

MEITAV DASH INVESTMENTS LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2021

INDEX

	Page
Review of Interim Consolidated Financial Statements	2
Consolidated Statements of Financial Position	3 - 4
Consolidated Statements of Profit or Loss and Other Comprehensive Income	5
Consolidated Statements of Changes in Equity	6 - 10
Consolidated Statements of Cash Flows	11 - 13
Notes to Interim Consolidated Financial Statements	14 - 35

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 June 30, 2021 and the related consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the periods of six 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 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 31.4% of total consolidated assets as of June 30, 2021 and whose revenues included in consolidation constitute approximately 19.4% and approximately 18.6% of total consolidated revenues for the periods of six and three months then ended, respectively. 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.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30,		December 31,
	2021	2020	2020
	Unaudited		Audited
	NIS in millions		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	358	546	286
Short-term investments	426	291	341
Customer credit	1,161	597	921
Trade receivables	49	52	80
Other accounts receivable	330	92	140
Current taxes receivable	7	6	8
	<u>2,331</u>	<u>1,584</u>	<u>1,776</u>
NON-CURRENT ASSETS:			
Investments of provident fund members	97	96	96
Investments, loans and receivables	312	210	243
Investments, loans and capital notes in associates	82	45	109
Property, plant and equipment	193	192	186
Deferred taxes	20	17	17
Intangible assets	1,110	1,131	1,105
	<u>1,814</u>	<u>1,691</u>	<u>1,756</u>
	<u><u>4,145</u></u>	<u><u>3,275</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

	June 30,		December 31,
	2021	2020	2020
	Unaudited		Audited
	NIS in millions		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Credit from banks and current maturities of debentures	666	457	561
Liabilities for short sale of securities	104	53	58
Trade payables	69	57	62
Other accounts payable	585	263	380
Current taxes payable	36	19	49
	<u>1,460</u>	<u>849</u>	<u>1,110</u>
NON-CURRENT LIABILITIES:			
Loans from banks	6	7	14
Debentures	1,098	921	820
Liabilities to provident fund members	100	98	98
Liabilities for purchase of operations	3	1	-
Lease liabilities	149	153	147
Other accounts payable	10	21	11
Employee benefit liabilities	8	8	8
Deferred taxes	47	46	47
	<u>1,421</u>	<u>1,255</u>	<u>1,145</u>
Total liabilities	<u>2,881</u>	<u>2,104</u>	<u>2,255</u>
EQUITY:			
Share capital	66	66	66
Share premium	504	518	504
Capital reserve for share-based payment transactions	15	10	12
Retained earnings	372	264	370
Other reserves	19	32	27
	<u>976</u>	<u>890</u>	<u>979</u>
Equity attributable to equity holders of the Company	<u>976</u>	<u>890</u>	<u>979</u>
Non-controlling interests	288	281	298
	<u>1,264</u>	<u>1,171</u>	<u>1,277</u>
Total equity	<u>1,264</u>	<u>1,171</u>	<u>1,277</u>
	<u><u>4,145</u></u>	<u><u>3,275</u></u>	<u><u>3,532</u></u>

August 17, 2021

Date of approval of the
financial statementsEli Barkat
Chairman of the BoardIlan Raviv
CEOEinat Rom
CFO

