



FY 2023

Financial Review



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SHVA's board of directors, SHVA's management, and its employees wish for the safety and return of all the hostages and the missing persons soon. Our hearts are with the numerous families who have lost their loved ones, and we wish a speedy recovery for all injured individuals, both in body and spirit.

SHVA supports and embraces all Israeli citizens, disaster victims, evacuees, and regular and reserve soldiers and will continue to be a central partner in the renewal and renewed growth of the economy and society in Israel.



Preface

The year 2023 was marked by significant challenges and complexities for the Israeli economy and society. The "Iron Swords" war, sparked by the events of October 7, had a profound impact on Israel, resulting in the loss of thousands of lives, injuries to soldiers, security personnel, and civilians, and the displacement of hundreds of thousands of residents from their homes.

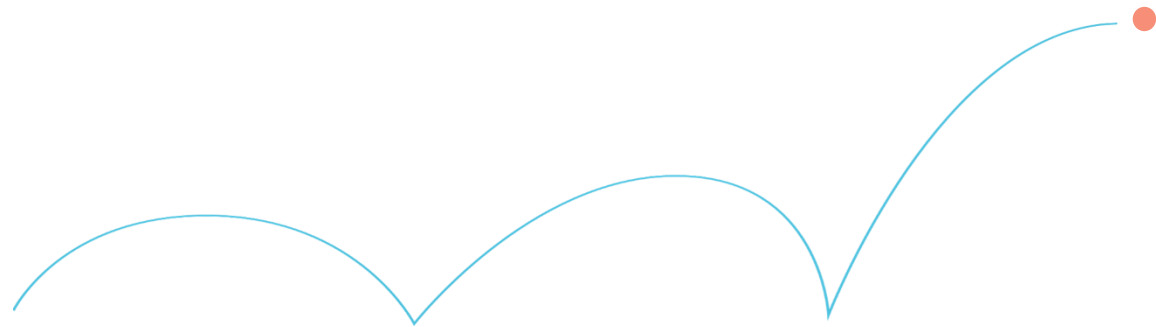
With the outbreak of the war, SHVA quickly mobilized and, in collaboration with other businesses, launched a leading philanthropic initiative. This project provided a robust support system to thousands of small businesses in the southern conflict zone in Israel, offering financial assistance through expedited approval.

Otef
Laesek





SHVA is a listed company that manages a critical national infrastructure at the core of the payment systems in Israel.



SHVA manages two national payment systems controlled and supervised by the Bank of Israel's Payment and Clearing Systems Department. SHVA was declared a critical state infrastructure in accordance with the provisions of the National Cyber System

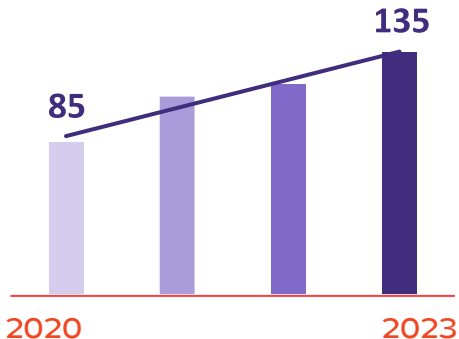
SHVA | stability and growth in all indicators



Financial Strength

Steady revenue growth

NIS in millions



36.1%

Profit before tax

No financial leverage

231 NIS million

Equity

Data and Technology

99.999%

Payment cards and ATM switches availability

2 Data Centers

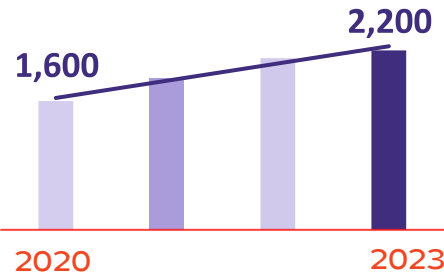
Resilient and protected data centers with high-level security

Rich data

Approximately 2.2 billion transactions annually

Steady growth in payment transactions

NIS in millions



Expertise and experience

45 years of quality service

SHVA runs a professional and experienced service system, providing expert support and consultation to clients, and is recognized as an authority in the payments industry

