



**Automated Banking Services Ltd**

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

# Automated Banking Services Ltd.

## Quarterly report for the period ended June 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 June 30, 2022 for the three-month and six-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 the 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 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. 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 June 2022 the CPI increased by 3.2%. In the reported period, the Bank of Israel's (BoI) increased the interest to 0.75%.

From the beginning of the year to June 2022, the New Israeli Shekel (NIS) weakened by 12.5% and 3.3% against the US dollar the Euro, respectively.

### **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 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 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 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. Currently, the Company and Masav are in negotiations to sign an addendum to the lease agreement that assigns Masav's rights in the offices to the Company. In view of the above, the Company recognized leasehold improvements and furniture in the amount of approximately NIS 7.3 million. For details regarding agreements with Masav, in accordance with the terms of the approved restrictive arrangement (hereinafter: the "Separation Outline"). For more details, see Note 3 to the financial statements.

In accordance with the separation outline, the Company and Masav signed a temporary agreement in the supplier-client model on June 12, 2022. For more details, see Note 3 to the financial statements.

It should be noted that the increase in operating, management and general expenses is largely due to the addition of manpower as part of the continued implementation of the separation from Masav and the implementation of the Company's strategic plan. For details see section 1.7 of the board of directors' report.

### **The impact of COVID-19 on the business activity of the Company:**

At the end of the last quarter of 2021 and during the first quarter of 2022, there have been waves of morbidity in Israel due to new variants of the Corona virus, however these have not led to the imposition of further restrictions by the Israeli government. At the beginning of March "the Green Pass" was cancelled and effective from April 23, 2022, the duty to wear masks in closed places was cancelled other than in places with high infection potential.

### **Operational readiness and business continuity**

Since Coronavirus started spreading in Israel, the Company was proactive to maintain overall operational continuity in compliance with all restrictions and guidance, and while strictly protecting the health and wellbeing of all employees.

The Company has the infrastructure in place to have all of its employees work remotely, and it continues to have ongoing assessments by the emergency task force it set up, as well as by management and the board.

As of the report issuance date, the business activity of the Company is conducted as usual, with some employees working regularly from our offices and others working remotely (from home).

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

As specified in section 8.13 in Chapter A (Description of the Corporation's Business) in the Company's 2021 Periodic Report, customers of the Company are characterized as financially strong.

For more details, forecasts and estimates of the Company regarding the impact of COVID-19 on its business activity, see below. The Company believes that it is not expected to be required to provide for impairment of accounts receivable due to the impact of COVID-19.

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

In light of its NIS 163 million in liquid financial resources as of June 30, 2022, the Company does not expect its financial stability and financing resources to be impacted at this time or in the short-term.

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

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

As of the report issuance date, there is uncertainty regarding the implications of the spread of the corona virus and other variants, the length of the pandemic and its impact on economic activity expected after the reporting period. The trend of economic activity that affects the amount of transactions depends on the time span until the spread of the virus ceases, the intensity of the steps to be taken and the rate of recovery of the economy.

**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):**

	<b>For the six-month period ended June 30</b>		<b>For the year ended December 31,</b>
	<b>2022</b>	<b>2021</b>	<b>2021</b>
Debit transactions	<b>980</b>	860	1,830
Credit transactions	<b>9</b>	10	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):**

	<b>For the six-month period ended June 30</b>		<b>For the year ended December 31,</b>
	<b>2022</b>	<b>2021</b>	<b>2021</b>
Total numbers of account balance checks and withdrawals (in thousands of transactions)	<b>31,673</b>	30,782	64,983
Total amounts of withdrawal requests (in millions of NIS)	<b>25,211</b>	23,871	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. For further details, see Note 3 to the financial statements.
- 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.

