



**Automated Banking Services Ltd**

**Quarterly report for  
the period ended March 31, 2022**

## Automated Banking Services Ltd.

### Quarterly report for the period ended March 31, 2022

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

We are pleased to present to the shareholders the report of the Board of Directors of Automated Banking Services Ltd. (hereinafter: "the Company" or "Shva") as of March 31, 2022 (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 January 2022 until the publication of the updated CPI dated April 15, 2022 by 1.5%. The Bank of Israel's (BoI) updated inflation projection for the entire 2022 is 3.6%.

In April 2022, the Bank of Israel raised the interest rate by 0.25 percentage points to 0.35%.

From the beginning of the year to March 2022, the New Israeli Shekel (NIS) weakened by 2.12% against the US dollar and strengthened against the Euro by 0.105%.

## **1.3 Additional matters**

### **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, but 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 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**

It is indicated that as discussed 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 information, 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 180 million in liquid financial resources as of March 31, 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. The Company believes that it is experiencing no cash flow difficulties driven by COVID-19 that may cause it to default on its obligations.

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

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):**

	For the three-month period ended March 31		For the year ended December 31,
	2022	2021	2021
Debit transactions	470	396	1,830
Credit transactions	5	4	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 three-month period ended March 31		For the year ended December 31,
	2022	2021	2021
Total numbers of account balance checks and withdrawals (in thousands of transactions)	15,323	14,403	64,983
Total amounts of withdrawal requests (in millions of NIS)	12,078	11,364	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 and March 2022, options were allotted to offerees, including the Company's CEO.
- On February 27, 2022, the Company and Masav submitted an application for approval of a restrictive arrangement under the conditions with the consent of the Commissioner of the Competition Court. The Commissioner and the companies requested the court to approve under the conditions attached as an appendix to their application the restrictive arrangement between the companies submitted for the court's approval on May 10, 2020, until December 31, 2029. On March 27, 2022, approval of the conditions 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 is until December 31, 2029.
- 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.
- 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.

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

## 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 March 31, 2022 compared to December 31, 2021 (NIS in thousands):

	As of March 31 2022 (Unaudited)	As of December 31 2021 (Audited)	Change	Comments and explanations
<b>Assets</b>				
Cash and cash equivalents	46,119	43,827	2,292	
Marketable securities portfolio	133,832	136,871	(3,039)	Volatility in capital market
Trade receivables	24,345	22,366	1,979	The increase is due to increase in activity and timing of current payments
Other accounts receivable	7,939	4,653	3,286	Increase in the balance of a related company and prepaid expenses
Excess plan assets for post-retirement employee benefits	14	-	14	
Property, plant and equipment, net	16,920	16,772	148	
Intangible assets, net	1,885	1,839	46	The change is due to investment in software and intangible assets, less periodic amortization.
Right-of-use assets	12,056	11,815	241	
Long-term prepaid expenses	2,178	3,005	(827)	
Deferred taxes	916	173	743	
<b>Liabilities and equity</b>				
Current maturities for leases	1,360	1,383	(23)	
Trade payables	1,812	1,155	657	
Other payables	36,723	13,884	22,839	Mainly dividend declared and paid after the reported period
Income tax payable	1,222	4,599	(3,377)	Payment of corporate tax
Lease liabilities	11,088	10,785	303	
Liabilities for employee benefits	1,794	2,707	(913)	
Equity attributed to shareholders of the Company	192,205	206,808	(14,603)	Dividend paid less income for the period

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## 1.7 Results of operations

The following are the key changes in profit and loss items for the period ended March 31, 2022 compared to the period ended March 31, 2021 (NIS in thousands):

	For three-month period ended March 31		For the year ended December 31	Change compared to March 31	Comments and explanations compared to corresponding period last year
	2022	2021	2021	2021	
	(Unaudited)		(Audited)		
Revenue from services provided to credit card companies	25,893	24,541	102,164	1,352	Continued transition trend to EMV and continued increase in activity
Revenue from services provided to others	2,125	2,006	8,244	119	
Total revenue	28,018	26,547	110,408	1,471	
Operational, administrative and general expenses	16,208	14,928	60,078	1,280	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	11,810	11,619	50,330	191	
Financial income (expenses), net	(3,276)	1,410	7,402	(4,686)	Capital market volatility
Income before tax	8,534	13,029	57,732	(4,495)	
Provision for income tax	2,031	2,814	13,175	(783)	
Net income attributed to shareholders	6,503	10,215	44,557	(3,712)	The increase was driven by the trends discussed above.
Net earnings per share	0.16	0.26	1.11		



