



**Quarterly report for
the period ended September 30, 2022**

Automated Banking Services Ltd.

Quarterly report for the period ended September 30, 2022

Board of Directors' Report on the state of the company's affairs

We are pleased to present to shareholders the report of the Board of Directors of Automated Banking Services Ltd. (hereinafter: "the Company" or "Shva") as of September 30, 2022 for the nine months and three months 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 statements 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, 2021, which was published on March 30, 2022 (ISA reference number 2022-01-039127) ("the Company's 2021 Periodic Report"), which is presented in this report by way of reference.

1. [Key data from the description of the corporation's business and the explanations of the board of directors for the state of the corporation's business](#)

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. Accordingly, as of this date, the Company reports under International Financial Reporting Standards (IFRS) and Israel Security Regulations (Annual Financial Statements), 2010.

The Company is engaged in the operation of controlled payment systems which allow, inter alia, transferring approvals for charge card transactions, collection of charge card transactions from terminals at businesses, providing a clearing interface between Clearing entities and charge card issuers, and transferring approvals for cash withdrawal transactions at ATMs. and other related activities. For details regarding the Company's areas of activity see section 3 in chapter A (Description of the Corporation's Business) in the annual report of the Company for 2021. Currently, the Company has a single operating segment (**Clearing Segment**) which includes several services as follows:

- (1) Operation of a bidirectional communication system between Clearing entities and charge card issuers and businesses, for the approval and collection of transactions performed using charge cards at businesses (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, such as Bank Leumi Le-Israel Ltd. (hereinafter: "**Bank Leumi**"), Bank Hapoalim Ltd. (hereinafter: "**Bank Hapoalim**"), Israel Discount Bank Ltd. (hereinafter: "**Discount Bank**"), First International Bank of Israel Ltd. (hereinafter: "**FIBI**"), Mizrahi Tefahot Bank Ltd. (hereinafter: "**Mizrahi Tefahot Bank**"), Bank of Jerusalem Ltd. (hereinafter: "**Bank of Jerusalem**") and Bank Yahav for Government Employees Ltd. (hereinafter: "**Bank Yahav**") and One Zero Digital Bank Ltd. ("**The Digital Bank**") (and through them, connectivity is made to additional banks as well), in a manner that allows transmitting transaction approvals for withdrawal and information requests at various ATMs (operated by those banks, and also for other banks through them), 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 Ashrait PC and Ashrait PC EMV software - the Company has developed a software program that serves as an infrastructure program for points of sale, which allows

the execution of charge card transactions at businesses. The software allows for two work configurations – running on the computer of the place of business or running on servers of the Company.

- (5) Certification of terminals for Ashrait EMV - As a supplementary service to Clearing entities, with the intention of promoting adoption of EMV-supporting terminals, the Company offers an end-to-end certification service for terminals for the purpose of qualifying the EMV standard.

For further details regarding the services provided by the Company see section 3 and section 8.1 in Chapter A (Description of the Corporation's Business) in the annual report of the Company for 2021.

1.2 Description of the business environment

a. Economic development in Israel

further to the increase trend that commenced in 2021, the Israel Consumer Price Index has increased from the beginning of the year until September 2022 the CPI increased by 4.3%. On October 3, 2022, the monetary committee of the Bank of Israel's (BoI) resolved to increase the interest by 0.75% to 2.75%.

From the beginning of the year to September 2022, the New Israeli Shekel (NIS) weakened by 13.9% against US dollar and the EUR weakened by 0.97% against the NIS.

1.3 Additional matters

Restrictive arrangement the Company and Masav

Further to what was stated in the Company's periodic report for 2021, on February 27, 2022, the Company and Banking Clearing Center Ltd. (hereinafter: "Masav") submitted a request for approval of a restrictive arrangement under conditions with the consent of the Commissioner of the Competition Court (hereinafter: "the Commissioner"). The commissioner and the companies requested the court to approve the restrictive arrangement under conditions between the companies that was submitted for approval by the court on May 10, 2020, until December 31, 2029. On March 27, 2022, conditional approval was given to the restrictive arrangement by the competition court, in light of the reasons of the request and the agreement by the parties. The validity of the approval of the restrictive arrangement under conditions is until December 31, 2029. In accordance with the requirements of the commissioner, during May 2022, Masav moved from the shared offices to its new offices. Accordingly, the Company recognized the right-of-use asset and a lease liability in the amount of approximately NIS 8.8 million. At the end of August, the Company paid Masav about NIS 7.3 million for Masav's part in the leasehold improvements. On September 7, 2022, the Company and Masav signed an addendum to the lease agreement which assigns Masav's rights in the offices to the Company following understandings reached between the parties. On June 12, 2022, the Company and Masav signed a temporary agreement in the supplier-client model according to the separation outline. For more details, see Note 3 to the financial statements.

It should be noted that the continued implementation of separation from Masav and the Company's strategic plan resulted in increased payroll expenses and other expenses which caused an increase in operating, management and general expenses of the Company. For details see section 1.7 below.

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 nine -month period ended September 30		For the year ended December 31,
	2022	2021	2021
Debit transactions	1,517	1,344	1,830
Credit transactions	15	15	20

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 nine-month period ended September 30		For the year ended December 31,
	2022	2021	2021
Total numbers of account balance checks and withdrawals (in thousands of transactions)	48,845	48,211	64,983
Total amounts of withdrawal requests (in millions of NIS)	39,435	37,169	50,151

1.5 Material events during the Reported Period

- On February 13, 2022, the general meeting of the Company's shareholders approved the grant of options to the Company's CEO and the update of the Company's remuneration policy. During February, March, May and June 2022, options were allotted to offerees, including the Company's CEO.
- On February 27, 2022, the Company published an immediate report according to which the Company is interested in examining the possibility of providing a financial information service in accordance with the Information Services Law, subject to obtaining a license and approval from the Securities Authority. Therefore, in view of the aforesaid, the Company applied to the Competition Authority for approval for engaging in the activity - providing a financial information service.
- In accordance with the terms of the restrictive arrangement, the separation outline, which was approved by the Competition Court on March 27, 2022, the Company and Masav signed on June 12, 2022 a temporary agreement in the supplier-customer model. For more details, see Note 3 to the financial statements.
- On March 29, 2022, the Company's Board of Directors decided to distribute a dividend in the amount of NIS 22,000 thousand (approximately NIS 0.55 per share) from the earnings of 2021. The dividend was distributed on April 18, 2022.
- Approval interface for clearing cards (Close Loop Payment) CLP - further to what was stated in section 8.12 of the chapter describing the Company's business in the Company's periodic report for 2021, on June 1, 2022, the Bank of Israel's Payment administration department approved for the Company to start operations and pilot with potential operators within this infrastructure.
- On September 8, 2022, the Company published an immediate report (reference number 2022-01-100738) according to which the Company's general meeting approved:
 - The reappointment of Ms. Jacqueline Natalie Strominger as an external director of the Company for a term of three years.
 - The appointment of Ms. Merav Leshem as an external director of the Company for a term of three years.
 - The re-appointment of Mr. Sharon Haran as a director of the Company for an additional term of three years.
 - The re-appointments of Kesselman and Kesselman firm, the auditors of the Company until the next annual general meeting.