## 1.6 Financial position and results of activity

The following presents key information from the financial statements of the Company and explanations of main changes in statement of financial position items as of June 30, 2022 compared to December 31, 2021 (NIS in thousands):

	As of June 30 2022 (Unaudited)	As of December 31 2021 (Audited)	Change	Comments and explanations
<b>Assets</b>				
Cash and cash equivalents	35,388	43,827	(8,439)	
Marketable securities portfolio	128,112	136,871	(8,759)	Volatility in capital market and dividend distribution in April 2022
Trade receivables	23,170	22,366	804	The increase is due to increase in activity and timing of current payments
Other accounts receivable	2,794	4,653	(1,859)	
Property, plant and equipment, net	23,443	16,772	6,671	Derives from purchasing leasehold improvements and furniture from Masav as specified in section 1.5 above.
Intangible assets, net	1,724	1,839	(115)	
Right-of-use assets	21,244	11,815	9,429	Derives from implementing IFRS 16 with respect to the Company's offices following Masav's vacating the asset as specified in section 1.5 above.
Long-term prepaid expenses	1,902	3,005	(1,103)	
Deferred taxes	997	173	824	
<b>Liabilities and equity</b>				
Current maturities for leases	2,043	1,383	660	
Trade payables	1,755	1,155	600	
Other payables	14,956	13,884	1,072	
Income tax payable	1,513	4,599	(3,086)	Payment of corporate tax
Lease liabilities	19,596	10,785	8,811	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	1,856	2,707	(851)	
Equity attributed to shareholders of the Company	197,055	206,808	(9,753)	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 June 30, 2022 compared to the period ended June 30, 2021 (NIS in thousands):

	For six-month period ended June 30		For the year ended December 31	Change compared to June 30	Comments and explanations compared to corresponding period last year
	2022	2021	2021	2021	
	(Unaudited)		(Audited)		
Revenue from services provided to credit card companies	52,943	49,107	102,164	3,836	Continued transition trend to EMV and continued increase in activity
Revenue from services provided to others	4,289	4,015	8,244	274	
Total revenues	57,232	53,122	110,408	4,110	
Operational, administrative and general expenses	33,362	29,455	60,078	3,907	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	23,870	23,667	50,330	203	
Financial income (expenses), net	(8,121)	3,507	7,402	(11,628)	Impairment of the securities portfolio of the Company (compared to increase last year) and capital market volatility
Income before tax	15,749	27,174	57,732	(11,425)	Decrease derives from the financing effect as aforesaid.
Provision for income tax	4,970	6,046	13,175	(1,076)	
Net income attributed to shareholders	10,779	21,128	44,557	(10,349)	The decrease was driven by the trends discussed above.
Net earnings per share	0.27	0.53	1.11		



## **1.8 Liquidity and sources of financing**

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

	For Six-month period ended June 30		For the year ended December 31	Comments and explanations compared to corresponding period last year
	2022	2021	2021	
	(Unaudited)		(Audited)	
Net income for the period	10,779	21,128	44,557	
Adjustments to income	16,922	5,818	12,372	
Cash flows before changes in asset and liability items and before finance and taxes	27,701	26,946	56,929	
Changes in asset and liability items, net	(3,539)	(10,390)	(7,452)	
Cash flow from taxes and finance	(8,517)	(4,117)	(6,397)	
Net cash provided by operating activity	15,645	12,439	43,080	
Net cash used in investing activity	(1,334)	(609)	(22,036)	
Net cash used in financing activity	(22,750)	(12,347)	(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 second 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 June 30, 2022 was NIS 128,112 thousand, compared to NIS 136,871 thousand as of December 31, 2021. Cash and bank deposits as of June 30, 2022 was NIS 35,388 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 June 30, 2022 was NIS 163,500 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 June 30, 2022				
	NIS in thousands				
	Israeli currency		Foreign currency		
	Unlinked	Linked	US dollar	Other	Total
<b>Assets</b>					
Cash and bank deposits	35,089	-	294	5	35,388
Marketable securities	67,590	54,601	5,921	-	128,112
Trade and income receivable	23,170	-	-	-	23,170
Other receivables	105	-	-	-	105
<b>Total financial assets</b>	125,954	54,601	6,215	5	186,775
Current maturities of lease liabilities	-	2,043	-	-	2,043
Trade payables	1,755	-	-	-	1,755
Other payables	11,075	-	-	-	11,075
Income tax payable	-	1,513	-	-	1,513
Lease liabilities	-	19,596	-	-	19,596
<b>Total financial liabilities</b>	12,830	23,152	-	-	35,982
<b>Net fair value of financial instruments</b>	113,124	31,449	6,215	5	150,793

