ALTSHULER SHAHAM
Provident Funds and Pension Ltd
Innovate • Change • Succeed

Committed to Professionalism

Altshuler Shaham Provident Funds and Pension Ltd.

2021 Annual Report

Altshuler Shaham Provident and Pension Funds Ltd.

"the **Company**" or "the **Corporation**").

2021 Periodic Report

This is an English translation of a Hebrew annual report that was published on March 30, 2022 in "Magna" – ISA official website (reference no.: 2022-01-038071) (the "Hebrew Version"). This English version is only for convenience purposes.
This is not an official translation and has no binding force. Whilst reasonable care and skill have been exercised in the preparation hereof, no translation can ever perfectly reflect the Hebrew Version. In the event of any discrepancy between the Hebrew Version and this translation, the Hebrew Version shall prevail.

Chapter A

Description of corporate affairs

December 31, 2021

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Part 1: General development of the corporation's business

This chapter contains a description of the corporation's business and development thereof, in conformity with Securities Regulations (Periodic and Immediate Reports), 1970 ("**Reporting Regulations**") and Securities Regulations (Details, Structure and Form of Prospectus and Draft Prospectus), 1969 ("**Prospectus Regulations**").

Hereinafter in this report:

"Reported period" – The twelve-month period ended December 31, 2021.

1.1 Definitions

"Altshuler Ltd."	–	Altshuler Shaham Ltd.
"Stock Exchange"	–	Tel Aviv Stock Exchange Ltd.
"**Company's 2021 Financial Statements**" or "**2021 Financial Statements**"	–	The Company's financial statements as of December 31, 2021.
"**Company**" or "**Management Company**"	–	Altshuler Shaham Provident and Pension Funds Ltd.
"**Supervisor of the Capital Market, Insurance and Savings**" or "**Supervisor**"	–	The Supervisor of the Capital Market, Insurance and Savings Authority.
"Group"	–	Altshuler Ltd., subsidiaries and affiliated companies thereof.
"Prospectus" or "Company Prospectus"	–	Company's sales offer prospectus and shelf prospectus dated July 10, 2019 (reference no. 2019-01-070528).
"**Provident Fund Act**"	–	Supervision of Financial Services Act (Provident Funds), 2005.
"Corporate Act"	–	The Corporate Act, 1999.
"Pension Advisory Act"	–	Financial Services Supervision Act (Consulting, Marketing and Pension Settlement System), 2005.
"Securities Act"	–	The Securities Act, 1968.
"Insurance Supervision Act"	–	Supervision of Financial Services Act (Insurance), 1981.
"Anti-Money Laundering Act"	–	Anti-Money Laundering Act, 2000, regulations based there upon, AML Ordinance (Mandatory identification, reporting and records maintenance by credit providers to avoid money laundering and terrorism financing), 2017.

"Children's Savings Fund"	–	Investment provident fund – long-term savings for children.
"Yair Holdings"	–	Lowenstein Yair Holdings Ltd.
"Income Tax Ordinance"	–	Income Tax Ordinance (New Version), 1961.
"Perfect"	–	Perfect (Y.N.A) Capital Markets Ltd.
"Capital Market Authority"	–	Capital Market, Insurance and Savings Authority at the Ministry of Finance.
"Amendment 190"	–	Income Tax Ordinance (New Version), 1961 (Amendment No. 190).
"Income Tax Regulations for Approval and Management of Provident Funds"	–	Income Tax Regulations (Rules for Approval and Management of Provident Funds), 1964.
"Distribution Commission Regulations"	–	Supervision of Financial Services Regulations (Provident Funds) (Distribution Commissions), 2006.
"Shareholder Equity Regulations and Circular"	–	Supervision of Financial Services Regulations (Provident Funds)(Minimum Equity Required of a Management Company), 2012 and Institutional Investor Circular 2-2012-9 "Equity required of management companies".
"Direct Expenses Regulations"	–	Financial Service Supervision Regulations (Provident Funds) (Direct Transaction Expenses) (Amendment and Interim Directive), 2018.
"Executive Remuneration Act"	–	Officer Remuneration at Financial Corporations Act (Special Approval and Non-Tax Deductible Expenses Due to Excessive Remuneration), 2016.
"Returns Regulations"	–	Supervision of Financial Services Regulations (Provident Funds) (Returns Charged to New Comprehensive Pension Fund), 2017.

1.2 Company operations and description of development of Company business

The Company was incorporated in Israel on December 9, 2001 as a private company. For Company holding chart, see section 1.4 below.

On July 22, 2019, the Company's shares were listed for trading on the Tel Aviv Stock Exchange Ltd.

As of the report date, Company shares are directly held by the controlling shareholders of the Company, Altshuler Ltd., which holds 55.83% of the Company's share capital, and Yair Holdings, which holds 14.04% of the Company's share capital, with the remaining Company shares held by the public at large. For more information about the shareholder agreement between the aforementioned parties, see section 3.4.3 of the Prospectus.

The ultimate controlling shareholders of the Company are: Gilad Altshuler, Kalman Shaham[1] and Yair Lowenstein.

Altshuler Ltd. is a private company held by the following shareholders: Gilad Altshuler Holdings Ltd., controlled by Gilad Altshuler (44.81%, of which 27.16% held by a Trustee); Kalman Shaham Holdings Ltd., controlled by Kalman Shaham (44.81%, of which 27.16% held by a Trustee)[2]; Roni Bar Banin (9.89%, of which 26.73% are held by a Trustee)[3]; and Altshuler Shaham Trustees Ltd. (0.49%)[4].

The Company is a management company for pension funds and provident funds,pursuant to the Provident Fund Act, and is a subsidiary of Altshuler Ltd. And part of Altshuler Shaham Investment House ("the Investment House"). The Investment House is a leading investment house in Israel, including companies in diverse financial areas. The Investment House manages investment portfolios, provident funds, study funds, pension funds and mutual funds with a total value of NIS 291.9 billion[5] (including provident funds previously managed by Psagot Investment House Ltd. ("Psagot") (indirectly) which were acquired by the Company during the reported period. For more information about acquisition of Psagot shares, see section 1.3 below) and offers additional services, such as retirement guidance, alternative investments, Trustee services and currency services.

As of the report issue date, the Company is a management company, as this term is defined in the Provident Fund Act, engaged in two operating segments: Provident fund management and pension fund management (hereinafter jointly: "the Operating Segments"). Management of provident funds and pension funds is carried out by the Company in conformity with the Provident Fund Act and pursuant to an insurer license in conformity with the Insurance Supervision Act. Moreover, the provident funds and pension funds managed by the Company annually receive approval from the Supervisor, in conformity with Income Tax Regulations for approval and management of provident funds. For more information about the Company's Operating Segments,

1 For more information about shareholders of Kalman Shaham Holdings Ltd. Included in the control permit issued to the Company by the Capital Market Authority, see footnote 3 below.

2 100% of ordinary shares of Kalman Shaham Holdings Ltd. Are held by Shenkar Laks Trustees Ltd. in trust for the following beneficiaries, in equal parts (20% each): Kalman Shaham, Ilana Shaham, Ran Shaham (Chairman of the Company Board of Directors), Asaf Shaham and Lior Shaham, with management shares held by Mr. Kalman Shaham.

3 Ms. Bar Banin holds shares of Altshuler Ltd. in trust for her children.

4 As of the report issue date, Altshuler Shaham Trustees Ltd., holds shares of Altshuler Ltd. In trust for employees of Altshuler Ltd.

5 As of December 31, 2021.

see section 1.4 below.

Since the Investment House does not offer long-term savings products (other than the provident funds and pension funds managed by the Company), the Company believes there is no real conflict of interest between the Company and Investment House operations in long-term savings products. Note that even where Altshuler Ltd. and/or subsidiaries thereof manage investments for certain savings insurance policies which may compete with Company products, these products are complimentary to the retirement savings component (i.e. they do not compete with most Company products), and any way, in conformity with statutory provisions, agents marketing such policies are committed to provide the Best Advice for the member, hence the product that such agents would recommend would be the most suitable one for the member's needs. Moreover, the Company has adopted a procedure regarding allocation of business opportunities with regard to its operations.

In late 2016, following the amendment to the Provident Fund Act, the Company started marketing the product "Investment provident fund", which allows for savings capped annually at NIS 70 thousand[6], linked to the Consumer Price Index. This product provides a pure, liquid savings option, which allows savers to enroll in provident funds without allocation of any minimum amount, while receiving professional investment management in the provident funds on the other hand. For more information see section 3.1.3 below.

On January 1, 2017, the program "Savings for every child" was launched, whereby the National Insurance Institute makes a monthly deposit of NIS 50 for every child under the age of 18, into a designated savings account in the child's name. The Company is among the entities that manage savings funds under this plan. For more information see section 3.1.3 below.

In October 2021, the Company's comprehensive pension fund was selected once again in a competitive proceeding conducted by the Capital Market Authority as a designated pension fund (default pension fund). For more information see section **3.1.3** below and Note 30 to the financial statements enclosed as chapter C to this report.

1.3 Material acquisitions and re-structuring

Psagot transaction

On May 12, 2021, the transaction for acquisition of Psagot shares closed. For more information about contracting by the Company with Psagot and Himalaya F.S. Ltd. ("the **Seller**"), and about financing of this transaction, see immediate reports by the Company dated January 11, 2021, February 12, 2021, May 9, 2021 and May 12, 2021 (reference no. 2021-01-004608 2021-01-017773 2021-01-080997 and 2021-01-084405, respectively), included herein by way of reference and Note 13 to the

6 For more information with regard to this cap as of the report date, see section 3.2.1.1f below.

Company's financial statements enclosed with this report.

Further to approval by the Company Board of Directors on December 31, 2021 ("the **Merger Date**"), a statutory merger pursuant to provisions of Section 323 of the Corporate Act was completed, of Psagot and Psagot Provident and Pension Funds Ltd. ("**Psagot Provident Funds**") with and into the Company; Upon completion of this merger, the Company absorbed all business operations, assets and liabilities of the aforementioned companies. For more information about the merger of Psagot with and into the Company, suspensive conditions and schedule for this merger, see immediate report by the Company dated October 3, 2021 and January 2, 2022 (reference no. 2021-01-150585, 2021-01-150573, 2021-01-150582 and 2022-01-000559, respectively), included herein by way of reference.

Furthermore, incidentally to the Psagot transaction, the Company entered into transactions to sell parts of Psagot operations, including contracting a transaction to sell Psagot Mutual Funds Ltd. and Psagot Securities Ltd. and including contracting by Psagot Provident Funds of an agreement with Harel Pension and Provident Funds Ltd. ("**Harel**") for sale of operations of the new pension fund and several provident funds, including an investment provident fund, children's savings fund, IRA provident fund and study fund, and the legacy Haal pension fund, as follows:

<u>Sale of Psagot Mutual Funds Ltd. and Psagot Securities Ltd.</u>

For more information about sale of Psagot Mutual Funds Ltd. and Psagot Securities Ltd., see immediate reports by the Company dated June 1, 2021, August 3, 2021 and August 26, 2021 (reference no. 2021-01-094098, 2021-01-127170 and 2021-01-138783, respectively), included herein by way of reference and Note 13 to the Company's financial statements enclosed with this report.

Agreement to sell assets to Harel

For more information about an agreement to sell assets to Harel, see immediate reports by the Company dated May 9, 2021, June 15, 2021, July 4, 2021 and September 30, 2021 (reference no. 2021-01-080997, 2021-01-100881, 2021-01-110874 and 2021-01-149808, respectively), included herein by way of reference and Note 13 to the Company's financial statements enclosed with this report.

Re-organization

On January 17, 2022, the Company entered into a merger agreement with A.S. Ya'ad Hanpaka Ltd. ("the **Target Company**") and A.S. Matrat Hanpaka Ltd. (which was renamed Altshuler Shaham Finance Ltd.) ("**Altshuler Finance**") whereby, upon closing of the merger transaction, the Target Company would be merged with and into the Company ("**Merged Altshuler Shaham**" and "the **Merger Transaction**", respectively) by way of statutory merger pursuant to provisions of Chapter 1 of Part VIII of the Corporate Act, such that immediately after allocation of the allocated shares and conducting the re-structuring pursuant to the Merger Transaction, Altshuler Finance would hold 100% of the issued and paid-in share capital of Merged Altshuler Shaham. In consideration for the Merger Transaction, the allocated shares would be allocated to eligible shareholders in the Company, and would be listed for trading pursuant to a prospectus issued by Altshuler Finance, dated February 28, 2022 (reference no. 2022-01-023872) (the **Prospectus**").

Altshuler Finance was incorporated as a private company limited by shares on December 9, 2021, under the name A.S. Matrat Hanpaka Ltd., by Yair Holdings and for technical reasons only, 100 Company ordinary shares were allocated to Yair Holdings ("**Trust Shares**"). On January 27, 2022, Yair Holdings, the Company and Altshuler Shaham Trustees Ltd. ("the **Trustee**") entered into a Trust agreement, whereby the Trust Shares were transferred to the Trustee, and the Company Board of Directors was exclusively authorized to provide notifications with regard to Altshuler Finance shares. As of this date, the Trustee holds the entire issued and paid-in share capital of Altshuler Finance, on behalf of all eligible shareholders of the Company. Furthermore, on December 19, 2021, A.S. Ya'ad Hanpaka Ltd. Was incorporated as a private company wholly owned by Altshuler Finance ("the **Target Company**"). As from the inception date of Altshuler Finance and of the Target Company, Altshuler Finance and the Target Company had no operations other than as required for issuing the Prospectus and conducting the Merger Transaction.

The number of allocated shares to be allocated to each Company shareholder would equal the number of Company shares they hold upon the merger effective date (as defined in the Prospectus). Subject to closing of the Merger Transaction, the allocated shares would be allocated to eligible shareholders for no additional consideration, other than the share swap as part of the Merger Transaction. Note that no tender would be conducted to set the price of the allocated shares, and they would be allocated pursuant to the Prospectus to eligible shareholders, such that each Company shareholder as of the merger effective date would be eligible to receive one share of Altshuler Finance against each Company shares they hold at that time.

Closing of the Merger Transaction is subject to the following suspensive conditions **("the Suspensive Conditions"):**

1.1. Approval by the General Meetings of shareholders of the Target Company and of the Company ("the **Merged Companies**") for the Merger Transaction, pursuant to provisions of the Corporate Act;

1.2. Approval by the Capital Market Authority for amendment of the control permit in the merged Altshuler Provident Funds;

1.3. Receipt of merger certificate from the Registrar of Companies as proof of merger execution, as set forth in Section 323(5) of the Corporations Act ("**Merger Certificate**");

1.4. Receipt of a tax ruling from the Tax Authority with regard to tax implications applicable to the Merged Companies and to shareholders thereof following the merger, including an income tax exemption with respect to the merger and postponement of the tax event applicable to eligible shareholders and Altshuler Finance following the merger, provided that such tax ruling is not materially different from the request filed by the Merged Companies with the Tax Authority on January 16, 2022, as highlighted in section 2.6 of chapter 2 of the Prospectus, or any revision thereof by the Merged Companies. And fulfillment of the conditions stipulated in said tax ruling and/or reaching other understandings or another arrangement to be agreed by the Merged Companies and the Tax Authority that would allow for application of the tax ruling;

1.5. Receipt of a tax ruling from the Tax Authority whereby conversion of the options awarded pursuant to the Company stock option plan to employees and officers of the Company into stock options at Altshuler Finance, to be made while retaining existing taxation provisions pursuant to Section 102 of the Income Tax Ordinance as they currently are, including a request whereby the original award terms and condition, award dates and blocking periods would remain unchanged from the original dates as they are at the Company immediately prior to conducting the Merger Transaction.

1.6. Approval by the stock exchange for listing for trading of securities as requested pursuant to the Prospectus. As of the report issue date, such approval by the stock exchange has been received;

1.7. Approvals from third parties, including banks providing financing to the Company. As of this date, such approvals have been received;

1.8. Absence of any legal or other hindrance for closing of the Merger Transaction.

On January 17, 2022, the Company Board of Directors, the Board of Directors of Altshuler Finance and the Board of Directors of the Target Company approved contracting of the Merger Transaction by the parties; on February 22, 2022, the General Meetings of shareholders of the Company and of the Target Company approved contracting of the Merger Transaction, all subject to the aforementioned suspensive conditions.

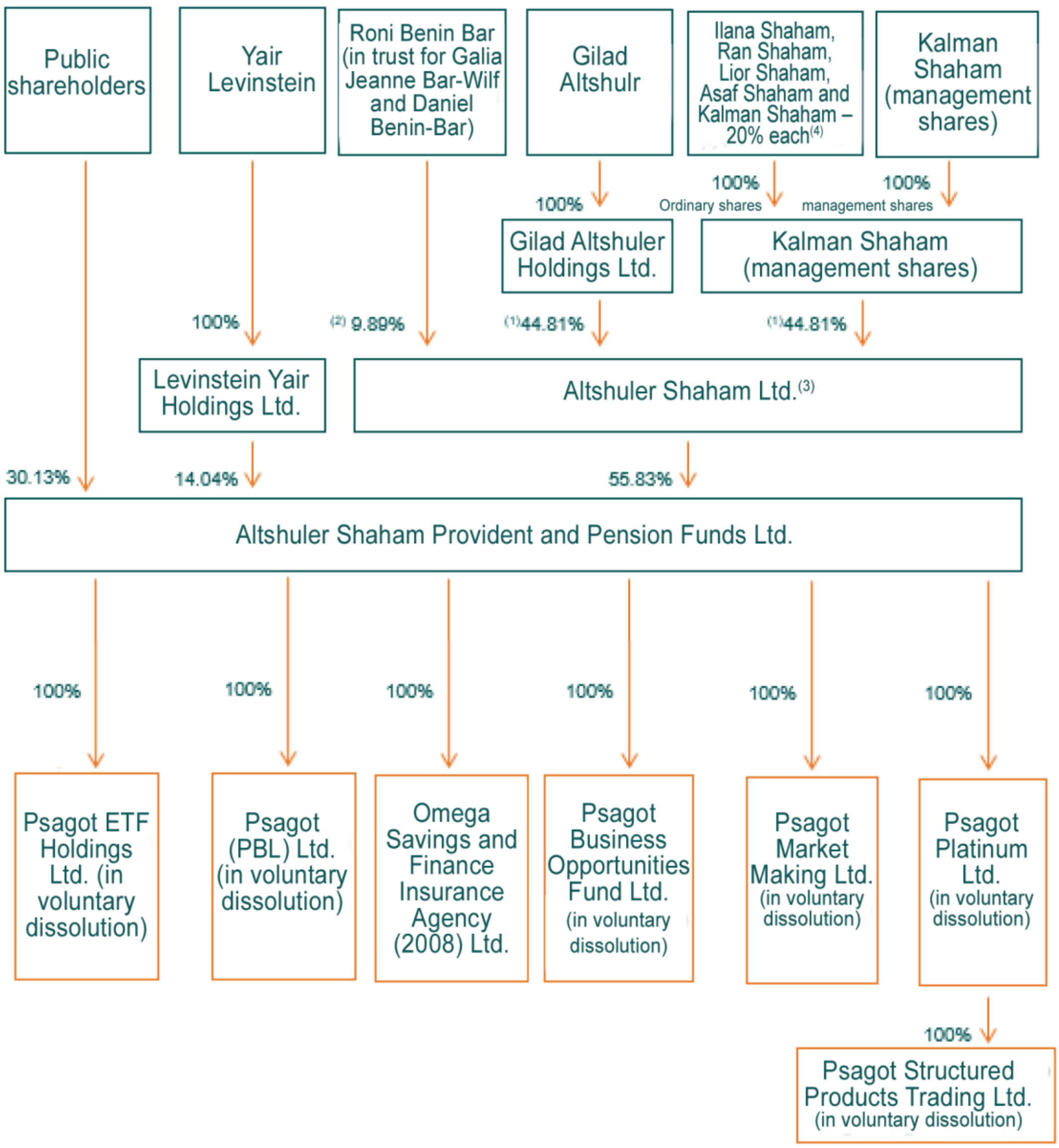
As of this date, not all of the aforementioned suspensive conditions have been fulfilled, and the Company believes they would be fulfilled by March 31, 2022. As set forth in the Altshuler Finance Prospectus, soon after the suspensive conditions will have been fulfilled, except for receiving the merger certificate from the Registrar of Companies, Altshuler Finance would issue an immediate report announcing fulfillment of the suspensive conditions except for receiving the merger certificate. Furthermore, upon receiving the merger certificate, Altshuler Finance and the Company would issue immediate reports with regard to receiving the merger certificate, indicating: (1) The effective date of the merger; (2) The closing date of the Merger Transaction; (3) The share swap date when shares would be actually swapped as part of closing of the Merger Transaction for eligible shareholders, to be conducted in co-ordination with the stock exchange.

For more information about the Merger Transaction and approval by the General Meeting of Company Shareholders, see immediate reports by the Company dated January 18, 2022 and February 22, 2022 (reference no. 2022-01-008047 and 2022-01-021712, respectively), included herein by way of reference.

The aforementioned re-structuring is not expected to affect the holding stakes of Company shareholders and is made, *inter alia*, to allow for review and execution (subject to all statutory approvals) of entry into other operating segments, including those synergetic with Company operations, without any restricted operations to which the Company is subject by virtue of being a management company being applied. For more information see Note 31A to the Company's financial statements enclosed with this report. For more information about Company strategy and expected developments over the coming year, see sections 3.21 and 3.22 below.

Company assessment with regard to the foregoing, including with regard to fulfillment of all suspensive conditions for the merger, implications of the merger and future operations of Altshuler Shaham Finance, constitute forward-looking information, as this term is defined in the Securities Act, which is based on Company assessments which may fail to materialize, or may materialize partially or differently than anticipated due, inter alia, to factors outside of the Company's control, such as the need to obtain approvals from regulatory entities and resolutions by third parties which are not under the Company's control.

