

**MEITAV DASH INVESTMENTS LTD.**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF MARCH 31, 2021**

**UNAUDITED**

**INDEX**

	<u>Page</u>
<b>Review of Interim Consolidated Financial Statements</b>	<b>2</b>
<b>Consolidated Statements of Financial Position</b>	<b>3 - 4</b>
<b>Consolidated Statements of Profit or Loss and Other Comprehensive Income</b>	<b>5</b>
<b>Consolidated Statements of Changes in Equity</b>	<b>6 - 8</b>
<b>Consolidated Statements of Cash Flows</b>	<b>9 - 12</b>
<b>Notes to Interim Consolidated Financial Statements</b>	<b>13 - 29</b>

-----

## **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, 2021 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 32.5% of total consolidated assets as of March 31, 2021 and whose revenues included in consolidation constitute approximately 20.1% 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 (Israel) 2410 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 26, 2021

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<u>March 31,</u>		<u>December 31,</u>
	<u>2021</u>	<u>2020</u>	<u>2020</u>
	<u>Unaudited</u>		<u>Audited</u>
	<u>NIS in millions</u>		
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	415	540	286
Short-term investments	331	244	341
Customer credit	1,073	911	921
Trade receivables	44	45	80
Other accounts receivable	111	92	140
Current taxes receivable	7	7	8
	<u>1,981</u>	<u>1,839</u>	<u>1,776</u>
<b>NON-CURRENT ASSETS:</b>			
Investments of provident fund members	96	96	96
Investments, loans and receivables	233	223	243
Investments, loans and capital notes in associates	108	44	109
Property, plant and equipment	195	194	186
Deferred taxes	19	19	17
Intangible assets	1,099	1,139	1,105
	<u>1,750</u>	<u>1,715</u>	<u>1,756</u>
	<u><u>3,731</u></u>	<u><u>3,554</u></u>	<u><u>3,532</u></u>

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	March 31,		December 31,
	2021	2020	2020
	Unaudited		Audited
	NIS in millions		
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Credit from banks and current maturities of debentures	675	825	561
Liabilities for short sale of securities	73	44	58
Trade payables	67	55	62
Other accounts payable	342	287	380
Current taxes payable	47	13	49
Dividend declared	47	-	-
	1,251	1,224	1,110
<b>NON-CURRENT LIABILITIES:</b>			
Loans from banks	9	9	14
Debentures	904	855	820
Liabilities to provident fund members	98	98	98
Liabilities for purchase of operations	-	3	-
Lease liabilities	153	156	147
Other accounts payable	10	18	11
Employee benefit liabilities	8	8	8
Deferred taxes	47	46	47
	1,229	1,193	1,145
Total liabilities	2,480	2,417	2,255
<b>EQUITY:</b>			
Share capital	66	65	66
Share premium	504	520	504
Capital reserve for share-based payment transactions	13	9	12
Retained earnings	353	237	370
Other reserves	28	32	27
	964	863	979
Equity attributable to equity holders of the Company	964	863	979
Non-controlling interests	287	274	298
Total equity	1,251	1,137	1,277
	3,731	3,554	3,532

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

May 26, 2021			
Date of approval of the financial statements	Eli Barkat 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,
	2021	2020	2020
	Unaudited		Audited
NIS in millions (except per share data)			
Revenue from management fees, commissions and other, net	229	216	833
Finance income from non-bank loans	51	31	162
Total revenues	280	247	995
Marketing, operating, general and administrative expenses	217	184	738
Operating income	63	63	257
Gain (loss) from securities held for Nostro portfolio investments, net	9	(8)	19
Finance income	1	1	1
Finance expenses	(13)	(5)	(33)
Other income (expenses), net	(7)	(21)	31
Company's share of earnings of companies accounted for at equity, net	4	-	6
Income before taxes on income	57	30	281
Taxes on income	27	17	89
Net income for the period	30	13	192
Other comprehensive income (loss) (net of tax effect):			
Actuarial gain on defined benefit plans	-	-	1
Foreign currency translation adjustments of foreign operations	-	-	(1)
Gain (loss) from cash flow hedges	1	(1)	-
Total other comprehensive gain (loss)	1	(1)	-
Total comprehensive income	31	12	192
Net income attributable to:			
Equity holders of the Company	13	9	162
Non-controlling interests	17	4	30
	30	13	192
Comprehensive income attributable to:			
Equity holders of the Company	14	8	162
Non-controlling interests	17	4	30
	31	12	192
Basic and diluted net earnings per share attributable to equity holders of the Company (in NIS):			
Basic net earnings	0.20	0.14	2.52
Diluted net earnings	0.20	0.14	2.51