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 September 30, 2022 compared to December 31, 2021 (NIS in thousands):

	As of September 30 2022	As of December 31 2021		
	(Unaudited)	(Audited)	Change	Comments and explanations
Assets				
Cash and cash equivalents	15,624	43,827	(28,203)	Mainly making a deposit and dividend distribution in April 2022.
Short term deposits	25,022	-	25,022	
Marketable securities portfolio	124,982	136,871	(11,889)	Stems from decrease in value of the company's securities portfolio
Trade receivables	23,438	22,366	1,072	
Other accounts receivable	4,514	4,653	(139)	
Excess plan assets for post-retirement employee benefits	161	-	161	
Property, plant and equipment, net	23,110	16,772	6,338	Derives from purchasing leasehold improvements and furniture from Masav as specified in section 1.3 above.
Intangible assets, net	2,484	1,839	645	
Right-of-use assets	21,344	11,815	9,529	Derives from implementing IFRS 16 with respect to the Company's offices following Masav's vacating the asset as specified in section 1.3 above.
Long-term prepaid expenses	1,626	3,005	(1,379)	
Deferred taxes	835	173	662	
Liabilities and equity				
Current maturities for leases	2,193	1,383	810	
Trade payables	2,416	1,155	1,261	
Other payables	12,409	13,884	(1,475)	
Income tax payable	1,676	4,599	(2,923)	Derives from tax provision for 2022 net of income tax payment
Lease liabilities	19,632	10,785	8,847	Derives from implementing IFRS 16 with respect to the Company's offices following Masav's vacating the asset as specified in section 1.3 above.
Liabilities for employee benefits	1,548	2,707	(1,159)	
Equity attributed to shareholders of the Company	203,266	206,808	(3,542)	Dividend paid less income for the period

1.7 Results of operations

The following are the key changes in profit and loss items for the period ended September 30, 2022 compared to the period ended September 30, 2021 (NIS in thousands):

	For nine-month period ended September 30		For the year ended December 31	Change compared to September 30	Comments and explanations compared to corresponding period last year
	2022	2021	2021	2021	
	(Unaudited)		(Audited)		
Revenue from services provided to credit card companies	80,613	75,712	102,164	4,901	Continued transition trend to EMV and continued increase in activity
Revenue from services provided to others	6,644	6,129	8,244	515	
Total revenues	87,257	81,841	110,408	5,416	
Operational, administrative and general expenses	52,470	44,743	60,078	7,727	The increase is mostly due to additional workforce as part of implementing the strategic plan and the continued implementation of separation from Masav
Operating income	34,787	37,098	50,330	(2,311)	
Financial income (expenses), net	(10,532)	4,680	7,402	(15,212)	Impairment of the securities portfolio of the Company (compared to increase last year) and capital market volatility
Income before income tax	24,255	41,778	57,732	(17,523)	Decrease derives from the financing effect as aforesaid.
Provision for income tax	8,066	9,450	13,175	(1,384)	
Net income attributed to shareholders	16,189	32,328	44,557	(16,139)	The decrease was driven by the trends discussed above.
Net earnings per share	0.40	0.81	1.11		

1.8 Liquidity and sources of financing

The following are the key changes in cash flow items in the period ended September 30, 2022 compared to the period ended September 30, 2021 (NIS in thousands):

	For nine-month period ended September 30		For the year ended December 31	Comments and explanations compared to corresponding period last year
	2022	2021	2021	
	(Unaudited)		(Audited)	
Net income for the period	16,189	32,328	44,557	
Adjustments to income	24,705	9,862	12,372	
Cash flows before changes in asset and liability items and before finance and taxes	40,894	42,190	56,929	
Changes in asset and liability items, net	141	(10,177)	(7,452)	
Cash flow from taxes and finance	(10,263)	(5,658)	(6,397)	
Net cash provided by operating activity	30,772	26,355	43,080	
Net cash used in investing activity	(35,670)	(2,471)	(22,036)	Mainly from investing in a short-term deposit and purchasing fixed assets
Net cash used in financing activity	(23,305)	(26,199)	(26,560)	Dividend payments

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

In the third quarter of 2022, there were no material changes in the Company's risk assessment and risk profile. For more details regarding the description of the market risks to which the Company is exposed, see section 2 of the Company's board of directors and management report. The marketable securities portfolio as of September 30, 2022 was NIS 124,982 thousand, compared to NIS 136,871 thousand as of December 31, 2021. Cash and bank deposits as of September 30, 2022 was NIS 40,646 thousand, compared to NIS 43,827 thousand as of December 31, 2021. The value of the marketable securities portfolio, cash and bank deposits as of September 30, 2022 was NIS 165,628 thousand compared to NIS 180,698 thousand as of December 31, 2021.

Officer responsible for market risk of the Company

The officer responsible for market risk of the Company is Mr. Eitan Lev Tov, CEO of the Company.

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 Company's board of directors and management report in the Company's 2021 annual report.

