MEITAV DASH INVESTMENTS LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2020

INDEX

Building a better
working world

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Auditors' review report to the shareholders of Meitav Dash Investments Ltd.

Introduction

We have reviewed the accompanying financial information of Meitav Dash Investments Ltd. and its subsidiaries ("the Company"), which comprises the consolidated statement of financial position as of June 30, 2020 and the related consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six and three months periods then ended. The Company's board of directors and management are responsible for the preparation and presentation of interim financial information for these periods in accordance with IAS 34, "Interim Financial Reporting", and are responsible for the preparation of this interim financial information in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not review the condensed interim financial information of certain subsidiaries, whose assets included in consolidation constitute approximately 27.4% of total consolidated assets as of June 30, 2020 and whose revenues included in consolidation constitute approximately 12.8% and approximately 13.4% of total consolidated revenues for the six and three months periods then ended, respectively. The condensed interim financial information of those companies was reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to the financial information in respect of those companies, is based on the review reports of other auditors.

Scope of review

We conducted our review in accordance with Review Standard (Israel) 2410 of the Institute of Certified Public Accountants in Israel, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review and the review reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

In addition to the abovementioned, based on our review and the review reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not comply, in all material respects, with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Tel-Aviv, Israel	KOST FORER GABBAY & KASIERER
August 16, 2020	A Member of Ernst & Young Global

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2020	June 30, 2019	December 31, 2019
	Unaudited	Unaudited	Audited
	NIS in millions		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	565	217	290
Short-term investments	272	262	280
Customer credit	597	877	894
Trade receivables	52	31	59
Other accounts receivable	92	83	26
Current taxes receivable	6	7	9
	1,584	1,477	1,558
NON-CURRENT ASSETS:			
Investments of provident fund members	96	97	96
Investments, loans and receivables	210	109	179
Investments, loans and capital notes in associates	42	26	39
Property, plant and equipment	192	209	200
Deferred taxes	17	16	19
Intangible assets	1,130	1,151	1,159
	1,687	1,608	1,692
	3,271	3,085	3,250

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2020	June 30, 2019	December 31, 2019
	Unaudited	Unaudited	Audited
	NIS in millions		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Credit from banks and current maturities of debentures	457	697	667
Liabilities for short sale of securities	53	40	48
Trade payables	57	72	66
Other accounts payable	263	195	209
Current taxes payable	19	14	14
	849	1,018	1,004
NON-CURRENT LIABILITIES:			
Loans from banks	7	92	12
Debentures	921	633	897
Liabilities to provident fund members	98	99	98
Liabilities for purchase of operations	1	5	4
Lease liabilities	153	168	160
Other accounts payable	21	1	16
Employee benefit liabilities	8	8	8
Deferred taxes	46	44	46
	1,255	1,050	1,241
Total liabilities	2,104	2,068	2,245
EQUITY:			
Share capital	66	64	65
Share premium	518	517	518
Capital reserve for share-based payment transactions	10	11	10
Retained earnings	264	218	228
Other reserves	28	38	38
Equity attributable to equity holders of the Company	886	848	859
Non-controlling interests	281	169	146
Total equity	1,167	1,017	1,005
	3,271	3,085	3,250

August 16, 2020			
Date of approval of the financial statements	Eli Barkat Chairman of the Board	Ilan Raviv CEO	Einat Rom CFO

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2020	2019	2020	2019	2019
	Unaudited				Audited
	NIS in millions (except per share data)				
Revenue from management fees, commissions and other, net	432	426	208	209	844
Finance income from non-bank loans	41	39	18	21	81
Total revenues	473	465	226	230	925
Marketing, operating, general and administrative expenses	353	354	169	173	718
Operating income	120	111	57	57	207
Gain (loss) from securities held for investment purposes in nostro portfolio, net	(1)	14	7	3	9
Finance income	1	1	-	1	1
Finance expenses	(13)	(23)	(8)	(18)	(33)
Other expenses, net	(30)	(22)	(9)	(10)	(44)
Company's share of earnings of companies accounted for at equity, net	1	3	1	2	6
Income before taxes on income	78	84	48	35	146
Taxes on income	35	29	18	12	50
Net income for the period	43	55	30	23	96
Other comprehensive income (loss) (net of tax effect):					
Foreign currency translation adjustments of foreign operations	-	-	-	-	(2)
Gain (loss) from cash flow hedge	(1)	1	-	1	-
Total other comprehensive income (loss)	(1)	1	-	1	(2)
Total comprehensive income	42	56	30	24	94
Net income attributable to:					
Equity holders of the Company	36	48	27	19	78
Non-controlling interests	7	7	3	4	18
	43	55	30	23	96
Comprehensive income attributable to:					
Equity holders of the Company	35	49	27	20	78
Non-controlling interests	7	7	3	4	16
	42	56	30	24	94
Net earnings per share attributable to equity holders of the Company:					
Basic net earnings	0.54	0.74	0.39	0.29	1.19
Diluted net earnings	0.54	0.73	0.39	0.29	1.17

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company							
	Share capital	Share premium	Capital reserve from share-based payment transactions	Retained earnings	Other reserves	Total	Non-controlling interests	Total Equity
	Unaudited							
	NIS in millions							
Balance at January 1, 2020 (audited)	65	518	10	228	38	859	146	1,005
Net income for the period	-	-	-	36	-	36	7	43
Other comprehensive loss, net	-	-	-	-	(1)	(1)	-	(1)
Total comprehensive income (loss)	-	-	-	36	(1)	35	7	42
Dividend to non-controlling interests	-	-	-	-	-	-	(8)	(8)
Exercise of employee options	-	2	(2)	-	-	-	-	-
Issuance of capital to non-controlling interests	-	-	-	-	6	6	135	141
Issuance of capital to employees and officers	1	4	-	-	-	5	-	5
Share-based payment	-	-	2	-	-	2	3	5
Net purchases of non-controlling interests	-	-	-	-	(15)	(15)	(2)	(16)
Repurchase for the Company's shares	-	(6)	-	-	-	(6)	-	(6)
Balance at June 30, 2020	66	518	10	264	28	886	281	1,167

