, net	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	22	-	22	3	25
Dividend declared and paid	-	-	1	-	(10)	-	(9)	-	(9)
Exercise of employee options	*) -	(1)	-	1	-	-	-	-	-
Net purchases of treasury shares by subsidiaries	-	-	(1)	-	-	-	(1)	-	(1)
Balance at September 30, 2018	64	562	(51)	14	199	35	823	124	947

*) 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								
	Share capital	Share premium	Treasury shares	Capital reserve from share-based payment transactions	Retained earnings	Other reserves	Total	Non-controlling interests	Total equity
	Unaudited								
	NIS in millions								
Balance at July 1, 2017	64	560	(55)	14	152	46	781	128	909
Net income for the period	-	-	-	-	31	-	31	3	34
Other comprehensive income, net	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	31	-	31	3	34
Dividend declared and paid	-	-	1	-	(10)	-	(9)	-	(9)
Exercise of employee options	*) -	2	-	(2)	-	-	-	-	-
Shares-based payment	-	-	-	1	-	-	1	-	1
Purchases non-controlling interests	-	-	-	-	-	(3)	(3)	(1)	(4)
Net purchases of treasury shares by subsidiaries	-	(1)	1	-	-	-	-	-	-
Balance at September 30, 2017	64	561	(53)	13	173	43	801	130	931

*) 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								
	Share capital	Share premium	Treasury shares	Capital reserve from share-based payment transactions	Retained earnings	Other reserves	Total	Non-controlling interests	Total equity
	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)	-	-	-	-	-
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 treasury shares by subsidiaries	-	(1)	-	-	-	-	(1)	-	(1)
Balance at December 31, 2017	64	561	(52)	14	179	36	802	126	928

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2018	2017	2018	2017	2017
	Unaudited				Audited
	NIS in millions				
Cash flows from operating activities:					
Net income for the period	63	81	25	34	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	5	5	2	2	7
Amortization of intangible assets	41	38	14	13	49
Loss from impairment of goodwill	-	-	-	-	3
Capital gain from disposal of an investee	-	(1)	-	-	(1)
Capital loss from sale of investment in subsidiary	1	-	1	-	-
Amortization of deferred acquisition costs	7	6	3	-	9
Revaluation of investments to provident fund members	(1)	(2)	-	1	(2)
Revaluation of liabilities to provident fund members	2	2	-	-	2
Change in liabilities for purchase of operations	1	4	1	4	(1)
Revaluation of loans from banks	-	-	-	-	(1)
Gain from change in TASE equity rights	-	(22)	-	(22)	(22)
Gain from sale of available-for-sale financial asset	-	-	-	-	(2)
Company's share of earnings of companies accounted for at equity, net	(2)	(4)	(1)	(3)	(1)
Deferred taxes, net	(4)	14	(2)	9	11
Revaluation of debentures	4	(1)	1	(3)	(2)
Gains from securities measured at fair value through profit or loss, net	(6)	-	(4)	-	(1)
Share-based payment	1	2	-	1	2
Revaluation of liabilities due to put options to non-controlling interests	-	1	-	1	1
	49	42	15	3	51