A public company from June 2019

SHVA's shares are held by the public

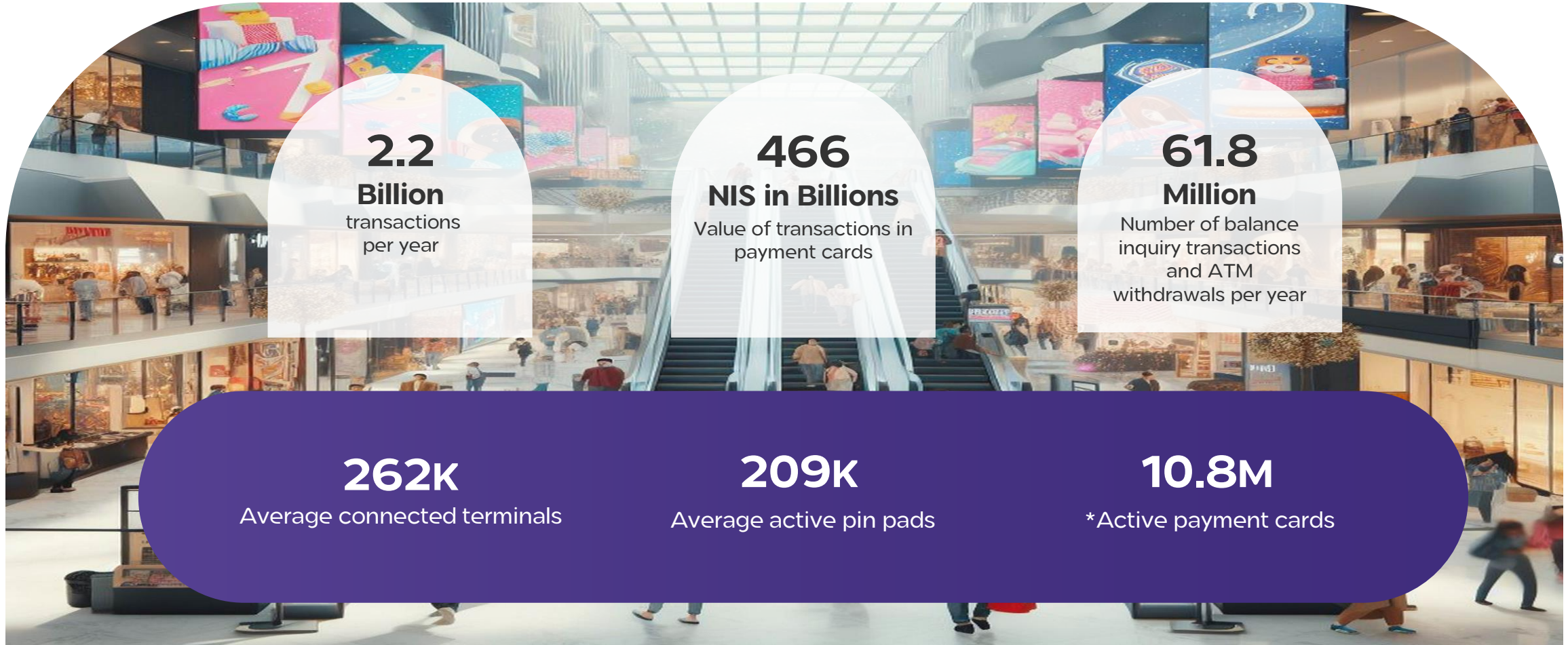
Wide distribution system

SHVA has extensive experience working with distributors across various channels, continually enhancing their value propositions

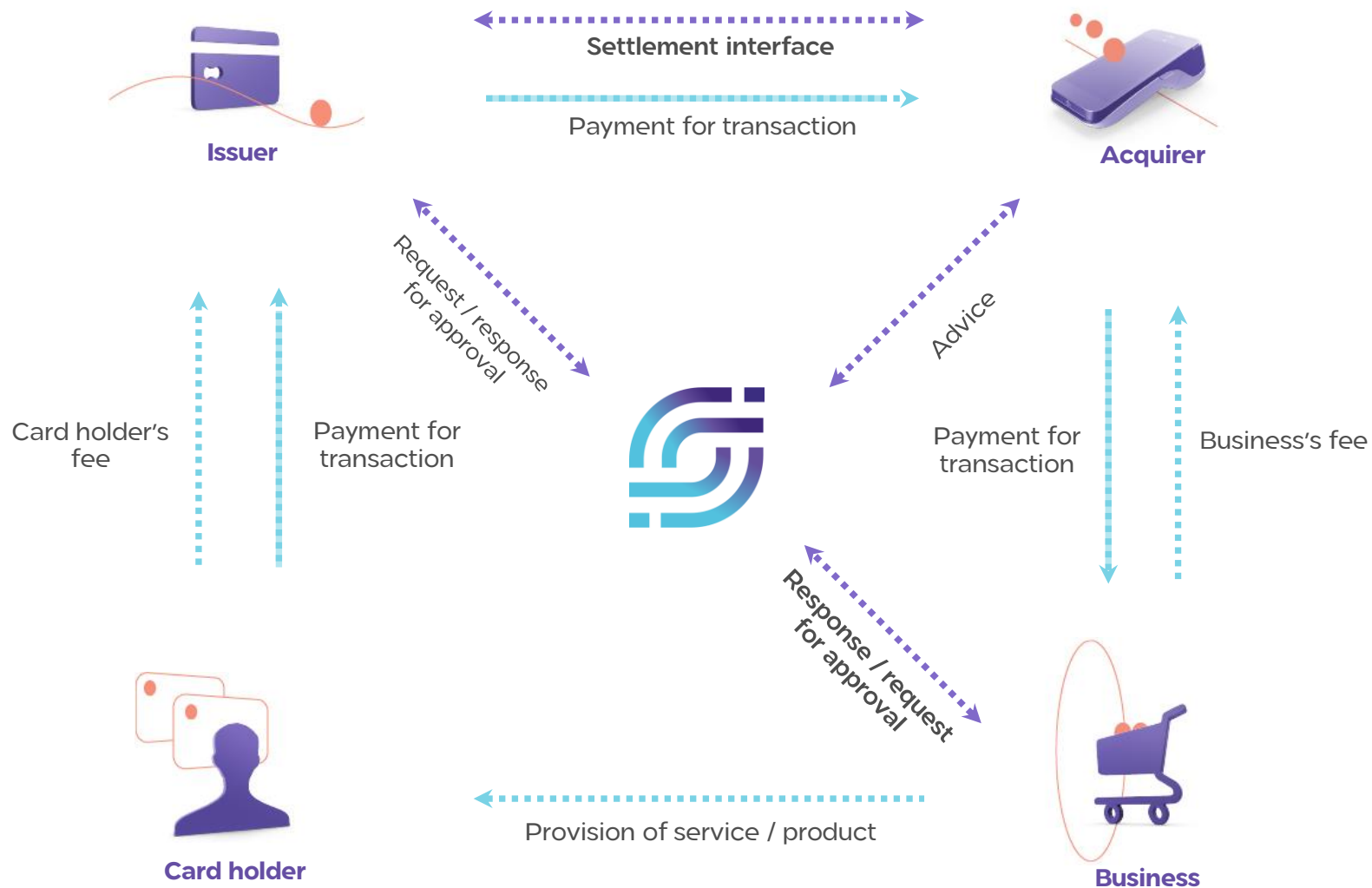
Critical payment systems

SHVA operates critical national infrastructures at the core of the payments system in the Israeli economy

