

The accompanying financial statements are a non-binding translation into English of the original financial statements published in Hebrew. The version in Hebrew is the approved text.



Automated Banking Services Ltd

**Quarterly Report
For the Period Ended
June 30, 2020**

Automated Bank Services Ltd.

**Quarterly report for the period ended
June 30, 2020**

We are pleased to present to shareholders the report of the Board of Directors of Automatic Banking Services Ltd. (hereinafter: "the Company" or "Shva") as of June 30, 2020 and for the three- and six-month periods then ended (hereinafter: "Reported Period") in compliance with the provisions of Regulation 48 of the Israel Securities Regulations (Periodic and Immediate Reports), 1970. This directors' report presents events and changes that occurred in the Company's position during the reported period and which had material impact on the interim financial information and the corporation's business report. This report is limited in scope and therefore should be read in conjunction with periodic report for the year ended December 31, 2019, which was published on March 30, 2020 (ISA reference number 2020-01-03260) ("the Company's 2019 Periodic Report"), which is presented in this report by way of reference.

1. Overview of corporate operation and business position

1.1 General

The Company was incorporated in Israel in 1978 as a private company under the Israel Companies Law. In early June 2019, after completing a public offering of its shares, the Company became listed and a 'reporting corporation', as this term is defined by the Securities Law. For information about the impact of becoming listed, the cancellation of a previous 'joint services company' license and the supervision applied by the Company over its payment system, see section 2 of the directors' report in the Company's 2019 Periodic Report.

The Company is operating a system that enables collection of information about charge card transactions from terminals at points of sale (POS), transfer of charge card transaction approvals, provide a clearing interface for charge card issuers and transfer approval for cash withdrawals from automated teller machines (ATMs). For more information about the different areas of activity of the Company, see section 3, Chapter A (Description of the Corporation's Business) in the Company's 2019 Periodic Report. The Company currently has a single operating segment (hereinafter: "the Clearing Segment"), which provides a number of services, as follows:

- (1) Operation of a bidirectional communication system between Clearing Customers and charge card issuers and retail businesses, for approval and collection of information of transactions performed using charge cards at points of sale (hereinafter, respectively: the "Approval and Collection Interface" and the "Approval and Collection Services").
- (2) Management and operation of a clearing interface.
- (3) Management and operation of a switching system connecting different ATM networks, including those operated by various banks, in a manner that allows transmitting approvals for cash withdrawal and information request performed using various ATMs (operated local by banks) regardless of the bank at which the customer has an account or the entity that owns the ATM (hereinafter: the "ATM Switch" and the "ATM Switching Services").
- (4) Development and distribution of the proprietary Ashrait PC and Ashrait PC EMV software applications, which serves as points-of-sale infrastructure to enable charge card transactions at places of businesses.

- (5) Terminal certification for use with Ashrait EMV – As a supplementary service to Clearing Customers for compatibility with the EMV standard (a set of specifications developed by international charge card industry organizations in order to provide a standardized and secure protocol for charge card payment transactions).
- (6) Until July 23, 2020, the communication protocol, as specified in paragraph 8.1.6 in the 2019 Periodic Report. For more information, see paragraph 1.5 below.

For more information about services of the Company, see section 3, chapter A (Description of the Corporation's Business) in the Company's 2019 Periodic Report.

1.2 Description of business environment

a. Impact of Coronavirus (COVID-19) on business activity

In early 2020, Coronavirus (COVID-19) began spreading worldwide, which the World Health Organization (WHO) announced as a pandemic. For more information about outbreak and its impact of the Company's business activity in the first quarter of 2020, see paragraphs 1.2 and 1.3 of the directors' and management report and note 1 to the financial information for the quarter ended March 31, 2020, as published by the Company on May 27, 2020 (ISA reference number 2020-01-054213) (hereinafter: "the Q1 2020 Quarterly Report"), as well as an immediate reported issued by the Company on May 20, 2020 on the impact of COVID-19 on its business results (ISA reference no.: 2020-01-050670), which the information therein is present by way of reference.

b. Economic development in Israel

The Israel Consumer Price Index was down by 0.8% in the first six months of 2020. Following COVID-19, inflation environment is uncertain.

The Bank of Israel (BoI) benchmark interest rate remained unchanged at 0.1% ever since it was lowered in April 2020.

From the beginning of the year to July 2020, the New Israeli Shekel (NIS) gained 0.145% against the US dollar and weakened against the Euro by 1.6%.

c. Global economic developments

In June 2020, the International Monetary Fund (IMF) published its revised global growth projection, stating that global GDP is expected to contract by 4.9%. China is the only nation anticipated to have positive growth, at 1%, while all others are seen to experience negative growth, including -6.3% for Israel, -8% for the US and -10.2% for the Eurozone.

1.3 Updates to the 2019 annual report of the Company on the impact of COVID-19 on the business activity of the Company:

As said above, COVID-19 has rapidly spread worldwide since early 2020. In response, governments, including in Israel, implemented measures to curb the spread of the virus, such as posing tighter border

controls and travel bans, quarantines and isolation, limiting gatherings and movement, lockdowns, limits on the activity of small businesses, shopping centers, government services, etc.

Operational readiness and business continuity

Since Coronavirus started spreading in Israel, the Company was proactive to maintain overall operational continuity in compliance with all restrictions and guidance, and while strictly protecting the health and wellbeing of all employees. Company site is divided into two separate working zones.

The Company has the infrastructure in place to have most of its employees work remotely, and it continues to have ongoing assessments by the emergency task force it set up, as well as by management and the board. Measures implemented include reducing overtime and placing few employees on unpaid leave, who later returned to work in June 2020. Additionally, the board resolved to split and condition the 2019 annual bonus to officers and employees, such that half the approved bonus was granted in May 2020 and the other half will be paid after the Reported Period.

As of the date of issuing this report, 80% of employees work from our offices and 20% work remotely (from home), with business activity continuing normally.

Impact of COVID-19 on business results of the Company in the Reported Period

The measures taken by the government to prevent transmission of COVID-19 have had significant impact on the way consumers in Israel make purchases since the latter half of March 2020. Total credit card purchases fell from a daily level of NIS 1.3-15 billion in the second half of January to NIS 1 billion in mid-March, when extreme limits were imposed on movement, commerce, services and leisure activities. An analysis of credit card usage shows that the public dramatically cut spending on tourism, restaurants, leisure, education, fuels and transportation, electricity, clothing and furniture, while spending more on food and medications. Note that pharm and food stores remained open throughout the Reported Period, unlike other types of stores.

Since mid-March 2020, credit card transaction activity and ATM withdrawals fell sharply. The results for Q2 2020 were significantly affected by COVID-19, with marked decline in revenue and hit to operating margins of the Company, due to the limits imposed on the public since the second half of March 2020. Since that time, the use of credit cards to buy food and medications increased (those types of stores remained opened over the entire period) and card-not-present (CNP) transactions (online purchases) replaced some traditional in-store transactions. Performance picked up since May, thanks to gradual lifting of government restrictions, including reopening of shopping malls and other commercial centers. For more information about forecasts and estimates of the Company regarding COVID-19 on its business activity, see below.

Additionally, as indicated in paragraph 8.14 in chapter A (Description of the Corporation's Business) in the Company's 2019 Periodic Report, customers of the Company are strong and acquire our services for the long-term. The Company believes that it will not be required to provide for impairment of accounts receivable due to the impact of COVID-19.

Impact of COVID-19 on liquidity, financial robustness and financing resources of the Company

In light of its NIS 136,802 thousand in liquid financial resources as of June 30, 2020, the Company does not expect its financial stability and financing resources to be impacted at this time or in the short-term.

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The Company funds operations using its own resources and is not expecting to be required to receive credit from external entities. The Company believes that it is experiencing no cash flow difficulties driven by COVID-19 that may cause it to default on its obligations.

Forecasts and estimates of the Company regarding the impact of COVID-19 on business activity

Following an immediate report issued by the Company on May 20 (Ref. no. 202-01-050670), presented in this report by way of reference, in which the Company reported fewer charge card transactions in April and May year-over-year, the number of transactions decreased by 12% relative to Q1 2020.

In May, the Company saw the number of transactions recover, driven by more domestic transactions (replacing overseas transactions), a trend that continues into August. The number of transactions in May-July reflects a 4% decline year-over-year.

Should COVID-related guidance by the Israel Ministry of Health becomes more drastic and/or the economy enters recession and/or other macro scenarios materialize, and more radical steps are taken, such as a nationwide or extensive lockdown, the Israeli economy may suffer wide-spread adverse consequences, resulting in significant hit to revenue and other business results later this year.

The above discussion about the impact of the spread of COVID-19 on the Company is forward-looking information, as this term is defined by the Israel Securities Law, 1968, and is an assessment that relies on the information available to the Company as of the date of publishing the financial statements. This information includes forecasts, assessments, estimates and other information that relate to future events and matters that are uncertain and not exclusively controlled by the Company ("Forward-Looking Information"). Key facts and data underlying this information concern the current position of the Company and its business, the situation in Israel that affects the activity of the Company, various regulatory guidance that apply to the Company and macroeconomic data, all as known to the Company on the date of this report. It is uncertain whether the expectations and assessments of the Company will eventually materialize, and its results of operations may be significantly different than the results that are indicated or implied above, among other factors, due to the intensity, scale, scope, duration of such circumstances, and the ability of the Company to manage them.

1.4 Activity of the Company in the Reported Period

Transactions with charge cards

Debit transactions – The number of debit transactions executed with all credit card companies.

Credit transactions – The number of credit transactions executed with all credit card companies.