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company							
	Share capital	Share premium	Capital reserve from share-based payment transactions	Retained earnings	Other reserves	Total	Non-controlling interests	Total equity
	Unaudited							
	NIS in millions							
Balance at January 1, 2019 (audited)	64	513	14	200	34	825	125	950
Net income for the period	-	-	-	48	-	48	7	55
Other comprehensive income, net	-	-	-	-	1	1	-	1
Total comprehensive income	-	-	-	48	1	49	7	56
Dividend declared and paid	-	-	-	(30)	-	(30)	-	(30)
Dividend to non-controlling interests	-	-	-	-	-	-	(9)	(9)
Exercise of employee options	*) -	4	(4)	-	-	-	-	-
Issuance of shares to non-controlling interests	-	-	-	-	3	3	19	22
Share-based payment	-	-	1	-	-	1	-	1
Investment in partnership's equity by non-controlling interests	-	-	-	-	-	-	27	27
Balance at June 30, 2019	64	517	11	218	38	848	169	1,017

*) Less than NIS 1 million.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company							
	Share capital	Share premium	Capital reserve from share-based payment transactions	Retained earnings	Other reserves	Total	Non-controlling interests	Total Equity
	Unaudited							
	NIS in millions							
Balance at April 1, 2020	65	520	9	237	31	862	274	1,136
Net income for the period	-	-	-	27	-	27	3	30
Other comprehensive income, net	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	27	-	27	3	30
Dividend to non-controlling interests	-	-	-	-	-	-	(4)	(4)
Issuance of capital to non-controlling interests	-	-	-	-	-	-	4	4
Share-based payment	-	-	1	-	-	1	3	4
Net purchases of non-controlling interests	-	-	-	-	(3)	-	1	(2)
Issuance of capital to employees and officers	1	4	-	-	-	5	-	5
Repurchase for the Company's shares	-	(6)	-	-	-	(6)	-	(6)
Balance at June 30, 2020	66	518	10	264	28	886	281	1,167

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company							
	Share capital	Share premium	Capital reserve from share-based payment transactions	Retained earnings	Other reserves	Total	Non-controlling interests	Total equity
	Unaudited							
	NIS in millions							
Balance at April 1, 2019	64	516	11	214	34	839	122	961
Net income for the period	-	-	-	19	-	19	4	23
Other comprehensive income, net	-	-	-	-	1	1	-	1
Total comprehensive income	-	-	-	19	1	20	4	24
Dividend declared and paid	-	-	-	(15)	-	(15)	-	(15)
Dividend to non-controlling interests	-	-	-	-	-	-	(3)	(3)
Issuance of shares to non-controlling interests	-	-	-	-	3	3	19	22
Share-based payment	-	-	1	-	-	1	-	1
Exercise of employee options	*) -	1	(1)	-	-	-	-	-
Investment in partnership's equity by non-controlling interests	-	-	-	-	-	-	27	27
Balance at June 30, 2019	64	517	11	218	38	848	169	1,017

*) Less than NIS 1 million.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company							
	Share capital	Share premium	Capital reserve from share-based payment transactions	Retained earnings	Other reserves	Total	Non-controlling interests	Total Equity
	Audited							
	NIS in millions							
Balance at January 1, 2019	64	513	14	200	34	825	125	950
Net income for the year	-	-	-	78	-	78	18	96
Other comprehensive loss, net	-	-	-	-	-	-	(2)	(2)
Total comprehensive income	-	-	-	78	-	78	16	94
Dividend declared and paid	-	-	-	(50)	-	(50)	-	(50)
Dividend to non-controlling interests	-	-	-	-	-	-	(15)	(15)
Issuance of capital to non-controlling interests	-	-	-	-	5	5	27	32
Share-based payment	-	-	2	-	-	2	-	2
Investment in partnership's capital by non-controlling interests	-	-	-	-	(1)	(1)	61	60
Exercise of employee options	1	5	(6)	-	-	-	-	-
Non-controlling interests created in newly consolidated company	-	-	-	-	-	-	(5)	(5)
Derecognition of non-controlling interests due to loss of control in partnership	-	-	-	-	-	-	(63)	(63)
Balance at December 31, 2019	65	518	10	228	38	859	146	1,005