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Attributable to equity holders of the Company					Total	Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve from share-based payment transactions	Retained earnings	Other reserves			
	Unaudited							
	NIS in millions							
Balance at January 1, 2021 (audited)	66	504	12	370	27	979	298	1,277
Net income for the period	-	-	-	13	-	13	17	30
Other comprehensive gain, net	-	-	-	-	1	1	-	1
Total comprehensive income	-	-	-	13	1	14	17	31
Dividend declared to non-controlling interests	-	-	-	-	-	-	(18)	(18)
Dividend declared but not yet paid	-	-	-	(30)	-	(30)	-	(30)
Adjustment of liability to non-controlling interests in subsidiary	-	-	-	-	-	-	(10)	(10)
Share-based payment	-	-	1	-	-	1	-	1
Balance at March 31, 2021	66	504	13	353	28	964	287	1,251

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Attributable to equity holders of the Company							Total equity
	Share capital	Share premium	Capital reserve from share-based payment transactions	Retained earnings	Other reserves	Total	Non-controlling interests	
NIS in millions								
Balance at January 1, 2020 (audited)	65	518	10	228	39	860	146	1,006
Net income for the period	-	-	-	9	-	9	4	13
Other comprehensive loss, net	-	-	-	-	(1)	(1)	-	(1)
Total comprehensive income (loss)	-	-	-	9	(1)	8	4	12
Dividend to non-controlling interests	-	-	-	-	-	-	(3)	(3)
Exercise of employee options	*) -	2	(2)	-	-	-	-	-
Issuance of capital to non-controlling interests	-	-	-	-	6	6	131	137
Share-based payment	-	-	1	-	-	1	-	1
Net purchases of non-controlling interests	-	-	-	-	(12)	(12)	(4)	(16)
Balance at March 31, 2020	65	520	9	237	32	863	274	1,137

\*) Less than NIS 1 million.

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Attributable to equity holders of the Company							Total equity
	Share capital	Share premium	Capital reserve from share-based payment transactions	Retained earnings	Other reserves	Total	Non-controlling interests	
NIS in millions								
Balance at January 1, 2020	65	518	10	228	39	860	146	1,006
Net income for the period	-	-	-	162	-	162	30	192
Other comprehensive loss, net	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	162	-	162	30	192
Dividend declared and paid	-	-	-	(20)	-	(20)	-	(20)
Dividend to non-controlling interests	-	-	-	-	-	-	(12)	(12)
Issuance of capital to non-controlling interests	-	-	-	-	6	6	135	141
Share-based payment	-	-	5	-	-	5	3	8
Net purchases of non-controlling interests	-	-	-	-	(18)	(18)	(6)	(24)
Exercise of employee options	*) -	3	(3)	-	-	-	-	-
Issuance of capital to employees and officers	1	4	-	-	-	5	-	5
Repurchase of shares	-	(21)	-	-	-	(21)	-	(21)
Derecognition of non-controlling interests due to loss of control in partnership	-	-	-	-	-	-	2	2
Balance at December 31, 2020	66	504	12	370	27	979	298	1,277

\*) Less than NIS 1 million.

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



**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Three months ended</b>		<b>Year ended</b>
	<b>March 31,</b>		<b>December 31,</b>
	<b>2021</b>	<b>2020</b>	<b>2020</b>
	<b>Unaudited</b>		<b>Audited</b>
	<b>NIS in millions</b>		
<u>Cash flows from operating activities:</u>			
Net income for the period	30	13	192
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	7	7	27
Impairment loss of goodwill	13	14	57
Amortization of intangible assets	-	14	14
Gain from loss of control in previously consolidated investee	-	-	(76)
Amortization of deferred acquisition costs	2	2	9
Company's share of losses (earnings) of companies accounted for at equity, net	(1)	-	3
Deferred taxes, net	(1)	-	(1)
Revaluation of debentures	-	(4)	(8)
Gain from securities measured at fair value through profit or loss, net	(12)	(3)	(58)
Share-based payment	1	1	8
	<u>9</u>	<u>31</u>	<u>(25)</u>
Changes in asset and liability items:			
Customer credit, trade receivables and other accounts receivable	(25)	(106)	(214)
Increase in designated cash	35	-	(35)
Short-term credit from giving non-bank loans	95	32	(153)
Trade payables and other accounts payable	(53)	69	231
	<u>52</u>	<u>(5)</u>	<u>(171)</u>
Net cash provided by (used in) operating activities	<u>91</u>	<u>39</u>	<u>(4)</u>