Below are the total numbers of debit and credit transactions completed using the Ashrait system (in millions of transactions):

	For the six-month period ended June 30		For the year ended December 31,
	2020	2019	2019
Debit transactions	749	794	1,644
Credit transactions	8	8	16

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ATM switching services

Number of balance checks and withdrawals – The number of times that holders of bank-issued charge cards check their account balance on ATMs of banks (hereinafter: the “Clearing Bank”), and the number of cash withdrawal requests that the Clearing Bank submitted, through the Company, to the issuing bank.

Amount – The cumulative total amount of withdrawal requests that Clearing Banks submitted through the Company to the issuing bank.

Below are total numbers of account balance checks and withdrawals (in thousands of transactions) and total amounts of withdrawal requests (in millions of NIS):

	For the six-month period ended June 30		For the year ended December 31,
	2020	2019	2019
Debit transactions	28,969	35,811	72,853
Credit transactions	20,563	22,690	47,016

1.5 Material events during the Reported Period

- Communications protocol – Following the discussion in paragraph 8.1.6 in Chapter A (Description of the Corporation's Business) in the Company's 2019 Periodic Report, on March 24, 2020, the protocol-dedicated non-profit association (amuta) was registered with the Israel Registrar of Association.
Extension of the deadline for transferring rights of the Company to the EMV protocol – On April 14, 2020, the Israel Competition Authority informed the Company that according to its request, and given the Coronavirus crisis and the restrictions on activity in the economy, the Supervisor will not enforce the provisions in the Economic Competition Law, 1988 in relation to the provision in the exemption decision regarding the transfer of the Company's rights to the Ashrait EMV protocol to a non-profit association by May 24, 2020. For more information, see an immediate report dated April 16, 2020 (Ref. no. 2020-01-034372), which is presented in this report by way of reference.

On July 19, 2020, the Competition Authority informed the Company that in response to the association's request to postpone the deadline for transferring the protocol, to enable it to complete preparations ahead of that transfer, and in view of the issues raised by the association in its letter, the Supervisor of Competition and the Competition Authority will not implement enforcement measures against the Company for non-compliance with the provisions of paragraph 7 of the Exemption decision, concerning the transfer of rights of the Company to the Ashrait EMV to the association by July 23, 2020. See an immediate report dated May 25, 2020 (Ref. no. 2020-01-052038), which is presented in this report by way of reference.

On July 23, 2020, the Company transferred all its rights to the protocol to the association for no consideration. The association confirmed that it agreed to accept the terms of a tax advance ruling (pre-ruling) that was issued to the Company, exempting it from income tax and capital gains tax on the transfer of all rights to the protocol to the association. Upon the transfer of the rights to the protocol to the association, an agreement was signed between the Company and the association for provision of services related to the protocol activity, according to the Exemption decision, and the revised deadlines set by the Supervisor. To the extent the association so wishes, Shva will provide it with services, including protocol specification, development and operation through October 31, 2021, and provide operational services through April 30, 2021 or a later date set by the Supervisor of Payment Systems in the Bank of Israel, subject to agreement by the Supervisor of the Competition Authority. Additionally, the agreement establishes more terms and conditions, including the consideration payable to the Company for such services (an immaterial amount for the Company), confidentiality, data security and warranty. See an immediate report dated July 23, 2020 (Ref. no. 2020-01-072220), which is presented in this report by way of reference.
- On May 10, 2020, the Company and Masav applied to the Competition Court for approval of a restrictive arrangement – for more information see note 3 to the financial statements.
- On May 19, 2020, the Committee for Appointment of Directors in Banking Corporations published a call for bids from candidates to serve as directors of the Company ahead of the general meeting that is scheduled for November 2020.

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- On June 29, 2020, the Company published an immediate report (Ref. no. 2020-01-060373) regarding the purchase of directors' and officers' liability insurance policies that covers all directors and officers of the Company.

On June 8, 2020, the Company issued a preliminary notice in an immediate report (Ref. no. 2020-01-058782) on its intention to call a special shareholders' meeting for August 16, 2020, with the following addenda: discussion on the Company's 2019 financial statements, end of engagement of the Company with Horowitz, Idan, Sabo, Tevet and Cohen Tabach (Baker Tilly Israel) as independent auditors of the Company and appointing Kesselman & Kesselman (PwC Israel) as the new independent auditors; appointment of a director of the Company from among three candidates suggested by shareholders.

- On August 16, 2020, the Company issued an immediate report (Ref. no. 2020-01-079447) informing that the general meeting of the Company approved the end of engagement with Horowitz, Idan, Sabo, Tevet and Cohen Tabach (Baker Tilly Israel) as independent auditors of the Company and appointing Kesselman & Kesselman (PwC Israel) as the new independent auditors until the next annual shareholders' meeting; and approved the appointment of Ms. Shani Federman Terem as director of the Company for a three-year term, subject to approval of the Supervisor of Banks or if no objection to the appointment is raised.

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1.6 Financial position and results of activity

The following presents key information from the financial statements of the Company and explanations of main changes in statement of financial position items as of June 30, 2020 compared to December 31, 2019 (NIS in thousands):

	As of June 30 2020	As of December, 31 2019		
	(Unaudited)	(Audited)	Change	Comments and explanations
Assets				
Cash and cash equivalents	30,970	32,687	(1,717)	Cash flows from operating activity less cash used to grow the proprietary investment portfolio of the Company by NIS 10 million
Proprietary investment portfolio	105,832	98,478	7,354	The proprietary investment portfolio that was expanded early in the year, as indicated above, was impacted by volatility in the markets following COVID-19. For more information about the impact of COVID-19, see section 2 of this report.
Trade and income receivables	19,031	19,161	(130)	
Other accounts receivables	5,985	4,104	1,881	This increase is due to prepaid expenses, change in intercompany balance with a related company for expense reimbursement and joint investments.
Current tax assets	152	-	152	
Property, plant and equipment, net	19,577	18,543	1,034	The change is due to investment in software and intangible assets, less periodic amortization.
Intangible assets, net	3,510	3,919	(409)	
Lease right-of-use assets	9,152	9,567	(415)	
Long-term prepaid expenses	3,709	2,910	799	Mainly arising from maintenance and support agreement for new computers.
Deferred taxes	1,806	1,083	723	
Liabilities and equity				
Current maturities for leases	747	793	(46)	
Trade payables	1,058	3,000	(1,942)	Decrease mainly arises from lower payments to suppliers.
Other payables	15,041	11,866	3,175	Increase mainly arises from higher accrued expenses and institutions
Income tax payable	-	2,195	(2,195)	This decrease is due to payment in the Reported Period for 2019.
Lease liabilities	8,523	8,815	(292)	
Retirement benefit obligation	1,793	1,766	27	
Liabilities to employees	2,531	2,569	(38)	
Equity attributed to shareholders of the Company	170,031	159,448	10,583	The increase in the Reported Period was driven by income earned in the Reported Period

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1.7 Results of operations

The following are the key changes in profit and loss items for the period ended June 30, 2020 compared to the period ended June 30, 2019 (NIS in thousands):

	For six-month period ended June 30		For the year ended December 31	Change compare to June 30	Comments and explanations compared to corresponding period last year
	2020	2019	2019	2019	
	(Unaudited)		(Audited)		
Revenue from services provided to credit card companies	37,092	35,944	73,909	1,148	The increase was driven by an uptick in activity during Q1 2020, which was partially offset by the drop in activity in Q2 2020. For more information, see disclosure about impact of COVID-19 in section 1.3 of this report.
Revenue from services provided to others	3,659	3,817	7,684	(158)	
Total revenue	40,751	39,761	81,593	990	
Operational, administrative and general expenses	24,677	23,412	49,900	1,265	The increase is mainly due to hardware and software maintenance expenses for data security and higher expense on professional services
Operating income	16,074	16,349	31,693	(275)	The slightly lower operating income is mainly due to trends discussed above.
Financial income (expenses), net	(2,330)	4,219	6,424	(6,549)	The shift from net finance income to net finance expenses in the Reported Period is mainly from decline of the Company's proprietary investment portfolio vs. growth in the corresponding period last year. Net finance expenses as presented in Q1 decreased in the reported period due to appreciation of the portfolio in Q2 2020.
Income before tax	13,744	20,568	38,117	(6,824)	The decline is mainly due to the net finance expenses in the Reported Period vs. net finance income in the corresponding six months, mainly due to the performance of securities, as explained above.
Provision for income tax	3,328	4,566	8,753	(1,238)	
Net income attributed to shareholders	10,416	16,002	29,364	(5,586)	The decline was driven by the trends discussed above.
Net earnings per share	0.26	0.4	0.73		

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1.8 Liquidity and sources of financing

The following are the key changes in cash flow items in the period ended June 30, 2020 compared to the period ended June 30, 2019 (NIS in thousands):

	For six-month period ended June 30		For the year ended December 31	Comments and explanations compared to corresponding period last year
	2020	2019	2019	
	(Unaudited)		(Audited)	
Net income for the period	10,416	16,002	29,364	
Adjustments to income	9,005	3,517	8,819	Mainly arises from differences in finance income and expenses, resulting in the Reported Period from a sharp decline in the capital market, which created financing expenses to the Company, compared to finance income in the corresponding period last year and in 2019.
Cash flows before changes in asset and liability items and before finance and taxes	19,422	19,519	38,183	
Changes in asset and liability items	(706)	(5,740)	(2,370)	Negative cash flows in the Reported Period was mainly driven by prepayment for maintenance of new servers purchased by the Company
Cash flow from taxes and finance	(5,456)	976	(462)	Negative cash flow mainly arises from payment of current taxes and taxes for 2019.
Net cash provided from operating activity	13,260	14,755	35,351	Net decrease in cash flow is due to lower operating income, offset from payments for prepaid expenses and increase in payables.
Net cash used for investment activity	(14,527)	(16,870)	(23,040)	Negative cash flow is due to investment in the Company's proprietary investment portfolio and investment in property, plant and equipment.
Net cash used for financing activity	(450)	(462)	(846)	The negative cash flow is due to maturity of lease liabilities.