1.4 Company holding structure



(1) Of which 27.16% are held in trust by Altshuler Shaham Trustees Ltd., (or 12.17% of shares of Altshuler Ltd.); (2) Of which 26.73% are held in trust by Altshuler Shaham Trustees Ltd., (or 2.64% of shares of Altshuler Ltd.); (3) Note that the remaining holdings in Altshuler Ltd. (0.49%) are held by Altshuler Shaham Trustees Ltd. (In trust for employees); (4) All ordinary shares are held in trust by Shenkar Laks Trustees Ltd.;

1.5 Company operating segments

As of the report issue date, the Company is engaged in two operating segments: Provident fund management and pension fund management: As of the report issue date, the Company manages 9 provident funds and 2 pension funds, as follows:

Fund name	Fund type	Inception date
Provident funds		
Altshuler Shaham Gemel	Provident and severance pay	April 2005 (1)(2)
Altshuler Shaham Hishtalmut	Study fund	April 2005 (1)(2)
Altshuler Shaham Pitzuim	Central severance pay fund	April 2005 (1)
Altshuler Shaham Hisachon Plus	Investment provident fund	November 2016
Altshuler Shaham Hisachon LaYeled	Investment provident fund – long-term savings for children	January 2017
Altshuler Shaham Kama	Provident and severance pay	June 2007 (3)
Altshuler Shaham Gemel LeAmitey Hever	Provident and severance pay	February 2008 (3)
Altshuler Shaham Marpe	Central sick pay provident fund	December 2003 (3)
Altshuler Shaham LePensia Taktzivit	Central provident fund for budgetary pension participation	August 2008 (3)
Pension funds		
Altshuler Shaham Pensia Makifa	Pension fund	July 2008
Altshuler Shaham Pensia Clalit	Pension fund	July 2008

(1) Provident funds which started operations in 2001 were merged into these funds.

(2) Provident funds from Psagot Provident Funds which started operations in 1976 and 1979 were merged into these funds.

(3) These funds were transferred to the Company as part of voluntary transfer of management from Psagot Provident Funds as from October 1, 2021.

1.5.1 Provident fund management

In this operating segment, the Company manages the following products: Savings provident funds, provident funds and individual severance pay funds; study funds; central severance pay funds; central sick pay provident fund, central provident fund for budgetary pension participation, investment provident funds; investment provident funds – long-term savings for children. For more information about each product, see section 3.2.1.1 below.

1.5.2 Pension fund management

In this operating segment, the Company manages two new pension funds[7] which accept contributions for members who are salaried employees or self-employed: A comprehensive pension fund and a general pension fund. For more information see section 3.2.1.2 below.

[7] A new pension fund is one that has been operating as from January 1, 1995.

1.6 Investments in Company capital and transactions in Company shares

As from January 1, 2020 through the report date, there were no investments in Company capital and no material transactions in its shares by interested parties in the corporation off the stock exchange, except for the following[8]:

Date	Transaction
June 02, 2020	Sale of 4,846,155 ordinary shares, or 2.53% of Company share capital, to the public, in multiple transactions off the stock exchange. For more information see immediate report dated June 2, 2020 (reference no. 2020-01-056367), included herein by way of reference.
December 23, 2020	Sale of 1,180,000 ordinary shares, or 0.62% of Company share capital, to the public, in one transaction off the stock exchange. For more information see immediate report dated December 24, 2020 (reference no. 2020-01-139473), included herein by way of reference.
December 16, 2021	Public issuance of 4,500,000 ordinary shares, or 2.29% of Company share capital. For more information see immediate report dated December 15, 2021 (reference no. 2021-01-180771), included herein by way of reference.

For more information about the Company's stock option plans for employees, whereby the Company has awarded and will award (non-negotiable) options to employees, to officers and to service providers in the Company and in affiliated companies[9], see sections 3.5-3.6 of the Prospectus. For more information about additional awards of (non-negotiable) options, see Note 27 to the Company's financial statements enclosed as chapter C of this report.

1.7 Dividend distribution

1.7.1 Details of dividends distributed by the Company and distributable earnings

As from January 1, 2020 and through the report date, the Company made no dividend distributions, except as set forth in the table below:

8 Excluding options awarded to employees and officers, or exercised thereby.

9 For this matter, "**affiliated companies**" means companies controlled by the Company or a company that is a controlling shareholder of the Company or a company where the same person is a controlling shareholder thereof and of the Company.

Date	Amount of dividend distribution
November 29, 2021	NIS 40 million
March 21, 2021	NIS 33 million
November 25, 2020	NIS 29 million
August 16, 2020	NIS 22 million
May 27, 2020	NIS 19 million
March 29, 2020	NIS 23 million

Note that on March 29, 2022, the Company Board of Directors resolved that immediately after closing of the Merger Transaction as set forth in section 1.3 of this report, the Board of Directors shall convene to pass a resolution about a distribution based on the Company's 2021 annual financial statements, amounting in total to NIS 150 million, subject to all statutory provisions. Note that such distribution, should it be approved, would be made entirely to Altshuler Finance. To the best of the Company's knowledge, upon conducting such distribution, Altshuler Finance intends to act on a dividend distribution to shareholders thereof. For more information see Note 14 to the Company's 2021 financial statements, enclosed as chapter C of this report.

1.7.2 Dividend distribution policy

On May 15, 2019, the Company Board of Directors adopted a dividend distribution policy whereby, subject to all statutory provisions that may not be made contingent, including provisions of Section 302 of the Corporations Act, and to compliance with minimum equity requirements applicable to by law to the Company and to restrictions applicable to the Company pursuant to the financing agreements, and at the Company's sole discretion, the Company would distribute annually to its shareholders dividends equal to at least seventy-five percent (75%) of the Company's distributable earnings for that year. Note that if, due to the aforementioned restrictions, it would not be possible to distribute seventy-five percent (75%) of the Company's distributable earnings, and subject to provisions of the Corporate Act and to compliance with minimum equity requirements applicable to the Company, and at the Company's sole discretion, the maximum dividend allowed would be distributed so as to comply with such restrictions.

1.7.3 Distributable earnings

As of December 31, 2021 and prior to distribution as set forth in section 1.7.1 above, the Company had distributable retained earnings (as this term is defined in Section 302 of the Corporate Act) amounting to NIS 285,227 thousand.

1.7.4 Restrictions on dividend distribution

For more information about financial covenants applicable to the Company with respect to loans obtained by the Company from banks, where failure to comply with such covenants would require consent of these banks for any dividend distributions, see Note 18E to the Company's 2021 financial statements, enclosed as chapter C of this report.

Part 2: Other information

2.1 Financial information regarding Company's operating segments

For financial information and financial data about Company operation, see Note 4 to the Company's 2021 financial statements, enclosed as chapter C of this report. For explanation of developments in data presented on the financial statements, see "Board of Directors report on the state of corporate affairs", enclosed as chapter B to this report.

2.2 General environment and impact of external factors on corporate operations

Below are descriptions of trends, events and developments in the Company's macro-economic environment which have or are expected to have material impact on Company results or developments:

2.2.1 Trends in the capital market

The value of assets under management by the Company is affected, *inter alia*, by volatility in capital markets in Israel and overseas. Since investment management for provident funds and pension funds partially involves securities traded on stock exchanges in Israel and overseas, or some whose price is impacted by prices on stock exchanges in Israel and overseas, higher or lower prices on financial markets directly affect the scope of assets under management at provident funds and pension funds managed by the Company.

Factors that may result in a change in trend on the capital market include, *inter alia*, factors outside the Company's control which the Company is unable to anticipate nor insure, such as: The state of financial markets world-wide, and in particular in the USA, Europe and Asia-Pacific, geo-political changes (in Israel in particular), economic growth or slow-down in Israel and world-wide, achievement of or deviation from inflation targets, changes to interest rates and so forth. Thus, for example, in 2021 the continued Corona Virus pandemic and evolution of various variants which increased morbidity rates, despite the development of a vaccine for this virus. The increased morbidity resulted in volatility in capital markets across all risk assets, including equities, debentures, commodity and interest rate contracts. However, 2021 ended with positive returns across all asset classes in which the Company is engaged.

Opening levels for many countries at the start of 2021 were low, but later on, as vaccination rates in the population increased, many countries gradually resumed business as usual. It is important to note that the Corona Virus also impacted supply chains, inventories and availability of raw materials in all sectors world-wide, and also resulted in sharply higher prices of agricultural commodities, semiconductors and commodities such as steel and aluminum. The issues with the global supply chain and product manufacturing have resulted in dramatic economic change and, consequently, higher prices and inflation across all world economies.

In 2021, central banks applied expansive monetary intervention, primarily the US Federal Reserve, including economic stimuli to help with economic recovery – and these stimuli supported the positive trend on capital markets.

The capital market was typically higher for all of 2021, except for equity benchmarks in China, which under-performed. The declines on the Chinese market had a negative effect on assets under management by the Company, as part of the overseas equity portfolio is allocated to investment in benchmarks and equities on the Chinese market. Most global markets posted double-digit positive returns, including in the USA, Europe and Israel. The debenture market also posted positive results, primarily CPI-linked debentures – in Israel and overseas, due to the historically very high inflation rate. The Bank of Israel concluded its debenture purchasing program, which started at the high-point of the Corona Virus crisis, after reaching the limit of NIS 85 billion. However, the Bank of Israel continues to intervene in the foreign currency market: in 2021, the Bank of Israel purchased USD 35 billion, in order to mitigate the stronger NIS vs. the USD. In the past year, central banks continued to be supportive of capital markets, through intervention in the debenture and foreign currency markets and by extensively purchasing assets. The furlough outline announced by the Israeli Government, designed to provide support for employees whose income was affected by the Corona Virus crisis, ended in June 2021.

For more information about investment management at the Company, see section 3.15 below.

2.2.2 Events in the Israeli and global economy as they relate to the Company's investment policy

Israel

Similar to other world countries, over the past year Israel has faced multiple waves of COVID morbidity, with the second and third vaccine shots reducing morbidity for the early variants of the virus, such as Alpha and Delta. Later on, with appearance of the Omicron variant, the outbreak accelerated once again, despite the high vaccination rate in the population. Despite this extensive morbidity, the Government took no significant measures to restrict crowding or businesses.

The opening data for the Israeli economy early in the fourth quarter of 2021 continued to be impacted by the Corona Virus crisis, with significant recovery posted later on, as reflected in macro-economic data. Export of services from Israel in the high-tech sector increased by 20% in 2021, according to data from the Israeli Export Institute, to reach USD 70 billion.

In the past year, the Bank of Israel kept the interest rate unchanged in Israel, at 0.1%, even with the increased inflation due to rapid, practically immediate transition to working from home, which increased demand for technology such as computers, computer screens and so forth, with use of technology replacing face-to-face meetings, along with many production facilities being disabled due to the pandemic and severe labor shortage. All these factors caused disruption in the global transportation market and in supply of various products, which eventually manifested in higher prices.

The Bank of Israel revised its inflation forecast for 2022 upwards, to 1.6%. The Bank of Israel also estimates that inflation would continue to increase in 2023, to stabilize around 2% – the middle point of the specified target range. This forecast is based on estimates by the Bank, whereby delays in supply chains should "highly likely" extend through 2022.

In 2021, the Bennett-Lapid Government took office in Israel, with Naftali Bennett sworn in as Prime Minister, after 12 consecutive years with Binyamin Netanyahu as Prime Minister. Shortly after being sworn in, the budget and the economic plan were also approved. This included, *inter alia*, various reforms, such as raising the retirement age for women.

After more than one year, in June 2021, payment of unemployment benefits to Israelis who lost their job or were placed on furlough during the Corona Virus crisis has ended. In total, unemployment benefits paid amounted to NIS 39 billion.

The unemployment rate in Israel continued to decline over the past year. In December 2021, the broad unemployment rate decreased to 6%, compared to 6.5% in November 2021. The broad unemployment rate in the fourth quarter of 2021 was also at 6.5%, compared to the Bank of Israel forecast, which anticipated this rate would be at 6.7%.

Capital issuance in the past year set a new record, with multiple issuances – some through SPACs. This boom resulted in thousands of Israelis becoming high-tech rich, which was also reflected in the real estate market and in reduced Government deficit. In the real estate market, prices increased significantly in 2021 (by 10%), including due to the purchase tax being raised from 6% to 8%, which resulted in a multitude of transactions.

Economic and geo-political conditions in Israel

Savings through Company products are mostly retirement savings, and therefore most of the contributions to such products are monthly contributions directly deducted from employees' salaries, as well as contributions by employers. Therefore, any deterioration in the state of the economy which entails layoffs and pay reductions impacts the scope of current contributions. Furthermore, the geo-political situation impacts the equity and debenture markets and, consequently, total assets under management by the Company and returns presented to current and potential members.

USA

Over the past year, the USA faced further waves of COVID morbidity; Even though a third booster shot was approved for everyone, similar to the policy in Israel, the Omicron variant which emerged late in the year resulted in record levels of daily new cases at around 500,000 cases per day.

The US Federal Reserve kept its interest rate unchanged in 2021, at 0%-0.25%. However, in its final announcement for 2021, the Fed indicated its intention to transition to a restrictive monetary policy and to terminate its debenture purchase program by March 2022. The Chairman of the Federal Reserve further noted that in any case, they had no intention of starting to raise interest rates prior to termination of debenture purchasing. In this regard, the capital markets are pricing in 4 interest rate hikes in 2022, to 1%-1.25%.

US President Joe Biden has signed an executive order with 72 items, primarily designed to restrict the power of technology companies, as well as companies in other sectors, such as aviation, pharmaceuticals, shipping and agriculture. The order was designed to foster change and, *inter alia*, to limit the power of corporations that control the US economy, to reduce the cost of living for families, to increase competition in various sectors, to reduce the cost of medications, to raise wages of employees, to promote innovation and even faster economic growth.

At the end of this year, inflation in the US was at its highest in 39 years, at an annualized 6.8%. The core inflation, excluding volatile prices such as fuel and food, increased at an annualized 5.4%, the highest rate since 1991.

In 2021, the US labor market improved. In December 2021, the US economy added 199 thousand new jobs, and the unemployment rate declined from 4.2% to 3.9%. However, these figures do not reflect the Omicron outbreak. Concurrently, the average hourly wage increased by 19 cents, to USD 31.31. For the entire year, the hourly wage increased by 4.7%, the highest growth rate in recent decades. This increase further exacerbates inflationary pressures, increases corporate expenses and impacts corporate earnings.

Europe

Over the past year, European countries continued to face extensive COVID morbidity, which reached extremely high rates in the fourth quarter of 2021. This caused countries such as Austria and Holland to apply lock-downs for 10-14 days.

Similar to global trends, European countries also saw significant price increases in 2021. In the Euro Zone, the Consumer Price Index was at 5% in December 2021 – the highest rate ever since adoption of the Euro as currency by these countries.

In the UK, inflation in December reached an annualized 5.4% – a 30-year record. In December alone, prices rose by 0.5%, compared to forecasts of only 0.3%. The UK Central Bank was the first major central bank to start raising interest rates, raising it to 0.25% in December 2021.

China

In 2021, attitude of the Chinese Government towards activities of companies, primarily technology companies, in China changed significantly. This change included stricter regulation and supervision. In the meantime, the Chinese Government made several regulatory changes this year, which resulted in declines in the Chinese stock market in the subsequent period, in investors fleeing the market and in significantly higher uncertainty. The most significant intervention was in education and gaming, as well as regulation with regard to data collected by companies, and in particular by eCommerce companies. The Chinese authorities announced, *inter alia*, that private education companies would be required to classify themselves as non-profits, and various directives were issued with regard to companies in the food delivery segment.

In the gaming sector, play time for minors was restricted to three hours per week, with stricter supervision applied to Chinese gaming platforms. Furthermore, operations of eCommerce companies was restricted, including the option to also be engaged in payments and non-banking credit as well as in retail sales.

During the past year, China faced an energy crisis which resulted in disruptions and decreased power supply in various areas around the country, due to coal shortage and high demand for energy. This resulted, *inter alia*, in factories halting operations, shopping malls closing and residents being asked to limit their power consumption. In view of the energy crisis, several global investment banks, such as Goldman Sachs and Morgan Stanley, revised their growth forecast for China's economy in 2021 downwards.

In September 2021, Chinese real estate company Evergrande announced it was on the verge of bankruptcy and issued a profit warning. This event raised concerns about a domino effect, where other real estate companies would face a similar situation, demonstrating the fragility of China's real estate market. The announcement by Evergrande caused its share price to drop sharply, as did equity markets across China.

In 2021, China's economy grew by 8.1%, with the economy growing by an annualized 4% in the fourth quarter of this year. This follows growth by 9.8% in 2020. The increase in 2021 is primarily due to strong growth in the first quarter, at an annualized 18.3%. For all of 2021, inflation was at 1.5%.

Overview

Despite the economic uncertainty and impact of the Corona Virus on economic activity world-wide due to lock-downs, isolation, supply chain issues, inflation and so forth – most capital markets around the world posted positive results in 2021. In the USA, equity benchmarks rose sharply this year, with the S&P 500 rising by 26.9% and NASDAQ – by 26.6%. In Europe, the Stoxx 600 rose by 22.2% and the DAX – by 15.8%. The MSCI World benchmark rose by 20.1%. In Israel, the local equity market posted strong returns this year, with the Tel Aviv 35 Index up by 31.9%, Tel Aviv 125 Index up by 31.1%, and Tel Aviv 90 Index rising by 33.1% in 2021. The market in China ended the year lower, the opposite of the global trend. Thus, the CSI 300 Index returned this year a negative -5.2%, with the Hang Seng Index declining by 14.1%. The trend in the global debenture market was also positive. However, in the USA the yield on 10-year Government debentures increased to 1.51% at the end of the year, compared to 0.91% at the start of the year.

2.2.3 <u>Regulatory changes</u>

In recent years, regulation applicable to the Company's operating segments increased significantly, with many new regulatory directives issued by entities that supervise Company operations. Consequently, and due to increased public awareness in recent years, the impact of regulation on product features and demand for such products has grown, affecting the demand mix for Company products from clients, and may materially impact the pricing of such products and the Company's financial position and results in the different operating segments. Moreover, given the aforementioned trend of increased regulation in the Company's segment, and in order to comply with regulatory requirements, the Company invests monetary and management resources in order, *inter alia*, to reinforce controls, internal enforcement and audit mechanisms at the Company. For more information about specific regulatory restrictions applicable to the Company's operating segments, see section 3.18 below.

Due to the large scale of legislative processes and regulatory directives, which may impact the capital market and the Company's business environment, the Company is unable to assess the impact of the processes described below on the capital market as a whole, and on Company operations in particular.

2.2.4 Effect of developments in the provident fund and pension fund market on management and evolution of Company provident funds and pension funds

Provident funds

Total assets of provident funds in Israel (provident and severance pay funds, study funds, central severance pay funds, investment provident funds and investment provident funds – long-term savings for children) as if December 31, 2021 amounted to NIS 688.28 billion, compared to NIS 579.43 billion at the end of 2020, an increase by 18.79%. Provident fund assets managed by the Company increased in 2021 from NIS 147.38 billion at the end of 2020 to NIS 213.18 billion as of December 31, 2021, an increase by 44.65% in total fund assets managed by the Company. The increase in provident fund assets managed by the Company is primarily due to positive returns achieved by the Company, to excess contributions over withdrawals, and to merger of provident funds managed by Psagot Provident Funds into the Company, which closed on September 30, 2021. For more information about the Psagot merger, see section 1.3 above and Note 13 to the Company's 2021 financial statements, enclosed as chapter C of this report.

Despite the increase in assets, outgoing transfers fro the Company exceeded incoming transfers. The Company also continued to strengthen relations with distributors and to market products validated by legislation and State initiatives, such as investment provident funds and investment provident funds – long-term savings for children, known as "Savings for every child" (for more information see section 3.2.1 below), added to the Company's product offering in recent years. These initiatives and the resulting products have brought the public financial discourse to the forefront and contributed to increased saver awareness and involvement in this area.

Pension funds

Pension fund assets in Israel (new comprehensive and general funds) as of December 31, 2021 amounted to NIS 590.40 billion, compared to NIS 474.77 billion at end of 2020, an increase by 24.36%.

In the reported period, total pension fund assets managed by the Company increased from NIS 17.42 billion at end of 2020 to NIS 30.86 billion at end of 2021. This increase, by 77.12%, is primarily due to further rapid growth and new client recruitment, as a result of posting higher returns compared to the market over the long term, effective, focused marketing campaigns to promote the Company's pension fund, and as a direct consequence of enhancing and positioning the Company brand among the public in Israel. Furthermore, with the Company's pension fund selected, for the second time, as one of four designated pension funds by the Capital Market Authority, public awareness of the Company among savers and distributors have grown. These combined efforts have resulted in significant increase in the number of members and total accruals transferred to pension funds managed by the

Company.

Investments of provident and pension fund assets

In 2021, the Company increased the equity exposure in investments made with respect to assets under management, by 4% of total assets; with respect to equities with affinity to Israel, the Company increased its equity exposure in investments made with respect to assets under management, by 2.5%, primarily with respect to companies included in the Tel Aviv 125 Index. Furthermore, with respect to equities with no affinity to Israel, the Company increased its equity exposure in investments made with respect to assets under management, by 1.5%, primarily with respect to major benchmarks in the USA. Primary exposures in the equity portfolio in Israel are to rental real estate companies and to the banking sector, while primary exposures in Company investments outside of Israel are to leading benchmarks and equities in the USA, primarily the technology and finance sectors.

In debt asset classes, the Company increased exposure to the CPI-linked asset class in Israel by 3%, to 40% of the total debt portfolio. The Company also reduced exposure to foreign currency by 11%.

2.2.5 Corona Virus

Starting in late 2019, a global event with health and macro-economic implications resulted from the outbreak of the Corona Virus (COVID-19) in many world countries, including in Israel. Similar to many other countries, in 2021 Israel applied, and still applies measures designed to slow-down the virus outbreak, including alternately imposing restrictions on movement of people, on commerce, closing of culture and leisure venues and shut-down of the education system.

For more information about the Corona Virus outbreak and its potential impact on the Company's macro-economic environment and on Company business, see section 4.5 of the Board of Directors Report enclosed as chapter B of this report.

For more information about impact of the Corona Virus as a risk factor, see section 3.26.1 below.

Part 3:Description of Company business by operating segment

Given that the required information in this chapter is common to both of the Company's operating segments, it is brought below grouped together, for convenience and efficiency. In sections where differences exist between the Company's operating segments, they are appropriately reflected.

3.1 General Information about the Company's Areas of Operation

3.1.1 Structure of Company's operating segments and changes there to

Overview

In recent years there have been significant reforms and changes to statutory provisions with regard to long-term savings. Underlying these reforms and changes is a deliberate Government policy designed to promote pension savings among the entire population, to ensure that their standard of living is maintained after reaching retirement age. This policy originated, *inter alia*, due to two prominent trends. Firstly, growing life expectancy, which primarily means that most savers would live longer after retiring than was the case previously. Secondly, changes in saver behavior, primarily late entry into the labor market. Moreover, in recent years there has been a growing trend of consolidation of management companies in this sector, due to the high cost of compliance with requirements, margin erosion due to competition and restrictions imposed on management fees, as well as economies of scale in this sector.

Provident funds

Provident funds and study funds are a medium- and long-term savings option subject to various tax incentives. The primary goal of provident funds is accrual of savings to be withdrawn upon retirement as a monthly pension, as a lump sum or as partial sums, depending on product type and features. A new initiative to launch an investment provident fund product and legislation such as Amendment no. 190, have brought about renewed interest in the provident fund product and enhanced the capacity of the provident fund market to attract and manage funds for short- and/or medium-term savings, in addition to long-term savings. Provident funds are categorized by their objective and savings purpose, and they offer to savers various investment tracks bearing different risk levels. For information about products managed by the Company in this operating segment, see section 3.2.1.1 below.