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Three months ended</b>		<b>Year ended</b>
	<b>March 31,</b>		<b>December 31,</b>
	<b>2021</b>	<b>2020</b>	<b>2020</b>
	<b>Unaudited</b>		<b>Audited</b>
	<b>NIS in millions</b>		
<u>Cash flows from investing activities:</u>			
Change in short-term investments measured at fair value through profit or loss	5	37	55
Purchase of property, plant and equipment	-	(1)	(8)
Purchase of intangible assets	(6)	(7)	(29)
Repayment of liabilities for business combination	(2)	(5)	(12)
Grant of long-term loan	-	(5)	(5)
Change in restricted deposits, net	(16)	7	(4)
Investment in companies accounted for at equity	-	(5)	(15)
Repayment of long-term loan	-	-	4
Grant of short-term loan	(4)	-	-
Net cash provided by (used in) investing activities	(23)	21	(14)
<u>Cash flows from financing activities:</u>			
Issuance of Company debentures (net of issuance expenses)	138	-	112
Issuance of subsidiary's debentures (net of issuance expenses)	-	-	85
Repayment of debentures	-	-	(106)
Repayment of subsidiary's debentures	(39)	(28)	(144)
Dividend paid to equity holders of the Company	-	-	(20)
Prepayment of subsidiary's debentures	(39)	-	-
Dividend paid to non-controlling interests	(1)	(1)	(12)
Repayment of long-term liabilities	(7)	(7)	(26)
Purchases of non-controlling interests	-	(16)	(22)
Repayment of long-term loans from banks	(5)	(3)	(10)
Receipt of long-term loans from bank	-	-	25
Issuance of capital to non-controlling interests	-	137	141
Repurchase of shares	-	-	(21)
Proceeds from short sale of securities	10	10	10
Receipt of convertible loan	-	1	5
Short-term credit from banks, net	4	116	16
Net cash provided by financing activities	61	209	33
Increase in cash and cash equivalents	129	269	15
Cash and cash equivalents at the beginning of the period	286	271	271
Cash and cash equivalents at the end of the period	415	540	286

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Three months ended</b>		<b>Year ended</b>
	<b>March 31,</b>		<b>December 31,</b>
	<b>2021</b>	<b>2020</b>	<b>2020</b>
	<b>Unaudited</b>		<b>Audited</b>
	<b>NIS in millions</b>		
(a) <u>Additional information on cash flows from operating activities:</u>			
Cash paid during the period for:			
Interest	<u>3</u>	<u>4</u>	<u>42</u>
Taxes on income	<u>17</u>	<u>10</u>	<u>39</u>
Cash received during the period for:			
Interest	<u>29</u>	<u>25</u>	<u>104</u>
Taxes on income	<u>1</u>	<u>3</u>	<u>5</u>

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Three months ended</b>		<b>Year ended</b>
	<b>March 31,</b>		<b>December 31,</b>
	<b>2021</b>	<b>2020</b>	<b>2020</b>
	<b>NIS in millions</b>		
(b) <u>Loss of control in previously consolidated entity:</u>			
Working capital (excluding cash and cash equivalents)	-	-	(8)
Prepaid expenses, investments and other receivables	-	-	2
Software	-	-	8
Deferred taxes	-	-	2
Other payables	-	-	(8)
Gain from loss of control in previously consolidated investee	-	-	76
Non-controlling interests	-	-	2
	<u>-</u>	<u>-</u>	<u>74</u>
Total assets and liabilities of the entity on date of sale	<u>-</u>	<u>-</u>	<u>74</u>
Total assets and liabilities on date of sale	-	-	74
Total transition to investment in associate	<u>-</u>	<u>-</u>	<u>(74)</u>
	<u>-</u>	<u>-</u>	<u>-</u>
(c) <u>Significant non-cash operations:</u>			
Dividend declared	<u>30</u>	<u>-</u>	<u>-</u>
Dividend declared to non-controlling interest	<u>18</u>	<u>3</u>	<u>-</u>

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

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

---

**NOTE 1:- GENERAL**

- a. These financial statements have been prepared in a condensed format as of March 31, 2021 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, 2020 and for the year then ended and accompanying notes ("annual consolidated financial statements").
- b. Effects of the Coronavirus outbreak:

In keeping with the matters discussed in Note 1b to the annual consolidated financial statements, since early 2020, most countries around the world have been dealing with the macroeconomic crisis caused by the outbreak and spread of the Coronavirus (Covid-19) pandemic which has led to reduced economic activities around the globe, including Israel. Among others, the pandemic has resulted in extreme capital market fluctuations, devaluation of financial assets in Israel and worldwide and a material adverse impact on local and global economies.

As of the date of approval of the financial statements, the majority of the State-imposed restrictions in Israel have been lifted, the market has returned to normal operation and the number of confirmed Coronavirus cases has been consistently dropping owing the Israel's vaccination campaign.

Since the pandemic and the resulting economic crisis are ongoing around the world and are not under the Company's control, the Company continues to closely monitor the changes in local and global markets and analyzes the implications on its business results in the medium and long term.

The Company has analyzed the above implications and concluded that owing to the nature of its operations and the measures taken by it, it will be able to continue repaying its liabilities in the foreseeable future and comply with the financial covenants applicable to it.