## 1.8 Liquidity and sources of financing

The following are the key changes in cash flow items in the period ended March 31, 2022 compared to the period ended March 31, 2021 (NIS in thousands):

	For three-month period ended March 31		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	6,503	10,215	44,557	
Adjustments to income	6,930	2,986	12,372	
Cash flows before changes in asset and liability items and before finance and taxes	13,433	13,201	56,929	
Changes in asset and liability items, net	(3,538)	(6,695)	(7,452)	
Cash flow from taxes and finance	(5,818)	(1,954)	(6,397)	
Net cash provided by operating activity	4,077	4,552	43,080	
Net cash used in investing activity	(1,433)	(1,292)	(22,036)	
Net cash used in financing activity	(352)	(12,021)	(26,560)	In previous periods included 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

No material changes occurred relative to the disclosure provided in the 2021 Periodic Report of the Company. The marketable securities portfolio as of March 31, 2022 was NIS 133,832 thousand, compared to NIS 136,871 thousand as of December 31, 2021. Cash and bank deposits as of March 31, 2022 was NIS 46,119 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 March 31, 2022 was NIS 179,951 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 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 March 31, 2022				
	NIS in thousands				
	Israeli currency		Foreign currency		
	Unlinked	Linked	US dollar	Other	Total
<b>Assets</b>					
Cash and bank deposits	46,119	-	-	-	46,119
Marketable securities	69,600	58,340	5,892	-	133,832
Trade and income receivable	24,345	-	-	-	24,345
Other receivables	5,059	-	-	-	5,059
<b>Total financial assets</b>	145,123	58,340	5,892	-	209,355
Current maturities of lease liabilities	-	1,360	-	-	1,360
Trade payables	1,812	-	-	-	1,812
Other payables	32,882	-	-	-	32,882
Income tax payable	-	1,222	-	-	1,222
Lease liabilities	-	11,088	-	-	11,088
<b>Total financial liabilities</b>	34,694	13,670	-	-	48,364
<b>Net fair value of financial instruments</b>	110,429	44,670	5,892	-	160,991

	As of March 31, 2021				
	NIS in thousands				
	Israeli currency		Foreign currency		
	Unlinked	Linked	US dollar	Other	Total
<b>Assets</b>					
Cash and bank deposits	39,731	-	851	-	40,582
Marketable securities	59,112	44,605	8,520	-	112,237
Trade and income receivable	22,404	-	-	-	22,404
Other receivables	2,515	-	-	-	2,515
<b>Total financial assets</b>	123,763	44,605	9,371	-	177,738
Current maturities of lease liabilities	-	1,172	-	-	1,172
Trade payables	1,419	-	-	-	1,419
Other payables	10,121	-	-	-	10,121
Income tax payable	-	1,042	-	-	1,042
Lease liabilities	-	10,964	-	-	10,964
<b>Total financial liabilities</b>	11,540	13,178	-	-	24,718
<b>Net fair value of financial instruments</b>	112,222	31,427	9,371	-	153,020

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	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

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

As of March 31, 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%	108,043	42,762	5,892	-	156,697	(4,294)	(2.67)
Immediate increase of 0.1%	110,190	44,479	5,892	-	160,561	(430)	(0.27)
Immediate decrease of 1%	112,816	46,577	5,892	-	165,285	4,294	2.67
Immediate decrease of 0.1%	110,669	44,860	5,892	-	161,421	430	0.27

As of March 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%	110,387	29,790	9,371	-	149,548	(3,472)	(2.27)
Immediate increase of 0.1%	112,038	31,264	9,371	-	152,673	(347)	(0.23)
Immediate decrease of 1%	114,056	33,065	9,371	-	156,492	3,472	2.27
Immediate decrease of 0.1%	112,405	31,591	9,371	-	153,365	347	0.23