Pension funds

Pension funds are long-term savings instruments designed to pay out a pension as from the retirement age. The Company's pension fund segment consists of two new pension funds – a comprehensive pension fund and a general pension fund. Unlike the provident fund market, the pension fund market is highly concentrated and most of the assets in this sector are managed by insurance companies. Since 2016 and as the reform of designated pension funds became effective, a growth trend appeared in the market share of pension funds managed by investment houses, out of the entire sector. For information about products managed by the Company in this operating segment, see section 3.2.1.2 below.

3.1.2 Restrictions, legislation, standards and special constraints applicable to operating segments

For more information about limitations, legislation, standards and special constraints applicable to the Company's operating segments, see section 3.18 below.

3.1.3 Changes to business volume and profitability of Company operating segments

In recent years, business volume in the Company's operating segments and in Company market shares has grown significantly. This increase is primarily due to increase in contributions to provident and study funds managed by the Company (due, *inter alia*, to impact of Amendment no. 190 which expands, under certain circumstances, the tax incentives upon withdrawing a pension from a provident fund – for more information see section 3.18.1.2 below), and to transfer of long-term savings funds to the Company's pension products due, *inter alia*, to the Company's positive reputation in its operating segment, due to products launched in recent years, such as investment provident fund and children's savings fund (for more information about these products, see section 3.2.1 above) and due to acquisition of Psagot.

Furthermore, in October 2021, the Company's new comprehensive pension fund was selected, for the second time, in a competitive proceeding conducted by the Capital Market Authority, as a designated pension fund. This follows the first time it was selected, in October 2018. This means that the Company's pension fund continues to be designated as a designated pension fund, meaning that employers whose employees made no selection of a pension fund (and which have no current default arrangement) may only select one of the designated pension funds to make contributions with respect to their employees, without requiring employee consent. The management fee rates applicable to all newly enrolled members in the pension fund, as from November 2021, are: 0.22% of accrual and 1.0% of contribution.

Moreover, following acquisition of Psagot Investment House by the Company, and following acquisition of Helman Aldobi Investment House by HaPhoenix Insurance Company, the number of designated pension funds is now down to only two – the Company's pension fund and that of Meitav Dash Investment House. However, in April 2022 two new designated pension funds are expected to be added, from More Investment House and Infinity Investment House.

Also note that as from April 1, 2019, many current default arrangements of employers were terminated, and therefore employers may only contribute on behalf of their employees who did not select a pension fund, to funds designated by the Capital Market Authority or selected by a competitive proceeding conducted by the employer.

In 2021, employers in many diverse sectors in the Israeli market chose to enroll their employees in the Company's pension fund. The Company does not anticipate a significant increase in expenses due to the enrollment of such members, due to IT preparations made by the Company and the fact that enrollment is carried out through a digital interface, which significantly reduces the cost to the Company for member enrollment. The Company anticipates further growth in enrollment to its pension funds and, consequently, an increase in pension fund assets managed by the Company. The number of members who would enroll in the "designated fund" in 2022 depends, *inter alia*, on further expansion and intensification of relations with various distribution channels and enhancing activity with employers, as well as on recovery of the Israeli labor market and economy from the Corona Virus crisis. Continued recovery of the labor market and employees resuming employment would provide an opportunity for the Company to further expand enrollment in the pension fund managed by the Company. For more information about the Company's assessments with regard to the impact of the Corona Virus outbreak, see sections 2.2.5 and 3.26.1 below.

The Company's assessment, whereby it anticipates increased business in its operating segments and in number of members who enroll in pension funds managed by the Company, constitute forward-looking information**as this , term is defined in the Securities Act and are based on data and forecasts available to the Company as of the report date. These assessments may fail to materi**alize, or may materialize partially or differently than anticipated due, inter alia, to factors outside of the Company's control, such as legislation changes, changes to competition in the segment, lower returns achieved by the Company and changes to economic conditions in Israel and overseas.

3.1.4 Market developments and changes to client characteristics in operating segments

For more information see section 3.1.3 above.

3.1.5 Technological changes which may materially impact the operating segments

Currently, efforts are being made to adapt Company systems to provisions of the circular "Uniform layout for transfer of information and data in pension savings market" ("**Uniform Layout Circular**") and the circular "Ways to deposit contributions" ("**Ways to Deposit Contributions Circular**"), which were revised as part of the "Retirement Savings 2025" project of the Capital Market Authority designed, *inter alia*, to ensure optimal synchronization between all players in the retirement savings market and to ensure that savers can maximize their rights pursuant to statutory provisions. For more information about the Uniform Layout Circular and the Ways to Deposit Contributions Circular, see Note 27 to the Company's 2021 financial statements, enclosed as chapter C of this report.

Note that the Company has invested over years significant financial resources in IT support for work processes, creation of computer interfaces, upgrading its switchboard, upgrading the Company website and so forth. Moreover, during the reported period the Company invested resources to bolster information security, including for safeguarding client data from cyber attacks. Furthermore, in the reported period the Company invested resources in creating custom infrastructure which allowed for integration of relevant systems from Psagot with Company systems and to improve system performance and stability, so as to allow for rapid integration of Psagot members into all systems, with no impact to quality of service provided to clients and to employees.

Company estimates with regard to the impact of the Uniform Layout Circular and of the Ways to Deposit Contributions Circular, including the Retirement Savings 2025 project, constitutes forward-looking information as defined in the Securities Act. These estimates may not materialize, or may materialize differently or at a different time than anticipated by the Company due, inter alia, to factors outside the Company's control, such as technical issues with operating the pension clearinghouse and changes to its operation, in particular due to the relevant regulations.

3.1.6 Critical success factors in operating segments and changes there to

The company believes the critical success factors in its operating area to be as follows:

A. Out-performance of other management companies in investment management over the short and long term – Returns are a major consideration for those seeking to enroll as members in Company products, and a significant component in existing client retention. Note that short-term returns are more significant than long-term returns, due to regular posting of returns to various media. For more information about investment management at the Company, see section 3.15 below.

B. Brand strength – The Company is part of Altshuler Shaham Group, which is identified with the Altshuler Shaham brand, which has been created over years in a gradual, complex process and is well known and well regarded in the market. Supporting and enhancing the brand is one of the key factors in the Company's success in its business. In a market position survey conducted in September 2021 by Geocartographia, designed to identify changes and trends in brand perception by the public, 58% of respondents noted Altshuler Shaham as the first entity they think of with regard to fund management. This data has been constantly and rapidly growing over time.

C. High-quality marketing and distribution – Marketing operations carried out by in-house pension advisory license holders who are employed by the Group, as well as by retirement insurance agents and advisory banks, in addition to direct operations with employers. Moreover, advertising campaigns reinforce the brand strength and increase awareness among potential clients who would wish to enroll with the Company and/or among current clients who wish to enroll with additional products offered by the Company. For more information about marketing and distribution, see section 3.6 below.

D. Professional operations – The Company sees great importance in efficient, high-quality operations while providing a rapid response to employers and to clients of the Company.

E. Customer service and client retention – The Company sees great importance in providing a professional, high-quality and highly-available response in these areas, to members and to all distribution channels.

F. Original and innovative ideas and technology – introducing computer support for work processes and interfaces, along with constant improvement of services provided through the website. The Company sees the website as decisively important, as is the possibility to conduct transactions swiftly and easily, along with current information made available on the website for Company clients, agents and for the public at large.

G. Response capacity – Appropriate, rapid response to events and to market changes with regard to various products and to investment management.

H. Reputation – Reputation is of the utmost importance over time, given that members' assets are managed by the Company for extended periods of time. A company with a reputation for competitive values and strong brand assets has the advantage.

3.1.7 Changes to suppliers and raw materials for operating segments

For more information about key suppliers of the Company and changes there to, see section 3.12 below.

3.1.8 Main barriers to entry into and exit from Company's operating segments and changes there to

3.1.8.1 **Barriers to entry**

Major barriers to entry for these operating segments include compliance with many statutory provisions applicable to the operating segment, including restrictions and conditions stipulated by law for obtaining the licenses, permits and approvals required to engage in this operating segment, including compliance with required significant shareholder equity and maintaining insurance for setting up and managing a company which manages provident funds and pension funds. A company looking to manage provident funds and pension funds must comply, *inter alia*, with requirements of the Capital Market Authority with regard to financial resilience of the Company and of any individual seeking to control the Company, the Company's business plan, fit Board members and officers of the Company, existence of a stable controlling stake and so forth.

The controlling permit for the Company (granted by the Supervisor to controlling shareholders of the Company) stipulates various restrictions with regard to change in control and/or the holding structure in the Company, including a stipulation whereby, other than under circumstances and subject to conditions as set forth in the permit, any such change is subject to prior written consent of the Supervisor. Moreover, various provisions are in place with regard to not conferring rights on any third party with respect to means of control over the Company (such as lien, pledge, foreclosure, debt or any other right), except as set forth in the permit. The permit further stipulates reporting requirements to the Supervisor with regard to change in cumulative holding stake in various corporations that are part of the controlling chain in the Company, as well as required annual reporting – all as set forth in the permit.

Furthermore, a company engaged in management of provident and pension funds requires skilled, professional, high-quality staff and specific officers in order to comply with requirements of applicable legislation (such as: IT Manager, Information Security Manager, Internal Auditor, Administrative Enforcement

Officer and so forth). Companies that manage provident and pension funds are required to invest significant managerial, operating and monetary resources to comply with regulatory requirements. This poses a significant barrier for smaller or newer entities wishing to enter into this field, and is highly onerous for small to medium entities currently operating in the market.

Another significant barrier to entry is the need to develop and operate IT systems appropriate for marketing products in this operating segment. The Company believes that professional skills and familiarity with this area are required in order to operate such systems. Moreover, legislation with regard to maximum management fees that may be charged to members has reduced, and is expected to further reduce margins for companies engaged in this operating segment, and should provide another significant barrier to entry for new players.

Finally, the provident fund segment is highly competitive. The Company believes that the required positive reputation for investment managers and for the management company form another barrier to entry into this segment.

3.1.8.2 **Barriers to exit**

Termination of provident fund operations requires such operations to be transferred to another management company. This procedure is governed by the Provident Fund Act and is subject to approval by the Supervisor, including with respect to obtaining a control permit for the acquiring entity, which includes various requirements of the permit recipient, including with regard to maximum leverage, minimum equity of the applicant and so forth.

Moreover, total assets under management by the Company and regulatory limitations on maximum long-term savings assets which any controlling shareholder may hold could pose an issue for conducting a transaction to acquire operations of the company and therefore may form a barrier to exit of the company from the operating segment.

For more information about limitations and restrictions applicable to Company operations, see section 3.18 below.

3.1.9 Alternatives for operating segment products and changes there to

Typical alternative products currently available for savings provident funds and pension funds are retirement insurance programs.

The Company believes that study funds, which are a medium term investment channel, currently have no alternative investment products, due to the unique combination of tax incentives they provide upon contribution (up to the maximum allowed for deduction), tax exemption for gain from securities (up to the maximum allowed for deduction), and the option to withdraw the funds over the medium term, free of tax, subject to statutory provisions.

The Company believes that investment provident funds have 4 major alternatives: Mutual funds and index funds, managed investment portfolios, savings insurance policy and bank deposits. However, investment provident funds have significant advantages over these alternatives. Thus, for example, investment provident funds allow members aged 60 or older to move the fund to a pension payout track in a pension fund, and to receive a tax-exempt monthly payout, to move between investment tracks without payment of any capital gain tax, and to move the provident fund to another company without this being considered a taxable event.

3.1.10 Competition structure in operating segments and changes there to

For more information see section 3.7 below.

3.2 Products and services

As noted above, the Company operates in the short-, medium- and long-term savings management sector in two operating segments: provident fund management and pension fund management. Below are the key product types offered by the Company in its operating segments:

Provident funds

Fund type	Fund name	Tracks	Characteristics
Savings provident funds, provident funds and individual severance pay provident funds	**Altshuler Shaham Gemel**	Altshuler Shaham Gemel for ages 60+	See section 3.2.1.1a below
		Altshuler Shaham Gemel for ages 50-60	
		Altshuler Shaham Gemel for ages up to 50	
		Altshuler Shaham Gemel Menayot	
		Altshuler Shaham Gemel Agach Lelo Menayot	
		Altshuler Shaham Gemel Agach Memshalot	

Fund type	Fund name	Tracks	Characteristics
		Altshuler Shaham Gemel Agach Ad 15% Menayot	
		Altshuler Shaham Gemel Caspi	
		Altshuler Shaham Gemel Passivi – Madadey Menayot	
		Altshuler Shaham Gemel Halacha	
	Altshuler Shaham Kama	Altshuler Shaham Kama	
	Altshuler Shaham Gemel LeAmitey Hever	Altshuler Shaham Gemel LeAmitey Hever for ages 60+	
		Altshuler Shaham Gemel LeAmitey Hever for ages 50-60	
		Altshuler Shaham Gemel LeAmitey Hever for ages up to 50	
Study funds	**Altshuler Shaham Hishtalmut**	Altshuler Shaham Hishtalmut Clali	See section 3.2.1.1b below
		Altshuler Shaham Hishtalmut Menayot	
		Altshuler Shaham Hishtalmut Clali Bet (closed to enrollment)	
		Altshuler Shaham Hishtalmut Agach Lelo Menayot	
		Altshuler Shaham Hishtalmut Agach Memshalot	
		Altshuler Shaham Hishtalmut Caspi	
		Altshuler Shaham Hishtalmut Agach Ad 15% Menayot	
		Altshuler Shaham Hishtalmut Halacha	
Central severance pay fund	**Altshuler Shaham Pitzuim**	Altshuler Shaham Pitzuim Clali	See section 3.2.1.1c below
		Altshuler Shaham Pitzuim Agach Lelo Menayot	
		Altshuler Shaham Pitzuim Caspi	
		Altshuler Shaham Pitzuim Agach Ad 15% Menayot	
Central sick pay provident fund	**Altshuler Shaham Marpe Kupa Merkazit LeDmey Machala**	Altshuler Shaham Marpe Kupa Merkazit LeDmey Machala	See section 3.2.1.1d below
Central provident fund for budgetary pension participation	**Altshuler Shaham Kupat Gemel Merkazit LeHishtatfut**	Altshuler Shaham LePensia Taktzivit Maslul Agach	See section 3.2.1.1e below
		Altshuler Shaham LePensia Taktzivit Maslul Clali	

Fund type	Fund name	Tracks	Characteristics
	BePensia Taktzivit		
Investment provident fund	**Altshuler Shaham Hisachon Plus**	Altshuler Shaham Hisachon Plus Clali	See section 3.2.1.1f below
		Altshuler Shaham Hisachon Plus Menayot	
		Altshuler Shaham Hisachon Plus Agach Ad 15% Menayot	
		Altshuler Shaham Hisachon Plus Agach Lelo Menayot	
		Altshuler Shaham Hisachon Plus Caspi	
		Altshuler Shaham Hisachon Plus Halacha	
Investment provident fund – long-term savings for children	**Altshuler Shaham Hisachon LaYeled**	Altshuler Shaham Hisachon LaYeled LeHoschim HaMa'adifim Sikun Muat	See section 3.2.1.1g below
		Altshuler Shaham Hisachon LaYeled LeHoschim HaMa'adifim Sikun Benoni	
		Altshuler Shaham Hisachon LaYeled LeHoschim HaMa'adifim Sikun Mugbar	
		Altshuler Shaham Hisachon LaYeled Halacha Altshuler Shaham LePensia Taktzivit Maslul Clali	

Pension funds

Area	Fund	Tracks	Characteristics
Pension funds	**Altshuler Shaham Pensia Makifa**	Altshuler Shaham Pensia Makifa for ages up to 50	See section 3.2.1.2b below
		Altshuler Shaham Pensia Makifa for ages 50-60	
		Altshuler Shaham Pensia Makifa for ages 60+	
		Altshuler Shaham Pensia Makifa Maslul Halacha	
		Altshuler Shaham Pensia Makifa Maslul Menayot	
		Altshuler Shaham Pensia Makifa Maslul Bsisi LeMekabley Kitzba Kayamim	
		Altshuler Shaham Pensia Makifa Maslul Bsisi LeMekabley Kitzba	
	Altshuler Shaham Pensia Clalit	Altshuler Shaham Pensia Clalit for ages up to 50	See section 3.2.1.2b below
		Altshuler Shaham Pensia Clalit for ages 50-60	
		Altshuler Shaham Pensia Clalit for ages 60+	
		Altshuler Shaham Pensia Clalit Maslul Halacha	
		Altshuler Shaham Pensia Clalit Maslul Menayot	
		Altshuler Shaham Pensia Clalit Maslul Bsisi LeMekabley Kitzba Kayamim	
		Altshuler Shaham Pensia Clalit Maslul Bsisi LeMekabley Kitzba	

3.2.1 Fund types

Below is a summary description of products offered by the Company in its operating segments:

3.2.1.1 **Operating segment – provident fund management**

A. Savings provident funds, provident funds and personal severance pay provident funds

A provident fund is a long-term savings program designed to accumulate funds to be withdrawn in future, as a lump sum or as a pension, subject to when contributions were made to the fund and how they were designated.

Savings provident funds and provident funds are funds for the self-employed or for a salaried employee, designated as long-term savings and thus are subject to various tax incentive. Since 2008, all contributions to such funds are designated for retirement and would be paid to members as a pension.

In a provident fund where the member is a salaried employee, the member and their employer make regular contributions to the fund at up to 7% and up to 7.5% of the employee's pay, respectively. In addition, the employer may make monthly contributions to the member's fund to secure the member's right to severance pay, at up to 8.33%.

In a provident fund where the member is self-employed, the member makes their own contributions to the fund, without a matching contribution from an employer.

As of the report date, the Company manages three provident funds: Altshuler Shaham Gemel, Altshuler Shaham Kama and Altshuler Shaham Gemel LeAmitey Hever, with a total of 14 investment tracks, allowing the saver to invest their money at the appropriate risk level for them.

B. Study funds

A study fund is a provident fund for medium term savings, or for study purposes, for salaried employees and the self-employed, including Kibbutz members and co-operative Moshav members. A study fund allows any member, salaried employee or self-employed, to contribute amounts that would become liquid 6 years after opening the account (and under certain circumstances, even sooner). Savers who contribute to a study fund enjoy tax incentives upon deposit and upon withdrawal, up to a maximum contribution amount specified annually.

Study fund for salaried employees – A study fund into which the employee and the employer make monthly contributions. The employer's contribution is capped at 7.5% of the effective salary, up to the maximum allowed (except for teachers, as defined in the Income Tax Ordinance, and doctors subject to a special arrangement, who may make contributions at a higher rate). The employee's contribution is capped at 2.5% of the effective salary, up to the maximum allowed, or the rate set forth in a collective bargaining agreement approved pursuant to the Collective Bargaining Agreement Act, and in any case at least one third of the employer's contribution.

Study fund for the self-employed – A study fund for individuals earning an income from their business or occupation, including Kibbutz members and co-operative Moshav members. The contribution rate may not exceed 4.5% of taxable income, pursuant to the Income Tax Ordinance.

As of the report date, the Company-managed study fund offers 8 different investment tracks, allowing the saver to invest their money at the appropriate risk level for them.

C. Central severance pay provident fund

A central severance pay provident fund is a severance pay provident fund where the member is the employer, making severance pay contributions for their employees. As from January 2008, new central severance pay funds may not be opened and as from January 2011, contributions cannot be made to existing funds. The Company manages 4 different investment tracks in this fund.

Note that employers may distribute their severance pay contributions to individual funds and, under certain conditions, even withdraw excess amounts from the fund, subject to compliance with statutory provisions.

In June-July 2017, income tax circular 4/2017 was issued, concerning "Accrued balances in central severance pay funds", and the Capital Market Authority issued a circular to institutional investors with regard to transfers from a central severance pay provident fund. These circulars allow employers to distribute the severance pay accrued in the central fund to individual funds and, under certain conditions, even withdraw excess amounts from the fund.

D. Central sick pay provident fund

A central sick pay provident fund is a fund for employers, who accrue amounts for payment of sick pay in accounts managed in the employer's name – who are the fund members. The fund pays to members amounts to reimburse expenses paid to their employees for any sick leave, as defined in sick pay eligibility provisions of the Income Tax Regulations (Rules for approval and management of provident funds), 1964.

E. Central provident fund for budgetary pension participation

A central provident fund for budgetary pension participation is a fund designated for participation in funding pension payments to employees of the member-employer; The Company manages 2 investment tracks in this fund.

F. Investment provident funds

An investment provident fund is a savings plan for the short, medium or long range, designated to pay a lump sum to the self-employed member on a date of the member's choosing, allowing savers to enjoy the benefits of investment through a provident fund. The accrued funds may be withdrawn at any time as a lump sum, subject to payment of capital gain tax on the real gain, or as a tax-exempt pension after age 60, at the member's choice (actual withdrawal will be made by moving the accrued funds to a pension provident fund). Contributions to the fund are made by the member, and are capped at NIS 70,000 per year, with the cap adjusted for the increase in CPI annually on January 1. As of the report date, the cap is at NIS 72,616.50.

As of the report date, the Company-managed investment provident fund offers 6 different investment tracks, allowing the saver to invest their money at the appropriate risk level for them. This product does not include any insurance coverage. The target audience for this operating segment includes anyone seeking alternative savings for the short, medium and long term.

G. Investment provident fund – long-term savings for children

An investment provident fund – long-term savings for children is a long-term savings product (of unlimited term) into which the National Insurance Institute makes monthly contributions (as from January 1, 2017) on behalf of every child in Israel for which a child allowance is paid by the National Insurance Institute, in addition to payment of the regular child allowance for that child. Children under the age of 18 as of May 2015 are eligible for retroactive contributions from May 2015 through January 1, 2017 or through age 18, whichever is sooner. Children are always entitled to bonuses paid out by the National Insurance Institute on specific dates.

Parents may also increase the savings amount by matching the National Insurance Institute contribution out of the child allowance paid out by the National Insurance Institute.

As from January 1, 2022, contribution and bonus amounts are as follows: The monthly contribution paid by the National Insurance Institute and the matching monthly contribution by the parent are NIS 52, so the savings amount per month could be up to NIS 104. Children born through December 31, 2016 would be entitled, at age 18, to a bonus of NIS 522; Children born as from January 1, 2017 would receive a bonus of NIS 522 in two installments: NIS 261 at age 3 and NIS 261 at age 12 or 13 (for girls or boys). Should the child continue to save in their account after age 18, they would be entitled to another bonus of NIS 522 at age 21, provided that no withdrawals have been made from accrued savings. The management fee is payable by the National Insurance Institute through age 21. Upon withdrawal, capital gain tax shall be deducted.