**NOTES TO INTERIM 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.

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

Amendment to IAS 8, "Accounting Policies, Changes to Accounting Estimates and Errors":

In February 2021, the IASB issued an amendment to IAS 8, "Accounting Policies, Changes to Accounting Estimates and Errors" ("the Amendment"), in which it introduces a new definition of "accounting estimates".

Accounting estimates are defined as "monetary amounts in financial statements that are subject to measurement uncertainty". The Amendment clarifies the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors.

The Amendment is to be applied prospectively for annual reporting periods beginning on or after January 1, 2023 and is applicable to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted.

- d. Reclassification:

The Company reclassified certain comparative data in the consolidated statements of financial position for previous periods in immaterial amounts in order to adapt them to the current period's presentation format.

**NOTES TO INTERIM CONSOLIDATED 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,
	2021	2020	2020	2021	2020	2020
	Unaudited		Audited	Unaudited		Audited
NIS in millions						
Financial liabilities:						
Debtures (series C) (1) (2)	449	542	445	491	544	478
Debtures (series D) (1) (2)	502	270	361	517	261	384
Subsidiary's debtures (2)(3)	241	308	279	246	290	284
	<u>1,192</u>	<u>1,120</u>	<u>1,085</u>	<u>1,254</u>	<u>1,095</u>	<u>1,146</u>

- (1) The debtures (series C and series D) are traded on the TASE.
- (2) Including current maturities and accrued interest.
- (3) The debtures 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).

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

Financial instruments measured at fair value:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
	<u>NIS in millions</u>		
<u>March 31, 2021 (unaudited)</u>			
<u>Financial assets at fair value</u>			
<u>through profit or loss</u>			
Shares, options and debentures	164	10	34
<u>Financial assets at fair value</u>			
<u>through other comprehensive</u>			
<u>income</u>			
Shares	-	-	5
	<u>164</u>	<u>10</u>	<u>39</u>
<u>Financial liabilities</u>			
Shares, debentures and marketable options	73	-	-
Index forwards used for hedging	-	1	-
Liability for shares	-	-	3
	<u>73</u>	<u>1</u>	<u>3</u>

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

	<u>Financial assets at fair value through profit or loss</u>	<u>Financial assets at fair value through other comprehensive income</u>	<u>Liability for shares</u>	<u>Total</u>
	<u>NIS in millions</u>			
Balance at January 1, 2021	30	5	(5)	30
Total gain recognized in profit or loss	2	-	-	2
Purchases	4	-	-	4
Disposals	(2)	-	-	(2)
Repayments of liabilities	-	-	2	2
Balance at March 31, 2021	<u>34</u>	<u>5</u>	<u>(3)</u>	<u>36</u>

In addition, as of March 31, 2021, 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.



## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
	<u>NIS in millions</u>		
<u>March 31, 2020 (unaudited)</u>			
<u>Financial assets at fair value</u>			
<u>through profit or loss</u>			
Shares, options and debentures	115	3	35
<u>Financial assets at fair value</u>			
<u>through other comprehensive</u>			
<u>income</u>			
Shares	-	-	6
	<u>115</u>	<u>3</u>	<u>41</u>
<u>Financial liabilities</u>			
Shares, debentures and			
marketable options	43	1	-
Index forwards used for			
hedging	-	3	-
Forwards and swaps	-	-	6
Liability for shares	-	-	12
	<u>43</u>	<u>4</u>	<u>18</u>

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

	<u>Financial</u>	<u>Financial assets</u>	<u>Convertible</u>	<u>Liability</u>	<u>Total</u>
	<u>assets at fair</u>	<u>at fair value</u>	<u>liability to</u>	<u>for shares</u>	
	<u>value</u>	<u>through other</u>	<u>shares</u>		
	<u>through</u>	<u>comprehensive</u>			
	<u>profit or loss</u>	<u>income</u>			
	<u>NIS in millions</u>				
Balance at January					
1, 2020	37	6	(5)	(17)	21
Total loss					
recognized in					
profit or loss	(2)	-	-	-	(2)
Repayments of					
liabilities	-	-	-	5	5
Loan received	-	-	(1)	-	(1)
Balance at March					
31, 2020	<u>35</u>	<u>6</u>	<u>(6)</u>	<u>(12)</u>	<u>23</u>

In addition, as of March 31, 2020, 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 10 million.