SHVA - Always in Motion



With advanced payment methods, at any point of sale, at any time



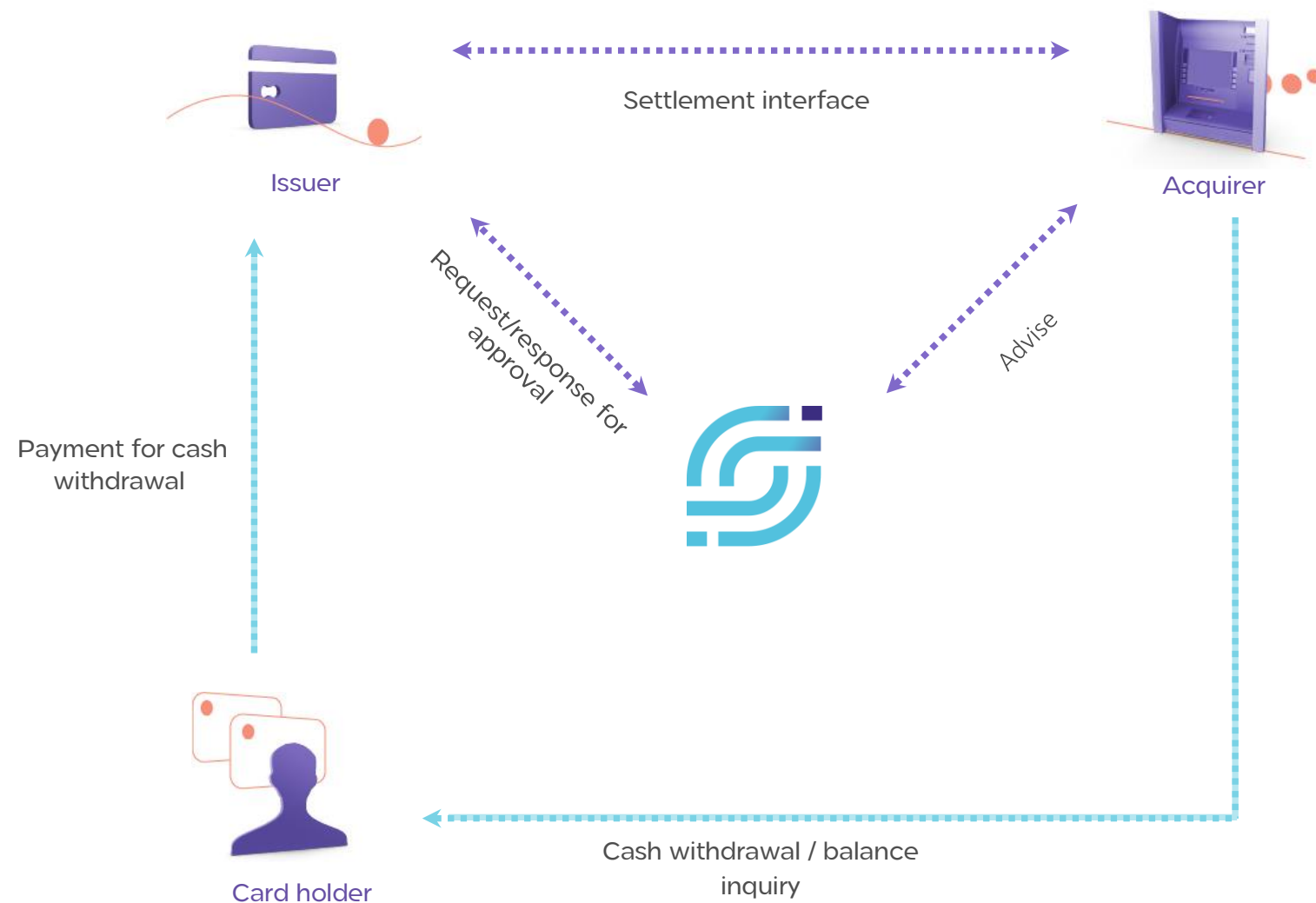
The payment card system in Israel

Operation model

Authorization fees | Transaction feed | Interchange fees | Terminals subscription | Pin cards subscription | Clearing fees | Failure agreement fees

..... External operation Operation within SHVA's system

New payments since 2023



The ATM system in Israel

Operation model

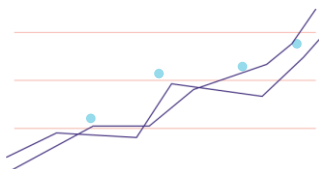
Issuer switching fees | Acquirer switching fees | Interchange fees | Clearing fees | Failure agreement fees

..... External operation

..... Operation within SHVA's system

..... New payments since 2023

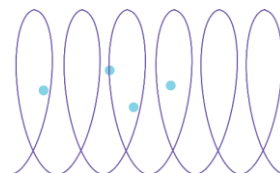
A major factor in an accelerated growing market



Growth in Private Consumption

In 2023, consumption levels continued to grow significantly. The substantial increase in consumption during the first three quarters of 2023 offset the negative impact of the "Iron Swords" war in the final quarter, resulting in overall growth for the year despite the war.

Additionally, there was a continued trend towards reduced cash usage and increased reliance on payment cards, particularly digital wallets based on payment cards.



Technological development

The increased adoption of digital wallets and the growth in online commerce have led to a proliferation of card-based payment methods.

The shift to cloud services, digital payment growth, and data processing capabilities advancements created a new market for advanced data products to meet business, marketing, and financial needs.



Active Regulator

Promoting legislation to diversify payment solutions and increase competition in the payment market

Reducing the use of cash

The Bank of Israel has been working in recent years to regulate the connection of local and global players to the payment systems in Israel

Increasing the number of acquirers may boost SHVA's revenues



The background features a dark blue grid of circles, each containing a stylized, colorful geometric shape in shades of purple, teal, and orange. A large, semi-transparent sphere is positioned on the right side of the image, partially overlapping the grid.

**SHVA offers solutions to meet
the fast-changing demands of
the market**

SHVA's strategy – key targets



The strategy is based on two key targets:

Business growth

Focusing on expanding and diversifying SHVA's sources of income based on advanced technologies



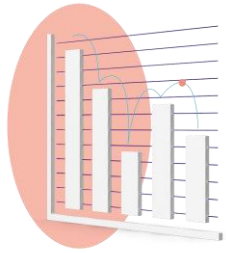
Development and management of core services

Ensure the stability and efficiency of the payment switch as a critical national payment infrastructure

An advanced and stable payment switch allows SHVA's potential to grow and expands significantly

SHVA's strategy – implementation

The implementation of the strategy is driven by three growth engines and the management and enhancement of the core services



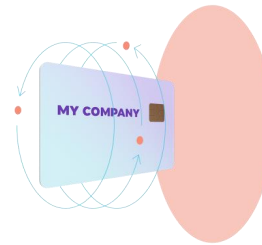
SHVA Insights

Services and products based on SHVA's data infrastructure



SHVA Arena

Services and products for customers of the core infrastructures



New payment solutions

Payment solutions based on the existing infrastructure



SHVA Members

Supplementary services for system participants

Business Growth

Development & management of core services



Technological and business development

SHVA's growth
engines

Technological development strategy that supports stability and promotes innovation