1.9 Financing sources

The Company finances all activity from using its own resources.

2. Exposure to and management of market risks

Market risk exposure of the Company

No material changes occurred relative to the disclosure provided in the 2019 Periodic Report of the Company. The proprietary investment portfolio as of June 30, 2020 was NIS 105,832 thousand, compared to NIS 98,478 thousand as of December 31, 2019. Cash and bank deposits as of June 30, 2020 amounted to NIS 30,970 thousand, compared to NIS 32,687 thousand as of December 31, 2019. Those assets were NIS 136,802 thousand compared to NIS 131,165 thousand as of December 31, 2019.

Officer responsible for market risk of the Company

Officer responsible for market risk of the Company is Mr. Moshe Wolf, CEO of the Company. For more information about Mr. Wolf, see the Regulation 26A disclosure in Chapter D (Additional Details of the Corporation) in the 2019 annual report.

Market risk management policy of the Company

The overall responsibility for market risk management and oversight is of the Company's board of directors. For information about risk management policy, investment policy and oversight of market risk, see the directors and management report in the Company's 2019 annual report.

2.1 Fair value of financial instruments and sensitivity tests

2.1.1 Fair value of financial instruments

	As of June 30, 2020				
	NIS in thousands				
	Israeli currency		Foreign currency		Total
Unlinked	Linked	US dollar	Other		
Assets					
Cash and bank deposits	30,970	-	-	-	30,970
Marketable securities	57,935	38,574	8,982	341	105,832
Trade and income receivable	19,031	-	-	-	19,031
Other receivables	5,851	-	-	-	5,851
Total financial assets	113,787	38,726	8,982	341	161,836
Current maturities of lease liabilities	-	747	-	-	747
Trade payables	1,058	-	-	-	1,058
Other payables	10,994	-	-	-	10,094
Lease liabilities	-	8,523	-	-	8,523
Total financial liabilities	12,052	9,270	-	-	21,322
Net fair value of financial instruments	101,735	29,456	8,982	341	

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	As of June 30, 2019				
	NIS in thousands				
	Israeli currency		Foreign currency		
	Unlinked	Linked	US dollar	Other	Total
Assets					
Cash and bank deposits	18,645	-	-	-	18,645
Marketable securities	47,093	41,998	7,559	529	97,179
Trade and income receivable	21,833	-	-	-	21,833
Other receivables	3,804	-	-	-	3,804
Total financial assets	91,375	41,998	7,559	529	141,461
Current maturities of lease liabilities	-	946	-	-	946
Trade payables	1,670	-	-	-	1,670
Other payables	6,936	-	-	-	6,936
Lease liabilities	-	10,047	-	-	10,047
Total financial liabilities	8,606	19,993	-	-	19,599
Net fair value of financial instruments	82,769	31,005	7,559	529	121,862

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	As of December 31, 2019				
	NIS in thousands				
	Israeli currency		Foreign currency		
	Unlinked	Linked	US dollar	Other	Total
Assets					
Cash and bank deposits	32,687	-	-	-	32,687
Marketable securities	50,923	38,789	7,980	786	98,478
Trade and income receivable	19,161	-	-	-	19,161
Other receivables	2,404	-	-	-	2,404
Total financial assets	105,175	38,789	7,980	786	152,730
Current maturities of lease liabilities	-	793	-	-	793
Trade payables	3,000	-	-	-	3,000
Other payables	8,249	-	-	-	8,249
Income tax payable	-	2,195	-	-	2,195
Lease liabilities	-	8,815	-	-	8,815
Total financial liabilities	11,249	11,803	-	-	23,052
Net fair value of financial instruments	93,926	26,986	7,980	786	129,678

2.1.2 Impact of hypothetical changes in interest rate on net fair value of financial instruments:

	As of June 30, 2020						
	NIS in thousands						
	Net fair value of financial instruments considering change in interest rate						
	Israeli currency		Foreign currency			Change in fair value	
	Unlinked	Linked	US dollar	Other	Total	NIS in thousands	%
Immediate increase of 1%	99,564	28,052	8,982	341	136,939	(3,575)	(2.54)
Immediate increase of 0.1%	101,517	29,316	8,982	341	140,156	(358)	(0.25)
Immediate decrease of 1%	103,907	30,859	8,982	341	144,089	3,575	2.54
Immediate decrease of 0.1%	101,953	29,596	8,982	341	140,872	358	0.25

	As of June 30, 2019						
	NIS in thousands						
	Net fair value of financial instruments considering change in interest rate						
	Israeli currency		Foreign currency			Change in fair value	
	Unlinked	Linked	US dollar	Other	Total	NIS in thousands	%
Immediate increase of 1%	81,385	29,419	7,559	529	118,892	(2,970)	(2.44)
Immediate increase of 0.1%	82,631	30,847	7,559	529	121,566	(296)	(0.24)
Immediate decrease of 1%	84,154	32,590	7,559	529	124,832	2,970	2.44
Immediate decrease of 0.1%	82,908	31,162	7,559	529	122,158	296	0.24

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As of December 31, 2019							
NIS in thousands							
Net fair value of financial instruments considering change in interest rate							
	Israeli currency		Foreign currency		Total	Change in fair value	
	Unlinked	Linked	US dollar	Other		NIS in thousands	%
Immediate increase of 1%	92,548	25,788	7,980	786	127,102	(2,576)	(1.99)
Immediate increase of 0.1%	93,789	26,866	7,980	786	129,421	(257)	(0.20)
Immediate decrease of 1%	95,309	28,179	7,980	786	132,254	2,576	1.99
Immediate decrease of 0.1%	94,064	27,105	7,980	786	129,935	257	0.20

2.1.3 Impact of hypothetical changes in prices of marketable shares on net fair value of financial instruments:

As of June 30, 2020							
NIS in thousands							
Net fair value of financial instruments considering change in prices of marketable shares							
	Israeli currency		Foreign currency		Total	Change in fair value	
	Unlinked	Linked	US dollar	Other		NIS in thousands	%
Immediate increase of 10%	102,679	29,456	9,881	375	142,391	1,877	1.34
Immediate increase of 5%	102,207	29,456	9,432	358	141,453	939	0.67
Immediate decrease of 10%	100,790	29,456	8,085	306	138,637	(1,877)	(1.34)
Immediate decrease of 5%	101,262	29,456	8,534	323	139,575	(939)	(0.67)

As of June 30, 2019							
NIS in thousands							
Net fair value of financial instruments considering change in prices of marketable shares							
	Israeli currency		Foreign currency		Total	Change in fair value	
	Unlinked	Linked	US dollar	Other		NIS in thousands	%
Immediate increase of 10%	83,825	31,005	8,315	582	123,727	1,865	1.53
Immediate increase of 5%	83,297	31,005	7,936	556	122,794	932	0.76
Immediate decrease of 10%	81,713	31,005	6,803	476	119,997	(1,865)	(1.53)
Immediate decrease of 5%	82,241	31,005	7,181	503	120,930	(932)	(0.76)

As of December 31, 2019							
NIS in thousands							
Net fair value of financial instruments considering change in prices of marketable shares							
	Israeli currency		Foreign currency		Total	Change in fair value	
	Unlinked	Linked	US dollar	Other		NIS in thousands	%
Immediate increase of 1%	95,020	26,986	8,777	865	131,648	1,970	1.52
Immediate increase of 0.1%	94,480	26,986	8,376	825	130,667	989	0.76
Immediate decrease of 1%	92,835	26,986	7,282	706	127,708	(1,970)	(1.52)
Immediate decrease of 0.1%	93,375	26,986	7,581	747	128,689	(989)	(0.76)

The accompanying financial statements are a non-binding translation into English of the original financial statements published in Hebrew. The version in Hebrew is the approved text.

2.1.4 Impact of hypothetical changes in the Israel Consumer Price Index on net fair value of financial instruments:

As of June 30, 2020							
NIS in thousands							
Net fair value of financial instruments considering change in the Israel Consumer Price Index							
	Israeli currency		Foreign currency		Total	Change in fair value	
	Unlinked	Linked	US dollar	Other		NIS in thousands	%
Immediate increase of 2%	101,375	30,045	8,982	341	141,103	589	0.42
Immediate increase of 1%	101,375	29,750	8,982	341	140,808	294	0.21
Immediate decrease of 2%	101,375	28,867	8,982	341	139,925	(589)	(0.42)
Immediate decrease of 1%	101,375	29,158	8,982	341	140,216	(298)	(0.21)

As of June 30, 2019							
NIS in thousands							
Net fair value of financial instruments considering change in the Israel Consumer Price Index							
	Israeli currency		Foreign currency		Total	Change in fair value	
	Unlinked	Linked	US dollar	Other		NIS in thousands	%
Immediate increase of 2%	82,769	31,625	7,559	529	122,482	620	0.51
Immediate increase of 1%	82,769	31,315	7,559	529	122,172	310	0.25
Immediate decrease of 2%	82,769	30,385	7,559	529	121,242	(620)	(0.51)
Immediate decrease of 1%	82,769	30,695	7,559	529	121,552	(310)	(0.25)

As of December 31, 2019							
NIS in thousands							
Net fair value of financial instruments considering change in the Israel Consumer Price Index							
	Israeli currency		Foreign currency		Total	Change in fair value	
	Unlinked	Linked	US dollar	Other		NIS in thousands	%
Immediate increase of 2%	93,926	27,526	7,980	786	130,218	540	0.42
Immediate increase of 1%	93,926	27,256	7,980	786	129,948	270	0.21
Immediate decrease of 2%	93,926	26,446	7,980	786	129,138	(540)	(0.42)
Immediate decrease of 1%	93,926	26,716	7,980	786	129,408	(270)	(0.21)

3. Disclosure regarding financial reporting of the Company

3.1 Limits on dividend distributions

For information limits on the Company regarding dividend distribution, see section 5 in Chapter A (Description of the Corporation's Business) in the Company's 2019 Periodic Report.