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30, 2020	Six months ended June 30, 2019	Three months ended June 30, 2020	Three months ended June 30, 2019	Year ended December 31, 2019
	Unaudited				Audited
	NIS in millions				
Cash flows from operating activities:					
Net income for the period	43	55	30	23	96
Adjustments to reconcile net income to net cash provided by operating activities:					
Adjustments to the profit or loss items:					
Depreciation of property, plant and equipment	14	13	7	7	27
Amortization of intangible assets	29	36	15	17	69
Impairment loss of goodwill	14	-	-	-	-
Amortization of deferred acquisition costs	5	5	3	2	9
Revaluation of investments to provident fund members	-	(1)	-	(1)	-
Revaluation of liabilities to provident fund members	-	1	-	1	-
Change in liabilities for purchase of operations	-	-	-	-	1
Revaluation of short-term loan	-	1	-	1	-
Company's share of earnings of companies accounted for at equity, net	1	(2)	1	(2)	(2)
Deferred taxes, net	2	2	2	1	1
Revaluation of debentures	(6)	5	(2)	9	(3)
Gains from securities measured at fair value through profit or loss, net	(5)	(16)	(2)	(2)	(15)
Share-based payment	5	1	4	1	2
	59	45	28	34	89
Changes in asset and liability items:					
Customer credit, trade receivables and other accounts receivable	213	(53)	319	(147)	(169)
Restricted cash in limited partnership	-	(16)	-	(16)	-
Short-term credit from giving non-bank loans	(318)	156	(350)	94	53
Trade payables and other accounts payable	62	(127)	(7)	(22)	(129)
	(43)	(40)	(38)	(91)	(245)
Net cash provided by (used in) operating activities	59	60	20	(34)	(60)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2020	2019	2020	2019	2019
	Unaudited				Audited
	NIS in millions				
Cash flows from investing activities:					
Change in short-term investments measured at fair value through profit or loss	12	(30)	(22)	1	(62)
Purchase of property, plant and equipment	(3)	(1)	(2)	(1)	(3)
Purchase of intangible assets	(15)	(13)	(8)	(7)	(30)
Repayment of liabilities for business combination	(7)	(6)	(2)	(4)	(9)
Grant of long-term loan	(7)	(3)	(2)	-	(11)
Change in restricted deposits, net	(4)	(7)	(11)	(5)	(16)
Investment in companies accounted for at equity	(5)	-	-	-	(1)
Acquisition of newly consolidated company (b)	-	-	-	-	(14)
Net cash provided used in investing activities	(29)	(60)	(47)	(16)	(146)
Cash flows from financing activities:					
Issuance of Company debentures (net of issuance expenses)	112	-	-	-	268
Issuance of subsidiary's debentures (net of issuance expenses)	-	-	-	-	207
Repayment of Company debentures	-	-	-	-	(87)
Repayment of subsidiary's debentures	(67)	(57)	(39)	(28)	(114)
Dividend paid to equity holders of the Company	-	(30)	-	(30)	(50)
Dividend paid to non-controlling interests	(8)	(9)	(7)	(9)	(15)
Repayment of long-term lease liabilities	(13)	(12)	(6)	(5)	(27)
Investment in partnership's equity by non-controlling interests	-	27	-	27	59
Exercise of options in subsidiary	-	-	-	-	8
Purchases of non-controlling interests	(17)	-	(1)	-	-
Repayment of long-term loans from banks	(5)	(5)	(2)	(2)	(85)
Issuance of shares to non-controlling interests	141	22	4	22	20
Repurchase for the Company's shares	(6)	-	(6)	-	-
Proceeds from short sale of securities	10	20	-	20	30
Receipt of loan convertible into shares	5	-	4	-	5
Short-term credit from banks, net	93	(17)	(23)	(7)	(3)
Net cash provided by (used in) financing activities	245	(61)	36	(12)	216
Exchange rate differences on cash and cash equivalents	-	-	-	-	2
Increase (decrease) in cash and cash equivalents	275	(61)	9	(62)	12
Cash and cash equivalents at the beginning of the period	290	278	556	279	278
Cash and cash equivalents at the end of the period	565	217	565	217	290

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30, 2020	Six months ended June 30, 2019	Three months ended June 30, 2020	Three months ended June 30, 2019	Year ended December 31, 2019
	Unaudited				Audited
	NIS in millions				
(a) Additional information on cash flows from operating activities:					
Cash paid during the period for:					
Interest	22	24	18	17	51
Taxes on income	14	24	4	10	43
Cash received during the period for:					
Interest	1	1	-	-	3
Taxes on income	3	7	-	2	9

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2020	2019	2020	2019	2019
	Unaudited				Audited
	NIS in millions				
(b) <u>Acquisition of newly consolidated company:</u>					
The subsidiary's assets and liabilities on date of acquisition:					
Working capital (excluding cash and cash equivalents)	-	-	-	-	2
Intangible assets attributable to operations	-	-	-		(26)
Long-term liabilities	-	-	-	-	15
Non-controlling interests	-	-	-	-	(5)
Total acquisition of newly consolidated subsidiary	-	-	-	-	(14)
(c) <u>Loss of control in previously consolidated partnership:</u>					
Working capital (excluding cash and cash equivalents)	-	-	-	-	(72)
Non-controlling interests	-	-	-	-	62
Total assets and liabilities of the partnership on date of sale	-	-	-	-	(10)
Total assets and liabilities on date of sale	-	-	-	-	(10)
Investment in the partnership on date of non-consolidation	-	-	-	-	10
	-	-	-	-	-

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

NOTE 1:- GENERAL

a. These financial statements have been prepared in a condensed format as of June 30, 2020 and for the six and three months periods then ended ("interim consolidated financial statements"). These financial statements should be read in conjunction with the Company's annual financial statements as of December 31, 2019 and for the year then ended and accompanying notes ("annual consolidated financial statements").

b. Effects of the Coronavirus outbreak:

Following the outbreak of the Coronavirus (Covid-19) in China in December 2019 and its global spread in 2020, many regions around the world including Israel experienced reduced economic activities. The Coronavirus spread presents a global macroeconomic risk and causes considerable uncertainty regarding future global economic activities which, among others, led to sharp declines in stock prices and extensive volatility in capital markets as well as impaired the value of financial assets in Israel and worldwide and adversely affected global economy and the Israeli economy.

The Israeli Government imposed various restrictions on travel, transport and employment which forced the Company to operate in reduced capacity and required certain employees to take unpaid leave while other employees worked from home. In addition, some of the Company's employees were forced to relocate to alternative sites of the Company in order to minimize potential risk of infection among employees. As of the date of publication of these financial statements, as a result of the lifting of some of the restrictions imposed, some of the Company's employees returned to work at the Company's offices and the majority of employees on unpaid leave of absence returned. The Coronavirus spread and the reduced operations described above affected the Group's activities and results as described below:

1. In the reporting period there was a major decrease in the scope of assets managed by the Group. The mutual fund assets managed by the Group (including ETFs) decreased by approximately NIS 9.7 billion and the provident and pension fund assets decreased by approximately NIS 3 billion. The decrease in the scope of managed assets also consists of impairment losses and redemptions by customers and directly resulted in reduced revenues in the Group. After the reporting date, the assets managed by the Group showed an increase and as of August 10, 2020 they amounted to NIS 128.4 billion compared wo NIS 123.1 billion at June 30, 2020.

NOTE 1:- GENERAL (Cont.)

b. Effects of the Coronavirus outbreak: (Cont.)