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended September 30, 2018	Nine months ended September 30, 2017	Three months ended September 30, 2018	Three months ended September 30, 2017	Year ended December 31, 2017
	Unaudited				Audited
	NIS in millions				
Changes in asset and liability items attributable to ETN operation:					
Revaluation of current investments of special purpose subsidiaries	(1,273)	(1,239)	(1,073)	(624)	(2,079)
Revaluation of ETNs and CDs	1,640	1,518	1,145	744	2,469
Change in assets, net	3,564	1,528	640	(67)	1,713
Change in liabilities, net	(87)	115	(105)	(118)	148
Change in ETNs and CDs	(3,845)	(1,912)	(614)	68	(2,243)
Change in securities, net	(16)	(5)	(11)	45	12
Change in liabilities for short sale of securities	6	(7)	3	(38)	(22)
	(11)	(2)	(15)	10	(2)
Changes in asset and liability items:					
Customer credit, trade receivables and other accounts receivable	(137)	(114)	(116)	(114)	(99)
Short-term credit from giving non-bank loans	6	(131)	96	(6)	(165)
Trade payables and other accounts payable	37	(30)	32	(27)	(12)
	(94)	(275)	12	(147)	(276)
Net cash provided by (used in) operating activities	7	(154)	37	(100)	(121)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2018	2017	2018	2017	2017
	Unaudited				Audited
	NIS in millions				
Cash flows to investing activities:					
Change in short-term investments measured at fair value through profit or loss	(67)	6	(17)	(5)	13
Purchase of property, plant and equipment	(3)	(3)	-	-	(5)
Purchase of intangible assets	(42)	(18)	(6)	-	(27)
Purchase of customer credit	(4)	-	-	-	-
Proceeds from sale of assets held for sale	-	12	-	-	12
Repayment of liabilities for business combination	(7)	(6)	(1)	(1)	(10)
Repayment of loan to company accounted for at equity	-	-	-	-	2
Grant of long-term loan	-	(4)	-	(3)	(3)
Change in restricted deposits, net	(6)	(8)	(2)	4	(9)
Investment in companies accounted for at equity	-	(1)	-	(1)	(1)
Merger of activity against issuance of shares to non-controlling interests (b)	-	6	-	-	6
Sale of available-for-sale financial asset	-	-	-	-	1
Proceeds from sale of TASE shares	27	-	27	-	-
				-	
Net cash provided by (used in) investing activities	(102)	(16)	1	(13)	(21)
Cash flows from financing activities:					
Issuance of Company debentures (net of issuance expenses)	95	141	-	141	141
Issuance of subsidiary's debentures (net of issuance expenses)	98	222	-	-	222
Repayment of Company debentures	-	-	-	-	(75)
Repayment of subsidiary's debentures	(58)	-	(29)	-	-
Change in treasury shareholdings	(1)	-	(1)	2	-
Dividend paid to equity holders of the Company	(32)	(33)	(9)	(9)	(48)
Dividend paid to non-controlling interests	(7)	(7)	-	(1)	(8)
Repayment of long-term liabilities	(2)	(2)	(1)	(1)	(2)
Exercise of options in investee	-	(4)	-	(4)	(4)
Purchase of non-controlling interests	(7)	-	-	-	(11)
Repayment of long-term loans from banks	(11)	(13)	(7)	-	(20)
Issuance of shares to non-controlling interests	1	13	-	-	13
Short-term credit from banks, net	25	(22)	6	(40)	(17)
Net cash provided by (used in) financing activities	101	295	(41)	88	191
Increase (decrease) in cash and cash equivalents	6	125	(3)	(25)	49
Cash and cash equivalents at the beginning of the period	160	111	169	261	111
Cash and cash equivalents at the end of the period	166	236	166	236	160

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2018	2017	2018	2017	2018
	Unaudited				Audited
	NIS in millions				
(a) Additional information on cash flows from operating activities:					
Group operations, excluding ETN operation:					
Cash paid during the period for:					
Interest	26	22	5	2	43
Taxes on income	34	26	14	8	32
Cash received during the period for:					
Interest	56	44	22	12	68
Taxes on income	4	9	-	-	5
ETN operation:					
Cash paid during the period in ETN operation for:					
Interest	10	5	4	1	7
Dividend	18	19	7	10	20
Cash received during the period in ETN operation for:					
Interest	201	203	65	50	279
Dividend	140	195	25	54	234

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2018	2017	2018	2017	2017
	Unaudited				Audited
	NIS in millions				
(b) Merger of activity against issuance of shares to non-controlling interests					
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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2018	2017	2018	2017	2017
	Unaudited				Audited
	NIS in millions				
(c) Proceeds from sale of investment in previously consolidated subsidiary					
Working capital (excluding cash and cash equivalents)	(4)	-	(4)	-	-
Total assets and liabilities on date of sale	(4)	-	(4)	-	-
Assets and liabilities on date of sale	(4)	-	(4)	-	-
Non cash proceeds	4	-	4	-	-
Total cash derived from the merger	-	-	-	-	-

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

NOTE 1:- GENERAL

These financial statements have been prepared in a condensed format as of September 30, 2018 and for the nine and three months periods 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 ("IFRS 15") which establishes revenue recognition criteria. The adoption of IFRS 15 did not have a material impact on the financial statements.

c. Disclosure of new standards in the period prior to their adoption:

IFRS 16, "Leases":

In furtherance to the stated in Note 2aa to the annual consolidated financial statements, IFRS 16, as above, was applied for annual periods beginning January 1, 2019.