In 2023, SHVA established a cloud infrastructure to promote new and advanced value propositions

Innovative cloud-based service solutions

Allowing easy and convenient connection for participants to SHVA's products



Cloud-based architecture



Establishing an advanced cloud infrastructure

New API-based services

Maximum resilience, low response times, full monitoring, and high level of security

Technological transformation



System upgrade

Modernization of a significant part of the core systems

Separation of the shared infrastructures from Masav

Reliability and resilience



Increasing information security processes

Establishing and implementing business continuity



A complete view of the market

SHVA Insights

Services and products based on SHVA's data infrastructure



Recent year developments

In 2023, SHVA developed an advanced technological cloud system integrated with its data infrastructure. This system provides centralized access to comprehensive and intelligent aggregate information, enabling business, institutional, financial, and governmental entities to make informed operational, managerial, and financial decisions.

Data core products

1. Aggregated information at the merchant level includes an insight engine and signals, subject to the consent of the business.
2. Comprehensive macroeconomic data by industry and geographic segments, tailored to customer's needs.
3. In-depth data analysis to provide aggregated data insights according to customer's requirements.

Growing and expanding

SHVA is developing the market for payment data-based products and services, aiming at:

- Commercial companies
- Financial institutions
- Retail companies
- Retail shopping centers
- Wholesalers and distributors
- Government and municipalities
- Research and investment firms

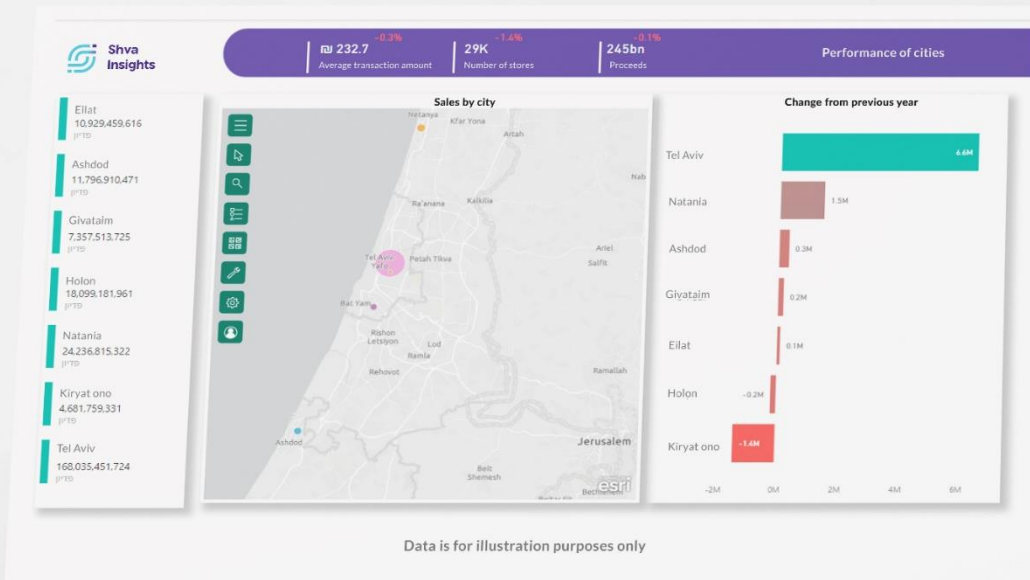


A complete view of the market

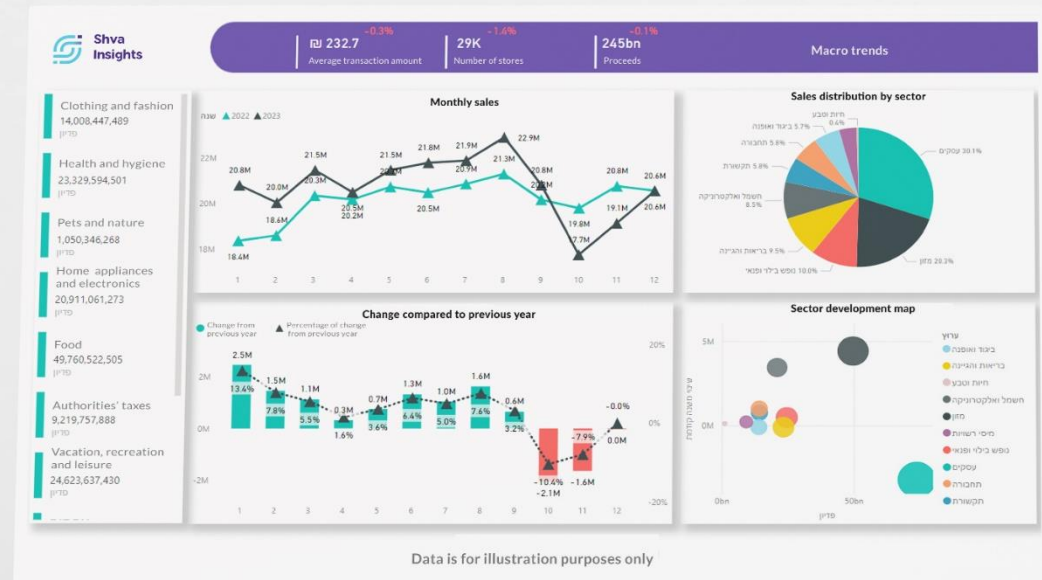
SHVA Insights

Business decision-making market data – accessible dashboard for customers

Access to aggregated sales data



By geographic segmentation



By business sectors



All payment solutions in one place

SHVA Arena

Expanding the Ashrait software and payment system infrastructure services
Development of advanced and stable technological services and products



Recent year developments

In 2023, SHVA developed advanced and innovative technological capabilities on the cloud infrastructure for payment solution providers.

In the meantime, it expanded its Ashrait software services and established advanced and stable technological payment solutions for businesses.

Data core products

SHVA enables **payment service providers (PSPs)** to provide businesses with various new value propositions.