	As of June 30, 2021				
	NIS in thousands				
	Israeli currency		Foreign currency		
	Unlinked	Linked	US dollar	Other	Total
<b>Assets</b>					
Cash and bank deposits	48,426	-	400	-	48,826
Marketable securities	59,813	46,269	7,609	-	113,691
Trade and income receivable	23,460	-	-	-	23,460
Other receivables	2,471	-	-	-	2,471
<b>Total financial assets</b>	134,170	46,269	8,009	-	188,448
Current maturities of lease liabilities	-	1,269	-	-	1,269
Trade payables	1,009	-	-	-	1,009
Other payables	7,413	-	-	-	7,413
Income tax payable	-	1,868	-	-	1,868
Lease liabilities	-	11,012	-	-	11,012
<b>Total financial liabilities</b>	8,422	14,149	-	-	22,571
<b>Net fair value of financial instruments</b>	125,748	32,120	8,009	-	165,877

	As of December 31, 2021				
	NIS in thousands				
	Israeli currency		Foreign currency		
	Unlinked	Linked	US dollar	Other	Total
<b>Assets</b>					
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
<b>Total financial assets</b>	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
<b>Total financial liabilities</b>	11,259	16,767	-	-	28,026
<b>Net fair value of financial instruments</b>	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 June 30, 2022						
	NIS in thousands						
	Net fair value of financial instruments considering change in interest rate						
	Israeli currency		Foreign currency			Change in fair value	
	Unlinked	Linked	US dollar	Other	Total	NIS in thousands	%
Immediate increase of 1%	110,960	29,918	6,215	5	147,098	(3,695)	(2.45)
Immediate increase of 0.1%	112,909	31,295	6,215	5	150,424	(369)	(0.24)
Immediate decrease of 1%	115,290	32,978	6,215	5	154,488	3,695	2.45
Immediate decrease of 0.1%	113,342	31,600	6,215	5	151,162	369	0.24

	As of June 30, 2021						
	NIS in thousands						
	Net fair value of financial instruments considering change in interest rate						
	Israeli currency		Foreign currency			Change in fair value	
	Unlinked	Linked	US dollar	Other	Total	NIS in thousands	%
Immediate increase of 1%	124,011	30,724	8,009	-	162,744	(3,133)	(1.89)
Immediate increase of 0.1%	125,574	31,981	8,009	-	165,564	(313)	(0.19)
Immediate decrease of 1%	127,484	33,517	8,009	-	169,010	3,133	1.89
Immediate decrease of 0.1%	125,921	32,260	8,009	-	166,190	313	0.19

	As of December 31, 2021						
	NIS in thousands						
	Net fair value of financial instruments considering change in interest rate						
	Israeli currency		Foreign currency			Change in fair value	
	Unlinked	Linked	US dollar	Other	Total	NIS in thousands	%
Immediate increase of 1%	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 June 30, 2022						
	NIS in thousands						
	Net fair value of financial instruments considering change in prices of marketable shares						
	Israeli currency		Foreign currency			Change in fair value	
	Unlinked	Linked	US dollar	Other	Total	NIS in thousands	%
Immediate increase of 10%	114,840	31,449	6,805	5	153,099	2,306	1.53
Immediate increase of 5%	113,980	31,449	6,510	5	151,944	1,151	0.76
Immediate decrease of 10%	111,406	31,449	5,627	5	148,487	(2,306)	(1.53)
Immediate decrease of 5%	112,265	31,449	5,923	5	149,642	(1,151)	(0.76)

	As of June 30, 2021						
	NIS in thousands						
	Net fair value of financial instruments considering change in prices of marketable shares						
	Israeli currency		Foreign currency			Change in fair value	
	Unlinked	Linked	US dollar	Other	Total	NIS in thousands	%
Immediate increase of 10%	127,177	32,120	8,768	-	168,065	2,188	1.32
Immediate increase of 5%	126,462	32,120	8,388	-	166,970	1,093	0.66
Immediate decrease of 10%	124,318	32,120	7,246	-	163,684	(2,193)	(1.32)
Immediate decrease of 5%	125,033	32,120	7,626	-	164,779	(1,098)	(0.66)