The Group plans to elect to apply the transition provisions according to which at the date of initial application it will recognize a liability at the present value of the remaining future lease payments discounted using the incremental borrowing rate at that date and, simultaneously, it will recognize an amount equal to the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments relating to the asset or liability recognized before the date of initial application. Accordingly, the application of IFRS 16 is not expected to have an effect on retained earnings at the date of initial application.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

c. Disclosure of new standards in the period prior to their adoption (Cont.):

IFRS 16, "Leases" (Cont.):

As for leases where the Group is the lessee and before the date of initial application they have been classified as operating leases, and except for cases where the Group elected to apply the exemptions to IFRS 16, as above, the Group is required to recognize, at the date of initial application of IFRS 16, on January 1, 2019, a right-of-use asset and a lease liability for all leases where it was found that it has the right to control the use of an identifiable asset for a definite period of time.

Consequently, from the initial adoption date, lease expenses attributable to assets leased under operating lease which had been previously presented in marketing, operating, general and administrative expenses in the statement of profit or loss will be capitalized as assets and liabilities. The assets will be amortized in depreciation and amortization expenses in subsequent periods. Finance expenses will be carried in subsequent periods in respect of the liabilities.

At this stage, the Company estimates that the effect of the initial adoption of the new Standard is expected to result in an increase of approximately NIS 175 million in its assets and liabilities. In addition, the effect of the initial adoption of the new Standard in 2019 is expected to result in a decrease of approximately NIS 24 million in the Company's lease expenses and in increase of approximately NIS 22 million and approximately NIS 5 million in depreciation and amortization expenses and in finance expenses, respectively. The total effect of the initial adoption of the new Standard in 2019 is expected to result in an increase of approximately NIS 24 million in operating income and a decrease of approximately NIS 3 million in pre-tax income. Also, the initial adoption of the new Standard is expected to result in an increase of approximately NIS 24 million in cash flows from operating activities and a decrease of approximately NIS 24 million in cash flows from financing activities. The above quantitative disclosures rely on the effects as they are currently known to the Company based on existing data and parameters, including existing lease contracts that will be in effect as of January 1, 2019. It should be noted that the adoption of the new Standard is not expected to have an adverse effect on the Company's compliance with financial covenants.

Also, the range of the nominal discount rates used to measure lease liability varies between 1.48% and 4.84%. Differences in the length of the lease, difference in the various groups of properties, change in the discount rates of Group companies and etc. have an effect of the range.

The adoption of the new Standard may require certain adjustments in the Company's future financial statements for 2018, after specific policies have been finalized with respect to the application issues currently under review. In the period leading up to the adoption of the new Standard, the Company will continue to report any other effects of the Standard and provide disclosures of the quantitative effects of its adoption as required by ISA Accounting Staff Position 19-2.

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		
	September 30,		December 31,	September 30,		December 31,
	2018	2017	2017	2018	2017	2017
	Unaudited		Audited	Unaudited		Audited
	NIS in millions					
Financial liabilities:						
Loans from banks (1) and (3)	106	124	117	106	124	117
Debentures of subsidiary (3)(4)	267	223	223	238	225	225
Debentures (series C) (2) (3)	725	696	621	779	757	679
	1,098	1,043	961	1,123	1,106	1,021

(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. The fair value is based on quoted market prices.
(3) Including current maturities and accrued interest.
(4) The debentures of Peninsula Group Ltd. are traded on the TASE. The fair value is based on quoted market prices.

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).

NOTE 3:- FINANCIAL INSTRUMENTS (Cont.)