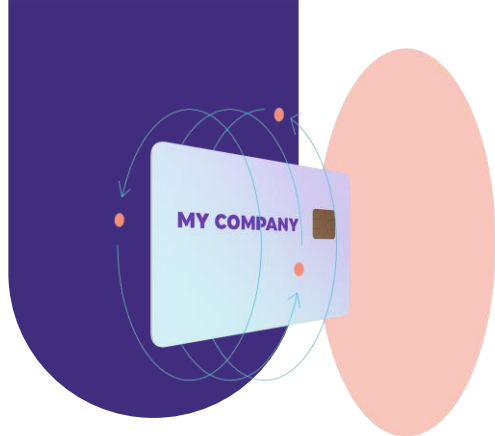
(1) **3DS** service: Strong authentication of a cardholder in online transactions significantly reduces the ability to commit fraud and deny transactions.

(2) **TOP** – the Tap on Phone solution enables turning a smartphone into a payment terminal.

Growing and expanding

SHVA is expanding the offering to new customers, aiming at:

- Payment solution providers (PSPs)
- Clearing companies
- Fintech companies
- Reconciliation and accounting adjustments services firms



Smart infrastructure for alternative payment methods

Additional solutions for payment transfers



Recent year developments

During 2023, SHVA expanded the access of small and medium businesses to the world of clubs.

SHVA expanded its activities with additional Customer Loyalty Program to launch a unique CLP solution that allows various payment methods, such as gift cards, vouchers, dining cards, loyalty cards, and more, based on the existing payment infrastructure.

The first operator went into production.

Data core products

1. Closed-loop Payments – CLP

Using various Customer Loyalty Program in the national payment system and allowing them to be added to a digital wallet.

2. Solutions for public transportation

Growing and expanding

SHVA is developing the market for Closed-loop payments, aiming at:

- Customer Loyalty Program operators
- Gift and dining card operators



Development and expansion of core services for system participants

SHVA Members

Expansion of operational and technology services for companies in the payment system



Recent year developments

SHVA has set a strategic goal to develop Value-Added Services (VAS) for the payment system participants (Members) to support operational and infrastructural processes for SHVA's core services.

These VAS allow customers to use payments safely and smoothly, strengthening relationships with the schemes and Members to create unique and relevant solutions for the market.

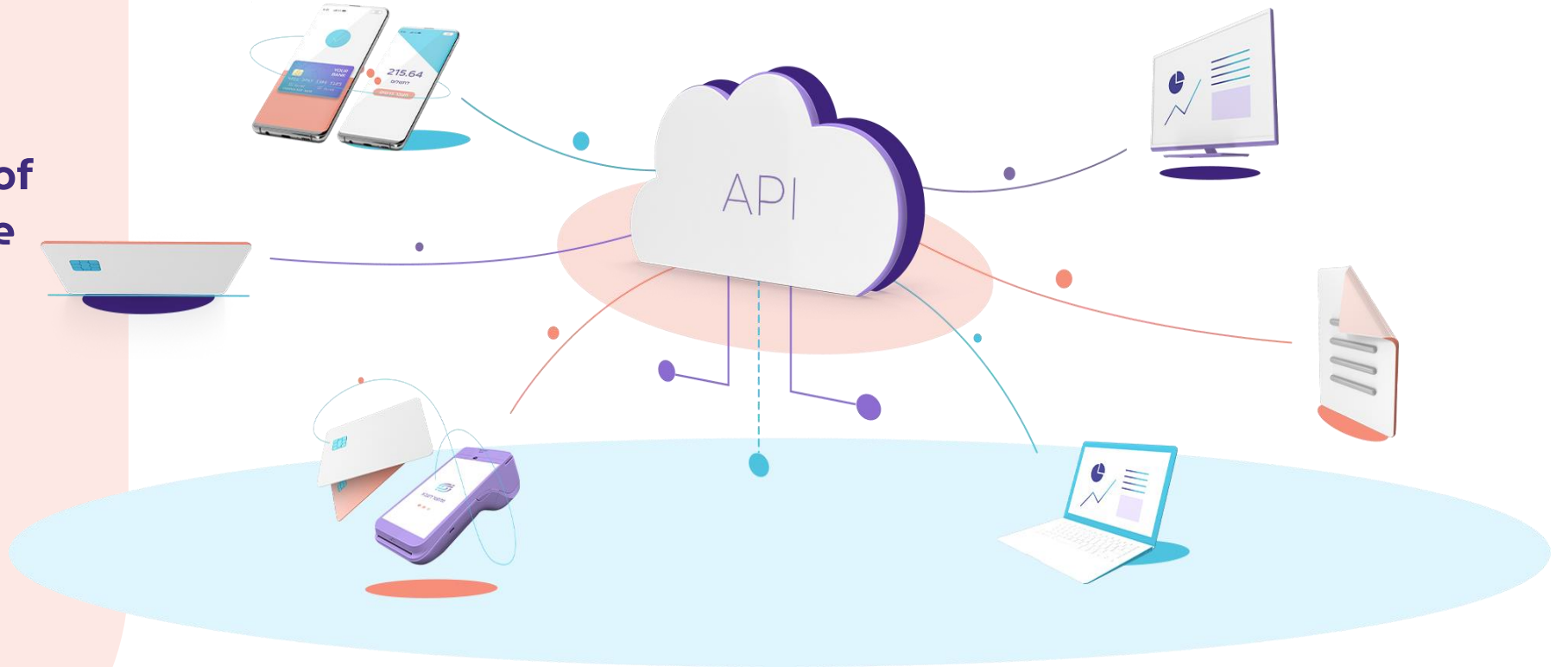
Data core products

- Collection and approval of transactions
- Terminals and pin pads management
- Settlement interface for the payment cards system
- Cash withdrawals branding
- Selection of a PIN code
- Settlement interface for the ATM system
- VAS – improvement of the STIP process, response on behalf of the issuer
- Terminal certification
- Supporting operational processes
- And more

Growing and expanding

- Acquirers
- Issuers
- Banks

A robust business model that ensures long-term stability while enabling the diversification of SHVA's revenue streams





2023 Summary

Looking Ahead





Key Financial Data (2023)