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2021	2020	2021	2020	2020
	Unaudited				Audited
	NIS in millions (except per share data)				
Revenue from management fees, commissions and other, net	453	422	224	206	833
Finance income from non-bank loans	102	51	51	20	162
Total revenues	555	473	275	226	995
Marketing, operating, general and administrative expenses	411	353	194	169	738
Operating income	144	120	81	57	257
Gain (loss) from securities held for investment purposes in nostro portfolio, net	16	(1)	7	7	19
Finance income	1	1	-	-	1
Finance expenses	(29)	(13)	(16)	(8)	(33)
Other income (expenses), net	(15)	(30)	(8)	(9)	31
Company's share of earnings of companies accounted for at equity, net	4	1	-	1	6
Income before taxes on income	121	78	64	48	281
Taxes on income	51	35	24	18	89
Net income for the period	70	43	40	30	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 hedge	2	(1)	1	-	-
Total other comprehensive income (loss)	2	(1)	1	-	-
Total comprehensive income (loss)	72	42	41	30	192
Net income attributable to:					
Equity holders of the Company	42	36	29	27	162
Non-controlling interests	28	7	11	3	30
	70	43	40	30	192
Comprehensive income attributable to:					
Equity holders of the Company	44	35	30	27	162
Non-controlling interests	28	7	11	3	30
	72	42	41	30	192
Net earnings per share attributable to equity holders of the Company:					
Basic net earnings	0.65	0.54	0.42	0.39	2.52
Diluted net earnings	0.65	0.54	0.42	0.39	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 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, 2021 (audited)	66	504	12	370	27	979	298	1,277
Net income for the period	-	-	-	42	-	42	28	70
Other comprehensive income, net	-	-	-	-	2	2	-	2
Total comprehensive income	-	-	-	42	2	44	28	72
Dividend declared and paid	-	-	-	(40)	-	(40)	-	(40)
Dividend to non-controlling interests	-	-	-	-	-	-	(26)	(26)
Adjustment of liability to non-controlling interests in subsidiary	-	-	-	-	-	-	(10)	(10)
Share-based payment	-	-	3	-	-	3	-	3
Net purchases of non-controlling interests	-	-	-	-	(10)	(10)	(2)	(12)
Balance at June 30, 2021	66	504	15	372	19	976	288	1,264

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company							Non-controlling interests	Total Equity
	Share capital	Share premium	Capital reserve from share-based payment transactions	Retained earnings	Other reserves	Total			
NIS in millions									
Balance at January 1, 2020 (audited)	65	518	10	228	39	860	146	1,006	
Net income for the period	-	-	-	36	-	36	7	43	
Other comprehensive income, net	-	-	-	-	(1)	(1)	-	(1)	
Total comprehensive income (loss)	-	-	-	36	(1)	35	7	42	
Dividend to non-controlling interests	-	-	-	-	-	-	(8)	(8)	
Exercise of employee options	*) -	2	(2)	-	-	-	-	-	
Issuance of capital to non-controlling interests	-	-	-	-	6	6	135	141	
Share-based payment	-	-	2	-	-	2	3	5	
Issuance of capital to employees and officers	1	4	-	-	-	5	-	5	
Net purchases of non-controlling interests	-	-	-	-	(12)	(12)	(2)	(14)	
Repurchase for the Company's shares	-	(6)	-	-	-	(6)	-	(6)	
Balance at June 30, 2020	66	518	10	264	32	890	281	1,171	

*) Less than NIS 1 million.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company					Total	Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve from share-based payment transactions	Retained earnings	Other reserves			
	Unaudited							
	NIS in millions							
Balance at April 1, 2021	66	504	13	353	28	964	287	1,251
Net income for the period	-	-	-	29	-	29	11	40
Other comprehensive income, net	-	-	-	-	1	1	-	1
Total comprehensive income	-	-	-	29	1	30	11	41
Dividend declared and paid	-	-	-	(10)	-	(10)	-	(10)
Dividend to non-controlling interests	-	-	-	-	-	-	(8)	(8)
Share-based payment	-	-	2	-	-	2	-	2
Net purchases of non-controlling interests	-	-	-	-	(10)	(10)	(2)	(12)
Balance at June 30, 2021	66	504	15	372	19	976	288	1,264

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 April 1, 2020	65	520	9	237	32	863	274	1,137
Net income for the period	-	-	-	27	-	27	3	30
Other comprehensive income, net	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	27	-	27	3	30
Dividend to non-controlling interests	-	-	-	-	-	-	(4)	(4)
Share-based payment	-	-	1	-	-	1	3	4
Issuance of capital to non-controlling interests	-	-	-	-	-	-	4	4
Net sales of non-controlling interests	-	-	-	-	-	-	1	1
Issuance of capital to employees and officers	1	4	-	-	-	5	-	5
Repurchase for the Company's shares	-	(6)	-	-	-	(6)	-	(6)
Balance at June 30, 2020	66	518	10	264	32	890	281	1,171