2. Following the decrease in revenues discussed above, the Company took certain measures to adapt its expenses to the expected decline in revenues, among others by requiring certain employees to take unpaid leave, minimizing marketing and procurement budgets and suspending new projects. In addition, in view of the decrease in managed assets, some of the direct expenses derived from the scope of the managed assets and the revenues are saved. In contrast to the asset management operation, some of the Group's other operations experienced increased business activity (mainly the TASE membership and institutional brokerage operations).

3. In order to increase the Company's cash reserve and prepare for the aggravation or prolongation of the economic crisis, on April 1, 2020, the Company issued debentures (series D) by way of series expansion in a total of approximately NIS 112 million. Also, as of June 30, 2020, the Company is in compliance with all the financial covenants agreed with banks and in respect of the debentures (series C and D) issued by it.

4. In the non-bank credit segment operated by Peninsula Group Ltd. ("Peninsula"), in the first quarter Peninsula raised capital totaling approximately NIS 250 million thereby entering the beginning of the economic crisis with solid financing resources and free cash flows. In addition, Peninsula increased its bank credit and simultaneously repaid the entire commercial securities issued by it in a total of approximately NIS 125 million. When the crisis broke, Peninsula began mapping its credit portfolio and minimized the scope of the credit portfolio. Peninsula also raised the financial margin received from customers, including by raising interest and not renewing credit to active customers who are over exposed to the specific risks characteristic of the crisis, in order to properly reflect the increased credit risk in the market and mitigate the impact of the increase in bank borrowings taken by Peninsula on its operating results. As a result of the above steps, the short-term customer credit portfolio decreased compared to its scope at the beginning of the crisis by approximately NIS 423 million and Peninsula's cash balances increased by approximately NIS 204 million.

5. The Company reviewed the financial results of its cash-generating units and concluded that there are no indications of impairment, other than in the provident and pension segment where the Company estimated the unit's recoverable amount. Following this analysis, the Company recorded on the first quarter of the year 2020 a provision for impairment of the provident and pension segment of approximately NIS 13.9 million. In addition, in the current quarter, the Company tested the impairment of the current saving operation and concluded that the recoverable amount of the operation exceeds its carrying amount and therefore no provision for impairment is needed. See also Note 4 below.

NOTE 1:- GENERAL (Cont.)

b. Effects of the Coronavirus outbreak: (Cont.)

Since the pandemic and the resulting economic crisis are not under the Group's control and other factors such as the continued spread of the virus are likely to affect the Group's evaluations, the Group continues to closely monitor the changes in local and global markets and analyzes the implications on the business results of the Group companies in the medium and long term.

The Company has analyzed the above implications and concluded that it will be able to continue repaying its liabilities in the foreseeable future and comply with the financial covenants applicable to it.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation of the interim consolidated financial statements:

The interim consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" and in accordance with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

b. The significant accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements, except as described below.

c. Amendments to existing standards:

1. In September 2019, the IASB published amendments to IFRS 9, "Financial Instruments", IFRS 7, "Financial Instruments: Disclosures" and IAS 39," Financial Instruments: Recognition and Measurement".

   The Amendment provides certain transitional reliefs for companies applying hedge accounting based on the benchmark Interbank Offered Rates ("IBORs") and are affected by the uncertainty arising from the expected reform in these benchmark rates. The IBOR reform leads to uncertainty regarding the dates and amounts to be attributed to future cash flows relating to both hedging instruments and hedged items that rely on existing IBORs.

   The Amendment had no effect on the financial statements of the Company as of January 1, 2020, as it does not enter into IBOR-based hedges in respect of which the timing of the IBOR reform could have an impact.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

c. Amendments to existing standards: (Cont.)

2. Amendment to IFRS 16, "Leases":

In view of the global coronavirus crisis, in May 2020, the IASB issued "Covid-19-Related Rent Concessions - Amendment to IFRS 16, Leases". The objective of the Amendment is to allow a lessee to apply a practical expedient according to which Covid-19 related rent concessions will not be accounted for as lease modifications but as variable lease payments. The relief applies to lessees only.

The Amendment applies only to Covid-19 related rent concessions and only if all of the following conditions are met:

- The revised future lease payments are substantially the same or less than the original lease payments immediately preceding the change;
- The reduction in lease payments relates to payments due on or before June 30, 2021; and
- No other substantive changes have been made to the terms of the lease.

The Amendment is to be applied retrospectively effective for annual periods beginning on or after June 1, 2020, with earlier application permitted.

The Company has elected to apply the Amendment early to all Covid-19 related rent concessions. Accordingly, as a result of a rent concession received for lease payments, the Company recognized a decrease in depreciation expense totaling approximately NIS 778 thousand for the three months ended June 30, 2020.

3. In October 2018, the IASB issued an amendment to the definition of a "business" in IFRS 3, "Business Combinations". The Amendment is intended to assist entities in determining whether a transaction should be accounted for as a business combination or as an acquisition of an asset. The Amendment consists of a clarification that to meet the definition of a business, an integrated set of activities and assets must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create output. The Amendment also introduces an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The Amendment is applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after January 1, 2020.

d. Reclassification:

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

NOTE 3:- FINANCIAL INSTRUMENTS

a. Fair value:

The following table presents the carrying amount and fair value of the groups of financial instruments that are presented in the financial statements not at fair value:

	Carrying amount			Fair value		
	June 30		December 31	June 30		December 31
	2020	2019	2019	2020	2019	2019
	Unaudited		Audited	Unaudited		Audited
	NIS in millions					
Financial liabilities:						
Loans from banks (1) and (3)	16	101	21	16	101	21
Subsidiary's debentures (3)(4)	270	184	336	269	185	337
Debentures (series C) (2) (3)	534	635	540	547	690	586
Debentures (series D) (2) (3)	380	-	268	374	-	324
	1,200	920	1,165	1,206	976	1,268

(1) The fair value is based on the discounted cash flows in respect of the loans based on interest quotes obtained from the banks for similar loans.