After the date of the Reported Period, the protocol was transferred to the association, as discussed in section 9 below, and accordingly, the limit imposed by virtue of that section was lifted.

Dividend payouts are subject to approval of the Supervisor pursuant to a clarification on that matter that was received from banking regulators, which to the best of the Company's knowledge, may have taken into consideration the uncertainty in the economy due to COVID-19.

3.2 Liabilities by maturity

For information about liabilities of the Company, please refer to an immediate report published on the date of this report regarding the liabilities of the corporation as published in the information distribution website of the Israel Securities Authority at [http:// www.magna.isa.gov.il](http://www.magna.isa.gov.il).

4. Corporate governance

Independent directors

As of the date of publishing this report, the Company has not adopted in its articles the provision in the Companies Law regarding the percentage of independent directors on its board.

Changes in officers during the Reported Period:

- On January 1, 2020, Ilan Hammel was appointed Temporary Internal Auditor of the Company.
- On March 9, 2020, Mr. Yair Avidan stepped down as director of the Company after his expected appointment as Supervisor of Banks.
- On May 19, 2020, the Committee for Appointment of Directors in Banking Corporations published a call for bids from candidates to serve as directors of the Company ahead of the general meeting that is scheduled for November 2020.
- On June 8, 2020, the Company issued a preliminary notice on its intention to call a special shareholders' meeting for August 16, 2020, including for appointment of a director of the Company from among three candidates suggested by shareholders. On August 16, 2020, the Company issued an immediate report informing that the general meeting of the Company approved the appointment of Ms. Shani Federman Terem as director of the Company for a three-year term, subject to approval of the Supervisor of Banks or if no objection to the appointment is raised.
- For information about appointment of a permanent internal auditor, see section 7 below.
- On August 23, 2020, Mr. Elik Etzion notified the Company he was resigning from the board, effective on the date on which the service of a new director begins, after being approved by a special general meeting expected to take place in November 2020 and being approved by the Bank of Israel.
- On August 25, 2020, the Company published a preliminary notice about its intention to call a special general meeting for appointing two directors that were suggested by shareholders, and three directors suggested by the Committee for Appointment of Directors.

5. Charitable contributions

No charitable contributions have been made year-to-date.

6. Legal proceedings

For information about this matter, see section 9 of this report and note 3 to the financial information of the Company as of June 30, 2020.

7. Internal auditor

Through August 31, 2020, Ilan Hammel CPAs serves as temporary internal auditor of the Company (hereinafter: the "**Previous Internal Auditor**"). For information about the Previous Internal Auditor, including the procedure for his appointment, work plan and scale of internal audit, see section 5 of the 2019 directors' report, which was attached to the 2019 Periodic Report of the Company, the information of which is presented here by way of reference. Other than the information presented there, the disclosure has remained unchanged.

a. Information about the internal auditor

On July 9, 2020, Chen Haryati CPA was appointed as Internal Auditor of the Company (hereinafter: the "Internal Auditor"), subject to approval or objection of the Supervisor of Banks, which, as of August 6, 2020 notified the Company that he did not object the appointment. The Internal Auditor will take up office on September 1, 2020.

Mr. Chen Haryati has a bachelor degree in Business Administration, majoring in Accounting and Information Technology, from the Ono Academic College, a certified CPA since 2014, graduated a course on management of cyber security technologies and methodologies (CISC) from See-Security college, and is a Certified Information Systems Auditor (CISA) and Certified Data Privacy Solutions Engineer (CDPSE) from ISACA in the US, as well as a certified System Analyst (CSA) from the Israel Chamber of Information Technology. Mr. Haryati is the founder and chairman of the Young Internal Auditors' Forum and member of the strategy committee of the IAA Israel – Institute of Internal Auditors; and member of the board, professional committee and marketing and digital committee of ISACA Israel (the Israeli chapter of a global organization for information security and audit).

To the best of the Company's knowledge, and according to the information provided by the Internal Auditor, the Internal Auditor complies with the terms set in Section 3(a) to the Internal Audit Law, 1992 (hereinafter: "the Internal Audit Law"). Additionally, the Internal Auditor satisfies the provisions in Section 146(b) to the Companies Law and Section 8 to the Internal Audit Law.

The Internal Auditor is an employee of the Company (and provides internal audit services also to Masav, based on the master agreement between the companies). He does not hold securities of the Company and/or of any related entity and has no material business or other relationship with the Company or a related entity thereof that may create a conflict of interest regarding his role as internal auditor.

b. Appointment procedure

On July 9, 2020, the Company's board, after a June 30, 2020 approval by the Audit Committee, approved appointment of Mr. Chen Haryati as Internal Auditor of the Company, as well as his terms of service and employment (following approval by the compensation committee). Appointment was based on his professional certification and experience. On August 6, 2020, the Supervisor of Banks notified that he did not object to the appointment.

The Internal Auditor acts by virtue of a charter approved by the board of the Company. The duties, powers and roles of the Internal Auditor are determined in accordance with the law and including according to the provisions of the Proper Banking Management guidance that apply to the Company.

c. Officer in charge of the Internal Auditor

According to the Proper Banking Management Guidance No. 301 titled "The Board of Directors", the Internal Auditor is accountable to the Chairman of the Board and reports to the board via the Audit Committee.

The Internal Auditor is empowered to communicate directly with members of the Audit Committee, the Board of Directors and the Independent Auditor when appropriate, and all subject to the rules in the charter of the Internal Auditor.

8. Critical accounting estimates

In the Reported Period, no changes have taken place in critical accounting estimates relative to the discussion in note 2 to the financial statements of the Company as of December 31, 2019.

9. Subsequent events

- On July 6, 2020, the Company published an immediate report (Ref. no. 2020-01-063751) informing that on July 5, 2020, the Tel Aviv District Court certified a class action against the Company and four banks regarding the legality of the cash withdrawal fee charged by the Company on using ATMs operated by the Company, located within a range of 500 meters from bank branches. For more information, see note 3(b)(1) to the financial statements.
- On July 29, 2020, the Company published an immediate report (Ref. no. 2020-01-074368) informing that on July 29, 2020, the Tel Aviv District Court handed down a decision approving the agreed-upon withdrawal by the plaintiff of the motion to certify a class action against the Company, without awarding costs. The motion to certify the class action was vacated and the personal claim by the plaintiff against the Company was also rejected. For more information, see note 3(b)(3) to the financial statements.
- For information about the transfer of the Company's rights to the protocol to the association with no consideration, see section 1.5 above.
- On August 6, 2020, the Supervisor of Banks notified that he did not object to the appointment of Mr. Chen Haryati as Internal Control of the Company. For more information, see section 7 above.
- On August 16, 2020, the Company published an immediate report (Ref. no. 2020-01-079447), that the general meeting of the Company approved the end of engagement with Horowitz, Idan, Sabo, Tevet and Cohen Tabach (Baker Tilly Israel) as independent auditors of the Company and appointing Kesselman & Kesselman (PwC Israel) as the new independent auditors until the next annual shareholders' meeting; and approved the appointment of Ms. Shani Federman Terem as director of the Company for a three-year term, subject to approval of the Supervisor of Banks or if no objection to the appointment is raised.
- On August 23, 2020, the Company published an immediate report (Ref. no. 2020-01-083701) informing that Mr. Elik Etzion notified the Company on August 23, 2020 he was resigning from the board, effective on the date on which the service of a new director begins, after being approved by a special general meeting expected to take place in November 2020 and being approved by the Bank of Israel.

The accompanying financial statements are a non-binding translation into English of the original financial statements published in Hebrew. The version in Hebrew is the approved text.

- On August 25, 2020, the Company published an immediate report (Ref. no. 2020-01-083701) on its intention to call a special general meeting for appointing two directors suggested by shareholders, and three directors suggested by the Committee for Appointment of Directors.

For more information about subsequent events, see note 5 to the Company's interim financial information as of June 30, 2020.

The Board of Directors of the Company wish to thank employees and management of the Company for their contribution to its activity, and more so during this difficult time of confronting COVID-19 and its implications.

Shalom Bisteri
Chairman of the Board

Moshe Wolf
Chief Executive Officer

Date of approving the financial statements: August 30, 2020.

The accompanying financial statements are a non-binding translation into English of the original financial statements published in Hebrew. The version in Hebrew is the approved text.

AUTOMATED BANK SERVICES LTD.
INTERIM FINANCIAL INFORMATION
(UNAUDITED)
AS OF JUNE 30, 2020

The accompanying financial statements are a non-binding translation into English of the original financial statements published in Hebrew. The version in Hebrew is the approved text.

AUTOMATED BANK SERVICES LTD.

INTERIM FINANCIAL INFORMATION

(UNAUDITED)

AS OF JUNE 30, 2020

CONDENSED INTERIM FINANCIAL INFORMATION AS OF JUNE 30, 2020

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Auditors' review report to the shareholders of Automated Bank Services Ltd.

Introduction

We have reviewed the attached financial information of Automated Bank Services Ltd. (hereinafter - "the Company"), which is comprised of the condensed consolidated statement of financial position as of June 30, 2020 and the condensed consolidated statements of income, comprehensive income, changes in shareholder's equity and cash flows for the six and three-month periods ended on that date. The Board of Directors and management are responsible for the preparation and presentation of the financial information for these interim periods in accordance with the provisions of International Accounting Standard No. 34, "Interim Financial Reporting" (hereafter "IAS 34"). Our responsibility is to express a conclusion with respect to the financial information for these interim periods, based on our review.