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

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

As of March 31, 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%	112,382	44,670	6,481	-	163,533	2,542	1.58
Immediate increase of 5%	111,406	44,670	6,187	-	162,263	1,272	0.79
Immediate decrease of 10%	108,476	44,670	5,303	-	158,449	(2,542)	(1.58)
Immediate decrease of 5%	109,452	44,670	5,597	-	159,719	(1,272)	(0.79)

As of March 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%	113,587	31,427	10,223	-	155,237	2,217	1.45
Immediate increase of 5%	112,904	31,427	9,797	-	154,128	1,108	0.72
Immediate decrease of 10%	110,856	31,427	8,520	-	150,803	(2,217)	(1.45)
Immediate decrease of 5%	111,539	31,427	8,946	-	151,912	(1,108)	(0.72)

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)

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

As of March 31, 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%	110,429	45,564	5,892	-	161,885	894	0.56
Immediate increase of 1%	110,429	45,116	5,892	-	161,437	446	0.28
Immediate decrease of 2%	110,429	43,776	5,892	-	160,097	(894)	(0.56)
Immediate decrease of 1%	110,429	44,224	5,892	-	160,545	(446)	(0.28)

As of March 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%	112,222	32,055	9,371	-	153,648	628	0.41
Immediate increase of 1%	112,222	31,741	9,371	-	153,334	314	0.21
Immediate decrease of 2%	112,222	30,799	9,371	-	152,392	(628)	(0.41)
Immediate decrease of 1%	112,222	31,113	9,371	-	152,706	(314)	(0.21)

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.

#### 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.

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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: May 26, 2022.



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**AUTOMATED BANKING SERVICES LTD.**  
**INTERIM FINANCIAL INFORMATION**  
**(UNAUDITED)**  
**AS OF MARCH 31, 2022**

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

**AUTOMATED BANKING SERVICES LTD.**  
**INTERIM FINANCIAL INFORMATION**  
**(UNAUDITED)**  
**AS OF MARCH 31, 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 March 31, 2022 and the condensed consolidated statements of profit or loss, comprehensive income, changes in shareholder's equity and cash flows for the 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  
May 26, 2022

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

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

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

	As of March, 31		As of December 31,
	2022	2021	2021
	(Unaudited)		(Audited)
<b>A s s e t s</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	46,119	40,582	43,827
Marketable securities	133,832	112,237	136,871
Trade receivables	24,345	22,404	22,366
Other receivables	7,939	5,029	4,653
<b>Total current assets</b>	<b>212,235</b>	<b>180,252</b>	<b>207,717</b>
<b>NON-CURRENT ASSETS:</b>			
Excess plan assets for post-retirement employee benefits	14	-	-
Property, plant and equipment, net	16,920	19,109	16,772
Intangible assets – software and licenses, net	1,885	2,533	1,839
Right-of-use assets	12,056	11,941	11,815
Prepaid expenses	2,178	3,153	3,005
Deferred taxes	916	1,379	173
<b>Total non-current assets</b>	<b>33,969</b>	<b>38,115</b>	<b>33,604</b>
<b>Total assets</b>	<b>246,204</b>	<b>218,367</b>	<b>241,321</b>

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

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

	<b>As of March, 31</b>		<b>As of December 31,</b>
	<b>2022</b>	<b>2021</b>	<b>2021</b>
	<b>(Unaudited)</b>		<b>(Audited)</b>
<b>Liabilities and equity</b>			
<b>CURRENT LIABILITIES:</b>			
Current maturities of lease liabilities	1,360	1,172	1,383
Trade payables	1,812	1,419	1,155
Other payables	36,723	15,438	13,884
Current tax liabilities	1,222	1,042	4,599
<b>Total current liabilities</b>	<b>41,117</b>	<b>19,071</b>	<b>21,021</b>
<b>NON-CURRENT LIABILITIES:</b>			
Lease liabilities	11,088	10,964	10,785
Liability for post-retirement employee benefits, net	-	1,208	792
Liability for employee benefits	1,794	1,810	1,915
<b>Total non-current liabilities</b>	<b>12,882</b>	<b>13,982</b>	<b>13,492</b>
<b>Total liabilities</b>	<b>53,999</b>	<b>33,053</b>	<b>34,513</b>
<b>EQUITY</b>			
Share capital	4,587	4,587	4,587
Share premium	150	150	150
Capital reserve for share based payment	242	-	-
Other comprehensive loss	(2,634)	(3,938)	(3,286)
Retained earnings	189,860	184,515	205,357
<b>Total equity attributed to shareholders of the Company</b>	<b>192,205</b>	<b>185,314</b>	<b>206,808</b>
<b>Total liabilities and equity</b>	<b>246,204</b>	<b>218,367</b>	<b>241,321</b>