(2) The debentures (series C and D) are traded on the TASE.

(3) Including current maturities and accrued interest.

(4) The debentures of Peninsula Group Ltd. are traded on the TASE with a fair value based on quoted market prices.

b. Classification of financial instruments by fair value hierarchy:

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

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted prices included within Level 1 that are observable directly or indirectly.

Level 3 - inputs that are not based on observable market data (valuation techniques which use inputs that are not based on observable market data).

NOTE 3:- FINANCIAL INSTRUMENTS (Cont.)

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

Financial instruments measured at fair value:

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

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

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

In addition, as of June 30, 2020, there are financial assets measured at Level 1 in the fair value hierarchy included in investments of provident fund members in the amount of approximately NIS 11 million.

NOTE 3:- FINANCIAL INSTRUMENTS (Cont.)

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

	Level 1	Level 2	Level 3
		NIS in millions	
June 30, 2019 (unaudited)			
Financial assets at fair value through profit or loss			
Shares, options and debentures	143	4	32
Financial assets at fair value through other comprehensive income			
Shares	-	-	4
	143	4	36
Financial liabilities			
Shares, debentures and marketable options	40	-	-
Index forwards used for hedging	-	1	-
Forwards and swaps	-	1	-
Liability for shares	-	-	15
	40	2	15

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

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Liability for purchase of operations	Total
		NIS in millions		
Balance as at January 1, 2019	32	4	(21)	15
Total loss recognized in profit or loss	(2)	-	-	(2)
Acquisitions	19	-	-	19
Sale of assets	(17)	-	-	(17)
Repayments of liabilities	-	-	6	6
Balance as at June 30, 2019	32	4	(15)	21

In addition, as of June 30, 2019, there are financial assets measured at Level 1 in the fair value hierarchy included in investments of provident fund members in the amount of approximately NIS 11 million.

NOTE 3:- FINANCIAL INSTRUMENTS (Cont.)

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

	Level 1	Level 2	Level 3
	NIS in millions		
December 31, 2019 (audited)			
Financial assets at fair value through profit or loss			
Shares ,options and debentures	140	3	37
Financial assets at fair value through other comprehensive income			
Shares	-	-	6
	140	3	43
Financial liabilities			
Shares, debentures and marketable options	48	-	-
Index forwards used for hedging	-	2	-
Convertible liability to shares	-	-	5
Liability for shares	-	-	17
	48	2	22

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

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Convertible liability to shares	Liability for shares	Total
	NIS in millions				
Balance at January 1, 2019	32	4	-	(21)	15
Total loss recognized in profit or loss	(8)	-	-	(1)	(9)
Purchases	30	2	-	-	32
Newly consolidated companies	-	-	-	(6)	(6)
Disposals	(17)	-	-	-	(17)
Repayments of liabilities	-	-	-	11	11
Loan received	-	-	(5)	-	(5)
Balance at December 31, 2019	37	6	(5)	(17)	21

NOTE 4:- INTANGIBLE ASSETS

a. Managing provident funds and pension funds

In the period of three months ended March 31, 2020, following the Coronavirus outbreak as described in Note 1b above, there were indications of a potential impairment of the Company's provident and pension fund operation and therefore the Company conducted a test of impairment of goodwill in respect of the cash-generating unit of provident and pension fund management. The recoverable amount of assets allocated to provident and pension fund management is determined based on fair value and using the DCF method. For the calculation of the fair value using the DCF method, the Company used forecasts regarding future income derived from the scope of managed assets as of March 31, 2020 based on its profits for the period ended March 31, 2020, its expected future profits, evaluations of a future growth rate of 2.5% and a discount rate of about 10.7%. The recoverable amount based on the above assumptions approximates NIS 483 million as of March 31, 2020 and is lower than the carrying amount. Consequently, the Company recognized in the reporting period an impairment loss of approximately NIS 13.9 million (the Company's share of the goodwill impairment) which was fully allocated to goodwill and included in other expenses. The total goodwill allocated to this unit as of March 31, 2020 amounts to NIS 354 million.

b. Current savings management

The Company tested impairment of goodwill on June 30, 2020, for the cash-generating unit Current saving management. The recoverable amount of assets allocated to Current saving management determined based on the fair value which is derived from the discounted DCF method. For the calculation of the pre-tax value in use according to the DCF method, the Company used forecasts regarding future income derived from the scope of managed assets as of June 30, 2020 based on its profits for the period ended June 30, 2020, its expected future profits, evaluations of a future growth rate of 2.5% and a discount rate of about 11.5%. The goodwill allocated to the Current saving management unit, as of June 30, 2020, amounts to approximately NIS 449 million. The recoverable amount exceeds the carrying amount and therefore no provision for impairment is needed.

NOTE 5:- OPERATING SEGMENTS

a. General:

1. The Group operates in five reportable business segments:

Long and medium-term savings management segment	-	Marketing and managing compensation and severance pay funds, study funds, central severance pay funds, pension funds and central provident fund for participation in budgetary pension.
Current savings management segment	-	From the second quarter of 2019 and following the merger discussed in Note 4c to the annual consolidated financial statements, the current savings management segment consists of marketing and managing security investment portfolios for private and institutional customers, managing mutual funds and managing ETFs.
TASE member and institutional brokerage segment	-	Providing TASE member services mainly to private customers and institutional brokerage services that consist, among others, of security custodian services, trading services, security transactions and various current account and credit transactions for a wide variety of customers.
Non-bank loans	-	Providing non-bank loans to small and medium sized corporations in Israel through Peninsula Group Ltd.

The other activities in the Group are included in the "other" segment and mainly consist of insurance agencies (other than an insurance agency that is wholly owned by the Company and is included in the Long and medium-term savings management segment), distribution of foreign funds, grant of consumer credit through Meitav Dash Loans, purchase of income flows through Liquidity Capital M.C. Ltd. and grant of credit through Lotus Investment Management Limited ("Lotus").