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
	<u>NIS in millions</u>		
<u>December 31, 2020 (audited)</u>			
<u>Financial assets at fair value through profit or loss</u>			
Shares, options and debentures	145	12	30
<u>Financial assets at fair value through other comprehensive income</u>			
Shares	-	-	5
	<u>145</u>	<u>12</u>	<u>35</u>
<u>Financial liabilities</u>			
Forwards and swaps	-	2	-
Shares, debentures and marketable options	56	-	-
Index forwards used for hedging	-	2	-
Liability for shares	-	-	5
	<u>56</u>	<u>4</u>	<u>5</u>

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

	<u>Financial assets at fair value through profit or loss</u>	<u>Financial assets at fair value through other comprehensive income</u>	<u>Convertible liability to shares</u>	<u>Liability for shares</u>	<u>Total</u>
	<u>NIS in millions</u>				
Balance at January 1, 2020	37	6	(5)	(17)	21
Total loss recognized in profit or loss	(5)	(1)	-	-	(6)
Reclassification of investment in associate	13	-	-	-	13
Disposals	(15)	-	-	-	(15)
Repayment of liabilities	-	-	-	12	12
Loan received	-	-	(5)	-	(5)
Deconsolidation	-	-	10	-	10
Balance at December 31, 2020	<u>30</u>	<u>5</u>	<u>-</u>	<u>(5)</u>	<u>30</u>

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

---

**NOTE 4:- INTANGIBLE ASSETS**Managing provident funds and pension funds

In the period of three months ended March 31, 2021, the Company conducted a test of impairment of goodwill in respect of the cash-generating unit of provident and pension fund management. The recoverable amount of assets allocated to provident and pension fund management is determined based on fair value and using the DCF method. For the calculation of the fair value using the DCF method, the Company used forecasts regarding future income derived from the scope of managed assets as of March 31, 2021 based on its profits for the period ended March 31, 2021, its expected future profits, evaluations of a future growth rate of 2.5% and a discount rate of about 10.6%.

The goodwill allocated to this units as of March 31, 2021 amounts to NIS 354 million. The recoverable amount of the unit is higher than its carrying amount and therefore no impairment provision is needed.

**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 central provident fund for participation in budgetary pension.   |
| Current savings management segment              | - The current savings management segment consists of marketing and managing security investment portfolios for private and institutional customers, managing mutual funds and managing ETFs.  |
| TASE member segment                             | - Providing TASE member services mainly to private customers that consist, among others, of security custodian services, trading services, security transactions and various current account and credit transactions for a wide variety of customers. From the fourth quarter of 2020, the segment no longer includes institutional brokerage services which are included in the "other" segment. |
| Non-bank loans                                  | - From the fourth quarter of 2020, the segment consists of providing non-bank loans to small and medium sized corporations in Israel through Peninsula Group Ltd., providing consumer credit to private customers through Meitav Dash Loans Ltd. and providing credit in Ireland through Lotus Investment Management Limited.   |

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

---

**NOTE 5:- OPERATING SEGMENTS (Cont.)**

a. General: (Cont.)

The other activities in the Group that are included in the "other" segment mainly consist of institutional brokerage services, 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 purchase of future income flows through Liquidity Capital M.C. Ltd.

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

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

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

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 5:- OPERATING SEGMENTS (Cont.)

b. Reporting on operating segments:

	Three months ended March 31, 2021						Total
	Long and medium-term savings management	Current savings management	TASE member	Non-bank loans	Other	Adjustments	
	Unaudited						
	NIS in millions						
Revenues:							
Revenues from external entities	77	86	37	51	29	-	280
Inter-segment revenues	-	-	-	-	2	(2)	-
Total revenues	<u>77</u>	<u>86</u>	<u>37</u>	<u>51</u>	<u>31</u>	<u>(2)</u>	<u>280</u>
Company's share of earnings of companies accounted for at equity, net	-	-	-	-	4	-	4
Segment income	<u>(13)</u>	<u>34</u>	<u>11</u>	<u>33</u>	<u>17</u>	<u>-</u>	<u>82</u>
Expenses not allocated to segments							(15)
Gain from securities held for Nostro portfolio investments, net							9
Finance expenses, net							(12)
Other expenses, net							<u>(7)</u>
Income before taxes on income							<u>57</u>

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**
**NOTE 5:- OPERATING SEGMENTS (Cont.)**

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

	Three months ended March 31, 2020						Total
	Long and medium-term savings management	Current savings management	TASE member *	Non-bank loans *	Other *	Adjustments	
	Unaudited						
	NIS in millions						
Revenues:							
Revenues from external entities	77	88	22	31	29	-	247
Inter-segment revenues	-	-	-	-	1	(1)	-
Total revenues	<u>77</u>	<u>88</u>	<u>22</u>	<u>31</u>	<u>30</u>	<u>(1)</u>	<u>247</u>
Segment income	<u>14</u>	<u>37</u>	<u>4</u>	<u>11</u>	<u>11</u>	<u>-</u>	<u>77</u>
Expenses not allocated to segments							(14)
Loss from securities held for Nostro portfolio investments, net							(8)
Finance expenses, net							(4)
Other expenses, net							<u>(21)</u>
Income before taxes on income							<u>30</u>