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

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

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

**Date of approving the financial information: May 26, 2022.**

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

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

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

	<u>For the three-month</u>		<u>For the year</u>
	<u>period ended</u>		<u>ended</u>
	<u>March 31</u>		<u>December 31</u>
	<u>2022</u>	<u>2021</u>	<u>2021</u>
	<u>(Unaudited)</u>		<u>(Audited)</u>
<b>Revenues</b>			
From the provision of services to credit card companies	<b>25,893</b>	24,541	102,164
From the provision of services to others	<b>2,125</b>	2,006	8,244
<b>Total Revenues</b>	<b>28,018</b>	26,547	110,408
<b>Operating, general and administrative expenses</b>	<b>16,208</b>	14,928	60,078
<b>Operating profit</b>	<b>11,810</b>	11,619	50,330
<b>Finance Income (expenses) from marketable securities, net</b>	<b>(3,209)</b>	1,427	7,725
Finance income	<b>31</b>	74	59
Finance expenses	<b>(98)</b>	(91)	(382)
<b>Finance income (expenses), net</b>	<b>(3,276)</b>	1,410	7,402
<b>Profit before taxes on income</b>	<b>8,534</b>	13,029	57,732
Income tax	<b>2,031</b>	2,814	13,175
<b>Net profit attributable to Company shareholders</b>	<b>6,503</b>	10,215	44,557
<b>Net earnings per share attributable to shareholders (in NIS)</b>	<b>0.16</b>	0.26	1.11

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

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

	<b>For the three-month period ended</b>		<b>For the year ended</b>
	<b>March 31</b>		<b>December 31</b>
	<b>2022</b>	<b>2021</b>	<b>2021</b>
	<b>(Unaudited)</b>		<b>(Audited)</b>
<b>Net income</b>	<b>6,503</b>	10,215	44,557
Components of other comprehensive income			
Amounts not reclassified to profit or loss:			
Adjustments required for employee benefits	<b>846</b>	-	847
Relevant tax impact	<b>(194)</b>	-	(195)
<b>Other comprehensive profit attributed to shareholders, after tax</b>	<b>652</b>	-	652
<b>Total comprehensive income attributed to shareholders</b>	<b>7,155</b>	10,215	45,209

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

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

**For the three-month period ended March 31, 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	-	-	-	-	6,503	6,503
Other comprehensive income	-	-		652		652
Total comprehensive income	-	-		652	6,503	7,155
Recording a benefit in respect of issued warrants	-	-	242			242
Dividend payable	-	-		-	(22,000)	(22,000)
<b>Balance at March 31, 2022</b>	<u>4,587</u>	<u>150</u>	<u>242</u>	<u>(2,634)</u>	<u>189,860</u>	<u>192,205</u>

**For the three-month period ended March 31, 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	-	-		-	10,215	10,215
Dividend paid	-	-		-	(11,700)	(11,700)
Balance at March 31, 2021	<u>4,587</u>	<u>150</u>		<u>(3,938)</u>	<u>184,515</u>	<u>185,314</u>



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into English of the original financial statements published in Hebrew. The  
version in Hebrew is the approved text.