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 income, 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

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2021	2020	2021	2020	2020
	Unaudited				Audited
	NIS in millions				
<u>Cash flows from operating activities:</u>					
Net income for the period	70	43	40	30	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	15	14	8	7	27
Amortization of intangible assets	26	29	13	15	57
Impairment loss of goodwill	-	14	-	-	14
Gain from loss of control in previously consolidated investee	-	-	-	-	(76)
Amortization of deferred acquisition costs	4	5	2	3	9
Revaluation of investments to provident fund members	(1)	-	(1)	-	-
Revaluation of liabilities to provident fund members	2	-	2	-	-
Change in liabilities for share purchase	3	-	3	-	-
Company's share of earnings of companies accounted for at equity, net	-	1	1	1	3
Deferred taxes, net	(3)	2	(2)	2	(1)
Revaluation of debentures	5	(6)	5	(2)	(8)
Gains from securities measured at fair value through profit or loss, net	(26)	(5)	(14)	(2)	(58)
Share-based payment	3	5	2	4	8
	28	59	19	28	(25)
Changes in asset and liability items:					
Customer credit, trade receivables and other accounts receivable	(427)	213	(402)	319	(214)
Restricted cash in limited partnership	30	-	(5)	-	(35)
Short-term credit from giving non-bank loans	58	(318)	(37)	(350)	(153)
Trade payables and other accounts payable	174	62	227	(7)	231
	(165)	(43)	(217)	(38)	(171)
Net cash provided by (used in) operating activities	(67)	59	(158)	20	(4)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2021	2020	2021	2020	2020
	Unaudited				Audited
	NIS in millions				
<u>Cash flows from investing activities:</u>					
Change in short-term investments measured at fair value through profit or loss	(28)	12	(33)	(25)	55
Purchase of property, plant and equipment	(3)	(3)	(3)	(2)	(8)
Purchase of intangible assets	(17)	(15)	(11)	(8)	(29)
Repayment of liabilities for business combination	(4)	(7)	(2)	(2)	(12)
Grant of long-term loan	-	(7)	-	(2)	(5)
Change in restricted deposits, net	(62)	(4)	(46)	(11)	(4)
Investment in companies accounted for at equity	(1)	(5)	(1)	-	(15)
Acquisition of newly consolidated company (b)	(3)	-	(3)	-	-
Repayment of long-term loan	1	-	1	-	4
Grant of short-term loan	(4)	-	-	-	-
Net cash used in investing activities	(121)	(29)	(98)	(50)	(14)
<u>Cash flows from financing activities:</u>					
Issuance of Company debentures (net of issuance expenses)	138	112	-	112	112
Issuance of subsidiary's debentures (net of issuance expenses)	246	-	246	-	85
Repayment of debentures	-	-	-	-	(106)
Repayment of subsidiary's debentures	(77)	(67)	(38)	(39)	(144)
Prepayment of subsidiary's debentures	-	-	39	-	-
Dividend paid to equity holders of the Company	(40)	-	(40)	-	(20)
Dividend paid to non-controlling interests	(26)	(8)	(25)	(7)	(12)
Repayment of long-term lease liabilities	(14)	(13)	(7)	(6)	(26)
Purchases of non-controlling interests	(12)	(17)	(12)	(1)	(22)
Repayment of long-term loans from banks	(11)	(5)	(6)	(2)	(10)
Receipt of long-term loans from bank	-	-	-	-	25
Issuance of shares to non-controlling interests	-	141	-	4	141
Repurchase for the Company's shares	-	(6)	-	(6)	(21)
Proceeds from short sale of securities	40	10	30	-	10
Receipt of convertible loan	-	5	-	4	5
Short-term credit from banks, net	16	93	12	(23)	16
Net cash provided by financing activities	260	245	199	36	33
Increase (decrease) in cash and cash equivalents	72	275	(57)	6	15
Cash and cash equivalents at the beginning of the period	286	271	415	540	271
Cash and cash equivalents at the end of the period	358	546	358	546	286