2.1 Fair value of financial instruments and sensitivity tests

2.1.1 Fair value of financial instruments

	As of September 30, 2022				
	NIS in thousands				
	Israeli currency		Foreign currency		
	Unlinked	Linked	US dollar	Other	Total
Assets					
Cash and bank deposits	15,577	-	47	-	15,624
Short term deposits	25,022	-	-	-	25,022
Marketable securities	68,914	49,679	6,389	-	124,982
Trade receivables	23,438	-	-	-	23,438
Other receivables	1,054	-	-	-	1,054
Total financial assets	134,005	49,679	6,436	-	190,120
Current maturities of lease liabilities	-	2,193	-	-	2,193
Trade payables	2,416	-	-	-	2,416
Other payables	8,663	-	-	-	8,663
Income tax payable	-	1,676	-	-	1,676
Lease liabilities	-	19,632	-	-	19,632
Total financial liabilities	11,079	23,501	-	-	34,580
Net fair value of financial instruments	122,926	26,178	6,436	-	155,540

	As of September 30, 2021				
	NIS in thousands				
	Israeli currency		Foreign currency		
	Unlinked	Linked	US dollar	Other	Total
Assets					
Cash and bank deposits	46,852	-	176	-	47,028
Marketable securities	59,892	48,645	6,476	-	115,013
Trade receivables	24,711	-	-	-	24,711
Other receivables	1,805	-	-	-	1,805
Total financial assets	133,260	48,645	6,652	-	188,557
Current maturities of lease liabilities	-	1,425	-	-	1,425
Trade payables	1,487	-	-	-	1,487
Other payables	8,381	-	-	-	8,381
Income tax payable	-	2,731	-	-	2,731
Lease liabilities	-	11,100	-	-	11,100
Total financial liabilities	9,868	15,256	-	-	25,124
Net fair value of financial instruments	123,392	33,389	6,652	-	163,433

2.1.1 Fair value of financial instruments (Cont.)

	As of December 31, 2021				
	NIS in thousands				
	Israeli currency		Foreign currency		Total
	Unlinked	Linked	US dollar	Other	
Assets					
Cash and bank deposits	43,826	-	1	-	43,827
Marketable securities	74,251	56,306	6,314	-	136,871
Trade receivables	22,366	-	-	-	22,366
Other receivables	2,714	-	-	-	2,714
Total financial assets	143,157	56,306	6,315	-	205,778
Current maturities of lease liabilities	-	1,383	-	-	1,383
Trade payables	1,155	-	-	-	1,155
Other payables	10,104	-	-	-	10,104
Income tax payable	-	4,599	-	-	4,599
Lease liabilities	-	10,785	-	-	10,785
Total financial liabilities	11,259	16,767	-	-	28,026
Net fair value of financial instruments	131,898	39,539	6,315	-	177,752

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

	As of September 30, 2022						
	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%	121,105	25,071	6,436	-	152,612	(2,928)	(1.88)
Immediate increase of 0.1%	122,744	26,067	6,436	-	155,247	(293)	(0.19)
Immediate decrease of 1%	124,747	27,285	6,436	-	158,468	2,928	1.88
Immediate decrease of 0.1%	123,109	26,288	6,436	-	155,833	293	0.19

	As of September 30, 2021						
	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%	121,655	31,865	6,652	-	160,172	(3,261)	(2.00)
Immediate increase of 0.1%	123,219	33,236	6,652	-	163,107	(326)	(0.20)
Immediate decrease of 1%	125,128	34,914	6,652	-	166,694	3,261	2.00
Immediate decrease of 0.1%	123,566	33,541	6,652	-	163,759	326	0.20

	As of December 31, 2021						
	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%	129,313	37,503	6,315	-	173,131	(4,621)	(2.60)
Immediate increase of 0.1%	131,640	39,335	6,315	-	177,290	(462)	(0.26)
Immediate decrease of 1%	134,482	41,576	6,315	-	182,373	4,621	2.60
Immediate decrease of 0.1%	132,156	39,743	6,315	-	178,214	462	0.26

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

As of September 30, 2022							
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%	124,548	26,178	7,074	-	157,800	2,260	1.45
Immediate increase of 5%	123,738	26,178	6,755	-	156,671	1,131	0.73
Immediate decrease of 10%	121,305	26,178	5,797	-	153,280	(2,260)	(1.45)
Immediate decrease of 5%	122,115	26,178	6,116	-	154,409	(1,131)	(0.73)

As of September 30, 2021							
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%	124,944	33,389	7,300	-	165,633	2,200	1.35
Immediate increase of 5%	124,168	33,389	6,976	-	164,533	1,100	0.67
Immediate decrease of 10%	121,840	33,389	6,004	-	161,233	(2,200)	(1.35)
Immediate decrease of 5%	122,616	33,389	6,328	-	162,333	(1,100)	(0.67)

As of December 31, 2021							
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%	133,990	39,539	6,946	-	180,475	2,723	1.53
Immediate increase of 5%	132,945	39,539	6,630	-	179,114	1,362	0.77
Immediate decrease of 10%	129,807	39,539	5,683	-	175,029	(2,723)	(1.53)
Immediate decrease of 5%	130,851	39,539	6,000	-	176,390	(1,362)	(0.77)

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

As of September 30, 2022							
NIS in thousands							
Net fair value of financial instruments considering change in the Israel Consumer Price Index							
	Israeli currency		Foreign currency			Change in fair value	
	Unlinked	Linked	US dollar	Other	Total	NIS in thousands	%
Immediate increase of 2%	122,926	26,702	6,436	-	156,064	524	0.34
Immediate increase of 1%	122,926	26,440	6,436	-	155,802	262	0.17
Immediate decrease of 2%	122,926	25,654	6,436	-	155,016	(524)	(0.34)
Immediate decrease of 1%	122,926	25,916	6,436	-	155,278	(262)	(0.17)

As of September 30, 2021							
NIS in thousands							
Net fair value of financial instruments considering change in the Israel Consumer Price Index							
	Israeli currency		Foreign currency			Change in fair value	
	Unlinked	Linked	US dollar	Other	Total	NIS in thousands	%
Immediate increase of 2%	123,392	34,056	6,652	-	164,100	667	0.41
Immediate increase of 1%	123,392	33,723	6,652	-	163,767	334	0.20
Immediate decrease of 2%	123,392	32,722	6,652	-	162,766	(667)	(0.41)
Immediate decrease of 1%	123,392	33,055	6,652	-	163,099	(334)	(0.20)

As of December 31, 2021							
NIS in thousands							
Net fair value of financial instruments considering change in the Israel Consumer Price Index							
	Israeli currency		Foreign currency			Change in fair value	
	Unlinked	Linked	US dollar	Other	Total	NIS in thousands	%
Immediate increase of 2%	131,898	40,330	6,315	-	178,543	791	0.45
Immediate increase of 1%	131,898	39,934	6,315	-	178,147	395	0.22
Immediate decrease of 2%	131,898	38,748	6,315	-	176,961	(791)	(0.45)
Immediate decrease of 1%	131,898	39,144	6,315	-	177,357	(395)	(0.22)

3. Disclosure regarding financial reporting of the Company

3.1 Limits on dividend distributions

Distribution of dividend to shareholders of the Company is subject to the provisions of the statute and the Company's articles, as well as the rules and conditions for dividend distribution in the Companies Law.