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

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

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

4. As discussed above, from the second quarter of 2019, the current savings management segment includes mutual fund management, ETF management and securities investment portfolio marketing and management for private and institutional customers. The presentation is governed by the policy adopted by the Company's CODM who, from the second quarter of 2019 and as a result of the merger, as described in Note 4b to the annual consolidated financial statements, views these operations as a reportable segment.

NOTE 5:- OPERATING SEGMENTS (Cont.)

b. Reporting on operating segments:

	Long and medium-term savings management	Current savings management	TASE member and institutional brokerage	Non-bank loans	Other	Adjustments	Total
	Six months ended June 30, 2020						
	Unaudited						
	NIS in millions						
Revenues:							
Revenues from external entities	150	162	76	41	44	-	473
Inter-segment revenues	-	-	-	-	1	(1)	-
Total revenues	150	162	76	41	45	(1)	473
Company's share of earnings of companies accounted for at equity, net	-	-	-	-	1	-	1
Segment income	27	65	25	19	11	-	147
Expenses not allocated to segments							(26)
Loss from securities held for Nostro portfolio investments, net							(1)
Finance expenses, net							(12)
Other expenses, net							(30)
Income before taxes on income							78

NOTE 5:- OPERATING SEGMENTS (Cont.)

b. Reporting on operating segments: (Cont.)

	Six months ended June 30, 2019						
	Long and medium-term savings management	Current savings management	TASE member and institutional brokerage	Non-bank loans	Other	Adjustments	Total
	Unaudited						
	NIS in millions						
Revenues:							
Revenues from external entities	158	172	56	39	40	-	465
Inter-segment revenues	-	-	-	-	3	(3)	-
Total revenues	158	172	56	39	43	(3)	465
Company's share of earnings of companies accounted for at equity, net	-	-	-	-	3	-	3
Segment income	27	61	19	20	17	-	144
Expenses not allocated to segments (1)							(30)
Gain from securities held for Nostro portfolio investments, net							14
Finance expenses, net							(22)
Other expenses, net							(22)
Income before taxes on income							84

NOTE 5:- OPERATING SEGMENTS (Cont.)

b. Reporting on operating segments: (Cont.)

	Three months ended June 30, 2020						
	Long and medium-term savings management	Current savings management	TASE member and institutional brokerage	Non-bank loans	Other	Adjustments	Total
	Unaudited						
	NIS in millions						
Revenues:							
Revenues from external entities	73	74	41	18	20	-	226
Inter-segment revenues	-	-	-	-	-	-	-
Total revenues	73	74	41	18	20	-	226
Company's share of earnings of companies accounted for at equity, net	-	-	-	-	1	-	1
Segment income	13	28	17	8	4	-	70
Expenses not allocated to segments							(12)
Gain from securities held for Nostro portfolio investments, net							7
Finance expenses, net							(8)
Other expenses, net							(9)
Income before taxes on income							48

NOTE 5:- OPERATING SEGMENTS (Cont.)

b. Reporting on operating segments: (Cont.)

	Long and medium-term savings management	Current savings management	TASE member and institutional brokerage	Non-bank loans	Other	Adjustments	Total
	Three months ended June 30, 2019						
	Unaudited						
	NIS in millions						
Revenues:							
Revenues from external entities	79	86	25	21	19	-	230
Inter-segment revenues	-	-	-	-	2	(2)	-
Total revenues	79	86	25	21	21	(2)	230
Company's share of earnings of companies accounted for at equity, net	-	-	-	-	2	-	2
Segment income	17	30	8	10	9	-	74
Expenses not allocated to segments							(15)
Gain from securities held for Nostro portfolio investments, net							3
Finance expenses, net							(17)
Other expenses, net							(10)
Income before taxes on income							35

NOTE 5:- OPERATING SEGMENTS (Cont.)

b. Reporting on operating segments: (Cont.)

	Long and medium-term savings management	Current savings management	TASE member and institutional brokerage	Non-bank loans	Other	Adjustments	Total
	Year ended December 31, 2019						
	Audited						
	NIS in millions						
Revenues:							
Revenues from external entities	318	342	104	81	80	-	925
Inter-segment revenues	-	-	-	-	5	(5)	-
Total revenues	318	342	104	81	85	(5)	925
Company's share of earnings of companies accounted for at equity, net	-	-	-	-	6	-	6
Segment income	44	117	35	42	32	-	270
Expenses not allocated to segments							(57)
Gain from securities held for Nostro portfolio investments, net							9
Finance expenses, net							(32)
Other expenses, net							(44)
Income before taxes on income							146

NOTE 6:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

a. In keeping with the matters discussed in Note 4a(3) to the annual consolidated financial statements, on February 27, 2020, the Company completed the acquisition of another 13.5% of Lotus' issued and outstanding share capital from a corporation controlled by Mr. David Green for a total of approximately € 2 million. On April 1, 2020, the Company completed the acquisition of another 0.675% of Lotus' issued and outstanding share capital for a total of approximately € 101 thousand. On June 29, 2020, the Company completed the acquisition of another 6.575% of Lotus' issued and outstanding share capital for a total of approximately € 746 thousand. As of the financial statement approval date, the Company holds about 65.75% of Lotus' issued and outstanding share capital.

b. In keeping with the matters discussed in Note 4a(4) to the annual consolidated financial statements, on January 22, 2020, Peninsula issued a shelf offering report by virtue of which it issued 69,976,000 ordinary shares for immediate gross proceeds of approximately NIS 250.3 million less issuance expenses. In the share issue, the Company purchased 32,000,000 ordinary shares of Peninsula for a total of approximately NIS 115 million. On June 10, 2020, the Company exercised share options of Peninsula into 775,900 shares of Peninsula. As of the date of approval of the financial statements, the Company holds about 50.23% of Peninsula's issued share capital.