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2021	2020	2021	2020	2020
	Unaudited				Audited
	NIS in millions				
(a) <u>Additional information on cash flows from operating activities:</u>					
Cash paid during the period for:					
Interest	21	22	18	18	42
Taxes on income	47	14	30	4	39
Cash received during the period for:					
Interest	53	57	24	32	104
Taxes on income	1	3	-	-	5
(b) <u>Acquisition of newly consolidated company:</u>					
The subsidiary's assets and liabilities on date of acquisition:					
Intangible assets	6	-	6	-	-
Liabilities for share purchase	(3)	-	(3)	-	-
Total acquisition of newly consolidated subsidiary	3	-	3	-	-
(c) <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
Total assets and liabilities of the entity on date of sale	-	-	-	-	74
Total assets and liabilities on date of sale	-	-	-	-	74
Total transition to investment in associate	-	-	-	-	(74)
	-	-	-	-	-

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 June 30, 2021 and for the periods of six and 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 Israeli markets have resumed normal operations but the extent of new Coronavirus cases in Israel and worldwide continues to be on the rise, causing the reenactment of certain public restrictions and potentially new restrictions.

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. Amendments to existing standards:

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", 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.

Amendment to IAS 12, "Income Taxes":

In May 2021, the IASB issued an amendment to IAS 12, "Income Taxes" ("IAS 12"), which narrows the scope of the initial recognition exception under IAS 12.15 and IAS 12.24.

According to the recognition guidelines of deferred tax assets and liabilities, IAS 12 excludes recognition of deferred tax assets and liabilities in respect of certain temporary differences arising from the initial recognition of certain transactions. This exception is referred to as the "initial recognition exception". The Amendment narrows the scope of the initial recognition exception and clarifies that it does not apply to the recognition of deferred tax assets and liabilities arising from transactions that give rise to equal taxable and deductible temporary differences, even if they meet the other criteria of the initial recognition exception.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

- c. Amendments to existing standards (Cont.):

Amendment to IAS 12, "Income Taxes" (Cont.):

The Amendment applies for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. In relation to leases and decommissioning obligations, the Amendment is to be applied commencing from the earliest reporting period presented in the financial statements in which the Amendment is initially applied. The cumulative effect of the initial application of the Amendment should be recognized as an adjustment to the opening balance of retained earnings (or another component of equity, as appropriate) at that date.

The Company estimates that the initial application of the Amendment is not expected to have a material impact on its financial statements.

- d. Reclassification:

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

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		
	June 30,		December 31,	June 30,		December 31,
	2021	2020	2020	2021	2020	2020
	Unaudited		Audited	Unaudited		Audited
NIS in millions						
Financial liabilities:						
Debentures (series C) (1) (2)	449	534	445	488	547	478
Debentures (series D) (1) (2)	500	380	361	524	374	384
Subsidiary's debentures (2)(3)	449	270	279	454	269	284
	<u>1,398</u>	<u>1,184</u>	<u>1,085</u>	<u>1,466</u>	<u>1,190</u>	<u>1,146</u>

- (1) The debentures (series C and series D) are traded on the TASE.
- (2) Including current maturities and accrued interest.
- (3) The debentures of Peninsula Group Ltd. are traded on the TASE with a fair value based on quoted market prices.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**NOTE 3:- FINANCIAL INSTRUMENTS (Cont.)**

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

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

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

Financial instruments measured at fair value:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
	<u>NIS in millions</u>		
<u>June 30, 2021 (unaudited)</u>			
<u>Financial assets at fair value through profit or loss</u>			
Shares, options and debentures	205	9	60
<u>Financial assets at fair value through other comprehensive income</u>			
Shares	-	-	5
	<u>205</u>	<u>9</u>	<u>65</u>
<u>Financial liabilities</u>			
Shares, debentures and marketable options	104	-	-
Liability for shares	-	-	7
	<u>104</u>	<u>-</u>	<u>7</u>