On March 29, 2022, the Company's Board of Directors decided to distribute a dividend of NIS 22,000 thousand (approximately NIS 0.55 per share) from the earnings of 2021. For further details, see the immediate report published by the Company on March 30, 2022 (reference: 2022-01-039151). The dividend was distributed on April 18, 2022.

For information about past limits on dividend distribution by the Company, see section 5 in Chapter A (Description of the Corporation's Business) in the Company's 2021 Periodic Report.

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

Changes in officers during the Reported Period:

- On February 23, 2022, Ms. Ronit Tischler Pitti was appointed as VP of Operations and Partners Relations of the Company in accordance with the approval of the Bank of Israel.
- On March 23, 2022, Mr. Guy Ram was appointed as VP of Technology and Innovation of the Company in accordance with the approval of the Bank of Israel.
- On June 1, 2022, Ms. Tali Hollenberg began serving as the Company's VP of Business Development Marketing and Sales.
- On June 15, 2022, Ms. Odelia Green Katz began serving as the Company's human resources manager.
- On August 31, 2022, Mr. Ze'ev Zohar ceased serving as an external director of the Company and Ms. Meirav Leshem began serving as an external director of the Company.

Executives (other than directors) who ceased serving during the reported year:

Ms. Meirav Srur served until 1.1.2022 as the Company's VP of Business Development.

5. Legal proceedings

See note 3 to the financial statements.

6. Internal auditor

On November 29, 2021, Mr. Eli Hillel was appointed as the Company's Internal Auditor (hereinafter: "the Internal Auditor"). For details regarding the internal auditor, including the manner of his appointment, the work plan and the scope of the internal audit, see section 5 of the Company's Board of Directors' Report for 2021, which is attached to the Company's Periodic Report for 2021 the information contained therein is by reference.

7. [Critical accounting estimates](#)

In the Reported Period, no changes have taken place in critical accounting estimates as discussed in note 2 to the financial statements of the Company as of December 31, 2021.

Shalom Bisteri
Chairman of the Board

Eitan Lev Tov
Chief Executive Officer

Date of approving the financial statements: November 27, 2022.

AUTOMATED BANKING SERVICES LTD.
INTERIM FINANCIAL INFORMATION
(UNAUDITED)
AS OF SEPTEMBER 30, 2022

AUTOMATED BANKING SERVICES LTD.
INTERIM FINANCIAL INFORMATION
(UNAUDITED)
AS OF SEPTEMBER 30, 2022

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Notes to the condensed financial statements	27-34

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

Introduction

We have reviewed the attached financial information of Automated Banking Services Ltd. (hereinafter - "the Company"), which is comprised of the condensed consolidated statement of financial position as of September 30, 2022 and the condensed consolidated statements of profit or loss, comprehensive income, changes in shareholder's equity and cash flows for the nine-month and three-month period 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 IAS 34 "Interim Financial Reporting" and are also responsible for preparing financial information for these interim periods in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), -1970. Our responsibility is to express a conclusion with respect to the financial information for these interim periods, based on our review.

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 Commissioner of Competition to grant a conditioned exemption from recognition as a restrictive arrangement.

Tel Aviv
November 27, 2022

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

AUTOMATED BANKING SERVICES LTD.
CONDENSED STATEMENT OF FINANCIAL POSITION
Amounts in thousand NIS

	As of September 30		As of December 31,
	2022	2021	2021
	(Unaudited)		(Audited)
A s s e t s			
CURRENT ASSETS:			
Cash and cash equivalents	15,624	47,028	43,827
Short term deposits	25,022	-	-
Marketable securities	124,982	115,013	136,871
Trade receivables	23,438	24,711	22,366
Other receivables	4,514	4,230	4,653
Total current assets	193,580	190,982	207,717
NON-CURRENT ASSETS:			
Excess plan assets for post-retirement employee benefits	161	-	-
Property, plant and equipment, net	23,110	17,959	16,772
Intangible assets – software and licenses, net	2,484	2,162	1,839
Right-of-use assets	21,344	12,204	11,815
Prepaid expenses	1,626	2,870	3,005
Deferred taxes	835	843	173
Total non-current assets	49,560	36,038	33,604
Total assets	243,140	227,020	241,321

AUTOMATED BANKING SERVICES LTD.
CONDENSED STATEMENT OF FINANCIAL POSITION
Amounts in thousand NIS

	As of September 30		As of December 31, 2021
	2022	2021	2021
	(Unaudited)		(Audited)
Liabilities and equity			
CURRENT LIABILITIES:			
Current maturities of lease liabilities	2,193	1,425	1,383
Trade payables	2,416	1,487	1,155
Other payables	12,409	13,119	13,884
Current tax liabilities	1,676	2,731	4,599
Total current liabilities	18,694	18,762	21,021
NON-CURRENT LIABILITIES:			
Lease liabilities	19,632	11,100	10,785
Liability for post-retirement employee benefits, net	-	1,337	792
Liability for employee benefits	1,548	1,894	1,915
Total non-current liabilities	21,180	14,331	13,492
Total liabilities	39,874	33,093	34,513
EQUITY			
Share capital	4,587	4,587	4,587
Share premium	150	150	150
Capital reserve for share based payment	1,466	-	-
Other comprehensive loss	(2,483)	(3,938)	(3,286)
Retained earnings	199,546	193,128	205,357
Total equity attributed to shareholders of the Company	203,266	193,927	206,808
Total liabilities and equity	243,140	227,020	241,321

Shalom Bisteri
Chairman of the
Board

Eitan lev Tov
Chief Executive
Officer

Ofer Eden
CFO

Date of approving the financial information: November 27, 2022.

