MEITAV DASH INVESTMENTS LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 2019

UNAUDITED

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Building a better working world

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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, 2019 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 27.3% of total consolidated assets as of March 31, 2019 and whose revenues included in consolidation constitute approximately 11.6% 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.

Tel-Aviv, Israel
May 27, 2019

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31, 2019	March 31, 2018	December 31, 2018
	Unaudited	Unaudited	Audited
	NIS in millions		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	279	198	278
Short-term investments	240	355	182
Current investments of special purpose subsidiaries for covering ETNs and CDs	-	26,985	-
Customer credit	766	569	768
Trade receivables	34	35	32
Other accounts receivable	44	42	164
Current taxes receivable	5	12	9
	1,368	28,196	1,433
NON-CURRENT ASSETS:			
Investments of provident fund members	96	95	96
Investments, loans and receivables	105	64	80
Investments, loans and capital notes in associates	24	22	24
Property, plant and equipment	206	39	37
Deferred taxes	20	11	20
Intangible assets	1,162	1,165	1,174
	1,613	1,396	1,431
	2,981	29,592	2,864

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31,		December 31,
	2019	**2018**	**2018**
	Unaudited		**Audited**
	NIS in millions		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Credit from banks and current maturities of debentures	625	445	573
ETNs and CDs	-	26,118	-
Current liabilities of special purpose subsidiaries for covering ETNs and CDs	-	836	-
Liabilities for short sale of securities	21	35	10
Trade payables	86	60	80
Other accounts payable	197	175	294
Current taxes payable	16	10	15
Dividend declared	15	13	-
	960	27,692	972
NON-CURRENT LIABILITIES:			
Loans from banks	94	104	97
Debentures	638	682	669
Liabilities to provident fund members	98	96	98
Liabilities for purchase of operations	10	20	11
Other accounts payable	165	17	13
Employee benefit liabilities	8	7	8
Deferred taxes	47	41	46
	1,060	967	942
Total liabilities	2,020	28,659	1,914
EQUITY:			
Share capital	64	64	64
Share premium	516	563	513
Treasury shares	-	(51)	-
Capital reserve for share-based payment transactions	11	13	14
Retained earnings	214	184	200
Other reserves	34	36	34
Equity attributable to equity holders of the Company	839	809	825
Non-controlling interests	122	124	125
Total equity	961	933	950
	2,981	29,592	2,864

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

May 27, 2019			
Date of approval of the financial statements	Zvi Stepak Director	Ilan Raviv CEO	Einat Rom CFO

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Three months ended March 31,		Year ended December 31,
	2019	2018	2018
	Unaudited		Audited
	NIS in millions (except per share data)		
Revenue from management fees, commissions and other, net	217	202	829
Finance income from non-bank loans	18	14	61
Total revenues	235	216	890
Marketing, operating, general and administrative expenses	181	169	688
Operating income	54	47	202
Gain (loss) from securities held for Nostro portfolio investments, net	11	1	(3)
Finance income	-	-	1
Finance expenses	(5)	(6)	(37)
Other expenses, net	(12)	(7)	(33)
Company's share of earnings of companies accounted for at equity, net	1	1	3
Income before taxes on income	49	36	133
Taxes on income	17	13	56
Net income for the period	32	23	77
Other comprehensive income (net of tax effect):			
Gain from cash flow hedges	-	-	2
Total comprehensive income	32	23	79
Net income attributable to:			
Equity holders of the Company	29	20	67
Non-controlling interests	3	3	10
	32	23	77
Comprehensive income attributable to:			
Equity holders of the Company	29	20	69
Non-controlling interests	3	3	10
	32	23	79
Basic and diluted net earnings per share attributable to equity holders of the Company (in NIS):			
Basic net earnings	0.44	0.31	1.03
Diluted net earnings	0.44	0.30	1.02

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	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, 2019 (audited)	64	513	14	200	34	825	125	950
Net income for the period	-	-	-	29	-	29	3	32
Other comprehensive income, net	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	29	-	29	3	32
Dividend declared but not yet paid	-	-	-	(15)	-	(15)	-	(15)
Exercise of employee options	*) -	3	(3)	-	-	-	-	-
Dividend declared but not yet paid to non-controlling interests	-	-	-	-	-	-	(6)	(6)
Balance at March 31, 2019	64	516	11	214	34	839	122	961