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

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

	Level 1	Level 2	Level 3
		NIS in millions	
September 30, 2018 (unaudited)			
Financial assets at fair value through profit or loss			
Shares and options, debentures and ETNs	102	6	34
Forwards and futures	-	9	-
Available-for-sale financial assets			
Shares	-	-	4
	102	15	38
Financial liabilities			
Shares, debentures and marketable options	34	1	-
Index forwards used for hedging	-	3	-
Contingent liability for business combination	-	-	25
	34	4	25

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

	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Financial liabilities at fair value through profit or loss	Total
		NIS in millions		
Balance as at January 1, 2018	33	4	(33)	4
Total income recognized in profit or loss	5	-	(1)	4
Acquisitions	23	-	-	23
Sale of assets	(27)	-	-	(27)
Repayments of liabilities	-	-	9	9
Balance as at September 30, 2018	34	4	(25)	13

NOTE 3:- FINANCIAL INSTRUMENTS (Cont.)

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

In addition, as of September 30, 2018, there are financial assets measured at Level 1 in the fair value hierarchy included in investments of provident fund members in the amount of approximately NIS 8 million.

	Level 1	Level 2	Level 3
	NIS in millions		
September 30, 2017 (unaudited)			
Financial assets at fair value through profit or loss			
Shares and options, debentures and ETNs	138	3	29
Forwards and futures	-	6	-
Available-for-sale financial assets			
Shares	1	-	4
	139	9	33
Financial liabilities			
Shares, debentures and marketable options	34	-	-
Index forwards used in hedging	-	6	
Forwards and swaps	-	1	-
Contingent liability for business combination	-	-	41
	34	7	41

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

	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Financial liabilities at fair value through profit or loss	Total
	NIS in millions			
Balance as at January 1, 2017	5	4	(47)	(38)
Total income recognized in profit or loss	21	-	(4)	17
Acquisitions	7	-	-	7
Sale of assets	(4)	-	-	(4)
Repayments of liabilities	-	-	10	10
Balance as at September 30, 2017	29	4	(41)	(8)

NOTE 3:- FINANCIAL INSTRUMENTS (Cont.)

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

In addition, as of September 30, 2017, there are financial assets measured at Level 1 in the fair value hierarchy included in investments of provident fund members in the amount of approximately NIS 5 million.

	Level 1	Level 2	Level 3
		NIS in millions	
December 31, 2017 (audited)			
Financial assets at fair value through profit or loss			
Shares and options, debentures and ETNs	98	3	33
Forwards and futures	-	6	-
Available-for-sale financial assets			
Shares	1	-	4
	99	9	37
Financial liabilities			
Shares, debentures and marketable options	29	-	-
Index forwards used for hedging	-	5	-
Contingent liability in business combination	-	-	33
	29	5	33

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

	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Financial liabilities at fair value through profit or loss	Total
		NIS in millions		
Balance at January 1, 2017	5	4	(47)	(38)
Total income recognized in profit or loss	22	-	-	22
Acquisitions	10	-	-	10
Repayment of liabilities	-	-	14	14
Sale of assets	(4)	-	-	(4)
Balance at December 31, 2017	33	4	(33)	4

NOTE 3:- FINANCIAL INSTRUMENTS (Cont.)

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

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

	September 30, 2018 (unaudited)			
	Level 1	Level 2	Level 3	Total
	NIS in millions			
Financial assets at fair value through profit or loss:				
Short-term deposits	-	2,680	-	2,680
Government bonds	6,537	162	-	6,699
Marketable corporate debentures	4,241	121	-	4,362
Marketable shares	6,865	-	-	6,865
ETNs	-	128	-	128
IRSs	-	162	-	162
Forwards and futures	58	69	-	127
	17,701	3,322	-	21,023
Financial liabilities:				
Marketable corporate debentures	2	-	-	2
Marketable corporate debentures	56	-	-	56
Marketable shares	237	-	-	237
IRSs	-	25	-	25
Forwards and futures	32	11	-	43
	327	36	-	363

NOTE 3:- FINANCIAL INSTRUMENTS (Cont.)