The annual financial statements of the Company as of December 31, 2019 and for the year then ended, and the condensed interim financial information as of June 30, 2019 and for the six- and three-month periods then ended were audited and reviewed, respectively, by other auditors, whose reports dated March 30, 2020 and August 20, 2019, respectively, included unqualified opinion and unqualified conclusion, respectively, and included an emphasis of matter paragraph regarding a decision by the Antitrust Commissioner to grant a conditioned exemption from recognition as a restrictive arrangement and the first-time adoption of International Financial Reporting Standards (IFRS) in the condensed interim financial information as of June 30, 2019.

Scope of review

Our review was conducted in accordance with the provisions of Review Standard (Israel) 2410 of the Institute of Certified Public Accountants in Israel concerning 'Review of financial information for interim periods undertaken by the entity's auditor.' A review of financial information for interim periods consists of making enquiries, in particular, of those officials responsible for financial and accounting matters, and of the application of analytical and other review procedures. A review is substantially lesser in scope than an audit conducted in accordance with auditing standards generally accepted 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, nothing has come to our attention that causes us to believe that the above financial information is not prepared, in all material respects, in accordance with IAS 34.

Further to the preceding paragraph, based on our review, nothing has come to our attention that causes us to believe that the above financial information is not in compliance, in all material respects, with the disclosure provisions in Chapter D of Israel Security Regulations (Periodic and Immediate Reports), 1970.

Emphasis of matter paragraph

Without qualifying our opinion, we draw attention to note 3 to the financial statements which describes a decision by the Antitrust Commissioner to grant a conditioned exemption from recognition as a restrictive arrangement.

Tel Aviv
August 30, 2020

Kesselman & Kesselman
Certified Public Accountants
Member firm of PricewaterhouseCoopers
International Limited

The accompanying financial statements are a non-binding translation
into English of the original financial statements published in Hebrew. The
version in Hebrew is the approved text.

AUTOMATED BANK SERVICES LTD.
CONDENSED STATEMENT OF FINANCIAL POSITION
Amounts in thousands NIS

	As of June, 30		As of
	2020	2019	December 31, 2019
	(Unaudited)		(Audited)
A s s e t s			
CURRENT ASSETS:			
Cash and cash equivalents	30,970	18,645	32,687
Marketable securities	105,832	97,179	98,478
Trade and income receivables	19,031	21,833	19,161
Other receivables	5,985	5,532	4,104
Current tax assets	152	-	-
Total current assets	161,970	143,189	154,430
NON-CURRENT ASSETS:			
Excess of plan assets over retirement benefit obligation	-	420	-
Property, plant and equipment, net	19,577	13,453	18,543
Intangible assets – software and licenses, net	3,510	4,935	3,919
Right-of-use assets	9,152	10,935	9,567
Prepaid expenses	3,709	230	2,910
Deferred taxes	1,806	1,050	1,083
Total non-current assets	37,754	31,023	36,022
Total assets	199,724	174,212	190,452

The accompanying financial statements are a non-binding translation into English of the original financial statements published in Hebrew. The version in Hebrew is the approved text.

AUTOMATED BANK SERVICES LTD.
CONDENSED STATEMENT OF FINANCIAL POSITION
Amounts in thousands NIS

	As of June, 30		As of
	2020	2019	December 31,
	(Unaudited)		2019
			(Audited)
Liabilities and equity			
CURRENT LIABILITIES:			
Current maturities of lease liabilities	747	946	793
Trade payables	1,058	1,670	3,000
Other payables	15,041	10,672	11,866
Current tax liabilities	-	802	2,195
Total current liabilities	16,846	14,090	17,854
NON-CURRENT LIABILITIES:			
Lease liabilities	8,523	10,047	8,815
Retirement benefit obligation	1,793	-	1,766
Liability for employee benefits	2,531	2,418	2,569
Total non-current liabilities	12,847	12,465	13,150
Total liabilities	29,693	26,555	31,004
EQUITY			
Share capital	4,587	4,587	4,587
Share premium	150	-	150
Other comprehensive loss	(4,002)	(2,598)	(4,169)
Perpetual loan	-	150	-
Retained earnings	169,296	145,518	158,880
Total equity attributed to shareholders of the Company	170,031	147,657	159,448
Total liabilities and equity	199,724	174,212	190,452

Shalom Bisteri
Chairman of the
Board

Moshe Wolf
Chief Executive
Officer

Ofer Eden
CFO and Chief
Accountant

Date of approving the financial information: August 30, 2020.

The notes to the condensed financial information are an integral part thereof.

The accompanying financial statements are a non-binding translation into English of the original financial statements published in Hebrew. The version in Hebrew is the approved text.

AUTOMATED BANK SERVICES LTD.
CONDENSED STATEMENT OF INCOME
Amounts in thousands NIS

	<u>For the six-month period ended</u>		<u>For the three-month period ended</u>		<u>For the year ended</u>
	<u>June 30</u>		<u>June 30</u>		<u>December 31</u>
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2019</u>
	<u>(Unaudited)</u>		<u>(Unaudited)</u>		<u>(Audited)</u>
Revenues					
From the provision of services to credit card companies	37,092	35,944	17,849	18,168	73,909
From the provision of services to others	3,659	3,817	1,714	1,821	7,684
Total Revenues	40,751	39,761	19,563	19,989	81,593
Operating, general and administrative expenses	24,677	23,412	12,216	11,431	49,900
Operating profit	16,074	16,349	7,347	8,558	31,693
Finance Income (expenses) from marketable securities, net	(2,171)	4,361	3,375	1,585	6,789
Finance income	19	3	6	1	7
Finance expenses	(178)	(145)	(88)	(83)	(372)
Finance income (expenses), net	(2,330)	4,219	3,293	1,503	6,424
Profit before taxes on income	13,744	20,568	10,640	10,061	38,117
Income tax	3,328	4,566	2,242	2,257	8,753
Net profit attributable to Company shareholders	10,416	16,002	8,398	7,804	29,364
Net earnings per share attributable to shareholders (in NIS)	0.26	0.40	0.21	0.19	0.73

The notes to the condensed financial information are an integral part thereof.

The accompanying financial statements are a non-binding translation into English of the original financial statements published in Hebrew. The version in Hebrew is the approved text.

AUTOMATED BANK SERVICES LTD.
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
Amounts in thousand NIS

	<u>For the six-month period ended</u>		<u>For the three-month period ended</u>		<u>For the year ended</u>
	<u>June 30</u>		<u>June 30</u>		<u>December 31</u>
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2019</u>
	<u>(Unaudited)</u>		<u>(Unaudited)</u>		<u>(Audited)</u>
Net income	10,416	16,002	8,398	7,804	29,364
Components of other comprehensive income					
Amounts not recycled to profit or loss					
Adjustments required for employee benefits	217	-	13	-	(2,041)
Relevant tax impact	(50)	-	(3)	-	470
Other comprehensive income (loss) attributed to shareholders, after tax	167	-	10	-	(1,571)
Other comprehensive income attributed to shareholders	10,583	16,002	8,408	7,804	27,793

The notes to the condensed financial information are an integral part thereof.

The accompanying financial statements are a non-binding translation
into English of the original financial statements published in Hebrew. The
version in Hebrew is the approved text.

AUTOMATED BANK SERVICES LTD.
CONDENSED STATEMENT OF CHANGES IN EQUITY
Amounts in thousands NIS

For the six-month period ended June 30, 2020 (unaudited)

	Share capital	Share premium	Accumulated other comprehensive loss	Retained earnings (*)(**)	Total equity (*)
Balance at January 1, 2020					
Change during period:					
Net income for the period	4,587	150	(4,169)	158,880	159,448
Other comprehensive income	-	-	167	-	167
Total comprehensive income	-	-	167	10,416	10,583
Balance at June 30, 2020	4,587	150	(4,002)	169,296	170,031

For the six-month period ended June 30, 2019 (unaudited)

	Share capital	Perpetual loan (***)	Accumulated other comprehensive loss	Retained earnings (*)(**)	Total equity (*)
Balance at January 1, 2019	4,587	150	(2,598)	129,516	131,655
Change during period:					
Net income for the period	-	-	-	16,002	16,002
Balance at June 30, 2020	4,587	150	(2,598)	145,518	147,657

For the three-month period ended June 30, 2020 (unaudited)

	Share capital	Share premium	Accumulated other comprehensive loss	Retained earnings (*)(**)	Total equity (*)
Balance at January 1, 2020	4,587	150	(4,012)	160,898	161,623
Change during period:					
Net income for the period	-	-	-	8,398	8,398
Other comprehensive income	-	-	10	-	10
Total comprehensive income	-	-	10	8,398	8,408
Balance at June 30, 2020	4,587	150	(4,002)	169,296	170,031

The accompanying financial statements are a non-binding translation into English of the original financial statements published in Hebrew. The version in Hebrew is the approved text.

For the three-month period ended June 30, 2019 (unaudited)

	<u>Share capital</u>	<u>Perpetual loan (***)</u>	<u>Accumulated other comprehensive loss</u>	<u>Retained earnings (*) (**)</u>	<u>Total equity (*)</u>
Balance at April 1, 2019	4,587	150	(2,598)	137,714	139,853
Change during period:					
Net income for the period	-	-	-	7,804	7,804
Balance at June 30, 2020	<u>4,587</u>	<u>150</u>	<u>(2,598)</u>	<u>145,518</u>	<u>147,657</u>

AUTOMATED BANK SERVICES LTD.
CONDENSED STATEMENT OF CHANGES IN EQUITY
Amounts in thousands NIS

For the year ended December 31, 2020 (audited)

	<u>Share capital</u>	<u>Share premium</u>	<u>Perpetual loan (***)</u>	<u>Accumulated other comprehensive loss</u>	<u>Retained earnings (*) (**)</u>	<u>Total equity (*)</u>
Balance at January 1, 2019	4,587	-	150	(2,598)	129,516	131,655
Change during the year:						
Net income	-	-	-	-	29,364	29,364
Other comprehensive loss	-	-	-	(1,571)	-	(1,571)
Total comprehensive loss	-	-	-	(1,571)	29,364	27,793
Conversion of perpetual loan to share premium	-	150	(150)	-	-	-
Balance at December 31, 2020	<u>4,587</u>	<u>150</u>	<u>-</u>	<u>(4,169)</u>	<u>158,880</u>	<u>159,448</u>

(*) For information about limits on dividend distribution, see note 3.