*) 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, 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 income, net	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	20	-	20	3	23
Dividend declared but not yet paid	-	-	1	-	(14)	-	(13)	-	(13)
Dividend to non-controlling interests	-	-	-	-	-	-	-	(6)	(6)
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	1	1
Company share-based payment	-	-	-	1	-	-	1	-	1
Exercise of employee options	*) -	2	-	(2)	-	-	-	-	-
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								
	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, 2018	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 year	-	-	-	-	67	-	67	10	77
Other comprehensive income, net	-	-	-	-	-	2	2	-	2
Total comprehensive income	-	-	-	-	67	2	69	10	79
Dividend declared and paid	-	-	2	-	(45)	-	(43)	-	(43)
Dividend to non-controlling interests	-	-	-	-	-	-	-	(8)	(8)
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	1	1
Share-based payment	-	-	-	2	-	-	2	-	2
Net purchases of non-controlling interests	-	-	-	-	-	(4)	(4)	(4)	(4)
Exercise of employee options	*) -	2	-	(2)	-	-	-	-	-
Receipt of treasury shares as dividend in kind	-	(50)	50	-	-	-	-	-	-
Balance at December 31, 2018	64	513	-	14	200	34	825	125	950

*) Less than NIS 1 million.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended March 31, 2019	Three months ended March 31, 2018	Year ended December 31, 2018
	Unaudited	Unaudited	Audited
	NIS in millions		
Cash flows from operating activities:			
Net income for the period	32	23	77
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	6	2	7
Amortization of intangible assets	19	14	56
Amortization of deferred acquisition costs	3	2	9
Capital loss from sale of investment in subsidiary	-	-	1
Revaluation of investments to provident fund members	-	-	(1)
Revaluation of liabilities to provident fund members	-	-	2
Company's share of earnings of companies accounted for at equity, net	-	(1)	(3)
Deferred taxes, net	1	(1)	(6)
Revaluation of debentures	(4)	(2)	6
Losses (gains) from securities measured at fair value through profit or loss, net	(14)	(2)	2
Share-based payment	-	1	2
	11	13	75
Changes in asset and liability items attributable to ETN operation:			
Revaluation of current investments of special purpose subsidiaries	-	447	(94)
Revaluation of ETNs and CDs	-	(290)	483
Change in assets, net	-	1,552	4,444
Change in liabilities, net	-	214	(308)
Change in ETNs and CDs	-	(1,921)	(4,550)
Change in securities, net	-	4	32
Change in liabilities for short sale of securities	-	5	(20)
	-	11	(13)
Changes in asset and liability items:			
Customer credit, trade receivables and other accounts receivable	94	(6)	(347)
Short-term credit from giving non-bank loans	62	(3)	103
Trade payables and other accounts payable	(105)	36	179
	51	27	(65)
Net cash provided by operating activities	94	74	74

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended March 31,		Year ended December 31,
	2019	2018	2018
	Unaudited		Audited
	NIS in millions		
Cash flows from investing activities:			
Purchase of short-term investments measured at fair value through profit or loss, net	(31)	(26)	(28)
Purchase of property, plant and equipment	-	(1)	(4)
Purchase of intangible assets	(6)	(29)	(52)
Purchase of customer credit	-	(4)	(4)
Repayment of liabilities for business combination	(2)	(2)	(10)
Grant of long-term loan	(3)	-	(13)
Change in restricted deposits, net	(2)	(3)	(11)
Proceeds in respect of previously consolidated ETN subsidiaries (c)	-	-	173
Proceeds from sale of TASE shares	-	-	27
Net cash provided by (used in) investing activities	(44)	(65)	78
Cash flows from financing activities:			
Issuance of Company debentures (net of issuance expenses)	-	-	95
Issuance of subsidiary's debentures (net of issuance expenses)	-	-	98
Repayment of debentures	-	-	(87)
Repayment of subsidiary's debentures	(29)	-	(86)
Change in treasury shareholdings	-	-	1
Dividend paid to equity holders of the Company	-	-	(43)
Dividend paid to non-controlling interests	-	(1)	(8)
Repayment of long-term liabilities	(7)	(1)	(2)
Purchase of non-controlling interests	-	-	(8)
Repayment of long-term loans from banks	(3)	-	(11)
Issuance of capital to non-controlling interests	-	1	1
Short-term credit from banks, net	(10)	30	16
Net cash provided by (used in) financing activities	(49)	29	(34)
Increase in cash and cash equivalents	1	38	118
Cash and cash equivalents at the beginning of the period	278	160	160
Cash and cash equivalents at the end of the period	279	198	278