After age 21 contributions are no longer possible, and the account is further managed as an investment provident fund.

3.2.1.2 **Pension fund management**

The pension fund segment in the Company includes management of two new pension funds, as follows:

A. Comprehensive pension fund

A comprehensive pension fund combines three elements: Retirement pension, disability pension and survivor pension, through regular monthly contributions capped at 20.5% of twice the national average salary.

Eligibility for retirement pension is based on the amount accrued throughout the membership period, which is converted into a retirement pension upon retirement using the appropriate actuarial factor for the retirement features selected by the member (their selected retirement age, assured minimum payment term, eligibility for survivor pension after their death), their gender and age upon retirement. After the retirement pension recipient is deceased, their survivors are paid a survivor pension, at the rate specified upon retirement. The policy holder also benefits from insurance coverage for disability and death prior to expiration of the insurance period. This coverage is funded by deducting the cost of risk from the policy holder account, with the cost of such insurance coverage not to exceed 35% over the period when the member is insured in the comprehensive fund, where the comprehensive fund operates on the basis of mutual guarantee among all fund policy holders. The coverage amount is determined based on the pension track selected by the policy holder (out of the range of insurance tracks on offer), on their gender and age upon enrollment in the comprehensive fund and evolution of their pay, based on principles set forth by the Supervisor.

In conformity with the Increased Contribution to Retirement Insurance Ordinance – the Extension Ordinance for the Mandatory Pension Act, it is obligatory to contribution part of the employee's salary towards retirement. As from January 2017, the mandatory contribution rates are 18.5% in total (6% for employee contribution, 6% for severance pay and 6.5% for employer contribution0.

Moreover, in 2017, the Mandatory Pension Act for Self-employed Members[10] became effective, which stipulates that self-employed

[10] As part of the Economic Streamlining Act (Legislative amendments for achieving the budget objectives for budget years 2017 and 2018).

members must make contributions as follows: For the portion of income up to one half of the average salary, mandatory contribution at 4.45%; For the portion of income in excess of one half of the average salary, mandatory contribution at 12.55%.

A comprehensive pension fund may acquire State-issued designated debentures ("Arad debentures") at up to 30% of total assets in the comprehensive pension fund. The remaining assets are managed on the capital market and on other markets.

On July 1, 2017, the Returns Regulations became effective, changing how designated debentures are allocated, so as to prioritize retirees and in future, also older members, at the expense of allocation to younger members. Note that through 2023, the allocation rate of designated debentures to members who are not pension recipients in a particular fund would be identical. These regulations also stipulate that the allocation rate to pension recipients in a particular fund may increase, up to 85% of total assets thereof.

For more information about changes to the provisions to secure stable returns for pension funds, included in Amendment No. 26 to the Supervision of Financial Services Act (Provident Funds), 2005, see Note 30(5) to the 2021 financial statements enclosed as chapter C to this report.

Other current circulars concerning pension fund management directives stipulate additional provisions to those in the Regulations, stipulating that the tariff interest rate, used to calculate the conversion factor upon retirement, would not change despite the higher allocation of designated debentures, and pensions payable to retirees who retire after the effective start date of these circulars would be linked to the difference between actual return achieved on the retiree portfolio and the return assumption – and any excess or shortfall with respect to this difference may be allotted over up to 3 years. Retirement shall not result in actuarial deficit for the pension fund, the cost of coverage for disability and survivorship insurance shall not incur a shortfall due to discount rates alone, such that the actuarial deficit of the pension fund was significantly reduced compared to previous years. As of the report date, the comprehensive pension fund offers 5 investment tracks for members and 2 tracks for pension recipients, as set forth in section 3.2 above.

<u>Insurance coverage and insurance tracks in comprehensive pension fund</u>

Insurance coverage covers the policy holders in case of disability (being unable to work) and for survivor (if the policy holder is deceased). The tracks provide different coverage levels for disability and survivorship insurance. The insurance tracks are as follows:

1) Insurance tracks available through June 1, 2018 which are closed for enrollment as from said date:
    - Excess disability coverage for age 67 track – This track was added to the fund bylaws on January 1, 2015, and is the default track for any members who did not choose another track. In this track, preference is given to disability pension over the retirement pension, compared to the general track (75% of effective income) with the survivor pension being the same as in the general track.
    - General track – In this track, members benefit from a mix of all pension components (retirement, disability and survivor pension) without preference given to any one component.
    - Excess savings track – In this track, savings for retirement pension are given precedence over the disability and survivor pensions. This means that eligibility for retirement pension would be high compared to the general track, with pension amounts for disability and survivor components being lower than in the general track.
    - Excess disability coverage track – In this track, preference is given to disability pension over the retirement pension, compared to the general track (75% of effective income) with the survivor pension being the same as in the general track.
    - Excess disability and survivor coverage track – In this track, preference is given to higher insurance coverage, with disability and survivor pensions being higher compared to the general track, with lower retirement pension compared to the general track.
    - Excess disability and survivor coverage track for retirement at age 60 – In this track, preference is given to disability and survivor pension, compared to the general track, and the retirement pension would be lower compared to the general track, as from age 60.
    - Excess survivor coverage track – In this track, preference is given to survivor pension over the disability pension, compared to the general track, with the disability pension being lower than in the general track.
2) Insurance tracks added on June 1, 2018 which are open for enrollment as from said date:
    - Insurance coverage track 75% disability and 100%

survivors[11] (default track) – Members enrolling in this track would be entitled to disability pension at the maximum rate of 75% at any enrollment age, and would be entitled to survivor pension at the maximum rate of 100%, for women at any enrollment age and for men enrolling up to age 40. Men enrolling at age 41 or higher would be entitled to survivor pension at a lower rate than the maximum.

- Insurance coverage track 75% disability[12] and 100% survivors[13] – Members enrolling in this track would be entitled to disability pension at the maximum rate of 75% for women at any enrollment age and for men enrolling up to age 40, and would be entitled to survivor pension at the maximum rate of 100%, for women at any enrollment age and for men enrolling up to age 46. Men enrolling at age 41 or higher would be entitled to disability pension at a lower rate than the maximum; Men enrolling at age 47 or higher would be entitled to survivor pension at a lower rate than the maximum.
- Insurance coverage track 75% disability[14] and 100% survivors[15] – Members enrolling in this track would be entitled to disability pension at the maximum rate of 75% for women at any enrollment age and for men enrolling up to age 40, and would be entitled to survivor pension at the maximum rate of 100%, for women at any enrollment age and for men enrolling up to age 40. Men enrolling at age 41 or higher would be entitled to disability pension at a lower rate than the maximum and would be entitled to survivor pension at a lower rate than the maximum.
- Insurance coverage track 75% disability and 40% survivors – Members enrolling in this track would be entitled to disability pension at the maximum rate of 75% for men and women at any enrollment age, and would be entitled to survivor pension at the minimum rate of 40%, for men and women at any enrollment age.
- Insurance coverage track 37.5% disability and 100% survivors[16] – Members enrolling in this track would be entitled to disability pension at the minimum rate of 37.5% for men and women at any enrollment age, and would be

11 Except for men enrolling at age 41 or higher.

12 Except for men enrolling at age 41 or higher.

13 Except for men enrolling at age 47 or higher.

14 Except for men enrolling at age 41 or higher.

15 Except for men enrolling at age 41 or higher.

16 Except for men enrolling at age 45 or higher.

entitled to survivor pension at the maximum rate of 100%, for women at any enrollment age and for men enrolling up to age 44. Men enrolling at age 45 or higher would be entitled to survivor pension at a lower rate than the maximum.

- Insurance coverage track 37.5% disability and 40% survivors – Members enrolling in this track would be entitled to disability pension at the minimum rate of 37.5% for men and women at any enrollment age, and would be entitled to survivor pension at the minimum rate of 40%, for men and women at any enrollment age.
- Insurance coverage track 37.5% disability and 60% survivors – Members enrolling in this track would be entitled to disability pension at the minimum rate of 37.5% for men and women at any enrollment age, and would be entitled to survivor pension at 60%, for men and women at any enrollment age.
- Insurance coverage track for retirees up to age 60 with 75% disability[17] and 100% survivors[18] – Members enrolling in this track would be entitled to disability pension at the maximum rate of 75% for women at any enrollment age and for men enrolling up to age 40, and would be entitled to survivor pension at the maximum rate of 100%, for women at any enrollment age and for men enrolling up to age 48. Men enrolling at age 41 or higher would be entitled to disability pension at a lower rate than the maximum; Men enrolling at age 49 or higher would be entitled to survivor pension at a lower rate than the maximum. The insurance expiration age for this insurance track is 60 for both men and women.
- Customized insurance track – Members enrolling in this track would be entitled to disability pension and survivor pension at their chosen rate, subject to restrictions stipulated in the bylaws.
- Insurance coverage track with disability insurance coverage below 37.5% and/or survivor insurance coverage below 40% – Members enrolling in this track would be entitled to disability pension and survivor pension at the aforementioned minimum rates, subject to restrictions stipulated in the bylaws with regard to enrollment in this track.
- Insurance track with 85% insurance coverage for widower

17 Except for men enrolling at age 41 or higher.

18 Except for men enrolling at age 49 or higher.

– Members enrolling in this track would be entitled to increased share of the widower to 85% of the full survivor pension, reducing the share of orphans to 15% of the full survivor pension, and would be entitled to disability pension at the rate specified in conformity with provisions of the bylaws, subject to restrictions stipulated in the bylaws with regard to enrollment in this track.

B. Comprehensive pension fund

Incorporates three components: Retirement pension, disability pension and survivor pension, through regular or lump-sum contributions.

Altshuler Shaham Keren Pensia Hadasha Clalit ("the **General Fund**") is designated for contributions from salary in excess of 20.5% of twice the national average salary and for lump-sum deposits to purchase pension rights. The fund was established in 2008, jointly with the comprehensive pension fund. Accrual of retirement pension rights in conformity with the bylaws is also based on the accrual amount, similar to the comprehensive pension fund.

Contribution rates to the general pension fund are the same as for the comprehensive pension fund. However, there is no cap on the monthly contribution, and the fund also accepts lump-sum contributions of unlimited amount. Upon making a withdrawal from the pension fund, other than by pension payout, the accrual would be paid out to the policy holder with tax deducted by law.

As of the report date, the general pension fund offers 5 investment tracks for members and 2 tracks for pension recipients. The General Fund includes a base track with no insurance coverage. This track is designated entirely for savings for retirement age.

On September 1, 2020, an option was added to purchase insurance coverage for disability and death prior to expiration of the insurance period. This coverage is funded by deducting the cost of risk from the policy holder account, with the cost of such insurance coverage not to exceed 35% over the period when the member is insured in the comprehensive fund, where the General Fund operates on the basis of mutual guarantee among all fund policy holders. The coverage amount is determined based on the pension track selected by the policy holder (out of the range of insurance tracks on offer), on their gender and age upon enrollment in the General Fund and evolution of their pay, based on principles set forth by the Supervisor.

Insurance tracks are identical to those in the comprehensive pension fund, except for the customized insurance track, transfer-in member track providing 85% coverage for the widower, transfer-in member track providing survivor coverage lower than 37.5% and/or 40%.

Insurance tracks added on September 1, 2020 which are open for enrollment as from said date:

- Insurance coverage track 75% disability and 100% survivors (except for men enrolling at age 41 or higher) (default track) – Members enrolling in this track would be entitled to disability pension at the maximum rate of 75% at any enrollment age, and would be entitled to survivor pension at the maximum rate of 100%, for women at any enrollment age and for men enrolling up to age 40. Men enrolling at age 41 or higher would be entitled to survivor pension at a lower rate than the maximum.
- Insurance coverage track 75% disability (except for men enrolling at age 41 or higher) and 100% survivors (except for men enrolling at age 47 or higher) – Members enrolling in this track would be entitled to disability pension at the maximum rate of 75% for women at any enrollment age and for men enrolling up to age 40, and would be entitled to survivor pension at the maximum rate of 100%, for women at any enrollment age and for men enrolling up to age 46. Men enrolling at age 41 or higher would be entitled to disability pension at a lower rate than the maximum; Men enrolling at age 47 or higher would be entitled to survivor pension at a lower rate than the maximum.
- Insurance coverage track 75% disability (except for men enrolling at age 41 or higher) and 100% survivors (except for men enrolling at age 41 or higher) – Members enrolling in this track would be entitled to disability pension at the maximum rate of 75% for women at any enrollment age and for men enrolling up to age 40, and would be entitled to survivor pension at the maximum rate of 100%, for women at any enrollment age and for men enrolling up to age 40. Men enrolling at age 41 or higher would be entitled to disability pension at a lower rate than the maximum and would be entitled to survivor pension at a lower rate than the maximum.
- Insurance coverage track 75% disability and 40% survivors – Members enrolling in this track would be entitled to disability pension at the maximum rate of 75% for men and women at any enrollment age, and would be entitled to survivor pension at the minimum rate of 40%, for men and women at any enrollment age.
- Insurance coverage track 37.5% disability and 100% survivors (except for men enrolling at age 45 or higher) –

Members enrolling in this track would be entitled to disability pension at the minimum rate of 37.5% for men and women enrolling at any age, and would be entitled to survivor pension at the maximum rate of 100%, for women at any enrollment age and for men enrolling up to age 44. Men enrolling at age 45 or higher would be entitled to survivor pension at a lower rate than the maximum.

- <u>Insurance coverage track 37.5% disability and 40% survivors</u> – Members enrolling in this track would be entitled to disability pension at the minimum rate of 37.5% for men and women at any enrollment age, and would be entitled to survivor pension at the minimum rate of 40%, for men and women at any enrollment age.
- <u>Insurance coverage track 37.5% disability and 60% survivors</u> – Members enrolling in this track would be entitled to disability pension at the minimum rate of 37.5% for men and women at any enrollment age, and would be entitled to survivor pension at 60%, for men and women at any enrollment age.
- <u>Insurance coverage track for retirees up to age 60 with 75% disability (except for men enrolling at age 41 or higher) and 100% survivors (except for men enrolling at age 49 or higher)</u> – Members enrolling in this track would be entitled to disability pension at the maximum rate of 75% for women at any enrollment age and for men enrolling up to age 40, and would be entitled to survivor pension at the maximum rate of 100%, for women at any enrollment age and for men enrolling up to age 48. Men enrolling at age 41 or higher would be entitled to disability pension at a lower rate than the maximum; Men enrolling at age 49 or higher would be entitled to survivor pension at a lower rate than the maximum. The insurance expiration age for this insurance track is 60 for both men and women.

3.2.2 Details of Company products and services

3.2.2.1 General information

Data as of December 31, 2021 and for the year then ended

	New pension funds		Individual provident and severance pay funds	Funds Study funds	Investment provident fund	Investment provident fund – long-term savings for children	Central funds*	Total
	Comprehensive	General						
Number of members:								
Active	236,960	11,743	145,457	443,146	129,809	862,615	3,451	**1,833,181**
Inactive	91,099	10,744	1,075,859	708,615	107,020	102,114	3,728	**2,099,179**
Pension recipients:								
Pension recipients – retirees:								
Retirement pension	1,274	117	–	–	–	–	–	**1,391**
Survivor pension	97	7	–	–	–	–	–	**104**
Disability pension	127	–	–	–	–	–	–	**127**
Current pension recipients:								
Old age pension	7	2	–	–	–	–	–	**9**
Survivor pension	25	–	–	–	–	–	–	**25**
Disability pension	10	–	–	–	–	–	–	**10**
Total pension recipients	1,540	126	–	–	–	–	–	**1,666**
Total number of members	329,599	22,613	1,221,316	1,151,761	236,829	964,729	7,179	**3,934,026**
Assets under management, net (NIS in thousands):								
Active	26,750,925	450,714	12,698,056	40,185,038	6,181,847	5,716,789	100,734	**92,084,103**
Inactive	2,743,193	135,955	84,086,528	52,629,731	9,891,163	592,654	1,106,818	**151,186,042**
Pension recipients – retirees:								
Retirement pension	584,311	34,761	–	–	–	–	–	**619,072**
Survivor pension	67,250	933	–	–	–	–	–	**68,183**
Disability pension	107,720	–	–	–	–	–	–	**107,720**
Current pension recipients:								
Old age pension	1,838	317	–	–	–	–	–	**2,155**
Survivor pension	7,311	–	–	–	–	–	–	**7,311**
Disability pension	5,101	–	–	–	–	–	–	**5,101**
Total pension recipients	773,531	36,011	–	–	–	–	–	**809,542**
Total assets under management, net	30,267,649	622,680	96,784,584	92,814,769	16,073,010	6,309,443	1,207,552	**244,079,687**
Results: (NIS in thousands)								
Net assets received in provident fund (merger)	–	–	31,366,832	12,689,150	–	–	172,881	**44,228,863**
Annualized provident fee for newly enrolled members	1,762,092	186,076	121,901	1,528,099	371,785	55,896	65	**4,025,914**
Contributions received	4,121,809	215,543	2,255,441	7,498,928	5,807,105	947,099	1,822	**20,847,747**

* Central funds – including Altshuler Shaham Pitzuim – central severance pay fund, and Altshuler Shaham Marpe Kupa Merkazit LeDmey Machala and Altshuler Shaham Kupat Gemel Merkazit LeHishtatfut BePensia Taktzivit, which were transferred to Company management as part of voluntary management transfer as from October 1, 2021.

Data as of December 31, 2021 and for the year then ended (continued)

	New pension funds		Individual provident and severance pay funds	Funds Study funds	Investment provident fund	Investment provident fund – long-term savings for children	Central funds**	Total
	Comprehensive	General						
One-time contributions received	–	–	1,970,730	190,736	4,668,800	40,004	–	**6,870,270**
Accrual transfers to the fund	8,253,262	196,313	6,035,746	5,030,741	212,385	12,953	39,625	**19,781,025**
Accrual transfers from the fund	(1,568,679)	(39,040)	(7,568,995)	(7,936,683)	(1,485,336)	(17,998)	(31,843)	**(18,648,574)**
Payments:								
Redemptions	(226,536)	(2,050)	(1,691,588)	(2,550,006)	(1,456,837)	(54,439)	(64,111)	**(6,045,567)**
Others	152,692	2,769	–	–	–	–	–	**155,461**
Payments to retirees:			–	–	–	–	–	
Retirement pension	(26,986)	(1,811)	–	–	–	–	–	**(28,797)**
Disability pension	(16,427)	–	–	–	–	–	–	**(16,427)**
Survivor pension	(3,457)	(84)	–	–	–	–	–	**(3,541)**
Payments to current pension recipients:								
Old age pension	(110)	(13)	–	–	–	–	–	**(123)**
Disability pension	(620)	–	–	–	–	–	–	**(620)**
Survivor pension	(420)	–	–	–	–	–	–	**(420)**
Total payments	(121,864)	(1,189)	(1,691,588)	(2,550,006)	(1,456,837)	(54,439)	(64,111)	**(5,940,034)**
Excess revenues (losses) over expenses for the period	2,539,100	35,611	6,995,821	7,511,018	1,337,275	660,829	129,153	**19,208,807**
Management fee collected from assets (NIS in thousands):								
Active and inactive	27,728	1,025	498,417	600,917	98,802	12,853	6,993	**1,246,735**
Pension recipients	1,815	86						**1,901**
Total management fee collected from assets	29,543	1,111	498,417	600,917	98,802	12,853	6,993	**1,248,636**
Management fee collected from deposits (NIS in thousands):	62,582	3,090	2,765					**68,437**
Average management fee rate from assets, annualized (in %):								
Active	0.12	0.22	0.68	0.75	0.66	0.23	0.21	
Inactive	0.13	0.35	0.66	0.71	0.67	0.23	0.64	
Pension recipients	0.35	0.33	–	–	–	–	–	
Average management fee rate from deposits (in %):	1.53	1.46	0.10	–	–	–	–	
Average direct expense rate (in %):								
Security Purchase and Sale Commissions	0.03	0.04	0.02	0.03	0.03	0.04	0.02	
Securities maintenance fee commissions	–	–	–	–	–	–	–	
With respect to non-negotiable investments	–	–	0.01	0.01	–	–	0.04	
External management commissions	0.11	0.09	0.13	0.14	0.11	0.12	0.11	
Other Commissions	–	–	–	–	–	–	–	
Limited expenses	0.15	0.16	0.18	0.16	0.13	0.14	0.11	
Actuarial surplus (shortfall) rate (in %):								
Members / insured	0.03	0.12	–	–	–	–	–	
Current pension recipients	0.11	(0.24)	–	–	–	–	–	
Retirees	1.10	3.85	–	–	–	–	–	

* Central funds – including Altshuler Shaham Pitzuim – central severance pay fund, and Altshuler Shaham Marpe Kupa Merkazit LeDmey Machala and Altshuler Shaham Kupat Gemel Merkazit LeHishtatfut BePensia Taktzivit, which were transferred to Company management as part of voluntary management transfer as from October 1, 2021.

Data as of December 31, 2020 and for the year then ended

	New pension funds		Individual provident and severance pay funds	Funds Study funds	Central funds*	Investment provident fund	Investment provident fund – long-term savings for children	Total
	Comprehensive	General						
Number of members:								
Active	149,380	3,249	77,505	368,595	–	110,637	841,074	**1,550,440**
Inactive	60,384	5,765	448,647	462,851	2,263	73,162	80,570	**1,133,642**
Pension recipients:								
Pension recipients – retirees:								
Retirement pension	386	55	–	–	–	–	–	**441**
Survivor pension	29	2	–	–	–	–	–	**31**
Disability pension	30	–	–	–	–	–	–	**30**
Current pension recipients:								
Retirement pension	7	2	–	–	–	–	–	**9**
Survivor pension	27	–	–	–	–	–	–	**27**
Disability pension	8	–	–	–	–	–	–	**8**
Total pension recipients	487	59	–	–	–	–	–	**546**
Total number of members	210,251	9,073	526,152	831,446	2,263	183,799	921,644	2,684,628
Assets under management, net (NIS in thousands):								
Active	15,132,991	141,539	8,263,263	30,886,393	–	5,191,824	4,409,236	**64,025,246**
Inactive	1,885,052	68,465	51,146,240	39,680,356	991,062	6,466,594	351,763	**100,589,532**
Pension recipients – retirees:								
Retirement pension	160,873	13,960	–	–	–	–	–	**174,833**
Survivor pension	25,970	32	–	–	–	–	–	**26,002**
Disability pension	20,022	–	–	–	–	–	–	**20,022**
Current pension recipients:								
Retirement pension	1,839	313	–	–	–	–	–	**2,152**
Survivor pension	7,361	–	–	–	–	–	–	**7,361**
Disability pension	4,899	–	–	–	–	–	–	**4,899**
Total pension recipients	220,964	14,305	–	–	–	–	–	**235,269**
Total assets under management, net	17,239,007	224,309	59,409,503	70,566,749	991,062	11,658,418	4,760,999	**164,850,047**
Results: (NIS in thousands)								
Annualized provident fee for newly enrolled members	1,438,273	65,256	164,057	2,162,946	–	391,331	56,627	**4,278,490**
Contributions received	2,353,059	55,829	3,099,689	6,618,636	–	4,704,122	917,965	**17,749,300**

* Central funds – including Altshuler Shaham Pitzuim – central severance pay fund.