135M NIS

Revenues

42M NIS

Operating profit

38M NIS

Income Attributable to
Shareholders

275M NIS

Assets

Of them

231M NIS

Cash, Cash equivalents, Short
term deposits, and Held-for-
trading securities

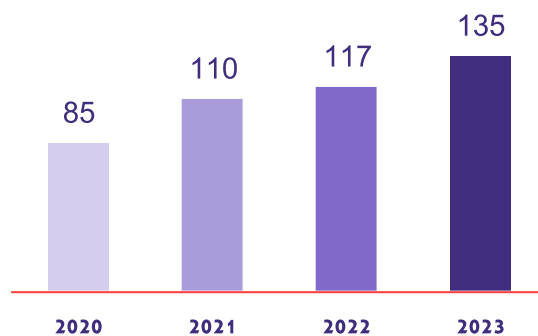
25M NIS

Dividends

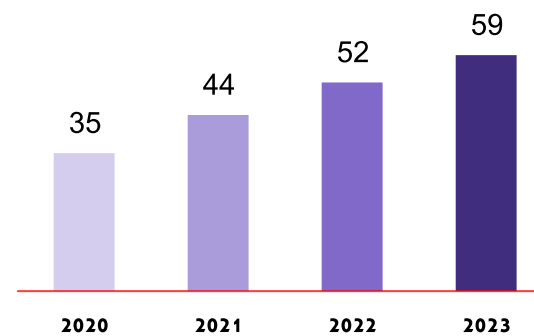
Financial Resilience and Steady Growth (NIS in millions)



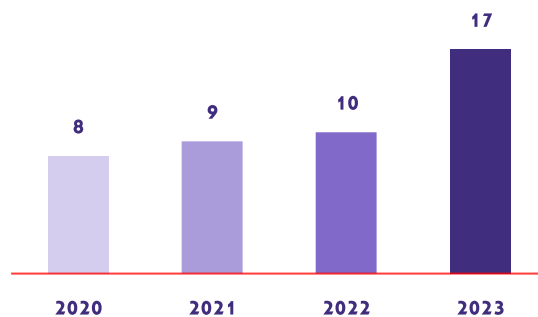
Revenues



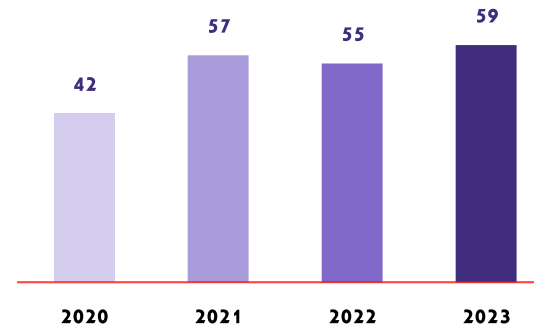
Transaction based revenues



Other Revenues *



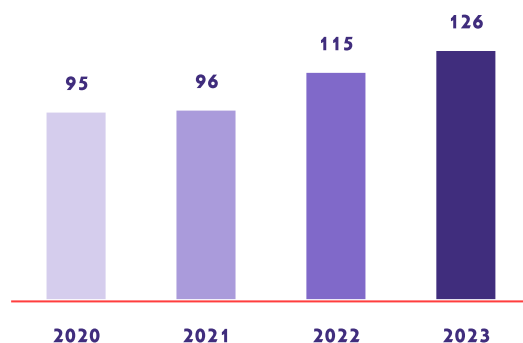
Infrastructure based revenues



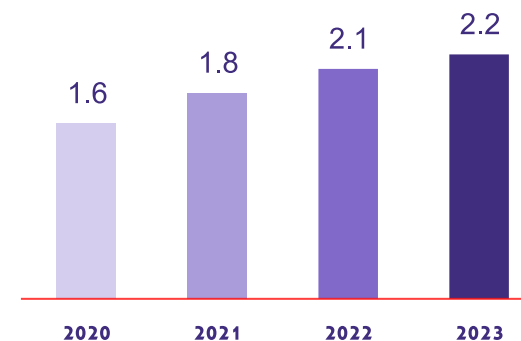
*including ATM switching services, failure arrangement and connection to Zahav in the payment card system and more

Financial Resilience and Steady Growth

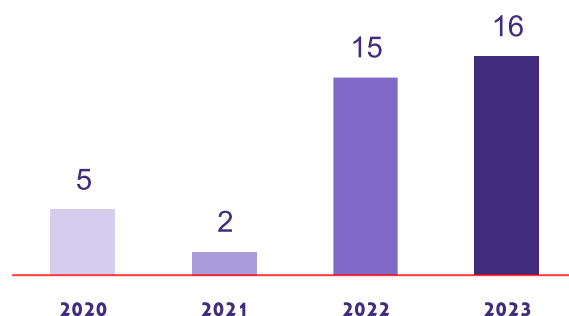
Human capital (number of employees)



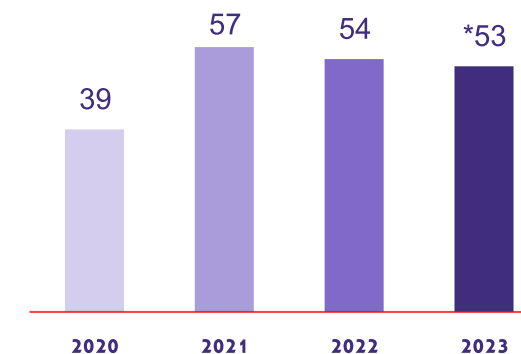
Number of debit and credit transactions in the payment card system (billions of transactions)



Purchases and investments in property, plant and equipment, and intangible assets (NIS in millions)