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

AUTOMATED BANKING SERVICES LTD.
CONDENSED STATEMENT OF PROFIT OR LOSS
Amounts in thousand NIS

	For the nine-month period ended September 30		For the three-month period ended September 30		For the year ended December 31
	2022	2021	2022	2021	2021
	(Unaudited)		(Unaudited)		(Audited)
Revenues					
From the provision of services to credit card companies	80,613	75,712	27,670	26,605	102,164
From the provision of services to others	6,644	6,129	2,355	2,114	8,244
Total Revenues	<u>87,257</u>	<u>81,841</u>	<u>30,025</u>	<u>28,719</u>	<u>110,408</u>
Operating, general and administrative expenses	52,470	44,743	19,108	15,288	60,078
Operating profit	<u>34,787</u>	<u>37,098</u>	<u>10,917</u>	<u>13,431</u>	<u>50,330</u>
Finance Income (expenses) from marketable securities, net	(10,241)	4,913	(2,265)	1,277	7,725
Finance income	97	53	41	(3)	59
Finance expenses	(388)	(286)	(187)	(101)	(382)
Finance income (expenses), net	<u>(10,532)</u>	<u>4,680</u>	<u>(2,411)</u>	<u>1,173</u>	<u>7,402</u>
Profit before taxes on income	<u>24,255</u>	<u>41,778</u>	<u>8,506</u>	<u>14,604</u>	<u>57,732</u>
Income tax	8,066	9,450	3,096	3,404	13,175
Net profit attributable to Company shareholders	16,189	32,328	5,410	11,200	44,557
Net basic and diluted earnings per share attributable to shareholders (in NIS)	0.40	0.81	0.14	0.28	1.11

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

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

	For the nine-month period ended September 30		For the three-month period ended September 30		For the year ended December 31
	2022	2021	2022	2021	2021
	(Unaudited)		(Unaudited)		(Audited)
Net income	16,189	32,328	5,410	11,200	44,557
Components of other comprehensive income Amounts not reclassified to profit or loss:					
Adjustments required for employee benefits	1,043	-	288	-	847
Relevant tax impact	(240)	-	(66)	-	(195)
Other comprehensive income attributed to shareholders, after tax	803	-	222	-	652
Total comprehensive income attributed to shareholders	16,992	32,328	5,632	11,200	45,209

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

AUTOMATED BANKING SERVICES LTD.
CONDENSED STATEMENT OF CHANGES IN EQUITY
Amounts in thousand NIS

For the nine-month period ended September 30, 2022 (unaudited)

	<u>Share capital</u>	<u>Share premium</u>	<u>Capital reserve for share based payment</u>	<u>Accumulated other comprehensive loss</u>	<u>Retained earnings</u>	<u>Total equity</u>
Balance at January 1, 2022	4,587	150	-	(3,286)	205,357	206,808
Changes during period:						
Net income for the period	-	-	-	-	16,189	16,189
Other comprehensive income	-	-	-	803	-	803
Total comprehensive income	-	-	-	803	16,189	16,992
Recording a benefit in respect of issued warrants	-	-	1,466	-	-	1,466
Dividend paid	-	-	-	-	(22,000)	(22,000)
Balance at September 30, 2022	<u>4,587</u>	<u>150</u>	<u>1,466</u>	<u>(2,483)</u>	<u>199,546</u>	<u>203,266</u>

For the nine-month period ended September 30, 2021 (unaudited)

	<u>Share capital</u>	<u>Share premium</u>	<u>Accumulated other comprehensive loss</u>	<u>Retained earnings</u>	<u>Total equity</u>
Balance at January 1, 2021	4,587	150	(3,938)	186,000	186,799
Changes during period:					
Net income for the period	-	-	-	32,328	32,328
Dividend paid	-	-	-	(25,200)	(25,200)
Balance at September 30, 2021	<u>4,587</u>	<u>150</u>	<u>(3,938)</u>	<u>193,128</u>	<u>193,927</u>

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

AUTOMATED BANKING SERVICES LTD.
CONDENSED STATEMENT OF CHANGES IN EQUITY
Amounts in thousand NIS

For the three-month period ended September 30, 2022 (unaudited)

	<u>Share capital</u>	<u>Share premium</u>	<u>Capital reserve for share based payment</u>	<u>Accumulated other comprehensive loss</u>	<u>Retained earnings</u>	<u>Total equity</u>
Balance at July 1, 2022	4,587	150	887	(2,705)	194,136	197,055
Changes during period:						
Net income for the period	-	-		-	5,410	5,410
Other comprehensive loss	-	-		222	-	222
Total comprehensive income	-	-		222	5,410	5,632
Recording a benefit in respect of issued warrants	-	-	579	-	-	579
Balance at September 30, 2022	<u>4,587</u>	<u>150</u>	<u>1,466</u>	<u>(2,483)</u>	<u>199,546</u>	<u>203,266</u>

For the three-month period ended September 30, 2021 (unaudited)

	<u>Share capital</u>	<u>Share premium</u>	<u>Accumulated other comprehensive loss</u>	<u>Retained earnings</u>	<u>Total equity</u>
Balance at July 1, 2021	4,587	150	(3,938)	195,428	196,227
Changes during period:					
Net income for the period	-	-	-	11,200	11,200
Dividend paid				(13,500)	(13,500)
Balance at September 30, 2021	<u>4,587</u>	<u>150</u>	<u>(3,938)</u>	<u>193,128</u>	<u>193,927</u>

For the year ended December 31, 2021 (audited)

	<u>Share capital</u>	<u>Share premium</u>	<u>Accumulated other comprehensive loss</u>	<u>Retained earnings</u>	<u>Total equity</u>
Balance at January 1, 2021	4,587	150	(3,938)	186,000	186,799
Changes during the year:					
Net income	-	-	-	44,557	44,557
Other comprehensive income	-	-	652	-	652
Total comprehensive income	-	-	652	44,557	45,209
Dividend paid	-	-	-	(25,200)	(25,200)
Balance at December 31, 2021	<u>4,587</u>	<u>150</u>	<u>(3,286)</u>	<u>205,357</u>	<u>206,808</u>

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

AUTOMATED BANKING SERVICES LTD.
CONDENSED STATEMENT OF CASH FLOWS
Amounts in thousand NIS

	For the nine -month period ended September 30		For the three-month period ended September 30		For the year ended December 31
	2022	2021	2022	2021	2021
	(Unaudited)		(Unaudited)		(Audited)
Cash flows from operating activity:					
Net income for the period	16,189	32,328	5,410	11,200	44,557
Adjustments required to present cash flows from operating activity					
Adjustments to profit and loss items:					
Depreciation and amortization	4,915	4,851	1,875	1,705	6,553
Capital loss	3	2	3	-	4
Expenses in respect of share based payment transactions	1,466	-	579	-	-
Liability for post-retirement employee benefits, net	43	161	15	71	(58)
Changes in liabilities for employee benefits, net	(320)	78	(196)	37	100
Income tax	8,066	9,450	3,096	3,404	13,175
Finance expenses (income), net	10,532	(4,680)	2,411	(1,173)	(7,402)
Change in asset and liability items:					
Increase in trade receivables	(1,072)	(6,737)	(268)	(1,251)	(4,392)
Decrease (increase) in other receivables	1,427	434	(1,443)	506	(139)
Increase (decrease) in trade payables	1,261	130	661	478	(202)
Decrease in other payables	(1,475)	(4,004)	4,730	480	(2,719)
Cash flows from operating activity before finance and taxes	41,035	32,013	16,873	15,457	49,477
Interest received	2,102	2,078	1,320	925	2,874
Interest and fees paid	(474)	(370)	(229)	(129)	(523)
Taxes paid, net	(11,891)	(7,366)	(2,837)	(2,337)	(8,748)
Net cash provided by operating activity	30,772	26,355	15,127	13,916	43,080