Data as of December 31, 2020 and for the year then ended (continued)

	New pension funds		Individual provident and severance pay funds	Funds Study funds	Central funds*	Investment provident fund	Investment provident fund – long-term savings for children	Total
	Comprehensive	General						
One-time contributions received	–	–	2,491,224	158,562	–	3,854,802	36,180	**6,540,768**
Accrual transfers to the fund	6,470,621	47,846	11,403,292	10,841,467	72,304	136,099	11,518	**28,983,147**
Accrual transfers from the fund	(423,403)	(11,160)	(855,839)	(846,685)	(15,674)	(60,462)	(1,419)	**(2,214,642)**
Payments:								
Redemptions	(103,862)	(971)	(1,095,452)	(2,250,302)	(62,550)	(1,044,229)	(25,708)	**(4,583,074)**
Others	58,227	–	–	–	–	–	–	**58,227**
Payments to retirees:								
Retirement pension	(5,022)	(590)	–	–	–	–	–	**(5,612)**
Disability pension	(6,448)	–	–	–	–	–	–	**(6,448)**
Survivor pension	(1,302)	(32)	–	–	–	–	–	**(1,334)**
Payments to current pension recipients:								
Retirement pension	(109)	(13)	–	–	–	–	–	**(122)**
Disability pension	(1,094)	–	–	–	–	–	–	**(1,094)**
Survivor pension	(412)	–	–	–	–	–	–	**(412)**
Total payments	(60,022)	(1,606)	(1,095,452)	(2,250,302)	(62,550)	(1,044,229)	(25,708)	**(4,539,869)**
Excess revenues (losses) over expenses for the period	1,141,494	10,141	2,625,357	3,202,299	45,147	458,678	319,111	**7,802,227**
Management fee collected from assets (NIS in thousands):								
Active and inactive	14,751	652	340,076	440,619	6,245	58,376	8,913	**869,632**
Pension recipients	427	27	–	–	–	–	–	**454**
Total management fee collected from assets	15,178	679	340,076	440,619	6,245	58,376	8,913	**870,086**
Management fee collected from deposits (NIS in thousands):	37,769	794	2,493	–	–	–	–	**41,056**
Average management fee rate from assets, annualized (in %):								
Active	0.13	0.39	0.69	0.75	0.00	0.63	0.23	
Inactive	0.15	0.49	0.67	0.72	0.66	0.67	0.23	
Pension recipients	0.39	0.33	–	–	–	–	–	
Average management fee rate from deposits (in %):	1.62	1.46	0.08	–	–	–	–	
Average direct expense rate (in %):								
Security Purchase and Sale Commissions	0.04	0.04	0.04	0.04	0.04	0.05	0.06	
Securities maintenance fee commissions	–	–	–	–	–	–	–	
With respect to non-negotiable investments	0.00	0.00	0.01	0.01	0.00	0.00	0.00	
External management commissions	0.11	0.09	0.12	0.12	0.11	0.08	0.09	
Other Commissions	–	–	–	–	–	–	–	
Limited expenses	0.15	0.13	0.14	0.14	0.10	0.11	0.11	
Actuarial surplus (shortfall) rate (in %):								
Members / insured	0.40	0.23	–	–	–	–	–	
Current pension recipients	1.66	0.51	–	–	–	–	–	
Retirees	0.87	(1.03)	–	–	–	–	–	

* Central funds – including Altshuler Shaham Pitzuim – central severance pay fund.

Data as of December 31, 2019 and for the year then ended

	New pension funds		Individual provident and severance pay funds	Funds Study funds	Central funds*	Investment provident fund	Investment provident fund – long-term savings for children	Total
	Comprehensive	General						
Number of members:								
Active	86,040	1,479	64,660	290,355	–	77,416	808,441	**1,328,391**
Inactive	24,163	4,650	325,234	346,569	2,207	44,426	62,081	**809,330**
Pension recipients:								
Pension recipients – retirees:								
Retirement pension	64	16	–	–	–	–	–	**80**
Survivor pension	4	–	–	–	–	–	–	**4**
Disability pension	15	–	–	–	–	–	–	**15**
Current pension recipients:								
Retirement pension	8	2	–	–	–	–	–	**10**
Survivor pension	27	–	–	–	–	–	–	**27**
Disability pension	6		–	–	–	–	–	**6**
Total pension recipients	124	18	–	–	–	–	–	**142**
Total number of members	110,327	6,147	389,894	636,924	2,207	121,842	870,522	**2,137,863**
Assets under management, net (NIS in thousands):								
Active	6,932,859	67,532	6,728,774	23,575,706	–	3,389,941	3,335,681	**44,030,493**
Inactive	874,793	52,358	37,503,594	29,422,540	951,835	4,074,269	203,851	**73,083,240**
Pension recipients – retirees:								
Retirement pension	19,893	3,249	–	–	–	–	–	**23,142**
Survivor pension	6,826	–	–	–	–	–	–	**6,826**
Disability pension	8,610	–	–	–	–	–	–	**8,610**
Current pension recipients:								
Retirement pension	2,029	324	–	–	–	–	–	**2,353**
Survivor pension	8,057	–	–	–	–	–	–	**8,057**
Disability pension	3,392	–	–	–	–	–	–	**3,392**
Total pension recipients	48,807	3,573	–	–	–	–	–	**52,380**
Total assets under management, net	7,856,459	123,463	44,232,368	52,998,246	951,835	7,464,210	3,539,532	**117,166,113**
Results: (NIS in thousands)								
Annualized provident fee for newly enrolled members	802,584	17,595	127,372	1,844,217	–	319,625	55,951	**3,167,344**
Contributions received	1,258,270	25,820	3,285,253	5,185,360	–	3,538,273	1,063,384	**14,356,360**

* Central funds – including Altshuler Shaham Pitzuim – central severance pay fund.

Data as of December 31, 2019 and for the year then ended (continued)

	New pension funds		Individual provident and severance pay funds	Funds Study funds	Central funds*	Investment provident fund	Investment provident fund – long-term savings for children	Total
	Comprehensive	General						
One-time contributions received	–	–	2,300,811	195,486	–	2,885,641	216,793	**5,598,731**
Accrual transfers to the fund	2,515,556	22,621	6,090,146	6,810,710	41,570	–	6,180	**15,486,783**
Accrual transfers from the fund	(258,960)	(6,404)	(676,786)	(660,948)	(40,536)	–	(680)	**(1,644,314)**
Payments:								
Redemptions	(60,022)	(1,678)	(835,836)	(1,829,615)	(84,104)	(510,254)	(11,095)	**(3,332,604)**
Others	39,915	–	–	–	–	–	–	**39,915**
Payments to retirees:								
Retirement pension	(602)	(242)	–	–	–	–	–	**(844)**
Disability pension	(2,446)	–	–	–	–	–	–	**(2,446)**
Survivor pension	(405)	–	–	–	–	–	–	**(405)**
Payments to current pension recipients:								
Retirement pension	(117)	(13)	–	–	–	–	–	**(130)**
Disability pension	(871)	–	–	–	–	–	–	**(871)**
Survivor pension	(415)	–	–	–	–	–	–	**(415)**
Total payments	(24,963)	(1,933)	(835,836)	(1,829,615)	(84,104)	(510,254)	(11,095)	**(3,297,800)**
Excess revenues (losses) over expenses for the period	768,124	12,200	4,800,589	5,814,785	119,900	735,853	485,802	**12,737,253**
Management fee collected from assets (NIS in thousands):								
Active and inactive	9,385	528	263,250	343,665	6,539	34,433	6,467	**664,267**
Pension recipients	168	19	–	–	–	–	–	**187**
Total management fee collected from assets	9,553	547	263,250	343,665	6,539	34,433	6,467	**664,454**
Management fee collected from deposits (NIS in thousands):	21,787	410	2,769	–	–	–	–	**24,966**
Average management fee rate from assets, annualized (in %):								
Active	0.17	0.53	0.71	0.77	0.00	0.62	0.23	
Inactive	0.21	0.61	0.68	0.72	0.68	0.67	0.23	
Pension recipients	0.46	0.53	–	–	–	–	–	
Average management fee rate from deposits (in %):	1.81	1.54	0.10	–	–	–	–	
Average direct expense rate (in %):								
Security Purchase and Sale Commissions	0.04	0.05	0.03	0.04	0.04	0.04	0.06	
Securities maintenance fee commissions	–	–	–	–	–	–	–	
With respect to non-negotiable investments	0.00	0.01	0.00	0.00	0.00	0.00	0.00	
External management commissions	0.11	0.11	0.12	0.12	0.11	0.08	0.08	
Other Commissions	–	–	–	–	–	–	–	
Limited expenses	0.17	0.16	0.15	0.14	0.11	0.12	0.12	
Actuarial surplus (shortfall) rate (in %):								
Members / insured	0.26	(0.17)	–	–	–	–	–	
Current pension recipients	0.28	(0.04)	–	–	–	–	–	
Retirees	1.26	8.28	–	–	–	–	–	

* Central funds – including Altshuler Shaham Pitzuim – central severance pay fund.

3.2.2.2 Information about dormant accounts and unreachable members

Data as of December 31, 2021 and for the year then ended

	New pension funds		Individual provident and severance pay funds	Study funds	Investment provident fund	Investment provident fund – long-term savings for children	Central funds*	Total
	Comprehensive	General						
Unreachable member accounts:								
Number of accounts	340	31	68,482	20,456	10	0	325	89,644
Assets under management, net (NIS in thousands)	25,571	627	1,051,927	320,955	518	0	11,012	1,410,610
Management fee collected from assets (NIS in thousands)	47	2	2,089	1,015	4	0	25	3,182
Average management fee rate from assets (in %)	0.17	0.50	0.52	0.64	0.76	–	0.35	
Dormant accounts with balance of up to NIS 8,000:								
Number of accounts			153,052					153,052
Assets under management, net (NIS in thousands)			197,776					197,776
Management fee collected from assets (NIS in thousands)			1,355					1,355
Average management fee rate from assets (in %)			0.68					

* Central funds – including Altshuler Shaham Pitzuim – central severance pay fund only, since Altshuler Shaham Marpe Kupa Merkazit LeDmey Machala and Altshuler Shaham Kupat Gemel Merkazit LeHishtatfut BePensia Taktzivit, which were transferred to Company management as part of voluntary management transfer as from October 1, 2021.

Data as of December 31, 2020 and for the year then ended

	New pension funds		Individual provident and severance pay funds	Study funds	Central funds*	Investment provident fund	Investment provident fund – long-term savings for children	Total
	Comprehensive	General						
Unreachable member accounts:								
Number of accounts	272	36	5,878	5,173	106	7	1	**11,473**
Assets under management, net (NIS in thousands)	16,590	300	231,101	169,753	3,796	190	3	**421,733**
Management fee collected from assets (NIS in thousands)	31	9	1,647	1,304	27	1	0	**3,019**
Average management fee rate from assets (in %)	0.23	0.65	0.76	0.82	0.76	0.78	0.23	
Dormant accounts with balance of up to NIS 8,000:								
Number of accounts			4,822					**4,822**
Assets under management, net (NIS in thousands)			7,256					**7,256**
Management fee collected from assets (NIS in thousands)			53					**53**
Average management fee rate from assets (in %)			0.76					

* Central funds – including Altshuler Shaham Pitzuim.

Data as of December 31, 2019 and for the year then ended

	New pension funds		Individual provident and severance pay funds	Study funds	Central funds*	Investment provident fund	Investment provident fund – long-term savings for children	Total
	Comprehensive	General						
Unreachable member accounts:								
Number of accounts	45	1	4,226	2,698	101	20	–	**7,091**
Assets under management, net (NIS in thousands)	1,895	0	161,238	107,375	3,819	737	–	**275,064**
Management fee collected from assets (NIS in thousands)	1	0	1,226	865	30	5	–	**2,127**
Average management fee rate from assets (in %)	0.27	0.30	0.80	0.86	0.83	0.79	–	
Dormant accounts with balance of up to NIS 8,000:								
Number of accounts			6,599					**6,599**
Assets under management, net (NIS in thousands)			11,762					**11,762**
Management fee collected from assets (NIS in thousands)			80					**80**
Average management fee rate from assets (in %)			0.94					

* Central funds – including Altshuler Shaham Pitzuim.

3.2.2.3 Information about management fee the Company may charge pursuant to statutory provisions

From deposits / From accrual	New pension funds[19]		Individual provident and severance pay funds	Study funds	Central funds*	Investment provident fund	Investment provident fund – long-term savings for children
	Comprehensive	General					
Management fee the Company may charge pursuant to statutory provisions (in %):							
Active	6/0.5	4/1.05	4/1.05	2/ –	2/ –	4/1.05	0.23/ –
Inactive:							
Unreachable	0.3/ –	0.3/ –	0.3/ –	0.3/ –	0.3/ –	0.3/ –	0.23/ –
Other	0.5/ –	1.05/ –	–	–	–	–	–
Pension recipients	0.5/ –	0.6/ –	–	–	–	–	–

* Central funds – including Altshuler Shaham Pitzuim – central severance pay fund, and Altshuler Shaham Marpe Kupa Merkazit LeDmey Machala and Altshuler Shaham Kupat Gemel Merkazit LeHishtatfut BePensia Taktzivit, which were transferred to Company management as part of voluntary management transfer as from October 1, 2021.

[19] For more information about management fees charged by the Company to newly enrolled members in the Company's pension fund (Altshuler Shaham Pensia Makifa) in the period of being designated as a default fund, see section 3.18.2.1 below.

3.2.2.4 Variable management fee for all active members, for each Company product

	New pension funds		Individual provident and severance pay funds	Study funds	Investment provident fund*	Investment provident fund – long-term savings for children	Central funds	Total
	Comprehensive	General						
Annualized provident fund fee (NIS in thousands)	4,613,272	273,831	1,093,914	8,527,783	1,231,972	916,035	7,126	**16,663,933**

* Furthermore, out of one-time contributions received in investment provident fund in 2021, amounting to NIS 4,668,800 thousand, as set forth in section 3.2.2.1 above, a total of NIS 1,971,538 thousand is attributable to members who also made contributions in 2020.

3.2.2.5 Maximum management fee

For more information about regulatory provisions applicable to Company products, including with regard to maximum management fee, see section 3.18 below.

3.2.2.6 Significant developments and changes to provident funds and pension funds managed by the Company during the reported period

A. New enrollments – As of the report date, the number of newly enrolled members in funds managed by the Company continues to grow. Significant growth is also evident in the number of newly enrolled members in the comprehensive pension fund. Note that continued growth in newly enrolled members is uncertain, and depends, *inter alia*, on future returns achieved by the Company and on factors outside the Company's control, including the state of the economy and changes to regulation of this operating segment.
Furthermore, the increase in number of members in provident fund products is primarily attributable to acquisition of Psagot Investment House by the Company.

B. Management fee from accrual – Despite the downward trend in management fees in the market for several years, with respect to all Company products, the average management fee for Company products remained similar in 2021, compared to 2020. However, the average management fee decreased slightly due to enrollment of new members as part of the Psagot merger. In the comprehensive pension fund, management fees decreased due to the Company being awarded the designated pension fund tender in 2018, and being selected once more in 2021.

C. New products – In the reported period and as part of acquisition of Psagot and Psagot Provident Funds by the Company, the Company started, as of October 1, 2021, to manage a sick pay provident fund and a central provident fund for budgetary pension participation, which the Company had not previously managed. For more information about each product, see section 1.2 below.

D. Designated fund – The Company's pension fund was selected, once again, as a designated fund, which resulted in further growth in newly enrolled members and, consequently, growth in total monthly contributions and total assets under management in the pension fund segment. For more information see section 3.1.3 above.

3.3 Composition of revenues and profitability of goods and services

	Revenues (NIS in thousands)			Percentage of total Company revenues		
	2021	**2020**	**2019**	**2021**	**2020**	**2019**
Provident funds	1,331,837	844,131	652,640	93.4%	93.9%	95%
Pension funds	91,875	53,039	32,087	6.5%	5.9%	4.7%
Others	2,008	1,879	2,300	0.1%	0.2%	0.3%
Total	**1,425,720**	**899,049**	**687,027**	**100.0%**	**100.0%**	**100.0%**

	Paid policy commissions (NIS in thousands)			Management fee net of paid policy commissions (NIS in thousands)		
	2021	**2020**	**2019**	**2021**	**2020**	**2019**
Provident funds	433,150	294,054	226,097	898,687	550,077	426,543
Pension funds	4,407	3,832	2,607	87,468	49,207	29,481
Total	**437,557**	**297,886**	**228,704**	**986,155**	**599,284**	**456,024**

3.4 New products

Following the Psagot merger, the Company added the following products: Central sick pay provident fund and central provident fund for budgetary pension participation. For more information about these products, see section 3.2.1.1 above.

As from September 1, 2020, the Company also offers insurance coverage in the general pension fund; The added insurance coverage may offer a solution for retirement savings including insurance coverage for those whose salary exceeds NIS 20,000 and may also eliminate competitive gaps with other pension funds in the market.

3.5 Clients (members)

The Company has a diverse client base. Members of provident funds, study funds and pension funds managed by the Company include members who are self-employed, salaried employees, employers and collective members (such as Kibbutzim). There is no single client or client group added through an employer agreement, the revenues from which exceeds 10% of total Company revenues. Furthermore, there is no single client or client group added through an employer agreement, whose managed assets exceed 1% of total assets. The Company is not dependent on any individual client or small number of clients, nor on nay client group added through an employer agreement, whose loss would materially impact Company operations[20]. Below is information about Company clients by product:

	Year	Average member age	Average member seniority[21]	Redemption as percentage of average accrual
Comprehensive pension	2020	35.8	1.8	4.20%
	2021	36.5	1.8	3.50%
General pension	2020	41.0	1.5	6.98%
	2021	40.4	1.2	4.41%
Provident funds	2020	53.0	12.6	3.77%
	2021	54.7	13.6	6.33%
Study funds	2020	46.0	4.4	5.01%
	2021	48.0	4.7	6.47%
Central severance pay funds	2020	–	15.3	8.05%
	2021	–	16.6	4.13%
Investment provident funds	2020	34.0	1.4	11.55%
	2021	34.0	1.8	10.05%
Investment provident fund – long-term savings for children	2020	9.0	3.5	0.65%
	2021	9.0	4.2	0.64%
Central provident fund for budgetary pension participation*	2021	71.0	22.2	4.23%
Central sick pay fund*	2021	62.0	17.8	0.03%

* The fund was transferred from Psagot Provident Funds to be managed by the Company as from October 1, 2021.

20 For more information about the top five employers in each fund (on aggregate), see section 3 of Management Discussion of Provident Funds and Pension Funds for 2021, available on the Company's website at https://ir.as-invest.co.il/en/financial-reports-2/https://www.as-invest.co.il/interstedin/%D7%A7%D7%A8%D7%A0%D7%95%D7%AA-%D7%A4%D7%A0%D7%A1%D7%99%D7%94/%D7%93%D7%95%D7%97%D7%95%D7%AA-%D7%9B%D7%A1%D7%A4%D7%99%D7%99%D7%9D/.

21 Referring to active members since original enrollment date.

3.6 Marketing and distribution

The Pension Advisory Act stipulates that entities involved in marketing and distribution of retirement savings products shall be: (1) Retirement insurance agents; (2) retirement savings marketing agents – employees of institutional investors for retirement savings products of that institutional investor; (3) retirement advisors – typically banks. The difference between retirement insurance agents and retirement savings marketing agents is the presence or absence of "affinity" with the retirement savings product, as this term is defined in the Pension Advisory Act.

The Company is engaged in marketing its products through multiple distribution channels, primarily through retirement insurance agencies and agents. The Company has been co-operating for years with leading retirement insurance agencies and agents, but the Company is not dependent on any particular agent or agency.

The Company also works with insurance agencies which are affiliated with the Company. For more information about marketing agreements between the Company and said agencies, see section 5 in chapter D of this report.

Other than the foregoing, the Company has contracts in place with all banks involved in providing advisory services, for distribution of Company products, as well as agreements and working relations with many independent advisors in the market. Furthermore, upon selection of the Company as a designated pension fund by the Capital Market Authority, the Company established marketing and sales operations for employers, so as to make the Company's pension fund accessible by employers.

Other than the aforementioned distribution channels, the Company allows individuals to enroll in Company products through digital tools (the share of this distribution channel has significantly increased over the past year) and/or through retirement savings marketing agents and/or retirement insurance agents affiliated with the Group. The Company constantly strives to enhance the digital enrollment processes, so as to make them simple and accessible and to allow for rapid enrollment in Company products.

The Company also advertises and markets its products through media advertising: TV, internet, billboards, sponsorships and participation in professional conferences.

3.6.1 <u>Commission structure and relevant acquisition costs for external distributors for all Company operating segments</u>

3.6.1.1 <u>Paid policy commissions to retirement insurance agencies and agents</u> – Through March 2017, this payment was a set percentage of the actual management fees charged in the agent's accrued asset portfolio, for as long as members continue to have their assets managed by the Company. As from April 2017, with enactment of new statutory provisions with regard to allowed commissions for retirement insurance agents, the remuneration was revised so that payment is calculated based on the accrued asset balance in the agent portfolio, or as a set percentage of contribution which is payable in cases where a management fee is charged on contributions. Note that this is the most significant distribution channel for the Company. The Company continues to strive to increase the number of agents for co-operation on marketing of Company products. In the reported period, this distribution channel received 88.9% of total paid policy commissions payable to external distributors.

3.6.1.2 <u>Volume commissions to retirement insurance agencies and agents</u> – In addition to the paid policy commissions, there are other incentives – non-recurring payments and/or sales promotions based on total assets transferred and/or contributions, subject to retaining the clients whose assets have been transferred. Volume commissions are payable based on an annual work plan, typically for achievement of targets. In most cases, the volume commissions for provident fund products consists of a commission based on the target asset transfer and non-recurring contributions to provident funds, as specified for the agent, and the agent is required to achieve at least the minimum transfer target set for each step. If multiple steps have been specified, each step replaces any lower steps, so that the commission payable to the agent is based on the highest target step achieved by the agent, with reference to all assets transferred by the agent in the specified period. In pension funds, volume commissions are payable with reference to combination of total contributions made and the contribution / transfer ratio. Payment of volume commissions is subject to retention of assets transferred or deposited for periods of between 12 and 36 months. In absence of such retention, the volume commission paid to the agent is to be reimbursed, in whole or in part. Volume commissions are payable in the subsequent year, based on target achieved by the agent in the year for which they are paid. Note that for some agents, the

Company makes advance payments on account of their annual entitlement.