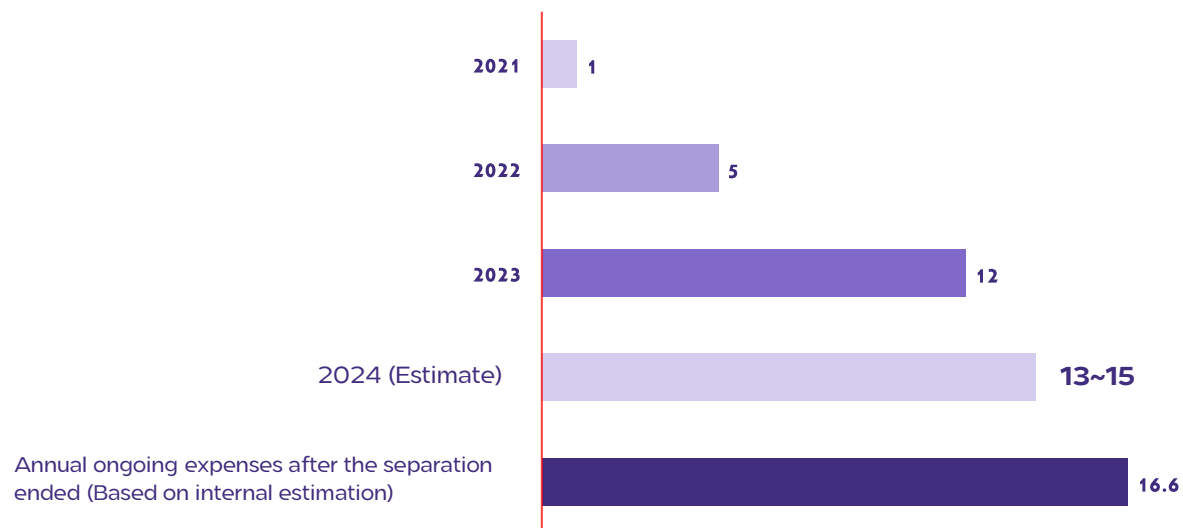


Cash flow before changes in asset and liability items and before financing and taxes (NIS in millions)



*Including a donation of about 2 million NIS to businesses in the southern conflict zone in Israel

Expenses for separation from MASAV (NIS in millions)

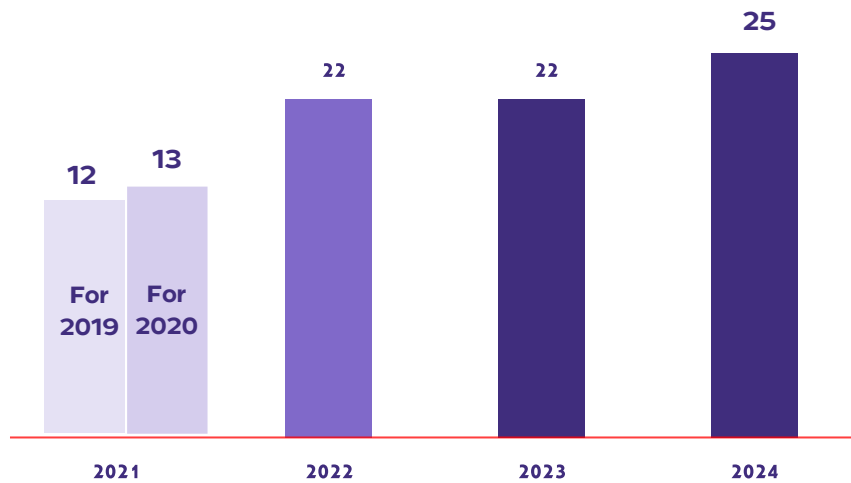


Following the competition authority's requirement and the court's decision, SHVA and the Banking Clearing Center Ltd. are working to implement a separation outline that is expected to be completed at the end of December 2027

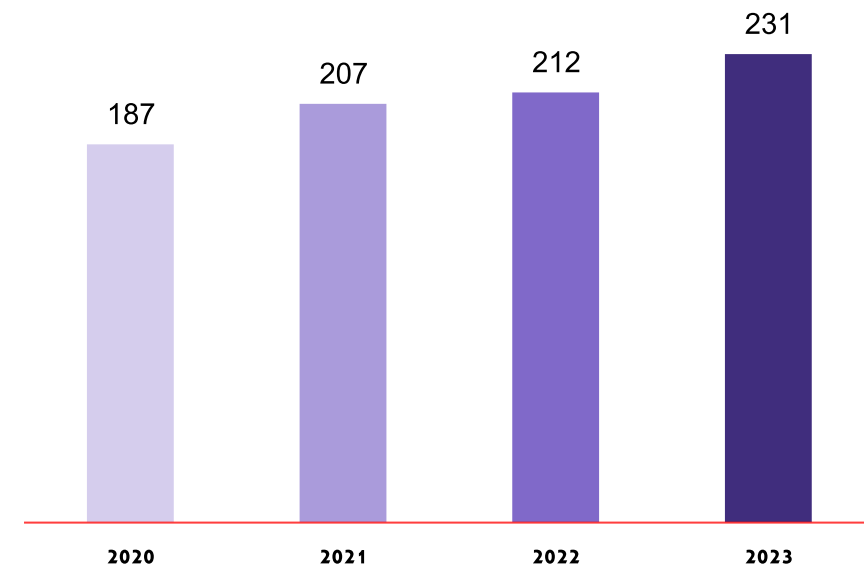
These are estimates and forecasts based on the information known to SHVA at the time of the presentation publication, which may change in the future, among other things in accordance with the decisions of SHVA's board of directors, and taking into account the risk factors that characterize SHVA's activities, as well as the developments in the economic environment and the external factors that affect SHVA's activities, which cannot be evaluated in advance and by their nature are not under the control of SHVA.

Equity and dividends (NIS in millions)