	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			Change in fair value	
	Unlinked	Linked	US dollar	Other	Total	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 June 30, 2022							
NIS in thousands							
Net fair value of financial instruments considering change in the Israel Consumer Price Index							
	Israeli currency		Foreign currency		Total	Change in fair value	
	Unlinked	Linked	US dollar	Other		NIS in thousands	%
Immediate increase of 2%	113,124	32,078	6,215	5	151,422	629	0.42
Immediate increase of 1%	113,124	31,763	6,215	5	151,107	314	0.21
Immediate decrease of 2%	113,124	30,820	6,215	5	150,164	(629)	(0.42)
Immediate decrease of 1%	113,124	31,134	6,215	5	150,478	(315)	(0.21)

As of June 30, 2021							
NIS in thousands							
Net fair value of financial instruments considering change in the Israel Consumer Price Index							
	Israeli currency		Foreign currency		Total	Change in fair value	
	Unlinked	Linked	US dollar	Other		NIS in thousands	%
Immediate increase of 2%	125,748	32,763	8,009	-	166,520	643	0.39
Immediate increase of 1%	125,748	32,442	8,009	-	166,199	322	0.19
Immediate decrease of 2%	125,748	31,478	8,009	-	165,235	(642)	(0.39)
Immediate decrease of 1%	125,748	31,799	8,009	-	165,556	(321)	(0.19)

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		Total	Change in fair value	
	Unlinked	Linked	US dollar	Other		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>.

### **4. Corporate governance**

#### **Changes in officers during the Reported Period:**

- On February 23, 2022, 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, 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.

#### **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. Charitable contributions**

No charitable contributions have been made in the reported period.

### **6. Legal proceedings**

See note 3 to the financial statements.

### **7. 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.

## 8. Critical accounting estimates

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

## 9. Events after the reported period

On August 9, 2022, the Company published an immediate report (reference number 2022-01-100738) according to which the Company's general meeting approved:

- The appointment of Ms. Jacqueline Natalie Strominger as an external director of the Company for an additional 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 the Kesselman and Kesselman CPAs, the auditors of the Company until the next annual general meeting.

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**Shalom Bisteri**  
**Chairman of the Board**

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**Eitan Lev Tov**  
**Chief Executive Officer**

Date of approving the financial statements: August 25, 2022.

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



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

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**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 June 30, 2022 and the condensed consolidated statements of profit or loss, comprehensive income, changes in shareholder's equity and cash flows for the six-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  
August 25, 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

	<b>As of</b>		<b>As of</b>
	<b>June 30</b>		<b>December 31,</b>
	<b>2022</b>	<b>2021</b>	<b>2021</b>
	<b>(Unaudited)</b>		<b>(Audited)</b>
<b>A s s e t s</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	35,388	48,826	43,827
Marketable securities	128,112	113,691	136,871
Trade receivables	23,170	23,460	22,366
Other receivables	2,794	4,630	4,653
<b>Total current assets</b>	<b>189,464</b>	<b>190,607</b>	<b>207,717</b>
<b>NON-CURRENT ASSETS:</b>			
Property, plant and equipment, net	23,443	18,314	16,772
Intangible assets – software and licenses, net	1,724	2,193	1,839
Right-of-use assets	21,244	12,010	11,815
Prepaid expenses	1,902	2,976	3,005
Deferred taxes	997	1,047	173
<b>Total non-current assets</b>	<b>49,310</b>	<b>36,540</b>	<b>33,604</b>
<b>Total assets</b>	<b>238,774</b>	<b>227,147</b>	<b>241,321</b>