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**NOTE 3:- FINANCIAL INSTRUMENTS (Cont.)**

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

Movement in financial assets and liabilities 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 shares	Total
	NIS in millions			
Balance at January 1, 2021	30	5	(5)	30
Total gain (loss) recognized in profit or loss	2	-	(3)	(1)
Purchases	7	-	(3)	4
Reclassified from investment in associate	25	-	-	25
Disposals	(4)	-	-	(4)
Repayments of liabilities	-	-	4	4
Balance at June 30, 2021	<u>60</u>	<u>5</u>	<u>(7)</u>	<u>58</u>

In addition, as of June 30, 2021, 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 11 million.

	Level 1	Level 2	Level 3
	NIS in millions		
<u>June 30, 2020 (unaudited)</u>			
<u>Financial assets at fair value through</u>			
<u>profit or loss</u>			
Shares, options and debentures	134	7	33
<u>Financial assets at fair value through</u>			
<u>other comprehensive income</u>			
Shares	-	-	6
	<u>134</u>	<u>7</u>	<u>39</u>
<u>Financial liabilities</u>			
Shares, debentures and marketable options	53	-	-
Index forwards used for hedging	-	2	-
Convertible liability to shares	-	-	10
Liability for shares	-	-	10
	<u>53</u>	<u>2</u>	<u>20</u>

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
NOTE 3:- FINANCIAL INSTRUMENTS (Cont.)

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

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

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Convertible liability to shares	Liability for shares	Total
	NIS in millions				
Balance at January 1, 2020	37	6	(5)	(17)	21
Total loss recognized in profit or loss	(4)	-	-	-	(4)
Repayments of liabilities	-	-	-	7	7
Loan received	-	-	(5)	-	(5)
Balance at June 30, 2020	<u>33</u>	<u>6</u>	<u>(10)</u>	<u>(10)</u>	<u>19</u>

In addition, as of June 30, 2020, 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 11 million.

	Level 1	Level 2	Level 3
	NIS in millions		
<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>

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**NOTE 3:- FINANCIAL INSTRUMENTS (Cont.)**

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

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

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Convertible liability to shares	Liability for shares	Total
	NIS in millions				
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

a. Managing provident funds and pension funds:

In the period of the report, the Company conducted a test of impairment of goodwill in respect of the cash-generating unit (CGU) 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, 2020, 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 CGU as of March 31, 2021 amounts to NIS 354 million. The recoverable amount of the CGU is higher than its carrying amount and therefore no impairment provision is needed.

b. Current savings management:

As of June 30, 2021, the assets and liabilities comprising the current saving management cash-generating unit have not undergone any significant change compared since the impairment test conducted by the Company as of June 30, 2020 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 June 30, 2020 according to which no provision for impairment was needed.

The test of impairment as of June 30, 2020 was conducted according to the value in use using the DCF method. For the calculation of the pretax 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, 2020 based on its profits for the period ended June 30, 2020, its expected future profits, evaluations of a future growth rate of 2.5% and a discount rate of about 11.5%.

The goodwill allocated to this CGU as of June 30, 2021 amounts to NIS 449 million.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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. |

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:

	Six months ended June 30, 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	158	177	63	102	55	-	555
Inter-segment revenues	-	-	1	-	2	(3)	-
Total revenues	<u>158</u>	<u>177</u>	<u>64</u>	<u>102</u>	<u>57</u>	<u>(3)</u>	<u>555</u>
Company's share of earnings of companies accounted for at equity, net	-	-	-	-	4	-	4
Segment income (loss)	<u>(2)</u>	<u>73</u>	<u>17</u>	<u>65</u>	<u>23</u>	<u>-</u>	176
Expenses not allocated to segments							(28)
Gain from securities held for Nostro portfolio investments, net							16
Finance expenses, net							(28)
Other expenses, net							<u>(15)</u>
Income before taxes on income							<u>121</u>

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5:- OPERATING SEGMENTS (Cont.)

b. Reporting on operating segments (Cont.):