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

	September 30, 2017 (unaudited)			
	Level 1	Level 2	Level 3	Total
	NIS in millions			
Financial assets at fair value through profit or loss:				
Government bonds	5,044	-	-	5,044
Marketable corporate debentures	5,155	-	-	5,155
Marketable shares	7,461	2	-	7,463
ETNs	73	133	-	206
IRSs	24	228	-	252
Options	2	8	-	10
Forwards and futures	25	56	-	81
	17,784	427	-	18,211
Financial liabilities:				
Marketable corporate debentures	49	-	-	49
Marketable shares	237	-	-	237
ETNs	12	-	-	12
IRSs	20	2	-	22
Forwards and futures	2	107	-	109
	320	109	-	429

	December 31, 2017 (audited)			
	Level 1	Level 2	Level 3	Total
	NIS in millions			
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
IRSs	17	179	-	196
Options	2	10	-	12
Forwards and futures	2	38	-	40
	17,958	1,351	-	19,309
Financial liabilities:				
Marketable corporate debentures	162	-	-	162
Marketable shares	216	-	-	216
ETNs	6	-	-	6
IRSs	2	5	-	7
Forwards and futures	6	97	-	103
	392	102	-	494

NOTE 4:- INTANGIBLE ASSETS

In the reporting period the Company tested impairment of goodwill in cash generating units as follows:

a. Managing portfolios and mutual funds

The Company tested impairment of goodwill on June 30, 2018, for the cash-generating units Managing portfolios and mutual funds. The recoverable amount of assets allocated to managing portfolios and mutual funds is determined based on the value in use which is derived from the discounted DCF method. For the calculation of the pre-tax value in use using the DCF method, the Company used forecasts regarding future income derived from the scope of managed assets as of June 30, 2017 based on its profits for the period ended June 30, 2018, its expected future profits, evaluations of a future growth rate of 2.5% and a pre-tax discount rate of about 14.5%. The goodwill allocated to the managing portfolios and mutual funds unit, as of June 30, 2018, amounts to approximately NIS 191 million. The recoverable amount exceeds the carrying amount and therefore no provision for impairment is needed.

b. Managing provident funds and pension funds

The Company tested impairment of goodwill in managing provident funds and pension funds unit on September 30, 2018. The recoverable amount of assets allocated to managing provident funds and pension funds is determined based on the fair value which is derived from the discounted DCF method. For the calculation of the fair value, the Company used forecasts regarding future income derived from the scope of managed assets as of September 30, 2018 based on its profits for the period ended September 30, 2018, its expected future profits, evaluations of a future growth rate of 2.5% and a discount rate of about 10.5%. The goodwill allocated to the managing provident funds and pension funds unit, as of September 30, 2018, amounts to approximately NIS 365 million. The recoverable amount exceeds the unit's carrying amount and, accordingly, no provision for impairment is required.

The management of pension and provident funds involves the probability of changes in the key assumptions underlying the calculation of the value in use which are liable to cause the carrying amount of the unit to significantly exceed the recoverable amount. As of September 30, 2018, the recoverable amount exceeds the carrying amount by approximately NIS 46.1 million (as of September 30, 2017 - NIS 64.4 million).

NOTE 4:- INTANGIBLE ASSETS (Cont.)

c. Insurance activity Yekev and Kariv

The Company tested impairment of goodwill in insurance activity in Y.K.V insurance agencies and in Kariv insurance agency cash-generating unit (“insurance activity”) on September 30, 2018. The recoverable amount of assets allocated to the insurance activity unit is determined based on the value in use which is derived from the discounted DCF method. For the calculation of the pre-tax value in use using the DCF method, the Company used forecasts regarding future income derived from the insurance activity profits for the period ended September 30, 2018, its expected future profits, evaluations of a future growth rate of 2% and a pre-tax discount rate of about 17.7%. The goodwill allocated to the insurance activity unit, as of September 30, 2018, amounts to approximately NIS 23 million. The recoverable amount exceeds the unit's carrying amount and, accordingly, no provision for impairment is required

d. Brokerage

As of September 30, 2018, the assets and liabilities comprising the brokerage cash-generating unit have not undergone any significant change compared since the impairment test conducted by the Company as of September 30, 2017 according to which the recoverable amount of the CGU materially exceeded its carrying amount and the chances that the recoverable amount that would be determined in the current period would be lower than the carrying amount were remote. Accordingly, the Company used the calculation conducted for September 30, 2017 according to which no provision for impairment was needed. The impairment test for September 30, 2017 relied on future income based on Meitav Dash Brokerage's profits in the period ended September 30, 2017, its expected future profits, evaluations of future growth at a rate of 2% and a pre-tac discount rate of about 16.5%. The goodwill allocated to the brokerage CGU as of September 30, 2018 amounts to NIS 10 million.