3.6.1.3 Distribution commission to retirement savings advisors – This commission, at 0.25% of total assets in funds designated for distribution, is the maximum allowed by law and is paid monthly. In recent years, as business has grown and due to the Psagot merger, the Company has increased its co-operation with banks providing advisory services, and their share of total paid policy commissions in the reported period, to all external distributors, reached 11.1%.

3.6.2 **Information about acquisition costs and annual commissions (NIS in thousands) to external distributors, for provident funds and for pension funds[22]**

2021

	Paid policy commissions[23]		Target commissions		Total Commissions
	Provident funds	Pension funds	Provident funds	Pension funds	
Agent / agency	379,520	4,404	63,472	40,238	487,634
Related party and/or controlled by the Company[24]	5,115	3	278	21	5,417
Banks	47,885	–	–	–	47,885
Pension advisers other than banks	630	–	–	–	630
Total	433,150	4,407	63,749	40,259	541,565

22 Note that this does not reflect the annual accounting expenditure for commission on Company accounts, since the expense with respect to target commissions is accounted for over time by the Company.

23 Net of settlement fees.

24 For more information about contracting between the Company and related parties for distribution of Company products, see section 5 in chapter D of this report.

2020

	Paid policy commissions[23]		Target commissions		Total Commissions
	Provident funds	Pension funds	Provident funds	Pension funds	
Agent / agency	258,107	3,829	117,691	32,847	412,474
Related party and/or controlled by the Company[25]	3,418	3	419	20	3,860
Banks	32,058	–	–	–	32,058
Pension advisers other than banks	471	–	–	–	471
Total	294,054	3,832	118,110	32,867	448,863

2019

	Paid policy commissions[23]		Target commissions		Total Commissions
	Provident funds	Pension funds	Provident funds	Pension funds	
Agent / agency	194,844	2,577	68,895	11,264	277,435
Related party and/or controlled by the Company[26]	2,229	7	332	28	2,596
Banks	28,620	23	–	–	28,644
Pension advisers other than banks	404	–	–	–	404
Total	226,097	2,607	68,227	11,292	309,079

Below is composition of provident fund fees received by the Company in 2021

Retirement savings agents and agencies – NIS 12,090 million, or 58% of total provident fund fees received by the Company.

Direct and retirement savings agencies which are related parties – NIS 7,368 million, or 35% of total provident fund fees received by the Company. For more information about Company contracts with related parties with respect to marketing of Company products and entitlement of agents which are related parties to receive paid policy commissions, see section 5 in chapter D of this report.

Banks and advisors – NIS 435 million, or 2% of total provident fund fees received by the Company.

[25] For more information about contracting between the Company and related parties for distribution of Company products, see section 5 in chapter D of this report.

[26] For more information about contracting between the Company and related parties for distribution of Company products, see section 5 in chapter D of this report.

National Insurance Institute – NIS 947 million, or 5% of total provident fund fees received by the Company with respect to investment provident funds "Savings for every child".

For more information about the Company's commission payments and marketing expenses, see Note 22 to the Company's 2021 financial statements, enclosed as chapter C of this report.

3.7 Competition

3.7.1 Provident fund operating segment

The provident fund operating segment involves extensive competition and many players operating in this field. Competition is due to both economic and commercial factors, which have dictated the price competition in recent years (such as social protests and public awareness of retirement savings), and to regulatory processes in the field of insurance, savings and capital market. This competition has eroded margins for companies operating in this segment. Competition has also increased due to entry of new players, which makes the environment in which the Company does business more highly competitive, insurance agents who have changed their business focus, new agents joining this market as well as increased public discourse around retirement.

As of December 31, 2021, the Company is the largest one in the provident fund market, with a market share of 30.97% of assets under management in provident funds and study funds, compared to 25.44% as of December 31, 2020.

To the best of the Company's knowledge, its major competitors in the provident fund management segment are: Yelin Lapidot Provident Fund Management Ltd.; More Provident Funds Ltd.; HaPhoenix Pension and Provident Funds Ltd.; Harel Pension and Provident Funds Ltd.; Meitav Dash Provident and Pension Funds Ltd.; and Menora Mivtachim Pension and Provident Funds Ltd.

3.7.2 Pension fund operating segment

In recent years, the pension fund market has seen the inception of default funds ("designated pension fund"), which increased competition, primarily with respect to employers. Never the less, the pension fund market continues to be highly centralized. In the pension fund segment there are 9 new pension funds, with those of insurance companies including Menora Mivtachim Pension and Provident Funds Ltd., Migdal Makefet Pension Funds and Provident Funds Ltd., Harel Pension Fund Management Ltd. and Clal Pension and Provident Funds Ltd. Holding over 90% of total assets under management in the new pension fund market. As of December 31, 2021, the Company is ranked 6th among pension fund managers, with a market share of 5.23% of total assets under management in new pension funds. As noted, the launch of the "default pension fund" reform has somewhat increased competition in this segment. This is further reinforced by the Supervisor's directive, whereby existing agreements which carry a maximum management fee would expire on April 1, 2018 – one year prior to the date specified in the original directive. Furthermore, on April 1, 2019 the existing default agreements between employers and pension funds expired – and this directive also promoted competition and reduced the concentration in this segment. Following acquisition of Psagot by the Company, and following acquisition of Helman Aldobi Investment House by HaPhoenix Insurance Company, the number of designated pension funds is now down to only two – the Company's pension fund and that of Meitav Dash Investment House. However, in April 2022 two new designated pension funds are expected to be added, from More Investment House and Infinity Investment House.

To the best of the Company's knowledge, its major competitors in the pension fund segment are: Harel Pension Fund Management Ltd.; Menora Mivtachim Pension and Provident Funds Ltd.; Clal Pension and Provident Funds Ltd.; Migdal Makefet Pension Funds and Provident Funds Ltd.; HaPhoenix Pension and Provident Funds Ltd.; and Meitav Dash Provident and Pension Funds Ltd.

3.7.3 <u>Major ways to address the competition</u>

In order to preserve and expand the current client portfolio, the Company is acting to avoid departure of members to competing pension funds, to other provident funds and to other insurance companies, and makes a concerted effort to recruit new clients. This is done by highlighting the Company's advantages over the competition and by reinforcing relations and expanding the current distribution system. Thus, in 2021 the long-term trend continued with expansion of contracting with various marketing and distribution channels specialized in pension-related financial activity. The Company also strives to make forms accessible and to improve online enrollment processes for Company products, so as to make them simple and user-friendly.

Due to the concentration in the new pension fund market, as described above, the Company directs marketing and advertising resources to increase awareness of the Company's pension funds through, *inter alia*, bidding in tenders, participating in employer conferences and expanding the direct distribution channel. The Company has also improved the pension fund bylaws, so as to provide advantages for its members over members of other funds.

The Company also leverages the selection of its pension fund as a designated pension fund by the Capital Market Authority (for more information see section 3.1.3 above) to recruit new clients for both the pension product and to other products.

In early 2017, when the Children's Savings Fund was launched by the Ministry of Finance, awareness of the importance of savings increased among the general public in Israel. The fact that the Company was selected to participate in this program and to offer for parents to manage their children's savings with the Company, has positioned the Company as a leading entity in awareness of savers in Israel.

Other than the foregoing, the Company manages its members' funds professionally and with diligence, while attempting to maintain stability over time and to generate high returns. Concurrently, the Company applies investment policy designed to reflect a risk-reward ratio that is appropriate for the needs of its clients through, *inter alia*, geographic and sector diversification, and by focusing on liquid assets that allow the Company to change the asset allocation and to respond to market events as required.

3.8 Seasonality

Provident funds of salaried members are based on current monthly contributions by their employers. Mandatory Pension Act for Self-employed Members, which became effective in 2017, and the launch of investment provident funds, have brought about significant growth in contributions in November-December, compared to deposits in other months. Self-employed members tend to make contributions in these months in particular, so as to benefit from diverse tax benefits. Furthermore, in these months members in investment provident funds tend to make up their contributions to such funds up to the legal cap, which is NIS 70 thousand per person, linked to the Consumer Price Index (for more information about the cap as of the report date, see section 3.2.1.1f above). In these months, contributions to study funds by self-employed members are also higher.

Note that although some seasonality exists in member contributions to funds managed by the Company, this has no direct bearing on the Company's financial results.

3.9 Fixed assets

For more information about the Company's fixed assets as of the report date, see Notes 5, 6 and 9 to the Company's annual financial statements, enclosed as chapter C to this report.

3.10 Intangible Assets

3.10.1 Overview

The Company has reputational and customer relations assets, and the Group also owns various trademarks duly registered with the Ministry of Justice Trademark Registry, some of which are used by the Company. For more information about intangible assets owned by the Company, see Note 5 to the annual financial statements.

3.10.2 Registered information repositories of the Company

As of the report date, the Company maintains the following active information repositories:

A. Information repository – employees and candidates;

B. Information repository – agents;

C. Information repository – study funds;

D. Information repository – central severance pay funds;

E. Information repository – provident funds;

F. Information repository – comprehensive pension fund;

G. Information repository – general pension fund;

H. Information repository – Children's Savings Fund;

I. Information repository – Savings Plus;

J. Information repository – security cameras;

K. Information repository – human resources and payroll;

L. Information repository – management of distribution channels;

M. Information repository – Psagot customer relations management;

N. Information repository – accounting, procurement and control;

O. Information repository – call recording;

P. Information repository – provident and pension funds – archive;

Q. Information repository – members of Psagot Amitey Hever.

3.11 Human resources

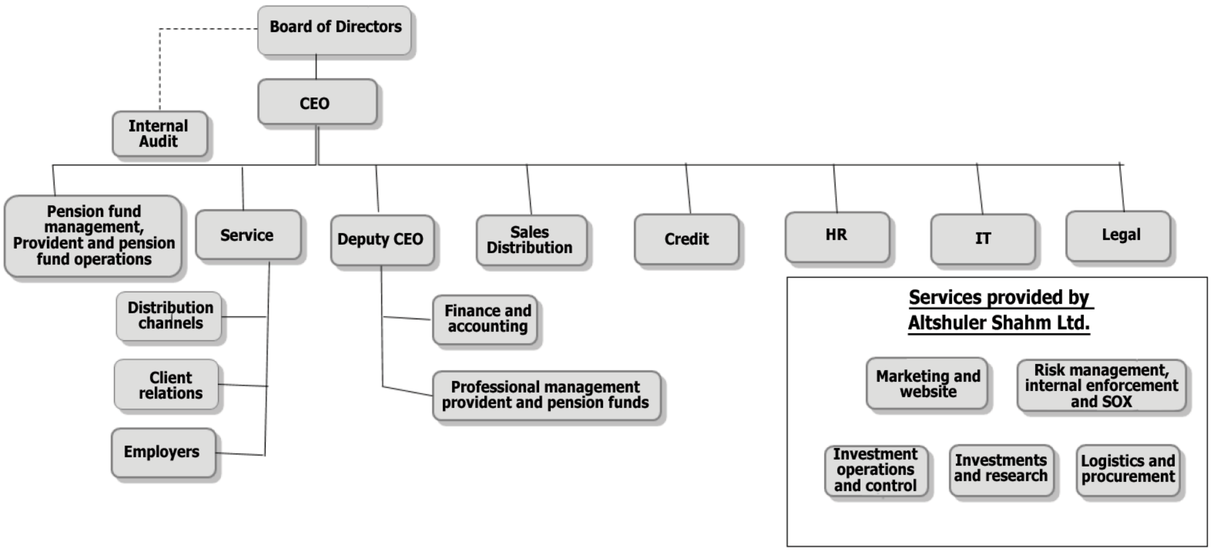
3.11.1 Overview

The Company considers human resources to be an important resource which may impact Company profitability, and therefore invests considerable resources in recruitment and preservation of high-quality staff with knowledge and experience in its field. The Company also invests financial and managerial resources in training its current staff. As of the date of this report, the Company had 10 senior officers, 64 employees reporting directly to senior officers and 10 key officers.

For information about senior officers of the Company, see section 11 of Part D of this report.

3.11.2 <u>Below is the Company's organizational structure:</u>

Organizational Structure



Note that some of the departments listed in the chart above include staff employed by Altshuler Ltd. This includes, as part of services provided to the Company by Altshuler Ltd., the services of investment managers charged with implementation of the Company's investment policy. For more information about the Company's investment policy, see section 3.15 below. For information about the services agreement signed with Altshuler Ltd., see section 6.1 of Part D of this report.

In conformity with the Company's training program, as part of onboarding of new employees at the Company and regularly thereafter, Company employees undergo appropriate training in areas required for their work, including with regard to legislation and regulation. All Company employees are employed subject to individual employment contracts and are not subject to any general or special agreements. The Company is not materially dependent on any particular employee.

Headcount

As of December 31, 2021, the Company and other companies, including other companies by outsourcing, including affiliated companies, which mostly provide service to the Company, a total of 1,154 employees. Below is information about employee headcount:

Department	December 2021	December 2020
Operations	302	335
Service	467	300
Selling and marketing	126	108
IT	105	83
Investments	54	41
Headquarters	100	84
Total	**1,154**	**951**

In 2021, the average headcount was 1,053.

3.11.3 Material changes in employee headcount during the reported period

Employee headcount increased in the reported period. The increase was primarily in the IT and service department, primarily due to acquisition of Psagot Investment House, the conversion process and the significant growth in assets under management.

3.11.4 Dependence on employees

As of the report date, the Company believes it has no material dependency on any individual employee or officer of the Company.

3.11.5 Investment in training

Company employees undergo training and on-the-job training in conformity with the Company's current training program with regard to topics required for their position, including with regard to statutory provisions applicable to their work, as well as an orientation workshop for onboarding of new hires.

3.11.6 Employee remuneration, benefits and nature of employment contracts at the Company

Employment terms of all Company employees are governed by individual contracts. Such employment terms include, *inter alia*, a monthly salary, overtime pay, paid leave, notice period, monthly travel allowance (or company car or reimbursement of car maintenance expenses) and other social benefits by law, including contributions towards retirement savings. These employment contracts also include non-disclosure undertakings with respect to information which the employee has received in conjunction with and during their employment by the Company.

Moreover, the Company typically provides incentives to staff in various departments, by way of an annual bonus at the Company's discretion, or through employee performance incentives, such as commissions for achieving sales targets, achieving service targets and so forth.

Remuneration of key officers of the Company and of other Company employees are subject to the remuneration policy, pursuant to statutory provisions applicable to the Company, as a management company of provident and pension funds. For more information see the Company website at: https://www.as-invest.co.il/interstedin

Furthermore, on June 12, 2019 the Company adopted an employee stock option plan, whereby the Company has allocated and will allocate non-negotiable stock options to employees, officers and service providers of the Company and of affiliated companies[27]. For more information see sections 3.5-3.6 of the prospectus and shelf offering reports issued by the Company on September 15, 2019, November 26, 2019, March 30, 2020, May 31, 2020, August 17, 2020, November 26, 2020, March 22, 2021, May 27, 2021 and August 31, 2021 (reference no. 2019-01-096427 2019-01-102399 2020-01-032790 2020-01-055533 2020-01-080260 2020-01-120238 2021-01-041481 2021-01-091995 and 2021-01-142281 respectively). and Note 27 to the Company's 2021 financial statements, enclosed as chapter C of this report.

Officer remuneration

Remuneration of Company officers are subject to the Company's remuneration policy. For more information see immediate report convening a General Meeting of Company shareholders, dated September 25, 2019 (reference no. 2019-01-083652), included herein by way of reference. For more information about the employment contract of Mr. Yair Lowenstein, Company CEO and a controlling shareholder of the Company, see section 3.5 in chapter D of this report.

[27] For this matter, "**affiliated companies**" means companies controlled by the Company or a company that is a controlling shareholder of the Company or a company where the same person is a controlling shareholder thereof and of the Company.

3.12 Trade payables

3.12.1 Provident fund operations

Bank Leumi (Leumi Capital Market Services Ltd.) ("Leumi Capital Market") – On December 29, 2021, the Company and Leumi Capital Market contracted an agreement for provision of operating services for provident funds and study funds managed by the Company (in this section: "the Agreement" and "the Services", respectively), superseding the agreement between the parties dated March 26, 2012. The Agreement term is 6 years, from January 1, 2020 through December 31, 2026 and during this period, either party may terminate the Agreement by 18 months' prior notice; After the term of the Agreement, it would be automatically renewed for subsequent terms of 12 months each. During this period, either party may terminate the Agreement by 9 months' prior notice. For services provided by Leumi Capital Market, the Company would pay in conformity with provisions agreed by the parties, up to a cap specified in the Agreement. The Company believes it is somewhat dependent on this provider, as transition to an alternative provider would involve a significant additional cost to the Company.

3.12.2 Pension fund operations

Sapiens Software Solutions (Life and Pension) Ltd. ("Sapiens") – On April 13, 2008, the Company and Tiful Gemel Ltd. ("Tiful Gemel") signed an agreement to provide software services and some operating services for pension funds (in this section: "the Agreement" and "the Services", respectively). As the Company has been informed, Tiful Gemel has been acquired by Sapiens Technologies (1982) Ltd. In December 2020, the Company and Sapiens (a wholly-owned subsidiary of Sapiens Technologies (1982) Ltd.) signed an agreement for provision of operating services to the Company's pension fund, replacing the Agreement with Tiful Gemel. The Agreement was signed for a three-year term, from July 1, 2020 through June 30, 2023. Upon expiration of the Agreement, it would be automatically renewed for additional 12-month terms, unless either party should notify the other party of termination of the agreement, with the Company required to give 6 months' prior notice and Sapiens required to give 12 months' prior notice. For services to be provided by Sapiens, the Company would pay in conformity with provisions agreed by the parties, as well as additional consideration payable for additional services provided, as set forth in the Agreement. On February 2, 2022, the Company and Sapiens signed an MOU with regard to replacement of the operations system (management of member rights) for the Company's pension funds, by an improved system. In the MOU, the parties specified the consideration for the conversion process between these systems, and for the revised annual license fee, as well as the term of the usage license for the system provided to the Company. The

Company is dependent on this provider, as transition to an alternative provider would involve a significant additional cost to the Company. A fixed annual consideration has been agreed, with potential additional services to be provided for additional payment, as specified in the Agreement.

3.12.3 Overview

3.12.3.1 Services agreement with Altshuler Ltd. – For more information about this agreement, see section 5.1 of chapter D of this report.

3.12.3.2 Generics Software Ltd. ("Generics") – Generics is affiliated with the Company (wholly owned by Perfect) and provides an IT system for management of member rights. On October 10, 2010, the Company and Generics signed an agreement for provision of operations, maintenance and development services for said IT system, which was sold by Generics to the Company. For more information about this agreement, see section 5.9 of Chapter D of this report.

3.12.3.3 Partner Wireline Communications Solutions Limited Partnership("Partner") – In June 2017, the Company and Partner signed an agreement for provision of hosting services for Company servers (in this section: "the Agreement" and "the Services", respectively). Contracting of the Agreement is for a term of 60 months as from the contracting date, or through a later date when the Company would terminate the Services, whichever is later. The Company is dependent on this provider, as transition to an alternative provider would involve a significant additional cost to the Company.

3.13 Working capital

Composition of the Company's working capital as of December 31, 2021 includes:

Under Current Assets – includes cash and securities (including liquid assets required for compliance with minimum shareholder equity regulations) amounting in total to NIS 541.6 million, un-earned revenues and payroll tax receivable amounting in total to NIS 23.2 million, an asset held for sale amounting in total to NIS 5.4 million and debit balances amounting in total to NIS 44.7 million. Total current assets amount to NIS 614.9 million.

Under Current Liabilities – includes current maturities of loan from banking corporations and others amounting in total to NIS 49.4 million, current taxes payable amounting in total to NIS 46.7 million, trade payables amounting to NIS 19.5 million, other accounts payable and short-term credit balances amounting in total to NIS 251.2 million, liabilities with respect to assets held for sale amounting in total to NIS 10.5

million and current maturities of lease liabilities amounting in total to NIS 13.2 million. Total current liabilities amount to NIS 390.5 million.

As of December 31, 2021, the Company had positive working capital amounting in total to NIS 224.4 million (including liquid assets required for compliance with minimum shareholder equity regulations).

Composition of the Company's working capital as of December 31, 2020 includes:

Under Current Assets – includes cash and securities (including liquid assets required for compliance with minimum shareholder equity regulations) amounting in total to NIS 221.7 million, un-earned revenues amounting in total to NIS 15.2 million and debit balances amounting in total to NIS 2.9 million. Total current assets amount to NIS 239.8 million.

Under Current Liabilities – includes current maturities of loan from banking corporations and others amounting in total to NIS 111.7 million, current taxes payable amounting in total to NIS 45.7 million, trade payables amounting to NIS 5.6 million, other accounts payable and short-term credit balances amounting in total to NIS 207.2 million and current maturities of lease liabilities amounting in total to NIS 3.9 million. Total current liabilities amount to NIS 374 million.

As of December 31, 2020, the Company had a working capital shortfall amounting in total to NIS 134.3 million (including liquid assets required for compliance with minimum shareholder equity regulations).

3.14 Re-insurance

The Supervisor's directives require new pension funds to obtain reinsurance for a pension fund with fewer than 1,500 members. Even though the fund has more than 1,500 members, the management company chose to obtain reinsurance, paid for by the pension fund members, through the insurance cost charged to fund members.

On December 24, 2019, the Company and Swiss reinsurance company Ltd ("**SwissRe**" or "the **Re-insurer**") signed an agreement which, as from January 2020, provides for coverage of 90% of death and disability claims in the pension fund, replacing Scor Global Life ("**SCOR**"), which had been the re-insurer through said date.

SwissRe is rated AA- by S&P and is the pension fund's sole insurer. The agreement with SwissRe was signed for an initial 3-year term and is automatically extended at the end of each calendar year, subject to terms and conditions set forth in the Agreement (for this matter: "the **Agreement**").

The coverage cap for the Re-insurer is calculated based on twice the average national salary, capped at the maximum insured salary specified in the bylaws, all in conformity with underwriting conditions stipulated by the Re-insurer and subject to terms and conditions of the Agreement with the Re-insurer.

The Company is subject to underwriting policy of the Re-insurer, whereby it conducts underwriting procedures in the comprehensive pension fund managed by the Company, with respect to inclusion of death and disability insurance coverage against the coverage provided for in the comprehensive pension fund bylaws. However, following award of the designated pension fund tender by the Capital Market Authority to the comprehensive pension fund, as from November 1, 2018 the Company does not conduct medical and/or occupational underwriting upon enrollment of new members in the fund, as agreed and co-ordinated with the Re-insurer.