(**) See note 17 for information about the Company's annual financial statements.

The accompanying financial statements are a non-binding translation into English of the original financial statements published in Hebrew. The version in Hebrew is the approved text.

AUTOMATED BANK SERVICES LTD.
CONDENSED STATEMENT OF CASH FLOWS
Amounts in thousands NIS

	For the six-month period ended		For the three-month period ended		For the year ended
	June 30		June 30		December 31
	2020	2019	2020	2019	2019
	(Unaudited)		(Unaudited)		(Audited)
Cash flows from operating activity:					
Net income for the period	10,416	16,002	8,398	7,804	29,364
Adjustments required to present cash flows from operating activity					
Adjustments to profit and loss items:					
Depreciation and amortization	3,142	3,065	1,551	1,520	6,089
Retirement benefit obligation, net	120	34	66	25	179
Change in liabilities to employees, net	86	71	43	26	222
Income tax	3,328	4,566	2,242	2,257	8,753
Finance expenses (income), net	2,330	(4,219)	(3,293)	(1,503)	(6,424)
Change in asset and liability items:					
Increase (decrease) in trade and income receivables	130	(3,186)	292	(4,378)	(514)
Decrease (increase) in other receivables	(2,907)	(1,030)	686	(1,302)	(2,485)
Increase (decrease) in trade payables	(1,104)	(872)	(21)	(1,141)	87
Increase in other payables	3,175	(652)	1,542	(723)	542
Cash flows from operating activity before finance and taxes	18,716	13,779	11,506	2,585	35,813
Interest received	1,240	725	133	125	1,912
Interest and fees paid	(248)	(174)	(118)	(98)	(442)
Taxes received (paid), net	(6,448)	425	(1,853)	(1,405)	(1,932)
Net cash provided by operating activity	13,260	14,755	9,668	1,207	35,351
Cash flows from investment activity:					
Purchase of held-for-trading securities	(39,779)	(38,920)	(21,814)	(9,898)	(65,867)
Proceeds from disposal of held-for-trading securities	29,103	23,026	16,399	9,142	49,959
Acquisition and investment in property, plant and equipment and intangible assets	(3,851)	(976)	(629)	(551)	(7,132)
Net cash used in investing activity	(14,527)	(16,870)	(6,044)	(1,306)	(23,040)
Cash flows from financing activity:					
Maturity of lease liabilities	(450)	(462)	(222)	(235)	(846)
Net cash used in financing activity	(450)	(462)	(222)	(235)	(846)
Increase (decrease) in cash and cash equivalents	(1,717)	(2,577)	3,402	(334)	11,465
Balance of cash and cash equivalents at beginning of the period	32,687	21,222	27,568	18,979	21,222
Balance of cash and cash equivalents at end of the period	30,970	18,645	30,970	18,645	32,687

The notes to the condensed financial information are an integral part thereof.

The accompanying financial statements are a non-binding translation into English of the original financial statements published in Hebrew. The version in Hebrew is the approved text.

AUTOMATED BANK SERVICES LTD.

APPENDIX TO CONDENSED STATEMENT OF CASH FLOWS

Amounts in thousands NIS

	<u>For the six-month period ended</u>		<u>For the three-month period ended</u>		<u>For the year ended</u>
	<u>June 30</u>		<u>June 30</u>		<u>December 31</u>
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2019</u>
	<u>(Unaudited)</u>		<u>(Unaudited)</u>		<u>(Audited)</u>
Appendix A – material non-cash transactions					
Recognition of right-of-use assets against lease liability	112	11,455	(19)	165	10,455
Acquisition of property, plant and equipment against liability to suppliers and participation of related company	-	170	-	170	626
Reclassification of perpetual loan to share premium	-	-	150	-	150

The notes to the condensed financial information are an integral part thereof.

AUTOMATED BANK SERVICES LTD.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - GENERAL

a. The reporting entity

1. Automated Bank Services Ltd. (hereinafter: the “Company”) was incorporated in Israel on September 13, 1978, and its official corporate address is 26 HaRokmim St., Holon.
2. On May 27, 2019, the Company published a supplementary prospectus and a shelf prospectus dated May 28, 2019 (hereinafter: the “Prospectus”), in which Company shares were offered to the public by Company shareholders. The Company’s shares were also listed on the Tel Aviv Stock Exchange and the Company became public (a 'reporting corporation'). Trading began on June 12, 2019.
3. Until the beginning of June 2019, the Company was a banking corporation classified as a “joint services company”, as this term is defined in the Banking Law (Licensing), 5741-1981. On June 1, 2019, the Governor of the Bank of Israel canceled the "joint services company" license that had been given to the Company. In light of the above, the holders of the Company’s control instruments are no longer subject to restrictions on the holding of the control instruments of a “banking corporation” in accordance with the provisions of the Banking Law (Licensing), although the restrictions pursuant to the Law for the Promotion of Competition and Reduction of Concentration in the Israel Banking Market (Legislative Amendments) continue to apply. In accordance with the notice received from the Supervisor of Banks, and for three years after the cancellation of the license, the Company will be subject to certain Proper Conduct of Banking Business provisions pertaining to corporate governance and risk management, as well as to the provisions of Section 11A of the Banking Ordinance, 1941 regarding the assessment of directors’ qualifications and compatibility.
4. The Company is currently active in a single operating segment, the clearing segment, which includes the operation of a bidirectional communication system connecting Clearing Customers and charge card issuers, at the one end, to businesses, on the other end; management and operation of a clearing interface for communication between Clearing Customers and charge card issuers, which allows the settling of accounts and the transfer of information between them in connection with such transactions; management and operation of a switching system that connects ATM networks; and development and distribution of the Ashrait PC and Ashrait EMV software. Most of the Company’s revenues are due to the provision of clearing services to credit card companies. For details regarding the Competition Commissioner’s decision to exempt the Company’s activity in the banking transaction collection and approval services and interface services for Clearing Customers and issuers, see note 19c to the 2019 annual financial statements of the Company.

b. Interim financial information is reviewed and not audited.

c. The condensed interim financial information was approved for publication by the Company's Board of Directors on August 30, 2020.

AUTOMATED BANK SERVICES LTD.

NOTES TO FINANCIAL STATEMENTS

d. Disclosure about Coronavirus (COVID-19)

In early 2020, Coronavirus (COVID-19) began spreading worldwide, including in Israel, and was announced as pandemic by the World Health Organization (WHO). Wide-spread contagion and the different measures implemented in Israel and worldwide to curb the virus, such as flight cancellations, restrictions on movement, prolonged lockdowns and self-isolation, shutting down public spaces and more (hereinafter: "the Prevention Measures") have had adverse impact on global economy, including economic activity. The outbreak caused significant volatility in Israel and elsewhere, with sharp drops in the markets.

Operational continuity measures

Since Coronavirus started spreading in Israel, the Company was proactive to maintain overall operational continuity in compliance with all restrictions and guidance, and while strictly protecting the health and wellbeing of all employees. Company site is divided into two separate working zones.

The Company has the infrastructure in place to have most of its employees work remotely, and it continues to have ongoing assessments by the emergency task force it set up, as well as by management and the board. Measures implemented include reducing overtime and placing few employees on unpaid leave, who later returned to work in June 2020. Additionally, the board resolved to split and condition the 2019 annual bonus to officers and employees, such that half the approved bonus was granted in May 2020 and the other half will be paid in August 2020.

As of the date of issuing this report, 80% of employees work from our offices and 20% work remotely (from home), with business activity continuing normally.

Since mid-March 2020, credit card transaction activity and ATM cash withdrawals fell sharply. The results for Q2 2020 were significantly affected by COVID-19, with marked decline in revenue and hit to operating margins of the Company, due to the limits imposed on the public since the second half of March 2020. Since that time, the use of credit cards to buy food and medications increased (those types of stores remained opened over the entire period) and card-not-present (CNP) transactions (online purchases) replaced some traditional in-store, card-present transactions. Performance picked up since May, thanks to gradual lifting of government restrictions, including reopening of shopping malls and other commercial centers.

Should COVID-related guidance by the Israel Ministry of Health becomes more drastic and/or the economy goes into recession and/or other macro scenarios materialize, and more radical steps are taken, such as a nationwide or extensive lockdown, the Israeli economy may suffer wide-spread adverse consequences, resulting in significant hit to revenue and other business results later this year.

AUTOMATED BANK SERVICES LTD.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

a. Basis of presentation of the present financial information

- (1) The interim condensed consolidated financial information of the Group as of June 30, 2020 and for the six- and three-month periods ended on that date (hereinafter – the "Interim Financial Information") was prepared in accordance with International Accounting Standard No. 34 - "Interim Financial Reporting" (hereinafter – "IAS 34"), including the additional disclosure required by Chapter D of Securities Regulation (Periodic and Immediate Reports), 1970.
- The Interim Financial Information should be read in conjunction with the 2019 annual financial statements and with the notes thereto, which were prepared in accordance with International Financial Reporting Standards (hereinafter – "IFRS") and include the additional disclosure required by Chapter D of Securities Regulation (Periodic and Immediate Reports), 1970.

b. Use of estimates and opinions

The preparation of interim financial information in accordance with IFRS requires management to make judgment in estimates and assumptions that affect application of policy and the carrying amounts of assets and liabilities, income and expenses items. Note that actual results may differ from those estimates.