NOTE 5:- 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.

NOTE 5:- OPERATING SEGMENTS (Cont.)

a. General (Cont.):

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 that was sold during the reporting period.

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.

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.

NOTE 5:- OPERATING SEGMENTS (Cont.)

b. Reporting on operating segments:

	Nine months ended September 30, 2018							
	Long and medium term savings management	Current savings management	ETNs and CDs	TASE member and institutional brokerage	Non-bank loans	Other	Adjustments	Total
	Unaudited							
	NIS in millions							
Revenues								
Revenues from external entities	241	165	91	76	43	52	-	668
Inter-segment revenues	-	3	-	-	-	3	(6)	-
Total revenues	241	168	91	76	43	55	(6)	668
Company's share of earnings of companies accounted for at equity, net	-	-	-	-	-	2	-	2
Segment income	32	58	37	22	20	12	-	181
Expenses not allocated to segments								(24)
Gain from securities held for Nostro portfolio investments, net								2
Finance expenses, net								(28)
Other expenses, net								(24)
Income before taxes on income								107

NOTE 5:- OPERATING SEGMENTS (Cont.)

b. Reporting on operating segments (Cont.):

	Nine months ended September 30, 2017							
	Long and medium term savings management	Current savings management	ETNs and CDs	TASE member and institutional brokerage	Non-bank loans	Other	Adjustments	Total
	Unaudited							
	NIS in millions							
Revenues								
Revenues from external entities	250	163	86	55	41	57	-	652
Inter-segment revenues	-	2	-	-	-	4	(6)	-
Total revenues	250	165	86	55	41	61	(6)	652
Company's share of earnings of companies accounted for at equity, net	-	-	-	-	-	5	-	5
Segment income	34	60	36	14	18	25	(2)	185
Expenses not allocated to segments								(25)
Gain from liability arising from treasury shares								1
Gain from securities held for Nostro portfolio investments, net								2
Finance expenses, net								(22)
Other expenses, net								(7)
Income before taxes on income								134

NOTE 5:- OPERATING SEGMENTS (Cont.)

b. Reporting on operating segments (Cont.):

	Three months ended September 30, 2018							
	Long and medium term savings management	Current savings management	ETNs and CDs	TASE member and institutional brokerage	Non-bank loans	Other	Adjustments	Total
	Unaudited							
	NIS in millions							
Revenues								
Revenues from external entities	80	57	39	25	15	15	-	231
Inter-segment revenues	-	1	-	-	-	1	(2)	-
Total revenues	80	58	39	25	15	16	(2)	231
Company's share of earnings of companies accounted for at equity, net	-	-	-	-	-	1	-	1
Segment income	8	20	20	6	7	3	-	64
Expenses not allocated to segments								(7)
Finance expenses, net								(8)
Other expenses, net								(8)
Income before taxes on income								41

NOTE 5:- OPERATING SEGMENTS (Cont.)

b. Reporting on operating segments (Cont.):

	Three months ended September 30, 2017							
	Long and medium term savings management	Current savings management	ETNs and CDs	TASE member and institutional brokerage	Non-bank loans	Other	Adjustments	Total
	Unaudited							
	NIS in millions							
Revenues								
Revenues from external entities	83	54	23	19	14	16	-	209
Inter-segment revenues	-	1	-	-	-	1	(2)	-
Total revenues	83	54	23	19	14	17	(2)	209
Company's share of earnings of companies accounted for at equity, net	-	-	-	-	-	3	-	3
Segment income	12	19	6	5	6	10	(1)	57
Expenses not allocated to segments								(9)
Gain from securities held for Nostro portfolio investments, net								1
Finance expenses, net								(3)
Other income, net								9
Income before taxes on income								55

NOTE 5:- OPERATING SEGMENTS (Cont.)

b. Reporting on operating segments (Cont.):