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

	As of June 30		As of December 31,
	2022	2021	2021
	(Unaudited)		(Audited)
<b>Liabilities and equity</b>			
<b>CURRENT LIABILITIES:</b>			
Current maturities of lease liabilities	2,043	1,269	1,383
Trade payables	1,755	1,009	1,155
Other payables	14,956	12,639	13,884
Current tax liabilities	1,513	1,868	4,599
<b>Total current liabilities</b>	<b>20,267</b>	16,785	21,021
<b>NON-CURRENT LIABILITIES:</b>			
Lease liabilities	19,596	11,012	10,785
Liability for post-retirement employee benefits, net	104	1,266	792
Liability for employee benefits	1,752	1,857	1,915
<b>Total non-current liabilities</b>	<b>21,452</b>	14,135	13,492
<b>Total liabilities</b>	<b>41,719</b>	30,920	34,513
<b>EQUITY</b>			
Share capital	4,587	4,587	4,587
Share premium	150	150	150
Capital reserve for share based payment	887	-	-
Other comprehensive loss	(2,705)	(3,938)	(3,286)
Retained earnings	194,136	195,428	205,357
<b>Total equity attributed to shareholders of the Company</b>	<b>197,055</b>	196,227	206,808
<b>Total liabilities and equity</b>	<b>238,774</b>	227,147	241,321

\_\_\_\_\_  
**Shalom Bisteri**  
Chairman of the  
Board

\_\_\_\_\_  
**Eitan Iev Tov**  
Chief Executive  
Officer

\_\_\_\_\_  
**Ofer Eden**  
CFO and Chief  
Accountant

**Date of approving the financial information: August 25, 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 six-month period ended June 30		For the three-month period ended June 30		For the year ended December 31
	2022	2021	2022	2021	2021
	(Unaudited)		(Unaudited)		(Audited)
<b>Revenues</b>					
From the provision of services to credit card companies	52,943	49,107	27,050	24,566	102,164
From the provision of services to others	4,289	4,015	2,164	2,009	8,244
<b>Total Revenues</b>	<u>57,232</u>	<u>53,122</u>	<u>29,214</u>	<u>26,575</u>	<u>110,408</u>
<b>Operating, general and administrative expenses</b>	33,362	29,455	17,154	14,527	60,078
<b>Operating profit</b>	<u>23,870</u>	<u>23,667</u>	<u>12,060</u>	<u>12,048</u>	<u>50,330</u>
Finance Income (expenses) from marketable securities, net	(7,976)	3,636	(4,767)	2,209	7,725
Finance income	56	56	25	(18)	59
Finance expenses	(201)	(185)	(103)	(94)	(382)
<b>Finance income (expenses), net</b>	<u>(8,121)</u>	<u>3,507</u>	<u>(4,845)</u>	<u>2,097</u>	<u>7,402</u>
<b>Profit before taxes on income</b>	<u>15,749</u>	<u>27,174</u>	<u>7,215</u>	<u>14,145</u>	<u>57,732</u>
Income tax	4,970	6,046	2,939	3,232	13,175
<b>Net profit attributable to Company shareholders</b>	10,779	21,128	4,276	10,913	44,557
<b>Net earnings per share attributable to shareholders (in NIS)</b>	0.27	0.53	0.11	0.27	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

	<b>For the six-month period ended June 30</b>		<b>For the three-month period ended June 30</b>		<b>For the year ended December 31</b>
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>
	<b>(Unaudited)</b>		<b>(Unaudited)</b>		<b>(Audited)</b>
<b>Net income</b>	<b>10,779</b>	21,128	<b>4,276</b>	10,913	44,557
Components of other comprehensive income (loss)					
Amounts not reclassified to profit or loss:					
Adjustments required for employee benefits	<b>755</b>	-	<b>(91)</b>	-	847
Relevant tax impact	<b>(174)</b>	-	<b>20</b>	-	(195)
<b>Other comprehensive income (loss) attributed to shareholders, after tax</b>	<b>581</b>	-	<b>(71)</b>	-	652
<b>Total comprehensive income attributed to shareholders</b>	<b>11,360</b>	21,128	<b>4,205</b>	10,913	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 six-month period ended June 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	-	(2,634)	205,357	206,808
Changes during period:						
Net income for the period	-	-	-	-	10,779	10,779
Other comprehensive income	-	-	-	581	-	581
Total comprehensive income	-	-	-	581	10,779	11,360
Recording a benefit in respect of issued warrants	-	-	887	-	-	887
Dividend paid	-	-	-	-	(22,000)	(22,000)
<b>Balance at June 30, 2022</b>	<b>4,587</b>	<b>150</b>	<b>887</b>	<b>(2,705)</b>	<b>194,136</b>	<b>197,055</b>