AUTOMATED BANKING SERVICES LTD.
CONDENSED STATEMENT OF CASH FLOWS
Amounts in thousand NIS

	For the nine-month period ended		For the three-month period ended		For the year ended
	September 30		September 30		December 31
	2022	2021	2022	2021	2021
	(Unaudited)		(Unaudited)		(Audited)
Cash flows from investing activity:					
Investment in short term deposits	(25,000)	-	(25,000)	-	-
Purchase of held-for-trading securities	(57,830)	(28,600)	(35,186)	(6,850)	(73,920)
Proceeds from disposal of held-for-trading securities	57,537	28,065	34,792	5,905	53,606
Acquisitions and investments in property, plant and equipment and intangible assets	(10,377)	(1,937)	(8,942)	(917)	(1,723)
Proceeds from sale of equipment	-	1	-	-	1
Net cash used in investing activity	(35,670)	(2,471)	(34,336)	(1,862)	(22,036)
Cash flows from financing activity:					
Maturity of lease liabilities	(1,305)	(999)	(555)	(352)	(1,360)
Dividend paid	(22,000)	(25,200)	-	(13,500)	(25,200)
Net cash used in financing activity	(23,305)	(26,199)	(555)	(13,852)	(26,560)
Decrease in cash and cash equivalents	(28,203)	(2,315)	(19,764)	(1,798)	(5,516)
Balance of cash and cash equivalents at beginning of the period	43,827	49,343	35,388	48,826	49,343
Balance of cash and cash equivalents at end of the period	15,624	47,028	15,624	47,028	43,827

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

AUTOMATED BANKING SERVICES LTD.

APPENDIX TO CONDENSED STATEMENT OF CASH FLOWS
Amounts in thousand NIS

	For the nine-month period ended September 30		For the three-month period ended September 30		For the year ended December 31
	2022	2021	2022	2021	2021
	(Unaudited)		(Unaudited)		(Audited)

Appendix A – material non-cash transactions

Recognition of right-of-use assets against lease liability	10,962	4,224	741	596	4,228
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The notes to the condensed financial information are an integral part thereof.

AUTOMATED BANKING SERVICES LTD.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - GENERAL

a. The reporting entity

1. Automated banking 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's shares were sold to the public by Company's shareholders. The Company's shares were also listed on the Tel Aviv Stock Exchange and trading of the shares began on June 12, 2019, and the Company became a public company (reporting corporation). On May 24, 2021, the Securities Authority decided to extend the period for offering securities according to the Company's shelf prospectus until June 3, 2022.
3. On June 20, 2022, a notification was received on behalf of the supervisor of banks about the end of the period of application of proper banking management directives to the company.
4. The Company is currently operating in a single operating segment, the clearing segment, which includes the operation of a bidirectional communication system connecting Clearing entities and charge card issuers and businesses, management and operation of a clearing interface for communication between Clearing entities 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 and other related services. Most of the Company's revenues derive from the provision of clearing services to credit card companies. For details regarding the Competition Commissioner's decision to grant an additional exemption for the Company's activity in the transaction collection and authorization services and in interface services for Clearing entities and issuers, see Note 17 in the annual financial statements for 2021.

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 November 27, 2022.

AUTOMATED BANKING SERVICES LTD.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

a. Basis of presentation of the present financial information

The interim condensed consolidated financial information of the Company as of September 30, 2022 (hereinafter – the "Interim Financial Information") was prepared in accordance with IAS 34 "Interim Financial Reporting", including the additional disclosure required by Chapter D of Securities Regulation (Periodic and Immediate Reports), 1970.

The interim financial information does not include all the information and disclosures required in the annual financial statements. The interim financial information should be read in conjunction with the annual financial statements for 2021 and the accompanying notes, which comply with the International Financial Reporting Standards, which are standards and interpretations published by the International Accounting Standards Board (hereinafter - IFRS) and include the additional disclosure required in accordance with the Securities Regulations (Annual Financial Statements), 2010.

b. Use of estimates and judgment

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:

Provision for claims

The Company provides for claims in accordance with the accounting policy specified in note 21 to the financial statements, based on estimates by management and its legal counsel.

AUTOMATED BANKING SERVICES LTD.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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 at least annually (if there are changes in interest rates estimate is done more than 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 2021 annual financial statements of the Company:**

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.

- d. **Application of accounting policies for the first time that have been implemented in the preparation of financial information for the interim period:**

Share-based payment

The Company's CEO, officers and employees are entitled to benefits by way of share-based payment plans settled by equity instruments.

In share-based payment transactions settled by equity instruments, the value of the benefit is measured at the time of grant based on the B&S model for pricing options.

The value of the benefit is accrued on an ongoing basis for wage expenses against a capital reserve over the period in which the conditions of performance end on the date on which the relevant employees are entitled to remuneration.

AUTOMATED BANKING SERVICES LTD.

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – CONTINGENT LIABILITIES AND COMMITMENTS

a. Agreements and lease transactions in which the Company is a lessee

In November 2015, the Company signed an agreement with Masav, jointly and severally (with each company assuming 50% of rental costs), for leasing an office site for a ten-year period, with an option to extend by two additional periods of five years each, and ten years in total. The Company believes that exercising the option is highly likely. In accordance with the requirements of the Commissioner (see also B below), during May 2022, Masav moved to its new offices. On September 7, 2022, the Company and Masav signed an addendum to the lease agreement which assigns Masav's rights in the offices to the Company following understandings reached between the companies.

Accordingly, the Company recognized the right-of-use asset and a lease liability in the amount of approximately NIS 8.8 million.

In addition, the Company purchased from Masav leasehold improvements and furniture in the amount of approximately NIS 7.3 million.

b. Decisions of the Commissioner of Competition

Exemption from restrictive arrangement

Since 2002, the Company has operated in compliance with decisions of the Competition Authority regarding an exemption from approval of a restrictive arrangement between Bank Hapoalim Ltd, Bank Leumi Ltd, Bank Discount Ltd, the First International Bank of Israel Ltd, Mizrahi Tefahot Bank Ltd and the Company.