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended March 31, 2019	Three months ended March 31, 2018	Year ended December 31, 2018
	Unaudited	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	7	4	48
Taxes on income	14	13	44
Cash received during the period for:			
Interest	20	13	83
Taxes on income	5	4	7
ETN operation:			
Cash paid during the period in ETN operation for:			
Interest	-	2	9
Dividend	-	7	21
Cash received during the period in ETN operation for:			
Interest	-	69	218
Dividend	-	44	148

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended March 31, 2019	Three months ended March 31, 2018	Year ended December 31, 2018
	Unaudited	Unaudited	Audited
	NIS in millions		
(b) Proceeds from sale of investment in previously consolidated subsidiary:			
Working capital (excluding cash and cash equivalents)	-	-	4
Total assets and liabilities on date of sale	-	-	4
Assets and liabilities on date of sale	-	-	4
Non cash proceeds	-	-	(4)
Total cash derived from the merger	-	-	-
(c) Proceeds in respect of previously consolidated ETN subsidiaries:			
Current investments of special purpose subsidiaries	-	-	24,796
Liabilities of special purpose subsidiaries	-	-	(320)
Liabilities of ETNs and CDs	-	-	(24,303)
Total assets and liabilities of the subsidiaries on date of sale	-	-	173
(d) Significant non-cash operations:			
Dividend declared	15	13	-
Dividend declared to non-controlling interest	6	5	-

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 March 31, 2019 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, 2018 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:

IFRS 16, "Leases"

As described in Note 2z to the annual consolidated financial statements, effective from January 1, 2019, the Group applies IFRS 16, "Leases" ("the Standard") which provides guidelines for the accounting treatment of leases.

The accounting policy for leases applied commencing from January 1, 2019, is as follows:

For leases in which the Company is the lessee, the Company recognizes on the commencement date of the lease a right-of-use asset and a lease liability, excluding leases whose term is up to 12 months and leases for which the underlying asset is of low value. For these leases, the Company has elected to recognize the lease payments as an expense in profit or loss on a straight-line basis over the lease term. In measuring the lease liability, the Company has elected to apply the practical expedient in the Standard and does not separate the lease components from the non-lease components (such as management and maintenance services, etc.) included in a single contract.

Transactions that entitle employees to a company car as part of their employment terms are accounted for as employee benefits according to IAS 19 and not as subleases.

On the commencement date, the lease liability includes all unpaid lease payments discounted at the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the Company's incremental borrowing rate. After the commencement date, the Company measures the lease liability using the effective interest rate method.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

IFRS 16, "Leases" (Cont.)

The right-of-use assets are recognized in an amount equal to the lease liability plus lease payments already made on or before the commencement date and initial direct costs incurred. The right-of-use asset is measured applying the cost model and depreciated over the shorter of its useful life or the lease term. The Company tests for impairment of the right-of-use asset whenever there are indications of impairment pursuant to the provisions of IAS 36.

For leases in which the Company is the lessee, the aggregate changes in future lease payments resulting from a change in the index are discounted (without a change in the discount rate applicable to the lease liability) and recorded as an adjustment of the lease liability and the right-of-use asset. The effect of the change in the index on current payments is recorded in profit or loss.

A non-cancellable lease term includes both the periods covered by an option to extend the lease when it is reasonably certain that the extension option will be exercised and the periods covered by a lease termination option when it is reasonably certain that the termination option will not be exercised. In the event of any change in the expected exercise of the lease extension option or in the expected non-exercise of the lease termination option, the Company remeasures the lease liability based on the revised lease term using a revised discount rate as of the date of the change in expectations. The total change is recognized in the carrying amount of the right-of-use asset until it is reduced to zero, and any further reductions are recognized in profit or loss.

If a lease modification does not reduce the scope of the lease and does not result in a separate lease, the Company remeasures the lease liability in the modified contract at the revised discount rate on the modification date and carries the change in the lease liability to the right-of-use asset.

If a lease modification reduces the scope of the lease, the Company recognizes a profit or loss arising from the partial or full reduction in the carrying amount of the right-of-use asset and the lease liability. The Company subsequently remeasures the carrying amount of the lease liability according to the revised lease terms, at the revised discount rate on the modification date and carries the change in the lease liability to the right-of-use asset.