\*) Restated in keeping with the policy of the Company's CODM.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**
**NOTE 5:- OPERATING SEGMENTS (Cont.)**

b. Reporting on operating segments (Cont.):

	<b>Year ended December 31, 2020</b>						
	<b>Long and medium-term savings management</b>	<b>Current savings management</b>	<b>TASE member</b>	<b>Non-bank loans</b>	<b>Other</b>	<b>Adjustments</b>	<b>Total</b>
	<b>NIS in millions</b>						
Revenues:							
Revenues from external entities	302	323	99	162	109	-	995
Inter-segment revenues	-	-	1	-	3	(4)	-
Total revenues	<u>302</u>	<u>323</u>	<u>100</u>	<u>162</u>	<u>112</u>	<u>(4)</u>	<u>995</u>
Company's share of earnings of companies accounted for at equity, net	-	-	-	-	6	-	6
Segment income	<u>29</u>	<u>125</u>	<u>30</u>	<u>98</u>	<u>39</u>	<u>-</u>	<u>321</u>
Expenses not allocated to segments							(58)
Gain from securities held for Nostro portfolio investments, net							19
Finance expenses, net							(32)
Other income, net							<u>31</u>
Income before taxes on income							<u>281</u>

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

---

**NOTE 6:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD**

- a. In keeping with the matters discussed in Note 30a to the annual consolidated financial statements, on February 22, 2021, a subsidiary, Meitav Dash Provident, entered into an agreement with Phoenix Holdings Ltd. ("Phoenix") according to which, subject to completing the merger transaction between a subsidiary of Phoenix and Halman-Aldubi Investment House Ltd. ("Halman-Aldubi") in the context of which Phoenix is supposed to purchase the shares of Halman-Aldubi (which to the best of the Company's knowledge holds 100% of the shares of Halman Provident and Pension ("Halman Provident and Pension")), Phoenix will exercise its control over Halman Provident and Pension to enter into an agreement whereby Meitav Dash Provident will purchase from Halman Provident and Pension the new pension fund operation managed by the latter.

According to the agreement, subject to certain suspending conditions underlying its completion, Meitav Dash Provident will purchase Halman Provident and Pension's pension fund operation for approximately NIS 45 million. The pension funds will be purchased as-is. From the date of completion of the transaction, Meitav Dash Provident will be solely and full responsible for the purchased pension fund operation, also retroactively for the period before the transaction completion date, as prescribed in the agreement.

The completion of the transaction is subject to standard suspending conditions, including obtaining the approval of the Director General of the Competition Authority and of the Director General of the Capital Market, Insurance and Savings Authority at the Ministry of Finance for the transfer of the pension fund management operation to Meitav Dash Provident. The agreement also consists of standard provisions regarding the parties' collaboration, activity during the transition period and other customary clauses. The final date for completion of the transaction is May 31, 2021, subject to the parties' authority to extend this date.

According to the agreement, Meitav Dash Provident or another member of the Meitav Dash Group will retain 70% of the employees of the transferred operation for a period of at least 12 months from the completion date.

On March 10, 2021, Phoenix announced that the agreement was signed by Halman Provident and Pension. On April 14, 2021, Meitav Dash Provident submitted a request to the Director General of the Capital Market, Insurance and Savings for the transference of the management of the funds. A decision has not yet been made. On April 21, 2021, an approval of the Director General of the Competition Authority was obtained. The transfer of the activity is expected to take place on June 30, 2021.



**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

---

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

- b. On February 25, 2021, the Company signed an agreement for the purchase of 40% of the issued and outstanding share capital of Sela Insurance Agency Ltd. from Sela's joint CEOs for approximately NIS 12.2 million. Following the purchase, the Company will hold Sela's entire share capital. The agreement was contingent on obtaining the approval of the Director General of the Capital Market, Insurance and Savings Authority at the Ministry of Finance, which was obtained on May 24, 2021. Sela's joint CEOs will continue in their position for a period of at least five years.
- c. On January 26, 2021, the Company signed an agreement for selling its stake in Nox Investment Marketing and Pension Insurance Agency Ltd. ("Nox") to Nox's other shareholder for approximately NIS 760 thousand to be completed based on the dates set forth in the agreement. The agreement is contingent on obtaining the approval of the Director General of the Capital Market, Insurance and Savings Authority at the Ministry of Finance. In early April 2021, the Director General's approval was obtained, and the share sale was completed.
- d. On February 22, 2021, the Company signed an agreement with the shareholders of FINCOM Ltd. ("FINCOM") for purchasing the shareholders' entire interests in FINCOM for a cash consideration of NIS 3 million and an additional earnout of up to NIS 3 million (NIS 6 million in total), as prescribed in the agreement. Following the purchase, the Company will hold 100% of FINCOM. FINCOM has developed an online user-friendly tax software program that allows customers to compile and organize their tax information before filing for a tax return by a licensed tax consultant. In May 2021, an amount of NIS 3 million was paid and the shares were transferred to the Company.
- e. On February 1, 2021, following the approval of the Remuneration Committee, the Company's Board approved the grant of 175,000 marketable registered RSUs of NIS 1 par value each of the Company representing after the grant about 0.27% of the Company's issued and outstanding share capital and voting rights (about 0.27% on a fully diluted basis) to a senior officer and three employees in the Company. As for 75,000 of the RSUs - half of them will vest three years from the grant approval date and the other half five years from said date. The remaining 100,000 RSUs will be granted to the senior officer and vest as follows: 14,431 RSUs will vest on the record date since they are granted instead of a cash bonus, 57,046 of the RSUs will vest on the second anniversary of the grant approval date and 28,523 of the RSUs will vest on the third anniversary of the grant approval date.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