The latest such decision was issued on September 24, 2017 for a five-year period, until September 24, 2022 (hereinafter: the "Exemption Decision"). The Exemption Decision has several main provisions:

- (a) The Company may only be engaged in the following areas of activity:
 - (1) Operation of an ATM switch;
 - (2) Operation of a charge cards switch and systems for collecting and processing transactions;
 - (3) Engagement in activity related to the protocol for a limited period, as specified in (b) 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) Transfer of rights to the Ashrait EMV protocol – Transfer of all rights of the Company to the Ashrait EMV protocol to a non-profit association that was set up for that purpose, for no consideration, as the Company discontinues engagement and activity involving the Ashrait EMV protocol, according to the milestones and timing specified in the Exemption Decision and as amended by the Commissioner from time to time.
- (c) The conditions that allow the Company to pay out dividends.

AUTOMATED BANKING SERVICES LTD.

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – CONTINGENT LIABILITIES AND COMMITMENTS (CONT.)

- (d) Various provisions regarding the terms and conditions governing the connection of new users to the Company's systems, as well as provisions guiding activity with vendors and provision of end-to-end certifications for the EMV standard.
- (e) Additionally, the Exemption Decision stipulates that the Company is required to present on its website a rate for each of the services it provides.
- (f) On April 25, 2021, the Commissioner of Competition approved in accordance with subsection (a) (8) above, the Company's request to engage in the provision of aggregate information based on the data stored in the Company's databases, provided that Shva allows access to these services to any party requesting such services, on equal terms, and subject to the other provisions of the exemption.

Application for approval of a restrictive arrangement – Competition Court

- (g) On April 27, 2022, the Company issued an immediate report stating that the Company is interested in examining the possibility of providing a financial information service in accordance with the Information Services Law, subject to obtaining a license and approval from the Securities Authority. Therefore, in view of the aforesaid, the Company applied to the Competition Authority seeking an approval for engaging in this activity - providing a financial information service. After submitting the aforementioned application, several conversations and meetings were held with the Competition Authority, including a discussion surrounding concerns and a hearing meeting in which the Company responded to all the claims and concerns raised by the Competition Authority, among other things, an extensive technological explanation as well as an explanation of the great contribution that the Company can have in the development of the open banking field. As of the publication date of the report, the Competition Authority's decision on the request has not yet been received.
- (h) In view of the expiration of the exemption on September 24, 2022, on June 7, 2022, the Company submitted a request according to which Shva does not constitute a restrictive arrangement between the banks that are its shareholders. For the sake of prudence, the Company also submitted a request for exemption from the approval of a restrictive arrangement. The Competition Authority requested several extensions to submit its response. In addition, on September 22, 2022, the Competition Authority gave the Company a commitment from the Commissioner to avoid enforcement measures according to which the Competition Authority's inspection regarding the exemption request has not yet been completed and more time is required to complete the inspections, including the completion of information by the Company and the formulation of a final version of terms. Therefore, the Commissioner and the Competition Authority will not take enforcement measures against the Company or the banks holding shares therein in respect of the Company's continued activities, subject to the fact that the Company will continue to operate in accordance with the conditions under which the last exemption was stipulated. The Company negotiates with the authority regarding its position. As of the report publication date, the Competition Authority's decision on the request has not yet been received.

AUTOMATED BANKING SERVICES LTD.

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – CONTINGENT LIABILITIES AND COMMITMENTS (CONT.)

- (i) On February 27, 2022, the Company and Masav submitted an application for approval of a restrictive arrangement under conditions with the consent of the Commissioner to the Competition Court. The Commissioner and the companies requested the court to approve under the conditions attached as an appendix to their application (the "conditions") the restrictive arrangement between the companies submitted to the court's approval on May 10, 2020, until December 31, 2029.

Simultaneously with the submission of the application for approval of a restrictive arrangement under conditions with consent, the companies' application for a temporary permit for the restrictive arrangement between them for a period of two months was submitted, in order to allow the court to decide on the application for approval of a restrictive arrangement and a recommendation of the Commissioner for temporary permit was submitted.

The following are the main terms agreed upon between the parties:

- Until December 31, 2027, all joint affiliations between the applicants will be completely disconnected, so that at the end of the date for approving the restrictive arrangement, no joint affiliations will remain between them and no services will be provided from one company to another that are not as part of the services they sell to the public.
- Severing the joint affiliations will be done gradually and in a controlled manner. In general, affiliations that have a greater impact on competition and that may raise more significant competitive concerns will be separated sooner. Affiliates whose impact on competition is lesser and whose separation involves greater technical complexity will be separated later.
- In the interim period until the complete separation of all affiliations, the applicants will cooperate in a manner that reduces the fear of reducing competition between them, and only between the officers required for a particular matter, in accordance with the conditions.
- The terms and conditions require the documentation of the meetings and joint conversations of the companies' managements, in a manner that will allow the Commissioner, if necessary, to monitor the implementation of the terms and the affiliations among the applicants.

The approval of the restrictive arrangement is valid until December 31, 2029.

On March 27, 2022, approval of the terms of the restrictive arrangement was granted by the Competition Court, in light of the reasons for the application and the consent of the parties. The approval of the restrictive arrangement under the terms is valid until December 31, 2029.

On April 12, 2022, the Company issued an immediate report according to which, in light of the reasons for the request and the consent of the parties, approval of the restrictive arrangement in the terms was given by the Competition Court. The approval of the restrictive arrangement under conditions is valid until December 31, 2029, as requested.

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NOTES TO FINANCIAL STATEMENTS

NOTE 3 – CONTINGENT LIABILITIES AND COMMITMENTS (CONT.)

- (j) In accordance with the terms of the restrictive arrangement and the separation outline approved by the Competition Court on March 27, 2022, and in accordance with the provisions of the mutual charges agreement dated June 12, 2019, as described in section 16.4 of the annual report for 2021, the Company and Masav agreed during June 2022, on moving to a customer-supplier arrangement, temporarily until September 30, 2022 or until the signing of a new agreement, whichever is later and in any case not later than June 15, 2023. The Company and Masav also agreed on principles for signing a permanent agreement, including mediation procedure and arbitration outline. Until the approval of the financial statements, no new agreement was signed.

c. 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 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 allegations 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 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.

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.

Evidentiary hearings took place in March 2021 and in December 2021 summations were filed by the parties.