The insurance covers comprehensive pension fund members in all insurance tracks.

As from September 1, 2020, this re-insurance also covers members of the general pension fund in all insurance tracks (except for the basic insurance track, which does not provide any insurance coverage). Coverage terms in the general pension fund provide insurance coverage without requiring medical underwriting up to a monthly salary of NIS 20,000; the difference in insurance coverage from this salary up to the cap specified in the fund bylaws is subject to medical underwriting and/or to the member's employer having more than 7 members with a balance in the pension fund.

The insurance coverage is provided by the fund out of premium charged to members. Any positive difference is distributed to members by way of increased returns, and any negative difference is attributed to members by way of decreased returns.

At the Company's discretion (as set forth in the fund bylaws), the member's health is evaluated by signing a health declaration of by providing other information, including provision of certain medical test results in some cases. The re-insurance obtained for the fund managed by SwissRe is a Quota Share, or coverage at a set percentage of each claim.

The Re-insurer is liable for 90% of any claim amount, up to coverage caps as set forth in the pension fund bylaws. Even after termination of the Agreement, members who had been insured by the Re-insurer would continue to benefit from insurance coverage, until they start receiving a pension from the fund or until they leave the pension fund. Moreover, pursuant to the Agreement, the fund is entitled to 50% of the profit generated by the Re-insurer. The re-insurance obtained by the Company increases stability for fund members. For example, any death and/or disability events due to COVID are not excluded from the insurance coverage provided by the Re-insurer (at 90%, as noted above) and therefore, the impact for all fund members is low, compared to the situation if the pension fund had no coverage at all from the Re-insurer.

3.15 <u>Investment management by the Company</u>

How investments are managed at the Company

The Company manages investments across all asset classes, while considering the best interest of savers, as measured over the long term, and subject to regulatory provisions. Investment management is carried out by the Company's investment arm as follows:

3.15.1 Annual investment policy – Once a year, the Company Board of Directors specifies and approves the investment policy for provident and pension funds managed by the Company in its operating segments, after receiving recommendations from the Investment Committee. The Board of Directors also receives regular reports from the Credit Manager, Troubled Debt Officer, Investment Manager and Chief Risk Officer of the Company.

3.15.2 Hedging policy – The Company uses derivatives and other means to hedge volatility and currency risk and to reduce the currency exposure created by investment in foreign products and securities.

3.15.3 Support system – The support system is tasked with processing, settlement, transfers and valuation of all financial transactions conducted by the investment arm. The support system is also responsible for ensuring that all transactions that have been conducted are logged and valuated accurately and in a timely manner. The support system is also responsible for IT and for process improvement. The support system is also responsible for ensuring settlement and required adjustments for various entities, as stipulated by regulatory requirements and controls.

3.15.4 Current decision making by the Investment Committee – The Investment Committee operates subject to the investment policy set by the Company Board of Directors and directs the Investment Manager to act accordingly. The Investment Committee determines the exposure to major asset classes, while investment managers select the specific securities for investment subject to the specified policy. The Investment Committee convenes at least once every two weeks to receive an economic overview from the investment managers about the fund performance in the reported period, holdings of the funds and other matters that require reporting from time to time.

The Company's investment policy is based on macro-economic and micro-economic analysis of capital markets in Israel and overseas, and is reviewed from time to time by the Investment Committee and revised as needed.

In general, the funds invest in diverse asset classes, such as: shares in Israel and overseas, Government debentures, corporate debentures, loans in Israel and overseas, real estate and various equity funds with geographic and sector diversification of the investment portfolio. The funds may also invest, from time to time, in Group products (including hedge funds) or along with other Group companies, all subject to statutory provisions.

3.15.5 Investment Controller – The Investment Controller is responsible for regular review of alignment of the investment manager performance and resolutions made by the Investment Committee and with relevant regulatory directives. The Investment Controller shall report to the Investment Committee and to Company management as required. Note that the Investment Controller is employed by Altshuler Ltd. and provides their services to the Company pursuant to the attribution and services agreement, as set forth in section 6.1 of Chapter D of this report.

3.16 Financing

For more information about the Company's financing agreements, including loans and credit facilities provided to the Company by banking corporations, see Note 19 to the Company's 2021 financial statements, enclosed as chapter C of this report. For more information about guarantees provided by the Company, see Note 29 to the Company's 2021 financial statements, enclosed as chapter C of this report.

3.17 Taxation

See Note 15 to the Company's 2021 financial statements, enclosed as chapter C of this report.

3.18 Restrictions on and supervision of Company operations

Company operations are subject to a long list of regulatory restrictions and rules specified in legislation and in circulars, to directives and positions from the Capital Market Authority which govern many subjects including, *inter alia*, directives with regard to structure of the management company, including corporate governance rules, requirements with regard to control and holding of the Company, as well as provisions with regard to its on-going operations and conduct in management of provident and pension funds, including restrictions on making investments, management of member rights, AML provisions, directives and restrictions with regard to charging commissions and management fees to members, provisions with regard to business continuity in emergencies and so forth. Below is a concise description of some of the material statutory provisions applicable to the Company in its provident fund and pension fund operating segments which, the Company believes, have or may have material impact on Company operations and results in these operating segments:

3.18.1 <u>Primary legislation and regulations which may have material impact on Company operations</u>

Below is a concise description of legislation and regulations which may materially impact Company operations and its competitive positioning as of the report date; This is not an exhaustive description of all legislation, regulations and circulars applicable to Company operations.

3.18.1.1 **Provident Fund Act**

The Provident Fund Act became effective in November 2005. The act governs management and operations of a provident fund management company, including company registration, requirements regarding shareholder equity and insurance, licensing, Board members, Board committees, qualifications of Board members and Investment Committee members, restrictions with regard to transfer of means of control over a management company, authority of the Board of Directors and Investment Committee and provisions with regard to sanctions and penalties which the Supervisor of Capital Market may impose. Over time, additions were made to the Provident Fund Act in various amendments concerning, for example, new products added to the retirement savings market, rules regarding service provision, calculation of agent commissions and mandatory contributions. Note that the Provident Fund Act imposes certain provisions on a management company pursuant to the Insurance Supervision Act, including with regard to pension fund management and with regard to licensing of a pension fund management company as insurer.

3.18.1.2 **Income Tax Ordinance (New Version), 1961 (Amendment No. 190)**

Deposits and withdrawals from provident and pension funds of the Company are naturally subject to the Income Tax Ordinance.

Amendment No. 190 to the Income Tax Ordinance, issued on May 14, 2012 (and Amendment No. 8 to the Supervision of Financial Services Act (Provident Funds), 2005 as a consequential amendment) is designed to enable savings at retirement age and their heirs to benefit from tax benefits and fund management through provident funds. Some of the tax advantages included in this amendment are: Exemption from capital gain tax when conducting transactions which may constitute a taxable event in other investment channels; allowed transition between investment tracks with no tax payable;exemption from capital gain tax should the member elect to receive their funds as a monthly pension or, alternatively, a one-time conversion of the pension into a lump sum payment, subject to certain conditions, subject to a reduced tax payment at 15% of nominal gain; the amendment also includes tax benefits with regard to heirs of the member. This amendment has increased, and the Company believes should continue to increase total contributions to provident and pension funds managed by the Company.

3.18.1.3 **Distribution Commission Regulations**

The Distribution Commission Regulations became effective in April 2006, requiring provident fund managers, upon fulfillment of certain conditions (distribution agreement in place, agreement between advisor and client in place) to pay distribution commissions to retirement advisors at a fixed, specified rate not to exceed 0.25%. Due to this fixed rate, the Company expects this expense should remain stable.

3.18.1.4 **Supervision of Financial Services Regulations (Provident Funds) (Attendance of General Meeting by a management company), 2009**

On October 8, 2009, regulations became effective, listing cases in which a management company is required to attend a general meeting of a corporation in which it has voting rights, how to form policy with regard to voting and caveats with regard to mandatory voting.

Further to these regulations being issued, a circular was issued regarding increased involvement of institutional investors in the capital market, which governs the obligation of institutional investors to make public their policy and actual voting in corporations in which they have voting rights. These regulations, although they may not impact Company revenues, do require companies in this field to enhance their analysis and compliance departments and how they are implemented may have an effect on the Company's reputation.

3.18.1.5 **Shareholder equity regulations and circular**

The shareholder equity regulations and circular became effective on March 29, 2012. Pursuant to provisions of these regulations, the minimum required shareholders equity for a management company would be the higher of the following: (a) NIS 10 million; (b) 0.1% of assets under management, for assets under management amounting up to NIS 15 billion, 0.05% of assets under management over said limit and 25% of annual expenses.

The circular complements the regulations and provides relief for equity requirements for any management company that has obtained professional liability insurance or insurance to cover breach of fiduciary duty of employees thereof, subject to conditions set forth in the circular.

As of the report date, the Company is in compliance with provisions of the shareholder equity regulations and circular, and expects it would continue to be in compliance there with upon all of the relevant dates.

3.18.1.6 **Supervision of Financial Services Regulations (Provident Funds) (Management Fee), 2012**

Pursuant to these regulations, as from 2014 the maximum management fee that may be charged in the Company's provident funds, individual severance pay provident funds and savings provident funds and in new general pension funds are 1.05% of accrual and 4% of contributions. The maximum management fee for a new comprehensive pension fund is currently 0.5% of accrual and 6% of contributions, and the maximum management fee for pension recipients is 0.5% of accrual. The maximum management fee in study funds, IRA provident funds, central provident funds and sick pay provident funds, paid leave provident funds and funds for other purposes is 2% of accrual. This amendment had material impact on the management fee charged by companies in the Company's operating segment, and the Company believes that in future, management fee in this field should continue to trend moderately lower.

3.18.1.7 **Supervision of Financial Services Regulations (Provident Funds) (Investment Rules Applicable to Institutional Investors), 2012 ("Investment Rules Regulations")**

The Investment Rules Regulations (with complementary provisions set forth in Chapter "Investment Asset Management" in the regulatory codex of the Capital Market Authority) list the rules applicable to investments by Company-managed provident funds and with regard to investment of the Company's nostro funds.

3.18.1.8 **Direct Expenses Regulations**

The Direct Expenses Regulations stipulate the types of direct expenses with respect to conducting transactions in provident fund assets, which institutional investors may charge to member accounts. Note that the Direct Expenses Regulations include an interim directive in section 3a which stipulates, *inter alia*, details of additional expenses included under direct expenses with respect to conducting transactions in provident fund assets, as well as a cap on direct expenses which may be charged to members, at 0.25% of total estimated value of provident fund assets ("Cap"). This Cap was set as an interim directive through February 28, 2021.

3.18.1.9 **Anti-Money Laundering Act, regulations based there upon, AML Ordinance (Mandatory identification, reporting and records maintenance by credit providers to avoid money laundering and terrorism financing), 2017 (hereinafter jointly: "AML Act")**

The AML Act stipulates various provisions applicable to the operating segment, to prevent money laundering and terrorism financing, including provisions with regard to mandatory client identification, conducting a Know Your Client process, information verification, required documents and recording of client information, storing documents, reporting to the AML Authority, mandatory application of current controls, setting policy, tools and risk management with respect to AML and terrorism financing and so forth. Further provisions are included in circulars and publications issued by the Capital Market Authority. Failure to comply with provisions of the AML Act and directives of the Authority may expose Group companies and employees to criminal and civilian sanctions, and require the Company to invest operational resources.

3.18.2 <u>Capital Market Authority circulars and ordinances which may have material influence over Company operations</u>

3.18.2.1 **Designated pension fund – SH 2021-5846 "Process for selection of designated funds"**

The Circular stipulates rules with regard to a proceeding to determine the selection of designated funds, from November 1, 2021 through October 31, 2024, and to the management fees they may charge. On September 14, 2021, the selected pension funds from the following management companies were announced: Altshuler Shaham Provident and Pension Funds Ltd., Meitav

Dash Provident and Pension Funds Ltd., Infinity Study and Provident Fund Management Ltd. And More Provident Funds Ltd. The two winning bidders, the pension fund from Altshuler Shaham Provident and Pension Funds Ltd. and the pension fund from Meitav Dash Provident and Pension Funds Ltd. were designated as designated pension funds from November 1, 2021 through October 31, 2024. Furthermore, the pension funds from the other winning bidders would be designated as designated pension funds from their inception date through October 31, 2021. The management fee, from accrual and from deposits, charged by each management company of the selected funds may not exceed the following: Management fee from deposits: 1% (the range set by the Authority: 0.5%-1%); Management fee from accrual: 0.22% (the Authority set the minimum at 0.15%). The management fee for new members who enroll in a default fund would be effective for at least 10 years after enrollment in the designated pension fund.

3.18.2.2 **Expansion Ordinance regarding Increased Contributions for Retirement Insurance pursuant to the Collective Bargaining Agreements Act, 1957**

Pursuant to the Expansion Ordinance, as from January 2017 the employee contributions were increased to 6% and the employer contributions were increased to 6.5%.

3.18.2.3 **Institutional Investor Circular 2017-9-15 "Management fees in retirement savings instruments – Amendment"**

Amendment to a current circular stipulating, *inter alia*, that discounted management fees would be granted for at least five (5) years (instead of two years) and provisions which govern cases in which the management fees may be increased even prior to end of the five-year period. This circular reduces the Company's flexibility in increasing management fees charged to savers, and therefore may negatively affect revenues of companies in this field.

3.18.2.4 **Circular 2018-9-19 "Outsourcing by Institutional Investors"**

On June 3, 2018, the circular 2018-9-19 "Outsourcing by Institutional Investors" was issued. The circular is designed to ensure, *inter alia*, that outsourcing of material operations of institutional investors would be carried out by appropriate service providers, and the relations between such provider and institutional investor would be governed by a well-specified, written agreement. The circular further stipulates control and supervision arrangements and arrangements designed to reduce and address any potential conflict of interest, such that the outsourced operations would not impact the efficiency and independence of the institutional investor's control and supervision mechanisms.

The circular further stipulates rules for use of outsourcing by institutional investors, including the process of outsourcing operations and on-going management thereof. The circular expands the roles of the Board of Directors and lists criteria to which the outsourcing policy should make reference. On December 31, 2018, an amendment to the circular was issued, whereby outsourcing agreements signed prior to April 1, 2019 would be adapted to provisions of this circular by said date, and that institutional investors may adapt the outsourcing agreement for material operations signed prior to said date, to provisions of Section 6 of the chapter enclosed in Appendix A, no later than December 31, 2021. The Company has made the required adaptations to agreements signed by the Company.

3.18.2.5 **Provisions of consolidated circular, Chapter 2 of Part I, Volume 5 "Board of Directors of an institutional investor"**

On August 26, 2018, the circular "Board of Directors of an institutional investor" was issued, replacing provisions with regard to the Board of Directors and to Board committees in the Board of Directors and Board Committee Regulations and in the circular "Operating Procedure - Board of Directors and Board Committees". This circular stipulates provisions with regard to qualifications of Board members, composition, roles, authority and conduct of the Board of Directors. The circular became effective on April 24, 2019. The circular may affect the composition and operations of the Board of Directors.

For more information about regulatory restrictions and rules applicable to the Company which were issued in the reported period, see Note 30 to the Company's 2021 financial statements, enclosed as chapter C of this report.

Company assessments with regard to potential impact of legislation, regulations and circulars applicable to its operations constitute forward-looking information*as this , term is defined in the Securities Act. C****ompany assessments, as noted in this section, including with regard to which legislation, regulations and circulars have material impact on Company operations, may fail to materialize, or may materialize partially or differently than anticipated due, inter alia, to factors outside of the Company's control, such as changes in public preferences, enforcement policy of enforcement entities and so forth.***

3.19 Material agreements and co-operation agreements

In the reported period, the Company signed an agreement to acquire Psagot, as well as agreements to sell assets with respect to the Psagot transaction. For more information see Note 13 to the Company's 2021 financial statements, enclosed as chapter C of this report. For more information about the Company's agreements signed with interested parties, including the merger agreement, see section 6 in chapter D of this report.

3.20 Legal proceedings

For more information about material legal proceedings in which the Company is defendant, see Note 29 to the Company's 2021 financial statements, enclosed as chapter C of this report.

3.21 Business objectives and strategy

The Company reviews its strategic plans from time to time and revises its objectives based on developments in the provident and pension fund sector, in the capital market, in the competitive map, in regulation and in the business environment.

It is company strategy to continue being the leading company in the provident and pension fund market in Israel, with emphasis on growing profitability, excellence and leadership position in the capital market, generating optimal returns for Company clients over time and strict adherence to transparency, professional attitude, reliability and fairness, improvement of operations and customer service at the Company, service and product innovation and technological leadership.

Consequently, the Company strives for expansion and business growth, innovation, development and establishing retirement products in response to Company client needs, identifying new business opportunities, achieving organizational efficiency by reducing expense rates, preservation and expansion of current distribution channels, ensuring that organizational and technological infrastructure is maintained for future growth, reinforcing control systems and maintaining risk management and regulatory compliance systems.

Furthermore, the Company continues to bolster and preserve the overall brand of the investment house, of pension products and in particular, of the pension fund, through marketing measures available to the Company, including by way of digital marketing, and acts to preserve current clients through constant improvement of customer service and by providing a comprehensive, professional response through change or diversification of savings tracks, as well as through a comprehensive envelope of products and services in line with client needs.

Concurrently, the Company would continue to make progress on re-organization so as to allow for review and execution of entry into other operating segments, including those synergetic to Company operations, without any restricted operations to which the Company is subject by virtue of being a management company being applied. For more information see Note 3.22 below.

Company strategy, as set forth above, reflects Company policy as of the report issue date and is based on assessment of the Company's operating segments and standing as of this date. The Company may decide not to implement the aforementioned strategy, in whole or in part, due inter alia to the following reasons: Changes to capital markets in Israel and overseas, changes to economic feasibility, changes to competitive market conditions and changes to actual markets, regulatory changes and required regulation approvals, as well as due to other risk factors applicable to Company operations, as set forth in section 0 below.

3.22 Anticipated development over the next year

On January 17, 2022, the Company announced a re-organization, which includes a reverse three-way merger of the Company with a subsidiary of a new public company. Thus, the Company would become a private company, wholly owned by the public company. The Company believes that this move would allow the Company to maximize its business opportunities through, *inter alia*, further services and operations which are synergetic to Company operations. To the best of the Company's knowledge, a merger certificate is expected to be received from the Registrar of Companies on March 31, 2022.

Company assessments with regard to the date of receiving the merger certificate and with regard to Company operations post-merger constitute forward-looking information, as this term is defined in the Securities Act, which is based on Company assessments, which may fail to materialize, or may materialize partially or differently than anticipated due, inter alia, to factors outside of the Company's control, such as the need for approvals from regulators, demand for Company services (current and future, as they may be), lower returns achieved by the Company and changes to the economy in Israel and overseas.

3.23 Pension fund actuary

Name – Yeshayahu Orzitzer

Office address – 7 Abba Hillel St., Ramat Gan

Start date in office – July 2008

Qualifications of the pension fund actuary for their role, including education and experience – Undergraduate degree in Economics and Mathematics from Bar Ilan University. Licensed actuary from Tel Aviv University, since 1979. Full member of the Actuary Association. Currently serves as actuary of other pension funds and entities, such as: Ben Gurion University, Technion, State Employees' Budgetary Pension and others.

Employed of the actuary – Employed by the Company as an external provider.

Services – Actuarial consulting services.

Other roles the actuary has with the Company or with affiliated companies – Not employed in other capacities by the Company nor by affiliated companies.

Total remuneration payable to the actuary for actuarial services and for other services –

	2021	**2020**
Total pay	183,071	NIS 156,472

3.24 Disclosure with regard to the Company's internal auditor –

Name – Shai Aharoni

Start of term in office – June 16, 2009

Auditor's qualifications – CPA; undergraduate degree in Economics and Accounting; graduate degree in Business Administration (Financing) from Bar Ilan University.

Compliance of the Internal Auditor with statutory requirements – To the best of the Company's knowledge, as stated by the Internal Auditor, the Internal Auditor is in compliance with provisions of Section 146(b) of the Corporate Act and with provisions of Sections 3(a) and 8 of the Internal Audit Act, 1992 ("**Internal Audit Act**").

Other roles of the Internal Auditor – The Internal Auditor has no business relations with the Company nor with any entity affiliated there with. The Internal Auditor is employed by the Company and has no other roles with the Company. The Internal Auditor also serves as Internal Auditor of Altshuler Shaham Group companies affiliated with the Company.

Appointment – The appointment of the Internal Auditor with the Company was approved on June 8, 2009 and on June 14, 2009 by the Audit Committee and by the Company Board of Directors, respectively after in-depth review of their education and many years' experience.

Identity of the Internal Auditor’s supervisor – The Internal Auditor reports to the Chairman of the Company Board of Directors.

Internal Auditor's work plan – The audit plan is a multi-year plan. Planning of audit tasks, priorities and frequency is impacted by the following: Likelihood of managerial and administrative deficiencies, risk exposure of activities and operations, topics where management requested an audit, topics required by law, by provisions of internal or external procedures, the need to maintain a cycle of review of matters previously reviewed and changes to work processes. The annual work plan for Internal Audit at the Company was determined in collaboration between the Chair of the Audit Committee and the Internal Auditor. The annual work plan is approved by the Company's Audit Committee and Board of Directors annually, ahead of the next fiscal year. The plan is determined based on recommendation made by the Internal Auditor, after consultation with Company management and with the Audit Committee. The Internal Auditor may deviate from the work plan, subject to reporting to the Audit Committee. The Audit Committee monitors the implementation of the Internal Audit annual work plan through quarterly reporting to the Committee, and any changes and/or updates required are made in co-ordination with the Committee.

Scope of work of Internal Auditor – In 2021, a total of 6,528 Internal Audit work hours at the Company with respect to Company operations in Israel. The total audit hours decreased by 693 hours compared to 2020 due, *inter alia*, to deviation from the planned audit budget in 2020. The total audit hours are determined by the Audit Committee and approved by the Board of Directors, based on a risk survey conducted at the Company to determine the annual and multi-year audit plan.

The Internal Auditor's work plan in 2021-2022 includes review of the Psagot merger, in conformity with obligations applicable to the Internal Auditor pursuant to circulars issued by the Capital Market Authority.

The Internal Auditor was not assisted by others in the Company.

Conducting the audit – The Internal Auditor and their staff are required to conduct the audit with strict adherence to required benchmarks for conducting a professional, reliable, independent audit of the audited entity. The Company Board of Directors is satisfied that the Internal Auditor is in compliance with professional standards of the Institute of Internal Auditors used by the Internal Auditor to conduct their audit, based on certification by the Internal Auditor.