The Group elected to adopt the Standard using the modified retrospective approach and measuring the right-of-use asset at an amount equal to the lease liability. This approach does not require restatement of comparative data. The balance of the liability as of the date of initial application of the Standard is measured using the Company's incremental borrowing rate of interest on the date of initial adoption of the Standard.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

IFRS 16, "Leases" (Cont.)

Following is data relating to the initial adoption of the Standard as of January 1, 2019, in respect of leases existing as of that date:

1. Effects of the initial application of the Standard on the Company's financial statements as of January 1, 2019:

	According to the previous accounting policy	The change	As presented according to IFRS 16
	NIS in thousands		
As of January 1, 2019:			
Non-current assets:			
Property, plant and equipment	37	175	212
Current liabilities:			
Other payables	294	18	312
Non-current liabilities:			
Other payables	13	157	170
Retained earnings	200	-	200

2. The Group hired an external valuation expert for determining the appropriate nominal interest rate for discounting the lease contracts, based on the finance risk applicable to the companies, the average remaining life of the lease contracts and other economic variables. The nominal discount rates used to measure the lease liability on the date of initial adoption of the Standard range between 1.48% and 4.84%, a range which is affected by the differences in the lease term, the various asset categories, the variations between the discount rates used by other Group companies etc.

IFRIC 23, "Uncertainty over Income Tax Treatments"

The Company applies the provisions of IFRIC 23, "Uncertainty over Income Tax Treatments", from January 1, 2019. The adoption of the Interpretation does not have a material effect on the financial statements.

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,**
	2019	**2018**	**2018**	**2019**	**2018**	**2018**
	Unaudited		**Audited**	**Unaudited**		**Audited**
	NIS in millions					
Financial liabilities:						
Loans from banks (1) and (3)	103	117	106	103	117	106
Subsidiary's debentures (4)	210	224	239	213	229	240
Debentures (series C) (2) (3)	633	624	632	684	686	69
	946	965	977	1,000	1,032	1,015

(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.

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	
March 31, 2019 (unaudited)			
Financial assets at fair value through profit or loss			
Shares ,options and debentures	128	3	34
Financial assets at fair value through other comprehensive income			
Shares	-	-	4
	128	3	34
Financial liabilities			
Shares, debentures and marketable options	19	-	-
Index forwards used for hedging	-	2	-
Forwards and swaps	-	2	-
Contingent liability in business combination	-	-	19
	19	4	19

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

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Liability for purchase of operations	Total
		NIS in millions		
Balance at January 1, 2019	32	4	(21)	15
Acquisitions	19	-	-	19
Sale of assets	(17)	-	-	(17)
Repayments of liabilities	-	-	2	2
Balance at March 31, 2019	34	4	(19)	19

In addition, as of March 31, 2019, 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 11 million.

NOTE 3:- FINANCIAL INSTRUMENTS (Cont.)

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

	Level 1	Level 2	Level 3
	NIS in millions		
March 31, 2018 (unaudited)			
Financial assets at fair value through profit or loss			
Shares and options, debentures and ETNs	103	3	35
Forwards and futures	-	6	-
Financial assets at fair value through other comprehensive income			
Shares	1	-	4
	104	9	39
Financial liabilities			
Shares, debentures and marketable options	35	-	-
Index forwards used for hedging	-	5	-
Contingent liability in business combination	-	-	31
	35	5	31

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

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	Total
	NIS in millions			
Balance at January 1, 2018	33	4	(33)	4
Total income recognized in profit or loss	2	-	-	2
Repayment of liabilities	-	-	2	2
Balance at March 31, 2018	35	4	(31)	8

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.

NOTE 3:- FINANCIAL INSTRUMENTS (Cont.)

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

	Level 1	Level 2	Level 3
		NIS in millions	
December 31, 2018 (audited)			
Financial assets at fair value through profit or loss			
Shares ,options and debentures	93	4	32
Financial assets at fair value through other comprehensive income			
Shares	-	-	4
	93	4	36
Financial liabilities			
Shares, debentures and marketable options	6	-	-
Index forwards used for hedging	-	2	-
Forwards and swaps	-	3	-
Contingent liability in business combination	-	-	21
	6	5	21

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

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Liability for purchase of operations	Total
		NIS in millions		
Balance at January 1, 2018	33	4	(33)	4
Total income (loss) recognized in profit or loss	3	-	(1)	2
Acquisitions	23	-	-	23
Sale of assets	(27)	-	-	(27)
Repayments of liabilities	-	-	13	13
Balance at March 31, 2018	32	4	(21)	15

NOTE 3:- FINANCIAL INSTRUMENTS (Cont.)