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 claim was included in the financial statements.

AUTOMATED BANKING 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 2021 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 2021 annual financial statements.

Quarterly Report on Effectiveness of Internal Control over Financial Reporting and Disclosure according to Regulation 38C(a)

Management, supervised by the Board of Directors of Automated Banking Services Ltd. (the "**Company**"), is responsible to set and maintain proper internal control over financial reporting and disclosure by the corporation.

For this matter, management consists of:

1. Eitan Lev Tov, General Manager (CEO);
2. Ofer Eden, VP Finance (CFO);

Internal control over financial reporting and disclosure consists of controls and procedures in place at the Company, which have been designed by the General Manager and the most senior financial officer, or under their supervision, or by those performing in practice said capacities, under oversight of the Company's Board of Directors, and which are intended to provide reasonable assurance regarding the reliability of financial reporting and preparation of reports pursuant to statutory provisions, and to ensure that information the Company is required to disclose in reports it issues pursuant to statutory provisions is collected, analyzed, summarized and reported duly and in the format prescribed by law.

Internal control includes, inter alia, controls and procedures designed to ensure that information that the Company is required to disclose, as above, is collected and submitted to corporate management, including to the General Manager and to the most senior financial officer, or to those performing in practice said capacities, so as to enable decisions to be duly made with regards to the required disclosure.

Due to its inherent limitations, internal control over financial reporting and disclosure is not designed to provide absolute assurance that misrepresentation or omission of information on the reports is prevented or detected.

In the quarterly report on the effectiveness of internal control over financial reporting and disclosure that accompanies the quarterly report for the period ended June 30, 2022 (hereinafter - the Latest Annual Report on Internal Control), internal control was effective.

Through the date of this report, no event or matter has been brought to the attention of the Board of Directors and management that may change the evaluation of internal control effectiveness as presented in the Latest Annual Report on Internal Control.

As of the date of this report, based on the Latest Quarterly Report on the last Internal Control, and based on the information that was brought to the attention of management and the Board of Directors, the internal control is effective.

CEO declaration pursuant to Regulation 38C(d)(1)

I, Eitan Lev Tov, declare that:

- (1) I have reviewed the interim reports and the other financial information included in the interim reports of Automated Banking Services Ltd. (hereinafter: "the Company") for the third quarter of 2022 (hereinafter "the Reports" or "the Interim Reports");
- (2) To my knowledge, the interim reports and the other financial information included in the interim reports are free of any misrepresentation of any material fact and no representation of any material fact required for making the representations therein, under the circumstances in which they were made, not misleading in reference to the period covered by the report is missing.
- (3) To my knowledge, the interim reports and the other financial information included in the interim reports present fairly, in all material respects, the financial position, results of operations and cash flows of the Company as of the dates and for the periods presented in the Reports.
- (4) I have disclosed to the Company's independent auditor, Board of Directors and the Board's Audit Committee, based on my most up-to-date assessment of the internal control over financial reporting and disclosure:
 - (a) All significant deficiencies and material weaknesses in the design or implementation of internal control over financial reporting and disclosure which may reasonably impact the corporation's ability to collect, analyze, summarize or report financial information in a manner that may cast doubt over the reliability of financial reporting and preparation of financial statements pursuant to statutory provisions; and
 - (b) Any fraud, whether or not material, involving the General Manager or any of the direct reports thereof, or involving any other employees with significant capacity in internal control over financial reporting and disclosure.
- (5) I, alone or together with others in the Company:
 - (a) have established controls and procedures, or have verified their determination and existence under my supervision of controls and procedures, designed to ensure that material information relating to the Company is brought to my attention by others in the Company, in particular during the preparation period of the reports; and-
 - (b) have established controls and procedures, or have verified their establishment and existence under my supervision of controls and procedures, designed to reasonably ensure the reliability of the financial reporting and the preparation of the financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles;
 - (c) I have not been informed of any event or matter that occurred during the period between the date of the last quarterly report and the date of this report, which may change the conclusions of the board of directors and management regarding the effectiveness of internal control over financial reporting and disclosure of the corporation.

The foregoing shall not derogate from my statutory responsibility, or that of any other person, under any law.

November 27, 2022

Eitan Lev Tov
CEO

Declaration of the most senior financial officer pursuant to Regulation 38C(d)(2)

I, Ofer Eden, declare that:

- (1) I have reviewed the interim financial statements and other financial information included in the interim reports of Automated Banking Services Ltd. (hereinafter: "the Company") for the third quarter of 2022 (hereinafter "the Reports" or the "Interim Reports");
- (2) To my knowledge, the Interim Reports and the other information included in the Interim Reports is free of any misrepresentation of any material fact and no representation of any material fact required for making the representations therein, under the circumstances in which they were made, not misleading in reference to the period covered by the report is missing.
- (3) To my knowledge, the Interim Reports and the other information included in the Interim Reports present fairly, in all material respects, the financial position, results of operations and cash flows of the Company as of the dates and for the periods presented in the Reports.
- (4) I have disclosed to the Company's independent auditor, Board of Directors and the Board's Audit Committee, based on my most up-to-date assessment of the internal control over financial reporting and disclosure:
 - (a) All significant deficiencies and material weaknesses in the design or implementation of internal control over financial reporting and disclosure, to the extent is refers to the Interim Reports and the other information included in the Interim Reports, which may reasonably impact the Company's ability to collect, analyze, summarize or report financial information in a manner that may cast doubt over the reliability of financial reporting and preparation of financial statements pursuant to statutory provisions; and
 - (b) Any fraud, whether or not material, involving the General Manager or any of the direct reports thereof, or involving any other employees with significant capacity in internal control over financial reporting and disclosure.
- (5) I, alone or together with others in the Company:
 - (a) have established controls and procedures, or have verified their determination and existence under my supervision of controls and procedures, designed to ensure that material information relating to the Company is brought to my attention by others in the Company, in particular during the preparation period of the reports; and-
 - (b) have established controls and procedures, or have verified their establishment and existence under my supervision of controls and procedures, designed to reasonably ensure the reliability of the financial reporting and the preparation of the financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles;
 - (c) I have not been informed of any event or matter that occurred during the period between the date of the last quarterly report and the date of this report, which may change the conclusions of the board of directors and management regarding the effectiveness of internal control over financial reporting and disclosure of the corporation.

The foregoing shall not derogate from my statutory responsibility, or that of any other person, under any law.

November 27, 2022

Ofer Eden - CFO