	Six months ended June 30, 2020						
	Long and medium- term savings management	Current savings management	TASE member *	Non-bank loans *	Other *	Adjustments	Total
	Unaudited						
	NIS in millions						
Revenues:							
Revenues from external entities	150	162	47	51	63	-	473
Inter-segment revenues	-	-	1	-	1	(2)	-
Total revenues	<u>150</u>	<u>162</u>	<u>48</u>	<u>51</u>	<u>64</u>	<u>(2)</u>	<u>473</u>
Segment income	<u>27</u>	<u>65</u>	<u>14</u>	<u>21</u>	<u>20</u>	<u>-</u>	147
Expenses not allocated to segments							(26)
Loss from securities held for Nostro portfolio investments, net							(1)
Finance expenses, net							(12)
Other expenses, net							<u>(30)</u>
Income before taxes on income							<u>78</u>

* Restated in keeping with the CODM's policy, see details in paragraph a above.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5:- OPERATING SEGMENTS (Cont.)

b. Reporting on operating segments (Cont.):

	Three months ended June 30, 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	81	91	26	51	26	-	275
Inter-segment revenues	-	-	1	-	-	(1)	-
Total revenues	<u>81</u>	<u>91</u>	<u>27</u>	<u>51</u>	<u>26</u>	<u>(1)</u>	<u>275</u>
Segment income	<u>11</u>	<u>39</u>	<u>6</u>	<u>32</u>	<u>6</u>	<u>-</u>	<u>94</u>
Expenses not allocated to segments							(13)
Gain from securities held for Nostro portfolio investments, net							7
Finance expenses, net							(16)
Other expenses, net							<u>(8)</u>
Income before taxes on income							<u>64</u>

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5:- OPERATING SEGMENTS (Cont.)

b. Reporting on operating segments (Cont.):

	Three months ended June 30, 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	73	74	25	20	34	-	226
Inter-segment revenues	-	-	1	-	-	(1)	-
Total revenues	<u>73</u>	<u>74</u>	<u>26</u>	<u>20</u>	<u>34</u>	<u>(1)</u>	<u>226</u>
Company's share of earnings of companies accounted for at equity, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>1</u>
Segment income	<u>13</u>	<u>28</u>	<u>10</u>	<u>10</u>	<u>9</u>	<u>-</u>	<u>70</u>
Expenses not allocated to segments							(12)
Gain from securities held for Nostro portfolio investments, net							7
Finance expenses, net							(8)
Other expenses, net							<u>(9)</u>
Income before taxes on income							<u>48</u>

* Restated in keeping with the CODM's policy, see details in paragraph a above.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5:- OPERATING SEGMENTS (Cont.)

b. Reporting on operating segments (Cont.):

	Year ended December 31, 2020						Total
	Long and medium-term savings management	Current savings management	TASE member	Non-bank loans	Other	Adjustments	
	Audited						
	NIS in millions						
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							31
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 June 30, 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 informed Meitav Dash Provident that the agreement had been signed by Halman Provident and Pension. On April 14, 2021, Meitav Dash Provident applied to the Director General of the Competition Authority and to the Director General of the Capital Market, Insurance and Savings Authority for their approval for the transfer of the funds' management. The approval of the Director General of the Competition Authority was granted on April 21, 2021. The approval of the Director General of the Capital Market, Insurance and Savings Authority was granted on June 28, 2021. According to the parties' agreement on the change of the completion date, on June 30, 2021, Halman-Aldubi's new pension fund management operation was transferred. Following the fulfillment of the suspending conditions, effective from July 1, 2021, the entire rights and obligations underlying the transferred funds apply to Meitav Dash Provident. Following the completion of the funds' transfer, members' assets totaling approximately NIS 5.2 billion formerly managed by Halman Provident and Pension are now managed by Meitav Dash Provident.

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. The transaction was completed on May 30, 2021.
- 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. 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.

As of June 30, 2021, an investment of approximately NIS 6 million in FINCOM was recorded. In May 2021, an amount of NIS 3 million was paid and the shares were registered in the Company's name.