**For the six-month period ended June 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	-	-	-	21,128	21,128
Dividend paid	-	-	-	(11,700)	(11,700)
Balance at June 30, 2021	4,587	150	(3,938)	195,428	196,227

**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 June 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 April 1, 2022	4,587	150	242	(2,634)	190,102	192,205
Changes during period:						
Net income for the period	-	-		-	4,276	4,276
Other comprehensive loss	-	-		(71)	-	(71)
Total comprehensive income (loss)	-	-		(71)	4,276	4,205
Recording a benefit in respect of issued warrants	-	-	645	-	-	645
<b>Balance at June 30, 2022</b>	<b>4,587</b>	<b>150</b>	<b>887</b>	<b>(2,705)</b>	<b>194,378</b>	<b>197,055</b>

**For the three-month period ended June 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 April 1, 2021	4,587	150	(3,938)	184,515	185,314
Changes during period:					
Net income for the period	-	-	-	10,913	10,913
Balance at June 30, 2021	4,587	150	(3,938)	195,428	196,227

**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	4,587	150	(3,286)	205,357	206,808

**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

	<b>For the six-month period ended June 30</b>		<b>For the three-month period ended June 30</b>		<b>For the year ended December 31</b>
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>
	<b>(Unaudited)</b>		<b>(Unaudited)</b>		<b>(Audited)</b>
<b>Cash flows from operating activity:</b>					
<b>Net income for the period</b>	<b>10,779</b>	21,128	<b>4,276</b>	10,913	44,557
Adjustments required to present cash flows from operating activity					
Adjustments to profit and loss items:					
Depreciation and amortization	<b>3,040</b>	3,146	<b>1,578</b>	1,590	6,553
Capital loss	-	2	-	2	4
Expenses in respect of share based payment transactions	<b>887</b>	-	<b>645</b>	-	-
Liability for post-retirement employee benefits, net	<b>28</b>	90	<b>20</b>	58	(58)
Changes in liabilities for employee benefits, net	<b>(124)</b>	41	<b>(35)</b>	47	100
Income tax	<b>4,970</b>	6,046	<b>2,939</b>	3,232	13,175
Finance expenses (income), net	<b>8,121</b>	(3,507)	<b>4,845</b>	(2,097)	(7,402)
<b>Change in asset and liability items:</b>					
Decrease (increase) in trade receivables	<b>(804)</b>	(5,486)	<b>1,175</b>	(1,056)	(4,392)
Decrease (increase) in other receivables	<b>2,870</b>	(72)	<b>5,329</b>	570	(139)
Increase (decrease) in trade payables	<b>600</b>	(348)	<b>539</b>	(410)	(202)
Increase (decrease) in other payables	<b>(6,205)</b>	(4,484)	<b>(7,044)</b>	(2,799)	(2,719)
<b>Cash flows from operating activity before finance and taxes</b>	<b>24,162</b>	16,556	<b>14,267</b>	10,050	49,477
Interest received	<b>782</b>	1,153	<b>122</b>	57	2,874
Interest and fees paid	<b>(245)</b>	(241)	<b>(112)</b>	(146)	(523)
Taxes paid, net	<b>(9,054)</b>	(5,029)	<b>(2,709)</b>	(2,074)	(8,748)
<b>Net cash provided by operating activity</b>	<b>15,645</b>	12,439	<b>11,568</b>	7,887	43,080