Dividends



Equity



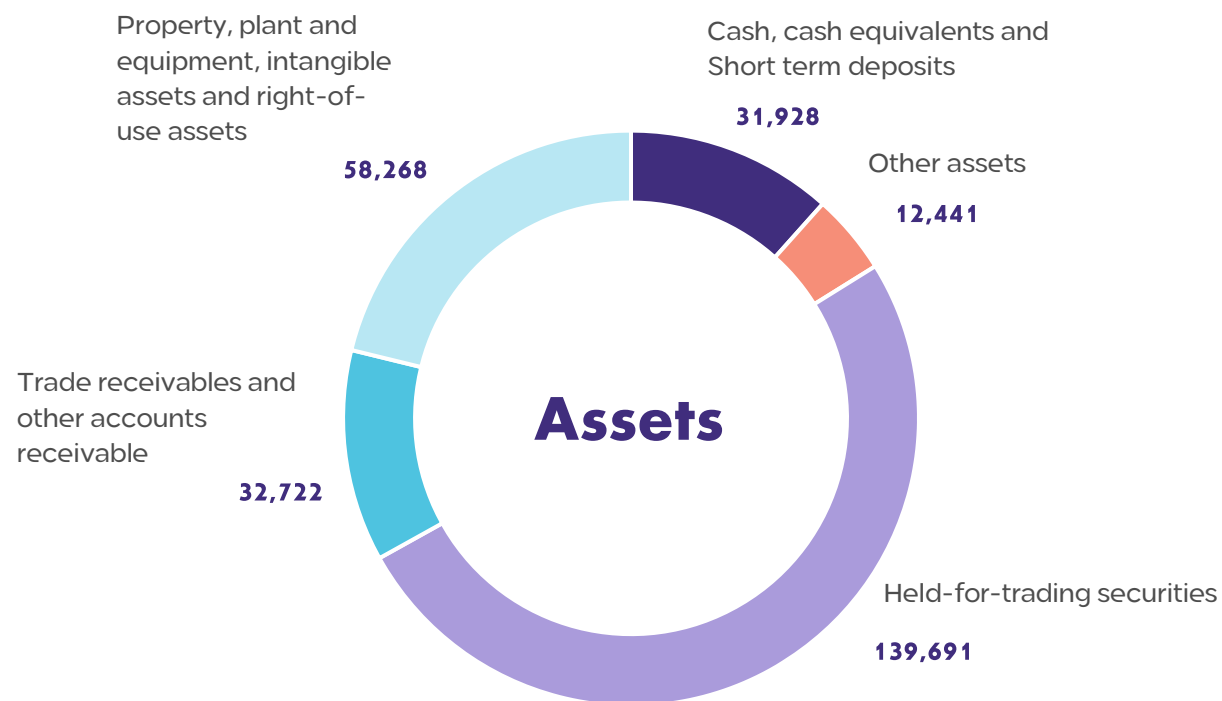
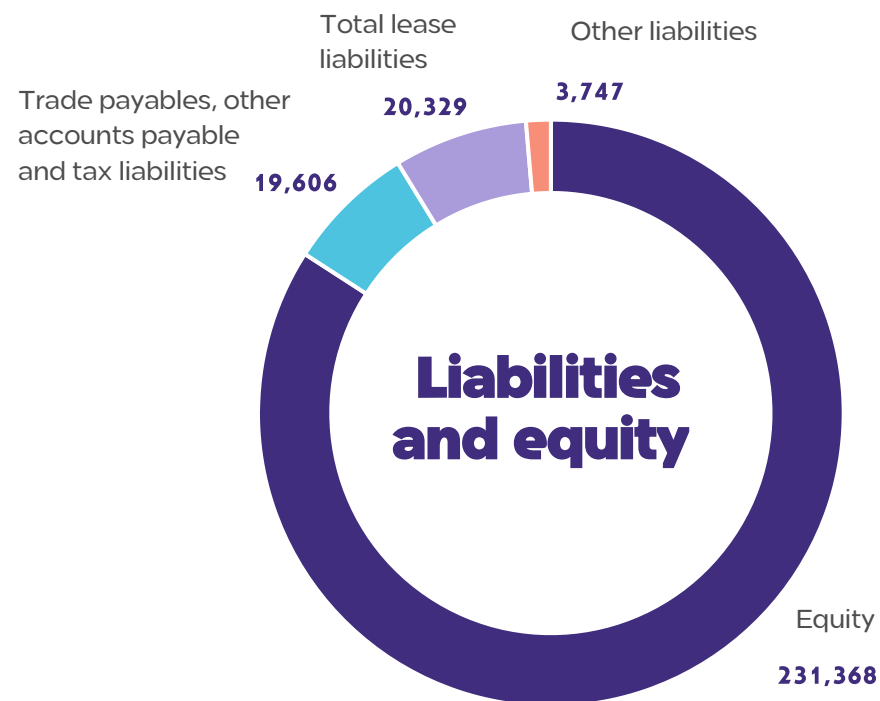


Accelerating the development
of the payment market


The background of the slide is a light blue gradient. In the upper half, there are several 3D-rendered geometric shapes in a slightly darker blue color. These include a large bowl-like shape in the center, a sphere to its right, a cylinder to its left, and various other smaller shapes like cubes, spheres, and cylinders scattered around. The shapes have soft shadows, giving them a three-dimensional appearance.

Appendices.

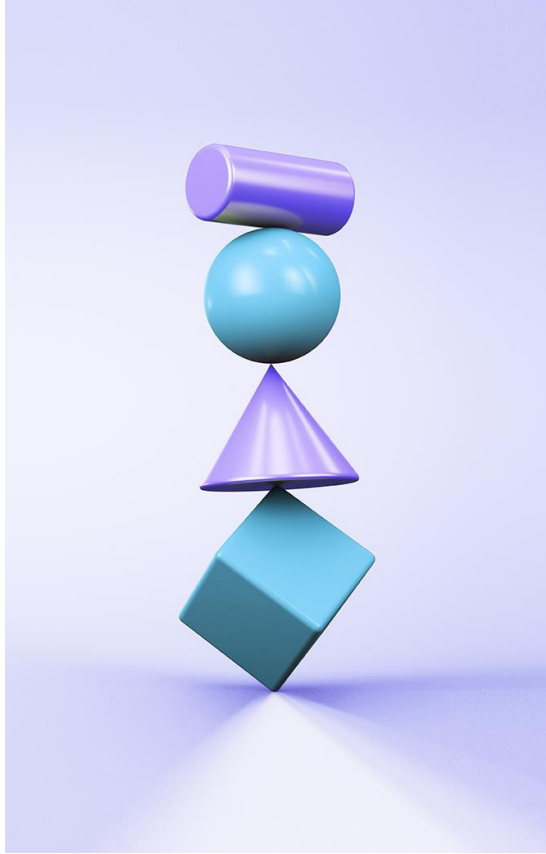
Statement of Financial Position for 2023 (NIS in millions)



FY23 Annual Income Statement NIS in thousands



	2023	2022	2021
Revenues	134,919	117,283	110,408
Payroll and associated expenses	56,386	46,776	39,150
Operational general and administrative expenses	36,565	24,676	20,928
Total operating general and administrative expenses	92,951	71,452	60,078
Operating profit	41,968	45,831	50,330
Profits before taxes on income	48,664	34,440	57,732
Income Attributable to Shareholders	38,216	24,085	44,557



Thank you •