---

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

- f. On March 21, 2021, Midroog Ltd. announced a rating of A1.il/Stable for the debentures (series D) to be issued by the Company at a scope of up to NIS 200 million par value based on the Board's decision to offer shares to the public by expansion of the current series D debentures which had been initially issued according to the Company's shelf prospectus of February 28, 2019. On March 29, 2021, based on the shelf offering report issued according to the Company's shelf prospectus, the Company raised debentures (series D) with a par value of approximately NIS 138 million (less issue expenses). According to the shelf offering report, the Company offered to the public up to NIS 200 million par value of debentures (series D). The effective interest rate of the issued debentures was 2.15%. See details of the terms of the debentures (series D) in Note 16d to the annual consolidated financial statements.
- g. On March 17, 2021, the Company declared the distribution of a dividend of NIS 0.46 per share in a total of approximately NIS 30 million. The dividend was paid on April 12, 2021.

**NOTE 7:- CONTINGENT LIABILITIES**

Owing to their business occupations, in the ordinary course of business, the Group companies receive requests from customers or suppliers involving various arguments. Some of these requests are liable to result in litigation, including class actions. The Group companies might be required to pay various amounts in respect of differences and errors involving their activities. When the liabilities in respect of the aforementioned are immaterial and/or cannot be reasonably estimated, no provision is recorded in the financial statements.

In recent years there has been a significant increase in the scope of motions for class action certification filed against companies in the local capital market and in the number of motions certified as class actions. This trend is partly a result of the general increase in class action certification motions filed, including against companies in the Group's operating segments which is mainly supported by the legislation of the Israeli Class Action Law of 2006 ("the Class Action Law"). The trend has extensively enhanced the Company's potential legal exposure to class action certification motions.

Class action certification motions are filed using the procedural mechanism stipulated in the Class Action Law. The procedure of approving class action motions is divided into two stages. The first stage consists of the hearing of the motion ("the motion approval stage"). If the motion is conclusively denied, the class action procedure is concluded. The decision to deny the motion in the motion approval stage can be appealed to the appeals court. In the second stage, if the motion is accepted, the specifics of the class action are investigated ("the class action stage"). The decision in the class action stage can also be appealed to the appeals court.

The procedural mechanism in the Class Action Law also prescribes certain arrangements regarding settlement agreements, both for the motion approval stage and for the class action stage, as well as arrangements regarding the plaintiff's withdrawal of the motion or class action.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**


---

**NOTE 7:- CONTINGENT LIABILITIES (Cont.)**

In proceedings in which based on legal opinions received by it, management estimates that it is more likely than not that the defendant's defense arguments will be accepted and the motion will be dismissed (or the claim will not be certified as a class action), no provision is included in the financial statements. In proceedings in which it is more likely than not that the defendant's defense arguments will be dismissed, in whole or in part, provisions are included in the financial statements which are deemed sufficient for covering the exposure assessed by the Company. In proceedings which are in preliminary stages and whose chances cannot be assessed, no provision is included in the financial statements. If in any of the proceedings, the defendant is willing to settle, a provision is included in the amount of the proposed settlement amount, even if it is more likely than not that the defendant's defense arguments will be accepted or if the proceeding is at a preliminary stage whose outcome cannot be assessed.

The following table summarizes the amounts claimed in the context of pending class action certification motions, claims approved as class actions and other material claims filed against the Group companies, as stated by the plaintiffs in the letters of claims filed by them. Please note that the claimed amounts are not necessary a quantification of the exposure estimated by the Group companies since they involve the plaintiffs' assessments which will be discussed in litigation. It should also be noted that the following table does not take into account concluded proceedings or proceedings which were concluded following the approval of a settlement agreement.