	Long and medium term savings management	Current savings management	ETNs and CDs	TASE member and institutional brokerage	Non-bank loans	Other	Adjustments	Total
	Year ended December 31, 2017							
	Audited							
	NIS in millions							
Revenues								
Revenues from external entities	338	218	112	77	56	72	-	873
Inter-segment revenues	-	2	-	-	-	6	(8)	-
Total revenues	338	220	112	77	56	78	(8)	873
Company's share of earnings of companies accounted for at equity, net	-	-	-	-	-	5	-	5
Segment income	48	80	46	21	26	27	(2)	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								(16)
Income before taxes on income								170

NOTE 6:- 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 continue to grant Meitav Dash Brokerage Stock Exchange Member and operating services in connection with the sold operation until 30 June, 2018. 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 the general partner of the above partnership (the holding structure in the general partner is similar to the holding structure in Liquidity) Following said transaction, the Company holds 54% of the share capital of Liquidity on a fully diluted basis. 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.

The Company's total investments and investment commitments amount to approximately $ 8.54 million, including an investment of approximately $ 540 thousand in Liquidity against the allocation of shares to the Company, a loan of up to $ 1 million for financing Liquidity's operating activities which bears annual interest of 5% and a commitment of up to $ 7 million for making Liquidity's initial investments whether directly or through investments in the Fund (this commitment was increased after the financial statement date from approximately $ 3.4 million to said amount), in addition to the amounts invested by any new investors. The profits from the investments will be distributed between the Company (and other investors) and Liquidity based on a profit sharing mechanism.

NOTE 6:- 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.

During the reporting period, procedural proceedings were held in various cases relevant to Pacifica, which were mainly intended to give the parties additional time to formulate a compromise settlement.

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), 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.

NOTE 6:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (Cont.)

e. (Cont.):

From this date until the date of approval of the financial statements, the following developments occurred in these proceedings:

(1) In respect of two claims and motions to approve the claims as class actions, on June 12, 2018, a pretrial hearing was held and on that date it was decided on the dates for submission of summaries in the case. The plaintiff has to submit its summaries by December 23, 2018 and Meitav Dash Provident has to submit its summaries by February 21, 2019.

(2) In respect of another claim and motion to approve the claim as a class action which was filed by a registered association on June 12, 2018, the plaintiff replied to the response of Meitav Dash Provident.

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. In keeping with the matters discussed in Note 23b(2)(c) to the annual consolidated financial statements regarding a claim and motion to approve the claim as a class action filed on July 10, 2016 against Meitav Dash Provident, a proof hearing scheduled for November 21, 2018 was postponed to July 1, 2019.

h. 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. On October 24, 2018, Meitav Dash Provident submitted its response to the motion for approval. A pretrial hearing has been scheduled for December 27, 2018.

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.

NOTE 6:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (Cont.)

i. In keeping with the matters discussed in Note 23b(2)(a) to the annual consolidated financial statements regarding claims and motions to approve the claims as class actions filed with the Tel-Aviv District Court on December 23, 2012 and September 1, 2014 against Meitav Dash Provident which had been consolidated and are being jointly heard, on June 5, 2018, Meitav Dash Provident submitted affidavits and opinion on its behalf. On October 10, 2018, the petitioners submitted petitions for disclosure of additional documents and for summoning a witness. On November 11, 2018, Meitav Dash Provident submitted its response to the petitions. A hearing in the case has been scheduled for December 5, 2018.

j. 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 1.08%.

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.

k. 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 August 27, 2018, the transaction was consummated according to which Meitav Dash Trade sold 5.3 million TASE shares for said consideration. The financial statements include income recorded in the reporting period in other expenses, net totaling approximately NIS 4.6 million arising from the fair value adjustment of the TASE shares. After consummation of this transaction, Meitav Dash Trade holds TASE shares in a negligible amount.

l. 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.

NOTE 6:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (Cont.)

m. On May 1, 2018, the Knesset Finance Committee approved the special regulations for ETN by virtue of the Joint Investment Trust Law (Amendment No. 28) (ETN). See disclosure of the application of the reform in Note 7b below.

n. On March 15, 2018, the Company declared a dividend distribution of NIS 0.2 per share, totaling approximately NIS 13 million, net (less dividends to subsidiaries holding Company shares). The dividend was paid on April 9, 2018.