c. In keeping with the matters discussed in Note 13 to the annual consolidated financial statements, Peninsula completed the full repayment of the commercial securities series issued to classified investors which on the issue date amounted to NIS 125 million.

d. On March 31, 2020, Midroog announced a rating of A1.il with a stable outlook of the debentures (series D) that will be issued by the Company at a scope of up to approximately NIS 130 million par value in view of a master decision made by the Company's Board on March 31, 2020 to offer securities to the public by way of expansion of the existing series of debentures (series D) which had been originally issued by virtue of a shelf prospectus published by the Company on February 28, 2019. On April 1, 2020, based on the shelf offering report issued based on a shelf prospectus of the Company, the Company raised debentures (series D) totaling approximately NIS 112 million (less issuance expenses). According to the shelf offering report, the Company offered the public between NIS 50 million par value and NIS 130 million par value. The Effective interest rate underlying the debentures (series D) in the issuance was 4.08%. See details of the terms of the debentures (series D) in Note 16d to the annual consolidated financial statements.

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

e. On April 23, 2020, following the approval of the Remuneration Committee, the Company's Board approved the allocation of 764,683 registered marketable RSUs of NIS 1 par value ach of the Company to 14 officers and employees. After their allocation, the RSUs were account for about 1.1% of the Company's issued and outstanding share capital and voting rights. The allocation was executed in the backdrop of the Coronavirus crisis and its effects on the Company and on the capital market and in an attempt to assist the Company's cash flows instead of the annual bonus for 2019 which the optionees are entitled to receive and in view of the Company's request and the optionees' consent to convert the bonus to RSUs. The allocation consists of granting 44,397 RSUs to the Company's CEO, Mr. Ilan Raviv, 150,588 RSUs to Mr. Avner Stepak, a controlling shareholder in the Company and Deputy Chairman of the Board, and 113,676 RSUs to Mr. Zvi Stepak, a director in the Company and the father of Mr. Avner Stepak, which was approved by the general meeting on June 2, 2020.

80% of the RSUs vest after two years from the date of approval of the allocation by the Board ("the record date") and the other 20% vest at the end of three years from the record date. It should be noted that from the record date, the optionees will be entitled to receive dividends in respect of the RSUs, if any are distributed. Any optionees that terminate their employment in the Group after the record date, whether initiated by the employees or by the Company, will be entitled to all the RSUs allocated to them since the allocation replaces the bonus, as discussed above. The shares will be allocated in the name of a trustee in favor of each of the optionees and held by the trustee until the end of the relevant vesting period as above. After obtaining the TASE's approval for the listing of the shares and the approval of the general meeting, 759,433 RSUs were allocated in June 2020.

f. On April 30, 2020, a claim was filed with the Tel-Aviv District Court against a subsidiary, Meitav Dash Trade Ltd. ("Meitav Dash Trade") by a customer demanding compensation in an amount of approximately NIS 1.95 million for actions allegedly taken by Meitav Dash Trade to close positions in which the customer invested. The customer argues that Meitav Dash Trade blocked the option to perform any transactions in the customer's account and was late in closing the position, thereby causing the account a loss in excess of NIS 5 million which brought the balance in the account at the end of that trading day to a debit balance of approximately NIS 5.9 million, and did not report the absence of collateral in the account.

On July 9, 2020, Meitav Dash Trade submitted its letter of defense to the Court. It also filed a claim with the Tel-Aviv District Court for collecting the customer's outstanding debt of approximately NIS 5.9 million. Meitav Dash Trade also requested the Court to execute a promissory note signed by the customer. On June 3, 2020, the Court ordered a temporary repossession of a real estate property owned by the customer at the request of Meitav Dash Trade. In the opinion of the attorneys handling the case, due to the early stages of the proceedings, the chances of the collection and other proceedings cannot be assessed.

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

g. In April 2020, a claim and class action certification motion (collectively - "the claim") were filed with the Tel-Aviv District Court pursuant to the Class Action Law, 2006 against a subsidiary, Meitav Dash Provident and Pension Ltd. ("Meitav Dash Provident"). Meitav Dash Provident was informed of the claim on May 10, 2020, The claim was filed against nine other managing companies (collectively – "the defendants") regarding alleged illegal charges imposed by the Enforcement and Collection Authority by virtue of Regulation 4(a) to the Execution Regulations (Levies, Salaries and Expenses), 1968 (in this paragraph – "the Regulation"). The Regulation pertains to a third party's right to receive electronic payment from a repossession petitioner. In the claim it is argued that the defendants are legally required to charge a repossession petitioner only once for their entire financial instruments but in practice charge for each financial instrument individually. The claim seeks a remedy that will order the recovery of the entire alleged surcharges paid to the defendants in keeping with the Regulation and also obligate the defendants to receive payment for the electronic repossession process "based on the separate legal entity test", namely only once per petitioner for the entire financial instruments. The personal claim is estimated at approximately NIS 340. The amount of the class action motion for the entire group of plaintiffs was stated to be non-measurable. In the opinion of the attorneys handling the case, due to the early stages of the proceedings before a response to the motion has been submitted, the chances of the claim cannot be assessed.

h. A claim and class action certification motion (collectively - "the claim") were filed with the Tel-Aviv District Court pursuant to the Class Action Law, 2006 against a subsidiary, Meitav Dash Trade. The claim was produced to Meitav Dash Trade on May 14, 2020 and was filed against 13 other managing companies (collectively - "the defendants"). The group of plaintiffs who the petitioners seek to represent is defined as "the respondents' entire past and present customers whose advanced study funds and and/or were managed by the respondents and whose contributions were illegally classified as taxable and/or whose contributions were misrecognized (whether the tax in their respect had actually been deducted or not)". The claim also argues that the respondents acted illegally when depositing the contributions in the advanced study funds. At this stage, the petitioners estimate the lower end of the claim at hundreds of millions of NIS. On June 29, 2020, the Court rendered a decision which declared the petitioners' manner of filing the motion and managing the proceeding unreasonable and ordered the parties to submit their position. On July 24, 2020, the petitioners submitted their position. The respondents are required to submit their response by October 25, 2020 and express their position on the manner of managing the proceeding. The Company's attorneys in charge of the claim believe that at this early stage before a response to the motion has been submitted, it is difficult to assess the chances of the motion and claim to be accepted.