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

	For the six-month period ended June 30		For the three-month period ended June 30		For the year ended December 31
	2022	2021	2022	2021	2021
	(Unaudited)		(Unaudited)		(Audited)
<b>Cash flows from investing activity:</b>					
Purchase of held-for-trading securities	(22,644)	(21,750)	(10,192)	(10,680)	(73,920)
Proceeds from disposal of held-for-trading securities	22,745	22,160	11,057	11,412	53,606
Acquisitions and investments in property, plant and equipment and intangible assets	(1,435)	(1,020)	(766)	(50)	(1,723)
Proceeds from sale of equipment	-	1	-	1	1
<b>Net cash used in investing activity</b>	<b>(1,334)</b>	<b>(609)</b>	<b>99</b>	<b>683</b>	<b>(22,036)</b>
<b>Cash flows from financing activity:</b>					
Maturity of lease liabilities	(750)	(647)	(398)	(326)	(1,360)
Dividend paid	(22,000)	(11,700)	(22,000)	-	(25,200)
<b>Net cash used in financing activity</b>	<b>(22,750)</b>	<b>(12,347)</b>	<b>(22,398)</b>	<b>(326)</b>	<b>(26,560)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(8,439)</b>	<b>(517)</b>	<b>(10,731)</b>	<b>8,244</b>	<b>(5,516)</b>
<b>Balance of cash and cash equivalents at beginning of the period</b>	<b>43,827</b>	<b>49,343</b>	<b>46,119</b>	<b>40,582</b>	<b>49,343</b>
<b>Balance of cash and cash equivalents at end of the period</b>	<b>35,388</b>	<b>48,826</b>	<b>35,388</b>	<b>48,826</b>	<b>43,827</b>

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 six-month period ended June 30		For the three-month period ended June 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	<b>10,221</b>	3,628	<b>9,589</b>	293	4,228
Acquisition of property, plant and equipment against liability to related company	<b>7,277</b>	-	<b>7,277</b>	-	-

**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 August 25, 2022.

d. Disclosure regarding Covid-19

At the end of 2021 prior to the first quarter of 2022, another wave began to spread following the discovery of a variant of the “omicron” virus, which is characterized by widespread infection but not severe morbidity. Unlike previous morbidity waves, no significant restrictions were imposed on the population.

The Company continues its ongoing operations, subject to all government restrictions and guidelines, while adhering to the Company's commitment to maintaining the health of all its employees.

**AUTOMATED BANKING SERVICES LTD.**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – GENERAL (CONT.)**

Operational preparedness and business continuity

Since Coronavirus started spreading in Israel, the Company was proactive to maintain overall operational continuity in compliance with all restrictions and guidance, and while strictly protecting the health and wellbeing of all employees.

The Company has the infrastructure in place to have all of its employees work remotely, and it continues to have ongoing assessments by the emergency task force it set up, as well as by management and the board.

As of the date of issuing this report, the business activity of the Company is conducted as usual, with some employees regularly working from our offices and some regularly working remotely (from home).

As of the date of issuing this report, there is uncertainty regarding the implications of the spread of the corona virus and other variants, the length of the pandemic and its impact on the economic activity expected after the reporting period. The activity level trends in the local economy, which has an impact on the number of transactions, depends on the time frame until the virus is contained, the severity of the measures that may be implemented and the pace of economic recovery.

## 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 June 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 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 (hereinafter the vesting period).

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

Currently, the Company and Masav are in negotiations to sign an addendum to the lease agreement that assigns Masav's rights in the offices to the Company.

In view of the agreements for the purchase of Masav's share in the leased property, the Company recognized 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) In view of the expiration of the exemption on September 24, 2022, during June 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 an extension to submit its response until the end of August 2022.
- (h) 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.
- (i) On February 27, 2022, the Company and Masav submitted an application for approval of a restrictive arrangement on terms 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.

### **AUTOMATED BANKING SERVICES LTD.**

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3 – CONTINGENT LIABILITIES AND COMMITMENTS (CONT.)

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 in the terms is valid until December 31, 2029, as requested.

- (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, that was published on March 30, 2022, 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.

## AUTOMATED BANKING SERVICES LTD.

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 3 – CONTINGENT LIABILITIES AND COMMITMENTS (CONT.)

##### **b. Lawsuits and class actions**

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

Presented below are details regarding the main legal proceedings:

1. On 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 March 31, 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 second 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.

August 25, 2022

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**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 second 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.

August 25, 2022

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**Ofer Eden - VP Finance (CFO)**