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

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

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

	For the three-month period ended		For the year ended
	March 31		December 31
	2022	2021	2021
	(Unaudited)		(Audited)
<b>Cash flows from operating activity:</b>			
<b>Net income for the period</b>	<b>6,503</b>	10,215	44,557
Adjustments required to present cash flows from operating activity			
Adjustments to profit and loss items:			
Depreciation and amortization	1,462	1,556	6,553
Capital loss	-	-	4
Expenses in respect of share based payment transactions	242	-	-
Liability for post-retirement employee benefits, net	8	32	(58)
Changes in liabilities for employee benefits, net	(89)	(6)	100
Income tax	2,031	2,814	13,175
Finance expenses (income), net	3,276	(1,410)	(7,402)
<b>Change in asset and liability items:</b>			
Increase in trade receivables	(1,979)	(4,430)	(4,392)
Increase in other receivables	(2,459)	(642)	(139)
Increase (decrease) in trade payables	61	62	(202)
Increase (decrease) in other payables	839	(1,685)	(2,719)
<b>Cash flows from operating activity before finance and taxes</b>	<b>9,895</b>	6,506	49,477
Interest received	660	1,096	2,874
Interest and fees paid	(133)	(95)	(523)
Taxes paid, net	(6,345)	(2,955)	(8,748)
<b>Net cash provided by operating activity</b>	<b>4,077</b>	4,552	43,080
<b>Cash flows from investing activity:</b>			
Purchase of held-for-trading securities	(12,452)	(11,070)	(73,920)
Proceeds from disposal of held-for-trading securities	11,688	10,748	53,606
Acquisitions and investments in property, plant and equipment and intangible assets	(669)	(970)	(1,723)
Proceeds from sale of equipment	-	-	1
<b>Net cash used in investing activity</b>	<b>(1,433)</b>	(1,292)	(22,036)
<b>Cash flows from financing activity:</b>			
Maturity of lease liabilities	(352)	(321)	(1,360)
Dividend paid	-	(11,700)	(25,200)
<b>Net cash used in financing activity</b>	<b>(352)</b>	(12,021)	(26,560)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>2,292</b>	(8,761)	(5,516)
<b>Balance of cash and cash equivalents at beginning of the period</b>	<b>43,827</b>	49,343	49,343
<b>Balance of cash and cash equivalents at end of the period</b>	<b>46,119</b>	40,582	43,827

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

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**AUTOMATED BANKING SERVICES LTD.**

**APPENDIX TO CONDENSED STATEMENT OF CASH FLOWS**

Amounts in thousand NIS

	<b>For the three-month period</b>		<b>For the year</b>
	<b>ended</b>		<b>ended</b>
	<b>March, 31</b>		<b>December 31</b>
	<b>2022</b>	<b>2021</b>	<b>2021</b>
	<b>(Unaudited)</b>		<b>(Audited)</b>
<b>Appendix A – material non-cash transactions</b>			
Recognition of right-of-use assets against lease liability	<b>632</b>	3,157	4,228
Acquisition of property, plant and equipment against liability to suppliers	<b>596</b>	-	-
Dividend declared and not yet paid	<b>22,000</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 shares were sold to the public by Company 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. 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. 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 May 26, 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

#### 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 intensity. 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 March 31, 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 and ends 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. 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.
- (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 rules that the Company is required to present on its website a rate for each of the services it provides.



## AUTOMATED BANKING SERVICES LTD.

### NOTES TO FINANCIAL STATEMENTS

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

- (f) On April 25, 2021, the Commissioner of Competition approved in accordance with sub-section (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.
- (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.

#### **Application for approval of a restrictive arrangement – Competition Court**

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 in 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.

**AUTOMATED BANKING SERVICES LTD.**

NOTES TO FINANCIAL STATEMENTS

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

- 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, after the reporting period, 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.

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

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

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 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 annual report on the effectiveness of internal control over financial reporting and disclosure that accompanies the report for the period ended December 31, 2021 (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 Annual Report on 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 quarterly report of Automated Banking Services Ltd. (hereinafter: "the Company") for the first quarter of 2022 (hereinafter "the Reports" or "the Interim Reports");
- (2) To my knowledge, the 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 financial statements and other financial information included in the 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.

May 26, 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 and other financial information included in the interim financial information of Automated Banking Services Ltd. (hereinafter: "the Company") for the first 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.

May 26, 2022

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