When formulating the accounting estimates used in the preparation of the Company's financial statements, management is required to make assumptions regarding circumstances and events that involve significant uncertainty. When using its discretion in determining these estimates, the Company's management relies on past experience, various facts, external factors, and reasonable assumptions according to the relevant circumstances for every estimate.

The estimates and assumptions underlying them, including those arising from the Company's economic operating environment, are reviewed on an ongoing basis. Changes in accounting estimates are recognized in the period in which the estimates are amended and in all affected periods in the future.

Critical estimates

The following is information about critical estimates made in applying the accounting policy and have a material impact on the financial information:

Revenue recognition

The Company's revenue from credit card companies (hereinafter in this note: the "Clearing Customers") include, since the last quarter of 2018, revenue from connected terminals that do not pass transactions, which significantly affected the Company's business results during those periods. The charges (before VAT) issued to all Clearing

The accompanying financial statements are a non-binding translation into English of the original financial statements published in Hebrew. The version in Hebrew is the approved text.

Customers in respect of this item in the first six months of 2020 and in 2019 amounted to NIS 5.1 million and NIS 8.8 million, respectively.

One of the Clearing Customers has a dispute with the Company regarding the charge on this item. That Clearing Customer has paid under protest its full debt, informing the Company that the dispute is still pending.

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NOTES TO FINANCIAL STATEMENTS

Since the second quarter of 2019, some revenue of the Company has come from charging for use of PIN pad terminals, without material impact on results of the Company in those periods. That Clearing Customer disagrees with the Company including regarding the charge for using PIN pad terminals, and it does not pay the debt to the Company for that item.

Note that any settlement with that Clearing Customer will also apply to all other Clearing Customers from which the Company source revenue by virtue of this item. The Company believes, among other things based on its legal counsel, that it is fully entitled to receive revenue for those items, and that it is highly probable that no significant write off of the amount of cumulative revenue in the financial statements from those items will take place.

Further, following a March 2020 notice of the Bank of Israel (BoI), and in coordination with the BoI, the Company's management and Board of Directors resolved, in light of Coronavirus and the importance placed by the BoI on faster adoption of EMV in order to reduce the physical use of payment terminals at businesses, to give a discount of 50% on the Company's price list monthly rate for PIN pad terminals for the period from March 2020 until the end of 2020.

This discount did not have material impact on the Company's revenue.

Provision for claims

The Company provides for claims in accordance with the accounting policy specified in note 2 to the financial statements, based on estimates by management and its legal counsel.

Employee benefits

The present value of the Company's liability for severance pay in respect of the termination of employer-employee relationships is based on multiple factors, which are determined based on an actuarial valuation, using a large number of assumptions, including regarding discount rate. Changes in actuarial assumptions may affect the carrying value of the Company's retirement benefit obligation. The Company estimates the discount rate once annually, based on the yield on high-quality corporate bonds. Other key assumptions are determined based on market conditions and the Company's accumulated experience.

- c. Significant accounting policies and calculation methods applied in preparing the interim financial information are consistent with those used in preparing the 2019 annual financial statements of the Company, except for the following:

Income tax

Taxes on income for interim periods are recognized based on the best management estimate of the average tax rate that will apply to the projected annual profits.

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NOTES TO FINANCIAL STATEMENTS

NOTE 3 – CONTINGENT LIABILITIES AND COMMITMENTS

a. Decisions of the Commissioner of Competition

Since 2002, the Company has operated in compliance with restrictive-arrangement exemptions issued by the Commissioner of Competition.

- On September 24, 2017, a new exemption was received from the Commissioner for a period of five years, until September 24, 2022 (hereinafter: the “Exemption”). The Exemption comes in place of a previous one and pertains to the joint ownership arrangement between the banks.

The exemption refers to several main points:

- (a) Restricting the areas of activity of the Company to the services listed in the Exemption and setting in place a framework for engagements with third parties. In accordance with the Exemption, the Company may be engaged only in the following areas of activity:
 - (1) Operation of an ATM switch;
 - (2) Operation of a charge cards switch;
 - (3) Engagement in activity related to the protocol for a limited period, as specified in (c) below;
 - (4) Engagement in activities involving the Ashrait 96 protocol;
 - (5) Development, operation and distribution of the Ashrait PC software;
 - (6) End-to-end certification services for the EMV standard;
 - (7) Activities associated with the aforementioned fields of activity;
 - (8) Any additional field of activity that may be approved by the Commissioner.
- (b) Restrictions on distribution of earnings, as specified in note 15B to the annual financial statements.
- (c) Discontinue operating the Ashrait EMV protocol in the terminal, and transferring all rights to the protocol, free of charge, to a BoI-regulated association, according to the milestones and timing specified in the Exemption and as amended by the Commissioner.
- (d) Various provisions regarding the connection of users to the Company’s systems, engagement with vendors, and end-to-end certification for the EMV standard.

In accordance with the Exemption decision, the Company is subject to restrictions on the distribution of profits, as specified in Note 16B to the annual financial statements, including the condition requiring the Company to discontinue its involvement in the operation of the Ashrait EMV protocol in terminal, to submit to the Registrar of Associations an application to register an association, and to transfer all of rights to the protocol free of charge to the association, which will be regulated and overseen by the Bank of Israel, in accordance with the milestones and timing specified in the Exemption. As part of the foregoing, milestones were determined in respect of the association’s articles. To the extent the association so wishes, the Company would provide services to the association, including protocol specification, development and operation services until no later than October 31, 2020, as

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well as the provision of operational services to the association until no later than April 30, 2021, or a later date as may be approved by the Supervisor of Payment Systems at the Bank of Israel, and subject to the Commissioner's approval. The Company will be entitled to charge payment for those services. It is noted that the costs incurred by the Company while preparing the protocol were in amounts that are immaterial to it and were recognized in the statement of income as incurred. It is further noted that even before the Commissioner's decision, the protocol was shared by the Company with other participants that requested it free of charge (subject to signing a non-disclosure agreement). However, the transfer thereof to the association could assist potential competitors to enter the market in which the Company is operating.

The Company applied to the Income Tax Authority in request of a tax pre-ruling that will exempt it from income tax and capital gains tax liabilities in respect of the transfer to the association of all rights to the protocol, as said above. The tax ruling was received on February 15, 2018, subject to the Company accepting the terms of the ruling within 30 days after was issued, and subject to the association's acceptance of several undertakings, as specified in the tax ruling, within 30 days after setting up the association. Due to delays in forming the association, for reasons independent of the Company, and in order to ensure the association's acceptance of the undertakings, as stated above, the Company requested several deferrals, and according to the latest granted, the exemption period was extended until October 1, 2020.

On March 24, 2020, the association was registered with the Registrar of Associations.

On April 14, 2020, the Competition Authority notified the Company that, as requested by the Company and in view of the COVID-19 crisis and the restrictions in place on economic activity that make it difficult to meet the deadline in the Exemption decision issued to the Company, the Commissioner of Competition would not enforce the provisions of the item in the Exemption decision concerning to the transfer to the association of rights of the Company to the Ashrait EMV protocol, until May 24, 2020.

On May 24, 2020, the Competition Authority informed the Company that following the request by the association to postpone the date of protocol hand-over in order to allow it to make necessary preparations, and in response to the issues raised in a letter by the association, the Commissioner of Competition and the Competition Authority would not carry out enforcement measured against the Company for non-compliance with the provisions in section 7 of the Exemption regarding the transfer to the association of rights of the Company to the Ashrait EMV protocol until July 23, 2020.

On July 23, 2020, the Company handed over all of its rights to the protocol to the association for no consideration. The association confirmed that it accepted all terms of the tax pre-ruling received by the Company for the purpose of exemption from income tax and capital gains tax in respect to the transfer to the association of rights to the protocol. Upon the transfer of rights to the protocol, an agreement was signed between the Company and the association for provision of services relating to the operation of the protocol, according to the Exemption decision and the revised timeline set by the Commissioner. To the extent the association so wishes, the Company would provide services to the association, including protocol specification,

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development and operation services until no later than October 31, 2021, as well as the provision of operational services to the association until no later than April 30, 2021, or a later date as may be approved by the Supervisor of Payment Systems at the Bank of Israel, and subject to the Commissioner's approval. Additionally, the agreement set in place further terms and conditions, including regarding the consideration payable to the Company for the said services (at an immaterial amount to the Company), confidentiality, data security and warranty.

- On August 29, 2019, the Competition Authority notified the Company that it adopted the Company's interpretation that the exemption only requires the transfer to the protocol in the segment connecting the Company and the points of sale (POS).
- In July 2018, an exemption was received from the Commissioner, for a period of 5 years beginning on July 30, 2018, i.e., until July 30, 2023, with respect to, among other issues, the mutual recognition agreement of the banks regarding determination of the mutual fees payable among them in the ATM segment, an agreement the Company is not party to.
- On June 18, 2020, a ruling was issued regarding a five-year exemption to Masav from recognition as an onerous arrangement. The Commissioner of Competition indicated in the ruling that the matter of mutual interests between the Company and Masav was being considered by her separately and is unrelated to the exemption ruling to Masav. However, the Commissioner indicated that the exemption ruling to Masav may not be construed as permitting such mutual interest or any other cooperation between Masav and the Company.
- On October 28, 2019, a notice was received from the Competition Authority regarding the mutual interests of the Company and Masav. The Competition Authority's notice included the assertion that despite the recent change in the Company's ownership structure, and as part of the implementation of the provisions of the Law for the Promotion of Competition and Reduction of Concentration in the Israel Banking Market (Legislative Amendments), 2017, which resulted in the large banks holding less than 50% of the Company's shares, while the entire share capital of Masav is still held by the five largest Israeli banks, the Company and Masav continue maintaining significant mutual interests (including shared management headquarters and offices; shared technological infrastructure and backup facilities; and other shared services). The Competition Authority believed, prima facie, that a competition relationship may exist between the Company and Masav, whether explicitly or implicitly, particularly in light of the changes in the Company's ownership structure. Cooperation of the types existing between the Company and Masav may raise a wide variety of antitrust concerns, including a tendency to have less competition between collaborating parties, and the collaboration spilling into areas at the core of the competition between the entities, particularly when the collaboration also pertains to their decision-making mechanisms. In light of the above, the Competition Authority believed, prima facie, that the relationship constitutes a restrictive arrangement without temporary approval or permit from the Antitrust Court, or an exemption from the Competition Commissioner. The Competition Authority also believed, in light of the alleged antitrust concerns, that it is highly unlikely that the arrangement can meet the conditions for a block exemption from among those listed in section 15A of the Economic Competition Law, 1988. To conclude its notice, the Competition Authority requested that the Company

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act immediately to rectify the alleged breach, and to correct the situation described above.