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

i. On May 31, 2020, the Company's Board resolved to adopt a share repurchase plan for the Company's shares for a period of three months at a maximum scope of NIS 25 million. As of the financial statement date, the Company repurchased additional shares totaling approximately NIS 6 million, After the reporting date, the Company repurchased additional shares totaling approximately NIS 7 million.

j. On June 9, 2020, Midroog Ltd. Reported that it was retaining the rating of the debentures (Series C and Series D) issued by the Company at A1.il with a stable outlook.

NOTE 7:- EVENTS AFTER THE REPORTING DATE

a. On July 21, 2020, Peninsula issued a shelf offering report in which it offered to the public 90 million debentures (series C) of NIS 1 par value each ("the debentures"). The debentures bear fixed annual interest of 2.0% and are not linked (principal or interest) to any index. The total immediate (gross) proceeds from the public offering amounted to NIS 86 million. The principal of the debentures is repayable in ten equal consecutive quarterly installments, each accounting for 10.0% of the overall principal of the debentures starting from January 3, 2022. The interest on the unsettled balance of the debentures is repayable in 15 quarterly installments starting from October 3, 2020.

b. On July 14, 2020, Peninsula reported that it has entered into an agreement with Mizrahi Tefahot Bank Ltd. ("Mizrahi Bank") according to which, concurrently with the completion of the acquisition of the entire issued and outstanding share capital of Union Bank of Israel Ltd. ("Union Bank") by Mizrahi Bank, Peninsula and Union Bank will sign an agreement in which Peninsula will acquire Union Bank's diamond dealer credit portfolio in return for an amount ranging between 55% and 70% of the total credit portfolio on the actual closing date. The credit portfolio acquired by Peninsula in the transaction will include the credit and loans provided by Union Bank to its customers in the operating segment, including obligations to provide credit facilities, all as of the completion date.

In return for the credit portfolio, on the completion date, Peninsula will pay an amount ranging between 55% and 70% of the value of the credit portfolio on the actual completion date. Accordingly, if the portfolio value is $ 130 million or more, Peninsula will pay Union Bank an amount equivalent to 70% of the portfolio value. If the portfolio value is $ 70 million or less, Peninsula will pay Union Bank an amount equivalent to 55% of the portfolio value, all based on the brackets detailed in the agreement. As of July 31, 2020, the value of the credit portfolio was approximately $ 87 million, and the scope of customer credit facilities was approximately $ 250 million.

On July 27, 2020, Peninsula reported that it received the approval of the Director General of the Competition Authority for acquiring Union Bank's diamond dealer credit portfolio and accordingly, the closing of the sale and completion of the transaction are now only subject to the completion of Union Bank's merger into Mizrahi Bank.

NOTE 7:- EVENTS AFTER THE REPORTING DATE (Cont.)

c. On August 7, 2020, Liquidity Capital M.C. Ltd. ("Liquidity") entered into a transaction with MUFG Bank Ltd. ("MUFG Bank"), a member of one of the world's leading banking and financial groups, Mitsubishi UFJ Financial Group ("MUFG"). To the best of the Company's knowledge, MUFG is the world's largest Japanese financial corporation and one of the owners of Stanley Morgan, Union Bank and other banks around the world.

According to the transaction, Liquidity and MUFG Bank will establish a joint venture (50% owned by each party) that will be incorporated in Singapore and serve as the general partner ("the GP") for a private investment fund ("the Fund") that will also be incorporated in Singapore and will provide credit to companies in Asia. According to the transaction, MUFG Bank and Liquidity will each appoint two directors on the GP's board and two members on the GP's investment committee. It was also decided that Mr. Ron Daniel, Liquidity's CEO, will serve as the GP's CEO.

As per the agreement, MUFG Bank committed to invest in the Fund as a limited partner an initial investment of $ 80 million whereby the investment funds will be subject to a minimum 4-year lockup period. The redemption of the investment funds will be allowed by delivering an advance notice of at least 12 months. The agreement also sets forth a mechanism for increasing the initial investment amount.

It was also decided that during the Fund's first five years of operation, MUFG Bank will be the sole investor in the Fund and that additional investors in the Fund can only be added with the parties' mutual consent. Concurrently, Liquidity granted MUFG Bank exclusivity which prohibits Liquidity from setting up other funds or ventures with other Japanese institutional investors that provide credit to third parties and also prohibits Liquidity from setting up other funds or ventures with other financial entities that provide credit to companies in Asia and the Ukraine as long as MUFG Bank is a limited partner in the Fund, based on the Fund's investment targets and provided that the Fund continues to make investments, all in keeping with the limitations determined in the agreement.

Liquidity will grant the GP management and underwriting services using a special technological platform developed by Liquidity which is based on a unique algorithm for predicting revenues and cash flows. In return for the management services, Liquidity will receive annual management fees of 1.2% of MUFG Bank's investment commitments and the GP will be entitled to carried interest of 25% on the Fund's return, provided that the Fund's hurdle rate is at least 8%.

NOTE 7:- EVENTS AFTER THE REPORTING DATE (Cont.)

d. In keeping with the matters discussed in Note 26c to the annual consolidated financial statements regarding withholding tax assessment orders delivered to the Company and to two subsidiaries, on August 9, 2020, the Court granted judgment status to the settlement agreement signed between the Company and the tax assessor which had been reached following the tax assessor's argument that the companies should have remitted withholding tax on payments made to service companies according to the Income Tax Regulations (Deduction from Salaries and Wages and Payment of Employer's Tax), 1993. The settlement agreement was signed for the 2011-2016 tax years. The settlement agreement is not expected to have a material impact on the Company's financial statements.

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