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

Details of the classification of current investments and current liabilities of special purpose subsidiary according to the fair value hierarchy as of March 31, 2018:

	March 31, 2018 (unaudited)			
	Level 1	Level 2	Level 3	Total
	NIS in millions			
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
IRSs	4	10	-	14
Forwards and futures	1	36	-	37
	16,589	1,354	-	17,943
Financial liabilities:				
Marketable corporate debentures	59	-	-	59
Marketable shares	235	-	-	235
ETNs	1	-	-	1
IRSs	41	186	-	227
Forwards and futures	2	102	-	104
	338	288	-	626

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.
ETF, ETN and CD segment	-	Managing ETFs. The segment information presented for the period of three months ended March 31, 2018 and for the year ended December 31, 2018 consisted of 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 that was sold on July, 2018.

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.

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.

5. As explained in Note 2b above, as of January 1, 2019, the Company applies the provisions of IFRS 16. The amortization expenses of right-of-use assets are not attributed to the different segments as they are not used by management in making operating decisions.

NOTE 4:- OPERATING SEGMENTS (Cont.)

b. Reporting on operating segments:

	Long and medium term savings management	Current savings management	ETFs	TASE member and institutional brokerage	Non-bank loans	Other	Adjustments	Total
	Three months ended March 31, 2019							
	Unaudited							
	NIS in millions							
Revenues:								
Revenues from external entities	79	59	27	31	18	21	-	235
Inter-segment revenues	-	1	-	-	-	1	(2)	-
Total revenues	79	60	27	31	18	22	(2)	235
Company's share of earnings of companies accounted for at equity, net	-	-	-	-	-	1	-	1
Segment income	10	22	9	11	10	8	-	70
Expenses not allocated to segments (1)								(15)
Gain from securities held for Nostro portfolio investments, net								11
Finance expenses, net								(5)
Other expenses, net								(12)
Income before taxes on income								49

(1) Including amortization of right-of-use assets.

NOTE 4:- OPERATING SEGMENTS (Cont.)

b. Reporting on operating segments (Cont.)

	Three months ended March 31, 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	81	54	21	25	14	21	-	216
Inter-segment revenues	-	1	-	-	-	1	(2)	-
Total revenues	81	55	21	25	14	22	(2)	216
Company's share of earnings of companies accounted for at equity, net	-	-	-	-	-	1	-	1
Segment income	13	19	4	7	6	9	-	58
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								36

NOTE 4:- OPERATING SEGMENTS (Cont.)

b. Reporting on operating segments (Cont.):

	Long and medium term savings management	Current savings management	ETFs, ETNs and CDs	TASE member and institutional brokerage	Non-bank loans	Other	Adjustments	Total
	Year ended December 31, 2018							
	Audited							
	NIS in millions							
Revenues:								
Revenues from external entities	320	223	113	105	61	68	-	890
Inter-segment revenues	-	3	-	-	-	5	(8)	-
Total revenues	320	226	113	105	61	73	(8)	890
Company's share of earnings of companies accounted for at equity, net	-	-	-	-	-	3	-	3
Segment income	42	76	41	33	30	16	-	238
Expenses not allocated to segments								(33)
Loss from securities held for Nostro portfolio investments, net								(3)
Finance expenses, net								(36)
Other expenses, net								(33)
Income before taxes on income								133

NOTE 5:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

a. On February 27, 2019, the Company issued a shelf prospectus by virtue of which it may issue different types of securities as allowed by applicable law. The securities included in the shelf prospectus will be offered in shelf offering reports which will consist of all the details pertaining to each specific offering such as the composition of the offered units and other terms and method of allocation of the offered securities as they will be on the offering date.

b. In keeping with the matters discussed in Note 4c to the annual consolidated financial statements, on March 24, 2019, the Company received the ITA's pre-ruling regarding the merger of Meitav Dash Funds Ltd. ("Meitav Dash Funds") with and into Tachlit Indices Mutual Fund Management Ltd. ("Tachlit") in accordance with the provisions of Section 103B to the Income Tax Ordinance. The merger was subject to the fulfillment of certain suspending conditions which were met. On March 28, 2019, the merger certificate was received and on April 4, 2019, the merger between Tachlit and Meitav Dash Funds was completed. On April 28, 2019, the merged company's name was changed to Meitav Tachlit Mutual Funds Ltd.

c. On March 27, 2019, after obtaining the approval of the Company's Remuneration Committee, the Company's Board approved the extension of management agreements signed with companies controlled by Mr. Eli Barkat, Mr. Zvi Stepak and Mr. Avner Stepak under similar terms, subject to the approval of the general meeting (see Note 6 below).

d. On March 27, 2019, the Company declared the distribution of a dividend representing NIS 0.23 per share in a total of approximately NIS 15 million. The dividend was paid on April 21, 2019.