On May 10, 2020, the Company filed, together with Masav, a motion for approval of a restrictive arrangement to the Antitrust Court in the Jerusalem District Court. In the motion, which was filed in light of the position of the Competition Authority on this matter, the Company and Masav asked the court to approve the cooperation between the companies, which has been well-established in practice for about 35 years, and that due to its scope is present across a significant part of the activities and documents of both companies.

The assets that are relevant to the arrangement are mutual and provided by one company to the other, and services shared by them, including shared CEO and headquarters, technology infrastructure and backup facilities, communications, data security, internal audit, human resources, insurance and risk management and work teams, including teams for software development and maintenance teams, infrastructure and server maintenance, data security, communications, telephony and more.

The nature of restrictive arrangement described in the motion is that given future technological developments and regulatory changes, the 35-year cooperation between the Company and Masav may be deemed in the future as a restrictive arrangement, considering the position of the Competition Authority that it may potentially impact competition between customers of the companies.

The companies asked the court to approve an arrangement for a period of ten years. Note that the Company and Masav contest the determination that cooperation between them is a restrictive arrangement in the present, and even if the future activity of the companies may have impact on competition, then such impact will be only indirect as potential competition exist at the very least between customers of the companies, and thus, competition is not expected to be undermined in any real way even in the future, and in any case, the synergies have many non-competitive benefits as well as promotion of competition through the companies' technology developments. However, the motion was filed given the position of the Competition Authority that such restrictive arrangement already exists between the companies either potentially or actually.

Among other arguments in the motion, the companies noted the benefits in synergies between them, including the enormous cost saving in terms of human capital and infrastructure, and the mutual accumulation of required professional knowledge for development of both companies, along with operational efficiency that translate into lower rates, allowing entry of new users and promoting competition between customers.

Hence, separation between the companies may have many and diverse consequences, including in terms of finance, competition, security and more, all of which may result in many adverse outcomes to the future of the Company, competition in the payment markets and the public at large.

For example, the Company may be forced to invest considerable resources in hiring and training new employees due to the need to significantly increase the size of work

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teams, especially given present difficulty to hire and the more challenging retention of existing human capital in times of uncertainty, and including potential impact on projects that rely on mutual core systems when developed independently using separate software development knowledge.

Further, separation may affect the ability to develop projects intended to support regulatory reforms of the Bank of Israel.

Furthermore, an uncontrolled mandatory and full separation within a short timeline may create significant risks due to undermined availability and stability of the Company and considerable cyber threats.

The concern is that discontinuing the synergy between the companies and the high costs of separation will lead to higher prices that will eventually be passed on to consumers in one form or another. According to an opinion attached to the motion, the estimated operational cost increases (excluding separation costs) following breaking synergies is NIS 15.3 million per year for the Company, or 30.7% of its operating costs according to 2019 data.

The motion was published on the website for public viewing, subject to a motion to maintain confidentiality filed by the Company and Masav, to allow filing objections within 30 days from publication by any party seeing itself as adversely affected by the arrangement. No objections have been filed against the motion.

The deadline for filing comments to the Commissioner of Competition about the motion is September 17, 2020.

At this stage, the Company is unable to estimate whether and when the motion for approval of a restrictive arrangement is accepted by the court, and therefore, this is forward-looking information, as this term is defined by the Securities Law, 1968.

- On November 10, 2019, a notice was received from the Competition Authority regarding a decision of the Commissioner of Competition to exercise its power under Section 15A(1) of the Law, and to rule that the restrictive arrangement existing between the Company and the banks, as covered by the exemption decision, as well as any restrictive arrangement pertaining to the joint holding of the Company, would not be subject to exemptions given according to the rules of block exemptions. The Exemption decision, including all of its conditions, remains in effect in respect of the restrictive arrangement, until it expires on September 24, 2022. This means that the Company is entitled to continue operating in accordance with the arrangement provided by the Exemption decision, without obtaining approval from the Antitrust Court until that date, subject to compliance with the conditions specified in the Exemption decision, and provided that no material detail of the arrangement is changed.

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b. Lawsuits and class actions

Various legal proceedings are pending against the Company in the ordinary course of business.

Presented below are details regarding the main legal proceedings:

1. On July 15, 2013, a motion to certify a class action was filed against the Company and four banks that hold its shares (hereinafter: the "Motion to Certify"). The motion to certify primarily involves the claim that the Company was allegedly prohibited from charging fees on cash withdrawal transactions executed at ATMs it operates that are located less than 500 meters away from a branch of one of its shareholder banks, in an amount exceeding the tariff determined by the relevant bank for cash withdrawal transactions at ATMs located less than 500 meters from the bank branches. In the motion to certify, the amount of damages was estimated at NIS 47.3 million.

The Company filed its response to the motion to certify, in which it asserted, among other arguments, that it would be justified to outright dismiss of the Motion to Certify.

In accordance with Court instruction, on September 20, 2015, a notice was submitted on behalf of the Supervisor of Banks, stating that the Company is not a "bank", and has no bank branches, and therefore, it is not justified to factor in the location of its ATMs.

The Supervisor clarified that the Company is a banking corporation holding an independent license and was therefore entitled to determine its own tariffs for cash withdrawals at ATMs it owned prior to the sale, at its discretion. Closing arguments were filed by the parties, including response summaries.

On July 5, 2020, a ruling was handed down by the Tel Aviv District Court, rejecting the motion to certify a class action.

2. On June 14, 2017, Mitug Distributed Systems Ltd. ("Mitug") filed a claim against the Company and against Smart Advanced ATM Services, Hatamar Fund Ltd. ("Hatamar Fund"). In the claim, Mitug brought various claims against the Company in connection with rights and the use of a software application called MultiXFS, which was developed by Mitug for the Company in 2006, and which is installed in ATMs.

In the claim, Mitug petitioned to order the Company and Hatamar Fund, which acquired the Company's ATMs in 2013, to pay to Mitug a total of NIS 2,560 thousand plus VAT, linkage differentials and interest, from the date when the cause was created until the date of actual payment, and noted that the amount of damages sought was indicated for court fee purposes, while asserting, among other arguments, that the sale of the ATMs by the Company to Hatamar Fund, in which the aforementioned software program is installed, without obtaining approval of, and paying consideration to Mitug, was in violation of the law, caused it severe damages, and constituted unjust enrichment at its expense, in the amount of tens of millions of NIS, and that Mitug is therefore entitled to damages. It was also requested in the claim to issue several orders against the Company and against Hatamar Fund in relation to the aforementioned software, including orders prohibiting the continued use thereof.

AUTOMATED BANK SERVICES LTD.

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The Company filed a statement of defense, in which it rejected Mitug's assertions, and Hatamar Fund did the same.

All of the parties have filed their evidence.

Evidence hearings have been scheduled for March 2021.

According to the assessment of management, and based on its legal counsel, at the current stage of the proceedings, it is more likely than not that the claim will be dismissed. No provision whatsoever in respect of the foregoing was included in the financial statements.

3. On July 4, 2019, a motion to certify a class action was filed against the Company. A copy of the motion to certify was served to the Company on July 23, 2019. The motion to certify involves the claim that the Company collected, allegedly unlawfully, cash withdrawal fees for use of ATMs it operates. This fee was allegedly not presented on the Company's price list. In the motion to certify, the claimed amount of damages was estimated at a total of approximately NIS 484 million.

On February 13, 2020, the Company filed its response to the motion.

On July 29, 2020, the Tel Aviv District Court handed down a ruling approving the mutually-agreed motion of the plaintiff to withdraw the motion to certify a class action against the Company, without awarding costs. The motion to certify was vacated and the personal claim by the plaintiff against the Company was also rejected.

AUTOMATED BANK SERVICES LTD.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a. Financial instruments

The Company's financial instruments include the following assets and liabilities: cash and cash equivalents, bank deposits, held-for-trading securities, other accounts receivable and other accounts payable. Due to their nature, the fair value of the Company's financial instruments is identical to, or approximates their carrying amounts in the financial statements.

b. Financial risk management

The activity of the Company exposes it to a range of financial risks: market risk (including inflation risk, exchange rate risk, price risk and interest rate risk), credit risk and liquidity risk.

As discussed above, the interim financial information does not include all information and disclosures required in annual financial statements, including regarding financial risk management of the Company, and therefore, the interim financial information should be read together with the 2019 financial statements and accompanying notes.

No material changes in the financial risk management policy of the Company took place relative to that reported in the 2019 annual financial statements.

NOTE 5 – SUBSEQUENT EVENTS

- For information about rejection of motions to certify class actions against the Company after the reported period, see note 3b (1) and 3b (3).
- On July 23, 2020, the Company published an immediate report (ref. no. 2020-01-072220), which is presented in this report by way of reference, announcing the Company handed over to an association all its rights to protocol for no consideration. See note 3a.