	<u>Number of claims</u>	<u>Claimed amount NIS in millions</u>
<u>Claims approved as class actions</u>	3	496
<u>Pending class action certification motions:</u>		
Claims stating the amount relating to the Company and/or subsidiaries	4	202
Claims addressing several companies without stating the specific amount relating to the Company and/or subsidiaries	2	50
<u>Claims whose amount is not specified</u>	7	
<u>Other claims</u>	1	2
<u>Demand for document discovery</u>	1	

The aggregate provisions recorded in the financial statements in respect of the above claims filed against the Group companies approximate NIS 49.2 million as of March 31, 2021.

In addition, financing expenses were recorded in respect of a financial derivative arising from the obligation to indemnify some of the Company's shareholders that may be incurred by the Company in this context and a liability to indemnify non-controlling interests in a subsidiary was recorded as well. The Company's management believes, based on legal opinion, that the provisions included in the financial statements are adequate for covering the exposure estimated by the Company.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

---

**NOTE 7:- CONTINGENT LIABILITIES (Cont.)**

The following is an update of the developments in material legal proceedings during and after the reporting period in relation to the details provided in the annual consolidated financial statements:

- a. In keeping with the matters discussed in Note 19b(2)(h) to the annual consolidated financial statements, on April 7, 2021, another pretrial hearing was held and in the backdrop of the Court's observations, the petitioner asked to withdraw the motion. On the same date, the Court rendered a verdict which approved the motion's withdrawal without issuing an order for expense.
- b. In keeping with the matters discussed in Note 19b(2)(i) to the annual consolidated financial statements, on April 29, 2021, Meitav Dash Provident submitted its response to the motion. Simultaneously, a request was filed for permission to file a third party notice against the ITA. The ITA is required to submit its response to the petition by June 8, 2021.
- c. In keeping with the matters discussed in Note 19b(2)(h) to the annual consolidated financial statements, on April 8, 2021, Meitav Dash Provident filed a motion for full dismissal of the class action certification motion on the grounds of lack of subject-matter jurisdiction. Dates were scheduled for submitting a response and counter-response to the motion for dismissal. A pretrial hearing has been scheduled for July 15, 2021.
- d. On April 13, 2021, Meitav Dash Provident was informed of a claim and class action certification motion filed against it and against 14 other respondents (banks, insurance companies, credit companies and investment houses, collectively – "the respondents"). The group of plaintiffs which the petitioners wish to represent includes anyone who uses and/or has used the respondents' digital services during the seven years before the date of filing the motion and whose personal and/or private and/or confidential information had been delivered to third parties. According to the petitioners, the respondents deliver personal, private and confidential information of their customers to third parties without the customers' consent in violation of their privacy, breach of fiduciary duty and duty of confidentiality, unjust enrichment, lack of good faith and fair dealing, breach of contract, deception, negligence, breach of statutory duty and breach of autonomy.

The petitioners estimate the overall damage at millions of NIS and in any event above NIS 2.5 million. The sought remedies include ordering the respondents to cease the transfer and/or sharing and/or any other exposure of the information of their customers to and with third parties, adhere to the provisions of privacy and information protection laws and compensate the entire group of plaintiffs for their damages.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

---

**NOTE 7:- CONTINGENT LIABILITIES (Cont.)**

- e. On April 13, 2021, Meitav Dash Provident was informed of a claim and class action certification motion filed against it with the Tel-Aviv Regional Labor Court. The group of plaintiffs which the petitioner wishes to represent includes all members of Meitav Dash Provident's comprehensive pension fund whose excess contributions above the contribution limit were transferred to a general pension fund and were charged management fees for the general pension fund in excess of the management fees charged for the comprehensive pension fund.

According to the petitioner, Meitav Dash Provident surcharged management fees for the general pension fund in violation of the fund's terms and without the members' consent, thereby committing breach of contract, breach of good faith and fair dealing, breach of regulations, breach of statutory duty and unjust enrichment.

The personal damage claimed by the petitioner is NIS 308. The petitioner was unable to quantify the overall damage to the group of plaintiffs.

- f. In keeping with the matters discussed in Note 19b(2)(a) to the annual consolidated financial statements, on May 5, 2021, a hearing was held for providing clarifications in connection with the summations. The proceeding is pending a decision.

**NOTE 8:- EVENTS AFTER THE REPORTING DATE**

- a. On April 20, 2021, Peninsula Group Ltd. ("Peninsula") completed a private placement of NIS 60,000 thousand par value of unquoted commercial securities (series 2) to classified investors. The securities bear annual interest of Prime + 0.80% and mature one year from the date of issue. The maturity date may be extended with the parties' consent for additional periods of one year each up to a maximum period of five years. The terms of the securities include grounds for immediate repayment, as customary in this type of private placement. The proceeds will be used by Peninsula for financing its operating activities.
- b. On May 26, 2021, the Company declared the distribution of a dividend of NIS 0.15 per share in a total of approximately NIS 10 million.

-----