On May 24, 2018, the Company declared a dividend distribution of NIS 0.15 per share, totaling approximately NIS 9.8 million, net (less dividends to subsidiaries holding Company shares). The dividend was paid on June 18, 2018.

On August 22, 2018, the Company declared a dividend distribution of NIS 0.15 per share, totaling approximately NIS 9.8 million, net (less dividends to subsidiaries holding Company shares). The dividend was paid on September 4, 2018.

o. On June 24, 2018, an agreement was signed between the Company and the Israeli Financial Institute Ltd. ("IFI") according to which the Company sold its holdings in Meitav Dash's College Ltd. ("the College") for a sum derived from the gross revenues and the net income of IFI and The College for a period of 4 years, commencing from January 1, 2019, as stipulated in the agreement. Upon fulfillment of the suspending conditions for closing, said transaction was completed on July 31, 2018.

p. On July 8, 2018, Midroog Ltd. announced that it reaffirms the A1.il rating with a stable outlook for the Company's debentures.

q. On July 23, 2018, a motion to approve the claim as a class action was filed with the Labor Court against the Company and subsidiaries in connection with payment of social benefits and other benefits associated with commissions. On November 21, 2018, a motion was filed for striking the proceeding against the subsidiaries in limine. On November 25, 2018, a decision was rendered according to which the arguments will be heard in the hearing of the motion for approval of the claim as a class action. The Company is required to submit its response to the motion for approval of the claim as a class action by December 23, 2018. An initial pretrial hearing is scheduled for February 14, 2019 and an initial proof hearing is scheduled for March 21, 2019. In view of the preliminary stage of the proceeding, the attorneys handling the motion are unable to assess the risks and chances of the motion.

r. In furtherance to the stated in Note 23a(9) to the annual consolidated financial statements regarding the declaration of a representative employee organization among the Company's employees, on August 13, 2018, the Company's Board approved the collective agreement with the National Workers Union and the Employees Committee.

NOTE 7:- EVENTS AFTER THE REPORTING DATE

a. On November 28, 2018, the Company declared a dividend distribution of NIS 0.15 per share, totaling NIS 9.8 million, net (less dividends to the subsidiaries holding Company shares).

b. In keeping with the matters discussed in Note 6m above, in early October 2018, a reform in the Israeli ETN market became effective which is expected to be fully implemented by December 20, 2018 - the final phase. During this transition period, all ETNs and tracking index funds will be converted into ETFs in several phases, each of which consisting of commodities with similar classification categories. As a financial instruments, the ETF will be essentially similar to a tracking index fund, a closed-end traded fund whose aim is to achieve results by tracking changes in commodity indices, and which is essentially similar to exchange traded funds used in the U.S., except for two material adjustments:

1. The ETFs will be traded on an ongoing basis similarly to the current activity of ETNs and will be offered to the public by a related company, subject to certain restrictions.

2. The ETFs will include an additional fund manager compensation mechanism by way of entitlement to excess return on the one hand and supplementation of short return on the other at the rate determined in the ETF's prospectus ("variable management fees", as defined in the Israeli Joint Trust Investments Regulations (Tracking Funds), 2018). Tachlit Indices Mutual Fund Management Ltd. provided bank guarantees (guaranteed by the Company) to the trustees in respect of the variable management fees established in the ETNs managed by it.

In view of the expected full application of the reform, all ETNs will become ETFs. Accordingly, the statement of financial position as of December 31, 2018 will not include the assets and liabilities of the SPCs which are presented in the financial statements as of September 30, 2018 under current assets and current liabilities.

c. After the financial statement date, the boards of Meitav Dash Mutual Funds Ltd. ("Meitav Dash Mutual Funds") and Tachlit Indices Mutual Fund Management Ltd. ("Tachlit") approved the merger of Meitav Dash Mutual Funds into Tachlit with the former's legal dissolution. The merger is subject to the fulfillment of certain suspending conditions, including obtaining a pre-ruling from the Israeli Tax Authorities for the merger as a tax exempt merger. The merger will be completed at the end of the quarter in which all the suspending conditions are met. The objectives of the merger include consolidating the holding structure, minimizing operating costs, benefiting from economies of scale and improving operations.

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