NOTE 6:- EVENTS AFTER THE REPORTING PERIOD

a. In keeping with the matters discussed in Note 4a(3) to the annual consolidated financial statements, on April 1, 2019, Liquidity Capital II, L.P. ("the Fund") completed an initial capital raising round of approximately $ 30 million. Prior to the first closing, the Fund entered into agreements with several companies for the purchase of future cash inflows with an aggregate value in excess of $ 100 million. The Company's capital commitment for investing in the Fund is $ 7 million, part of which has already been invested for financing the Fund's initial investments.

On May 27, 2019, the Company's Board approved the grant of a convertible loan, along with other investors, to Liquidity Capital M.C. Ltd. ("Liquidity") in the context of which the Company will extend Liquidity a loan of $ 1 million. Assuming there are other capital calls from other investors, the loan amount granted by the Company may be reduced to $ 0.5 million.

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

b. In keeping with the matters discussed in Note 23b(1)(a) to the annual consolidated financial statements regarding a claim and a motion for class certification filed with the Central District Court on March 23, 2009 against 26 defendants, including the underwriters in the offering and M.D. Treasury Ltd., on April 15, 2019, a court hearing was held regarding the pending proceedings at the Tel-Aviv District Court. The Court ordered any party that is interested to submit its opinion on the content of the settlement agreement following which the Court will decide on existing disputes regarding the content of the settlement agreement and dictate its final and binding version. Opinions regarding the content of the settlement agreement were filed by various parties by May 12, 2019.

c. In keeping with the matters discussed in Note 23b(2)(d) to the annual consolidated financial statements regarding claims and motions for class certification filed with the Jerusalem Regional Labor Court and the Central District Court in October, November and December 2016 against Meitav Dash Provident and Pension Ltd. ("Meitav Dash Provident") and Ayalon Pension and Provident Ltd. (which was merged on January 1, 2017 into Meitav Dash Provident), the following developments have occurred in the cases from the date of publication of the annual consolidated financial statements through the date of these financial statements:

   1. With respect to two claims and two motions for class certification, Meitav Dash Provident is expected to submit its summations with the parties' consent by June 16, 2019.

   2. With respect to another claim and motion for class certification filed by an association, a proof hearing has been scheduled for September 9, 2019 for allowing the petitioner as the class action plaintiff.

d. In keeping with the matters discussed in Note 34d to the annual consolidated financial statements regarding the Remuneration Committee's and Board's approval of the extension of the Company's engagement in a management service agreement with a company controlled by Mr. Zvi Stepak, a controlling shareholder in the Company, the extension of the Company's engagement in a management service agreement with a company controlled by Mr. Avner Stepak, the son of Mr. Zvi Stepak, and the extension of the Company's engagement in a management service agreement with a company controlled by Mr. Eli Barkat (collectively - "the extended management agreements"), on May 26, 2019, the Company's general meeting approved the extended management agreements. The extended management agreements are for a period of three years from March 20, 2019 under the same terms as in the existing agreements, other than the reduction of the monthly management fees to the actually paid management fees.

   On May 26, 2019, following the approval of the Company's Remuneration Committee and Board, the Company's general meeting approved the Company's officer remuneration policy in keeping with the directives of the Companies Law, 1999, in effect for a period of three years from the date of approval of the general meeting. The remuneration policy is multiannual and prescribes fixed and variable remuneration components by establishing ratios, parameters, thresholds, ranges and ceilings.

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

e. On May 27, 2019, the Company's Board approved the allocation of 575,000 Restricted Shares of the Company (accounting for about 0.88% of its issued capital) to 16 Company employees (of whom six officers and senior officers). Half of the Restricted Shares will vest at the third anniversary from the date of approval of the allocation by the Board and the other half will vest at the fifth anniversary from said date.

f. On May 27, 2019, the Company declared the distribution of a dividend of approximately NIS 0.23 per share in a total of approximately NIS 15 million.

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