The Company recognized the fair value of the assets acquired and liabilities assumed on a temporary measurement basis. As of the date of approval of the financial statements, a final valuation of the fair value of the identifiable assets acquired and liabilities assumed has not yet been obtained.

- 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 debentures 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 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 Bank of Israel Rate + 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.
- h. On May 30, 2021, Peninsula raised debentures (series C) by way of series expansion. The debentures bear fixed annual interest of 2% and are not linked (principal and interest) to any index. Total gross immediate proceeds received in the public offering approximated NIS 247 million. The debentures were originally issued at a discount of 4.8% with a post-expansion weighted discount rate of 1.682%. The principal of the debentures is repayable in ten equal consecutive quarterly installments each accounting for 10% of the overall value of the debentures starting from January 3, 2022. The interest on the unsettled balance of the debentures is payable in 12 quarterly installments starting on July 3, 2021.
- i. 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.
- 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. The dividend was paid on June 21, 2021.
- j. In June 2021, the two founding shareholders of Value Base Ltd. ("Value Base"), an associate, exercised the share options granted to them on Value Base's foundation date. As a result of the exercise, the Company's interests in Value Base decreased to 15.76% and consequently, the investment in Value Base was reclassified from an investment in an associate to an investment in a financial asset at fair value through profit or loss based on a valuation prepared for Value Base. The difference between the fair value of the investment and the carrying amount of the investment as measured pursuant to IFRS 13 was immaterial and was carried to other income in profit or loss.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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.

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.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7:- CONTINGENT LIABILITIES (Cont.)

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</u> <u>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>	8	
<u>Other claims</u>	1	2

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 June 30, 2021.

In addition, finance expenses were recorded in respect of a financial derivative arising from a liability for indemnification of certain shareholders in the Company which may apply in this connection as well as a liability for indemnification of holders of non-controlling interests in a subsidiary. Based on legal opinions, the Company's management estimates that any provisions included in the financial statements for covering the exposure as estimated by the Company are adequate.

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)(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 awaiting a decision.
- b. In keeping with the matters discussed in Note 19b(2)(b) to the annual consolidated financial statements, on June 10, 2021, the plaintiff's legal representatives filed notice of the identity of a replacement plaintiff. On June 10, 2021, Meitav Dash Provident submitted its response to the notice and on July 11, 2021, a counter-response was received. On August 2, 2021, the Court approved the replacement plaintiff as the class action plaintiff.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7:- CONTINGENT LIABILITIES (Cont.)

- c. In keeping with the matters discussed in Note 19b(2)(c) to the annual consolidated financial statements, a mediation proceeding is being held between the parties.
- d. In keeping with the matters discussed in Note 19b(2)(f) to the annual consolidated financial statements, on April 4, 2021, the National Labor Court dismissed the request for permission to appeal filed by Meitav Dash Provident. A proof hearing has been scheduled for November 2021.
- e. 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.
- f. 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 petitioners submitted their responses on June 8, 2021. On August 4, 2021, the ITA submitted its position whereby it objects to being added to the proceeding as a third party. A pretrial hearing in the motion has been scheduled for November 23, 2021.
- g. 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. Meitav Dash Provident submitted its response to the motion on June 6, 2021. On July 11, 2021, the petitioners filed their response to the motion for dismissal and their counter-response to the motion. On July 14, 2021, Meitav Dash Provident submitted its counter-response. A pretrial hearing was held on July 15, 2021 in which it was decided to assign the case to the Labor Court. A proof hearing in the class action certification motion is scheduled for March 7, 2022.
- h. 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.)

- i. 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.

- j. In keeping with the matters discussed in Note 19b(3) to the annual consolidated financial statements, on April 20, 2021, the customer filed a motion for stay of proceedings in the case. On April 26, 2021, Meitav Dash Trade submitted its objection to the stay of proceedings. On May 6, 2021, the customer filed for the conversion of the temporary foreclosure into a monetary guarantee. On the same date, Meitav Dash Trade consented to the customer's request provided that the monetary guarantee is deposited at the Court's funds office and can be used by Meitav Dash Trade. On June 18, 2021, the parties filed for granting court judgment validity to the decision reached between them according to which the money deposited in the Court's funds office will be provided to Meitav Dash Trade for removing the foreclosure. On June 20, 2021, the Court granted the parties' request. On July 22, 2021, the monetary guarantee in the amount of the loss in the customer's account was transferred to Meitav Dash Trade. A pretrial hearing has been scheduled for December 1, 2021.
- k. In keeping with the matters discussed in Note 19b(4) to the annual consolidated financial statements, on June 22, 2021, a pretrial hearing was held in which, at the Court's recommendation, the claim was withdrawn by the petitioner without issuing an order for court expenses.
- l. On June 25, 2019, a class action certification motion was filed with the Jerusalem Regional Labor Court by a member of the Halman-Aldubi pension fund. On September 16, 2019, with the petitioner's consent, Halman-Aldubi filed for stay of proceedings and extension in the case given that ten similar class action certification motions regarding the charging of provident and advanced study fund management fees are currently being heard by the Labor Court in a consolidated proceeding in the summation stage. A decision has yet to be rendered in the request for stay of proceedings and extension. Moreover, a response to the class action certification motion has yet to be submitted and so far, no hearing has been held in the case. In view of the purchase of Halman-Aldubi's new pension fund management operation, the motion was assigned to Meitav Dash Provident.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8:- EVENTS AFTER THE REPORTING DATE

- a. In July 2021, the Company entered into a series of agreements for the transfer of shares of insurance agencies controlled by it as follows:

1. Agreement between the Company and other shareholders of Meitav Dash Insurance Agency Ltd. ("the Agency") for the sale of the shareholders' investment in the Agency:

According to the agreement, the Company will purchase from the other shareholders in the Agency their 12% interests in the Agency in return for approximately NIS 6.6 million following which the Company will hold the Agency's entire issued and outstanding share capital. The agreement is contingent on obtaining the approval of the Capital Market, Insurance and Savings Authority for the amendment of the Agency's control permit and for the transfer of the shares. Moreover, the agreement with one of the shareholders, Mr. Ronen Tov ("Ronen"), consists of a consideration adjustment mechanism in the event of sale of the Agency's interests in Rimonim Insurance Agency Ltd. ("Rimonim") to a third party within a period of six months from the date of signing the agreement. As of the reporting date, the Company holds 88% of the Agency's issued and outstanding share capital.

2. Agreement between the Agency and Ronen, regarding Rimonim:

The Agency entered into an agreement according to which it will sell to Mr. Ronen Tov 40% of Rimonim's shares in return for NIS 4.6 million as a result of which, after closing, the Agency will hold 48% of Rimonim's issued and outstanding share capital, Mr. Ronen Tov will hold 40% and the remaining 12% will remain held by a third party. The percentage of shares to be sold was later updated to 35% due to the third party's tagalong right. Consequently, after closing and the exercise of the tagalong right, the Agency will hold 53% of Rimonim's share capital. The agreement is contingent on obtaining the approval of the Capital Market, Insurance and Savings Authority for the amendment of Rimonim's control permit and for the transfer of the shares and also contingent on the completion of the agreement for the purchase of the Agency's shares detailed in paragraph 1 above. The parties have a bring-along right for a period of up to 24 months from the closing date. As of the reporting date and until the closing date, the Agency will hold 88% of Rimonim's issued and outstanding share capital.

- b. On August 17, 2021, the Company declared the distribution of a dividend of NIS 0.23 per share in a total of approximately NIS 15 million.
- c. On August 17, 2021, the Company's Board approved the allocation of 1,158,000 RSUs of the Company to 107 employees and managers (of whom 14 officers and senior officers). After their allocation, the RSUs will account for about 1.74% of the Company's issued share capital. The RSUs vest as follows: one third after two years from the date of the Board's approval, one third after three years from the date of the Board's approval and one third after four years from the date of the Board's approval. The fair value of the RSUs on the grant date approximated NIS 20 million and will be carried over the vesting periods as described above.