Access to information and documents – The internal auditor has free access, as set forth in Section 9 of the Internal Audit Law including constant, direct access to company information systems, including its financial data.

Internal Auditor's report – The Internal Auditor's reports were submitted to the Chairman of the Board of Directors, to the Audit Committee and to the Company CEO in writing and were brought for discussion by the Audit Committee at its meetings in 2021, as set forth below[28]:

Month	Delivered to the Company	Discussed by the Audit Committee
January 2021	5	5
February 2021	–	–
March 2021	3	3
April 2021	–	–
May 2021	–	–
June 2021	–	1
July 2021	5	4
August 2021	3	3
September 2021	–	–
October 2021	–	2
November 2021	3	2
December 2021	4	3

Board of directors' assessment of the Internal Auditor's activities – The Company Board of Directors believes that the scope, nature and continuous operation of the Internal Auditor and their work plan are reasonable and should achieve the objectives of Internal Audit at the Company.

Remuneration of the Internal auditor – Remuneration of the Internal auditor is set in an individual employment contract and approved by the Remuneration Committee and by the Company Board of Directors. The remuneration is based on fixed remuneration, equity-based remuneration (Company stock options) and variable remuneration, in conformity with the Company's remuneration policy. The Company Board of Directors believes that this remuneration should not influence or affect the Internal Auditor's exercise of professional judgment.

[28] The aforementioned discussions include discussion of Internal Auditor's reports from the 2020 work plan; Some of the audit reports with respect to 2021 were discussed in early 2022.

Holding of Company securities – The Company's Internal Auditor owns non-negotiable Company stock options. For more information, see immediate report by the Company dated March 30, 2020 (reference 2020-01-032823). The Company Board of Directors believes that this holding should not affect the quality of the Internal Auditor's work.

3.25 Disclosure regarding Independent Auditor

Independent Auditor of provident funds and pension funds

Independent Auditor's name: BDO Ziv Haft.

Appointment: October 15, 2013

Address of record: 48 Menachem Begin Road, Tel Aviv.

Name of Partner in charge of audit: Malki Lishanski, CPA.

Pay with respect to audit services: NIS 425,000 plus VAT (2020: NIS 365,000 plus VAT).

Pay with respect to special tax services: NIS 10,500 plus VAT (2020: NIS 28,782 plus VAT).

Pay with respect to other services: NIS 57,000 plus VAT (2020: NIS 85,000 plus VAT).

Independent Auditor of the Management Company

Independent Auditor's name: Kost, Forer, Gabbay & Kasierer

Appointment: 2006.

Address of record: 144a Menachem Begin Road, Tel Aviv.

Name of Partner in charge of audit: Danny Moshkowitz, CPA.

Pay with respect to audit services: NIS 799,400 plus VAT (2020: NIS 390,000 plus VAT).

Pay with respect to special tax services: NIS 362,757 plus VAT (2020: NIS 137,253 plus VAT).

Pay with respect to other services: NIS 1,426,390 plus VAT (2020: NIS 85,000 plus VAT).

(The aforementioned Independent Auditors in section 3.25, hereinafter jointly: "**Independent Auditors**").

Principles used to set the fees of the Independent Auditors and approving entities:
The Independent Auditors' fee was determined by negotiation between Company management and the Independent Auditors, and Company management believes it to be reasonable and acceptable considering the nature of the Company and the scope of its business. The Independent Auditors' fee was approved by the Company Board of Directors pursuant to the power vested therein by provisions of the Company's Articles of Association. The Independent Auditor's fee was set based on the estimated work hours required for audit at the Company, based on the scope and complexity of audited operations.

Noting the Independent Auditor's fee for audit services in 2021, as percentage of total earnings of the Independent Auditor for services provided to the Company in the reported year, and after the Company's Audit Committee has confirmed the Independent Auditor's compliance with independence rules and has provided its findings and resolutions to the Board of Directors, and after the Independent Auditor's statement with regard to independence has been presented to the Board of Directors, the Company Board of Directors reviewed the Independent Auditor's compliance with independence rules applicable there to. Further to findings of the Audit Committee and to the Independent Auditor's position, and noting the fact that (1) in conformity with provisions of Section 2(a)(1) of the CPA Regulations (Conflict of Interest and Impact to Independence due to Another Occupation), 2008, due diligence provided for acquisition of operations to an audited entity does not imply that the Independent Auditor's independence has been compromised; and (2) the fee paid to the Independent Auditor with respect to these additional services was mostly paid with respect to services provided to the Company with respect to due diligence with regard to the Psagot transaction, a transaction which is not in the normal course of Company business, and is an unusual event for the Company, and therefore these services are of an extraordinary, unique and non-recurring nature, the Company Board of Directors believes that independence of the Independent Auditor has not been compromised, and therefore the Board of Directors intends to continue the engagement with the Management Company's Independent Auditor.

3.26 Risk factors

3.26.1 Macro risk factors

3.26.1.1 State of the capital market

Crises in the capital market and lower stock and bond prices on the stock exchange may result in a decrease in assets under management by the Company and in withdrawals by members. Moreover, volatility in capital markets may impact the attractiveness of some Company products, such as investment provident funds, which may have alternative products. Company revenues directly depend on total assets under management by the Company. Furthermore, crises and lower prices in the capital market, or periods of very high volatility in the capital market, may negatively affect the Company's results.

3.26.1.2 COVID-19 outbreak

Starting in late 2019, a global event with macro-economic implications resulted from the outbreak of the Corona Virus (COVID-19) in many world countries, including in Israel.

Due to this event, many countries, including Israel, continue to apply significant measures in an attempt to prevent the virus outbreak; these measures, as the event itself, have significant implications for many economies and, naturally, to capital markets around the world.

The Company believes that the Corona Virus crisis may impact total assets under management by the Company, its revenues and net income. Market instability may impact returns of provident and pension funds managed by the Company and fund withdrawals by members, which may lead to a decrease in total assets under management.

For more information about the impact of the COVID-19 crisis on the Company, Company estimates with regard to future impact on Company operations and total assets under management by the Company, and with regard to action taken by the Company in this regard, see section 2.2.5 above.

Note that Company estimates with regard to implications of the Corona Virus, as noted above, including with regard to direct impact on the Company, being a management company, and the impact on total assets under management by the Company and on returns of funds managed by the Company are based, inter alia, on public information in the media as of the report date.

Company estimates in this regard may change, may fail to materialize or may materialize differently than as set forth above.

3.26.1.3 **Interest risk**

Changes to interest rates in Israel and world-wide may impact the value of assets held by provident funds and debentures, primarily in an environment of rising interest rates. Changes to interest rates are possible due to macro-economic effects (such as inflationary pressures), geo-political effects, international trade and so forth.

The Investment Committee receives forecasts and studies regarding macro-economic variables, interest rates, exchange rates and other variables expected to result in changes to interest rates. The Committee instructs the investment managers with regard to changes required to be made to investments in debentures, in terms of debenture duration, and with regard to hedging transactions required to address interest rate risk.

3.26.1.4 **Exchange rate risk:**

The funds' investment policy allows for investment in financial markets overseas. Thus, the funds invest in shares and debentures in various currencies. Investment in diverse currencies results in exposure to changes in exchange rates, which may impact the NIS value of fund holdings in various currencies.

The Investment Committee and investment managers receive forecasts with regard to exchange rates, based on which the Investment Committee exercises judgment and makes recommendations to investment managers as to hedging the exchange rate risk: which currencies, hedge duration and volume of hedge transactions. The investment manager decides on hedge execution.

3.26.1.5 **Credit risk**

It is Company policy with regard to credit and debt to invest in debentures and in providing aligned loans, capital notes and deposits of companies and entities, mostly with a credit rating which reflects credit risk in line with the policy set by the Board of Directors, and some not rated but also subject to the credit policy specified by the Board of Directors and subject to the relevant regulation. The funds maintain exposure to issuers in conformity with the Investment Regulations and guidelines of the Board of Directors. Investments and loans are carried out after analysis and assessment of the borrower's / issuer's debt service capacity in compliance with loan terms and conditions.

This review is conducted by the Company's Credit Department and when this is required, a credit application is submitted to the Credit Committee, which provides its recommendations as to credit quality and debt service capacity, for the Investment Committee to make a decision. Such recommendations may include additional terms and conditions required to extend credit, such as collateral quality, collateral types, terms of forced early redemption, loan term and repayment terms for principal and interest. The Investment Committee has approval authority for extending loans, with reference to recommendation made by the Credit Committee, to interest rates and to credit spreads inherent in loans and debentures. The Investment Committee also refers to alignment of the investment with the investment policy as set forth by the Board of Directors.

Note that the Company does not enter into hedging transactions with regard to credit risk in aligned loans and debentures. Credit risk in aligned loans is practically always mitigated through the required terms and conditions for credit. The Company does not hedge any negotiable debentures invested in.

3.26.1.6 **Liquidity / negotiability risk**

Provident and pension funds may make non-negotiable investments, such as in real estate, private equity funds and aligned loans. They may also invest in instruments with low negotiability, such as shares or debentures issued in a small volume. The Investment Committee has set investment restrictions on investments with low negotiability or non-liquid investments. Investment Control monitors compliance with these restrictions on daily basis. Any breach is reported to the Investment Committee and to the Board of Directors.

3.26.2 Sector-specific risk factors

3.26.2.1 **Competition risk**

The provident and pension fund sector in Israel is highly competitive. Competition is both in management fees and in returns achieved by investment managers. Competition for management fees may impact Company revenues and profitability. Furthermore, excess returns achieved over the competitors' may increase the accrual growth rate, by increase in number of members and in total assets under management, whereas returns that are inferior by comparison to the competitors may slow-down the accrual growth rate and may even decrease the number of members and total assets under management. For more information about the Company's actions to address competition risk, see section 3.7 above.

3.26.2.2 **Regulatory risk (compliance and enforcement)**

The Company is exposed to regulatory risk and to monetary sanctions imposed for failure to comply with statutory provisions. The Company has put in place an enforcement system, operating procedures and control and reporting processes designed to address compliance risk.

3.26.2.3 **Counter-party risk**

Provident and pension funds invest members' funds through banks, brokers and custodians, with securities held by custodians and monetary deposits held by banks. Transactions in negotiable derivatives (options and futures contracts) are conducted through the local bank. Inter-bank transactions (OTC – Over the Counter) which are not negotiable (such as currency and interest options, forward transactions, swap transactions) are conducted with local and international banks with which the Company has ISDA agreements in place. Transactions to buy and sell securities are conducted through brokers and banks, in Israel and overseas. Banks and brokers pose counter-party risk, as operating risk or as financial risk.

3.26.3 Company-specific risk factors

3.26.3.1 **Human resources**

The Company has several significant managers and employees who form an important nucleus for Company operations. The Company strives to remunerate these managers and employees as customary in the market for similar positions, so as to achieve stability in high-quality Company staff, duly noting existing restrictions on remuneration of officers and key employees of the Company, pursuant to the Executive Remuneration Act and to statutory provisions.

3.26.3.2 **Impact to Company reputation**

The Company's operating segments involve significant media exposure, many clients and prolonged Company-client relationships. Reputation is critical for preserving existing clients and for engaging new ones. Impact to the Company's reputation may significant impact its business results.

3.26.3.3 **Fraud and embezzlement**

The Company has extensive business operations, and is therefore exposed to a wide range of fraud and embezzlement risk, which may result in financial and reputational impact. This risk includes, *inter alia*, abuse of assets, means of payment, member deposits and so forth. The Company sets controls in areas with inherent fraud and embezzlement risk, such as trading and handling of member fund transfers.

3.26.3.4 **Operating risk**

Mutual and pension fund operations are naturally associated with operating risk which, should it materialize, may cause damage and may impact the Company's on-going operations, both with regard to members and on the investment side. According to operating procedures created by the Company, the Company invests resources in identifying all types of operating risk, specifying the severity of each one, applying measures to avoid creation of such risk and alternative work processes in case of impact to normal operations.

Key operating risk is associated with the following:

A. Impact to Company IT systems and information security – The Company's IT systems are protected by diverse measures, such as firewall, logical segregation, access restrictions, passwords and so forth. Systems and databases are backed up daily. The Company also backs up the data to a separate server farm.

The Company also receives annually from operating entities (Bank Leumi and Tiful Gemel) ISAE 3402 reports, including definition of control targets with regard to IT systems and review of the effectiveness of planning, implementation and application of controls to achieve the specified control targets.

B. <u>Cyber risk</u> – Due to the importance of IT systems to business operations of the Company, the risk associated with shutdown, disruption or impact to existing information in those systems due to cyber attacks is more significant. The Company implements technologies and processes designed to improve its capacity for monitoring, prevention and control over cyber risk, in addition to conducting regular security surveys and review of internal and external intrusions. The Company is constantly preparing to implement and adapt systems to technology and regulatory changes with regard to cyber and information security.

C. <u>Information leaks</u> – The Company has strict procedures in place for removal of information, as well as computer-based monitoring and physical restrictions.

D. <u>Impact to operating systems and to operations with banks</u> – The Company has contracted with two operating entities (as set forth in section 3.12 above) for current operation of its provident and pension funds. The Company also has a CRM system for monitoring and documentation of member rights. The Company has departments to support current operations and to assist the operating entities. Some of the operating risk is reflected in the operating agreements.

E. <u>Impact to property</u> – Major property risk involves theft, fire and flooding. The Company applies various measures to prevent such risk, including: locking entry points to Company offices, installation of fire- and smoke detectors, which are regularly controlled and tested.

The Company also operates an emergency backup site to which it can move its critical operations if required. To this end, the Company conducts from time to time emergency drills to relocate its operations to the backup site.

F. <u>Risk due to management and operation of provident and pension funds</u> – As part of its normal operations, the Company is required to implement various operating and regulatory procedures. This exposes the Company to risk of non-compliance with regulatory procedures and directives, such as debt collection from employers, attribution of member funds and so forth.

3.26.3.5 **Legal risk**

Company operations involves constant legal counseling reflected, *inter alia*, in preparing contracts and agreements for the Company. The risk is primarily associated with compliance with statutory provisions and with legislative arrangements, as well as risk arising from class action lawsuits and other lawsuits by members, which may materially impact the Company and its results.

3.26.4 <u>Insurance risk</u>

3.26.4.1 **Actuarial risk in pension funds**

Pension funds are exposed to risk such as: risk of change in life expectancy, actuarial model risk and risk of parameter choice for the actuarial model. There are also regulatory risks and changes to member behavior (for example: selection of the assured pension duration). Relevant risks for comprehensive and general pension funds are: demographic returns, which is impacted by member claims for death or disability and the issue of designated debentures by the Israeli Government.

The Company monitoring and controls all risk, in collaboration between the actuary and the risk officer. The fund has also contracted with a re-insurer to insure member activity in the comprehensive pension fund and in the general pension fund against death and/or disability claims. For more information about the re-insurer, see section 3.14 above.

3.26.5 The table below lists the Company's risk factors and the Company's assessment of their impact on Company business (should they materialize)[29]:

Risk type	Major Impact	Medium Impact	Minor Impact
Macro-economic risk			
State of the capital market	X		
Interest risk		X	
Exchange rate risk		X	
Credit risk		X	
Liquidity / negotiability		X	
Sector-specific risk factors			
Competition	X		
Regulatory risk (compliance and enforcement)		X	
Counter-party risk			X
Company-specific risk factors			
Human resources	X		
Impact to reputation	X		
Fraud and embezzlement		X	
Operating risk factors	X		
Legal risk		X	
Insurance risk			
Actuarial risk in pension funds			X

For more information see Note 28 to the Company's 2021 financial statements, enclosed as chapter C of this report.

The Company's assessment of the aforementioned risk factors, including their impact on the Group, and in particular of the Corona Virus outbreak and its impact on the Company and assets under management by the Company at this time, is based on information available to the Company and globally as of the report date and includes estimates and intentions by the Company, considering the current state of affairs. Note that the Company may be exposed in future to other risk factors and/or the aforementioned risk factors may evolve differently than anticipated by the Company and the impact of each risk factors, should it materialize, may differ from the Company's assessments.

[29] For more information about risk factors and risk management, see section 5 of Management Discussion of Provident Funds and Pension Funds for 2021, available on the Company's website at https://ir.as-invest.co.il/en/financial-reports-2/https://www.as-invest.co.il/interstedin/%D7%A7%D7%A8%D7%A0%D7%95%D7%AA-%D7%A4%D7%A0%D7%A1%D7%99%D7%94/%D7%93%D7%95%D7%97%D7%95%D7%AA-%D7%9B%D7%A1%D7%A4%D7%99%D7%99%D7%9D/.

3.27 Effectiveness of Internal Control over Financial Reporting and Disclosure

3.27.1 Controls and procedures with regard to disclosure

Company management, with the Company's CEO and CFO, have assessed the effectiveness of controls and procedures with regard to disclosure at the Company as of the end of the reported period. Based on this assessment, the Company CEO and CFO have concluded that, as of the end of this period, controls and procedures with regard to disclosure are effective in recording, processing, summarizing and reporting information which the Company is required to disclose on the annual report, pursuant to statutory provisions and to reporting provisions stipulated by the Supervisor of the Capital Market, Insurance and Savings and in a timely manner, as stipulated by said provisions.

3.27.2 Internal control over financial reporting

In the reported period ended December 31, 2021, no change occurred in the Company's internal controls over financial reporting that had a material effect, or can reasonably be expected to have a material effect on the Company's internal controls over financial reporting.

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ALTSHULER SHAHAM PROVIDENT FUNDS AND PENSION LTD.

BOARD OF DIRECTORS REPORT ON THE STATE OF CORPORATE AFFAIRS

FOR THE YEAR ENDED DECEMBER 31, 2021

Board of Directors report

for the year ended December 31, 2021

Altshuler Shaham Provident Funds and Pension Ltd. ("the **Company**" or "the **Management Company**") hereby presents the Board of Directors report for the year ended December 31, 2021 ("the **Reported Period**").

This Board of Directors report was compiled assuming that the reader has the Description of Corporate Affairs, enclosed as Chapter A to this report, and was compiled in conformity with provisions of Appendix 5.4.1.11 (Board of Directors report by a management company) to Volume 5, Part 4, Chapter 1 of the Regulation Codex issued by the Supervisor of the Capital Market, Insurance and Savings at the Ministry of Finance ("the **Supervisor**").

1. Commentary by the Board of Directors on the state of corporate affairs

1.1. Description of the Company and its business environment

The Company is a management company pursuant to the Supervision of Financial Services Act (Provident Funds), 2005 ("the **Provident Fund Act**") and is an insurer by license awarded to the Company pursuant to the Supervision of Financial Services Law (Insurance), 1981 ("**Insurance Supervision Act**"), incorporated on December 9, 2001. For more information about Company shareholders' holding stakes in the Company, see section 1.3 in chapter A of this report.

On July 22, 2019, Company shares were listed for trading on the Tel Aviv Stock Exchange Ltd. ("the **Stock Exchange**") pursuant to a prospectus issued by the Company on July 10, 2019 (reference no. 2019-01-070528) ("the **Prospectus**")1.

As of the report date, the Company is engaged in two operating segments: management of provident funds and management of pension funds ("the **Operating Segments**"); the Company manages 9 provident funds and 2 pension funds ("the **Funds**"). For more information about the Operating Segments, the Funds and the products offered by the Company, see section 1.4 in chapter A of this report.

Moreover, during the Reported Period the Company closed a transaction to acquire shares of Psagot Investment House Ltd. ("**Psagot**"), which significantly contributed to increase in Company assets as of the report date. For more information about this transaction, merger of provident funds managed by Psagot and sale of other portions of Psagot operations, see section 1.3 in chapter A of this report and Note 13 to the Company's annual financial statements, enclosed as chapter C of this report ("**Psagot Transaction**").

Furthermore, after the report date, the General Meeting of Company shareholders approved a merger transaction that would result in re-organization that is not expected to affect the holding stakes of shareholders in the Company. For more information about the aforementioned merger transaction, see section 1.3 in chapter A of this report and Note 31A to the Company's financial statements, enclosed as chapter C of this report. For more information about Company strategy and expected developments over the coming year, see sections 3.21 and 3.22 in chapter A of this report.

1 Validity of the Company's shelf prospectus has been extended through July 16, 2022. For more information see immediate report by the Company dated July 15, 2021 (reference no. 2021-01-117603), included herein by way of reference.

1.2. Financial standing

The Company's financial statements as of December 31, 2021 include data for Psagot, whose operations were consolidated on the Company's financial statements as from May 12, 2021. For more information about consolidation of Psagot, see Note 3 and Note 13 to the Company's 2021 financial statements, enclosed as chapter C of this report. Below is information about key items on the consolidated balance sheet of the Management Company as of December 31, 2021 (NIS in thousands):

	As of December 31,		Company explanations
	2021	2020	
Assets	1,082,039	493,229	The increase in assets in the reported period compared to the corresponding period last year is primarily due to increase in intangible assets, right-to-use assets, leased investment property, net, assets held for sale and other accounts receivable due to the Psagot Transaction and to increase in deferred acquisition expenses asset due to payment of volume commissions to agents, amounting to NIS 115,925 thousand, net of deductions amounting to NIS 76,791 thousand.
Financial investments	245,077	90,109	The increase in financial investments in the Reported Period compared to the corresponding period last year is primarily due to purchase of negotiable debt assets, due to higher liquidity requirements applicable to the Company, along with increase in financial investments due to the Psagot acquisition.
Cash and cash equivalents	296,570	140,047	The increase in cash and cash equivalents in the Reported Period is due to net cash provided by current operations, amounting to NIS 206.9 million, against increase in net cash used in investment operations and in financing operations, amounting to NIS 654.7 million and NIS 159.4 million, respectively, and cash provided by discontinued operations amounting to NIS 763.7 million due to consolidation of Psagot.
Total assets	**1,623,686**	**723,385**	–
Shareholder equity	551,521	283,480	The increase in shareholder equity in the Reported Period is due to comprehensive income for the period, amounting to NIS 253.9 million; to increase in capital reserve with respect to cost of share-based payment, amounting to NIS 11.4 million, net; and to share issuance amounting to NIS 75.7 million, vs. declared dividends amounting to NIS 73 million.
Liabilities	1,072,165	439,905	The increase in liabilities in the Reported Period is primarily due to increase in financial liabilities, lease liabilities, liabilities with respect to assets held for sale and other accounts payable, primarily due to the Psagot Transaction.
Total liabilities and shareholder equity	**1,623,686**	**723,385**	–

CHAPTER B – BOARD OF DIRECTORS REPORT ON THE STATE OF CORPORATE AFFAIRS

1.3. Operating results

A. The Company's operating results in the fourth quarter include, for the first time, the Company's operations following the Psagot merger. The change in profitability in this quarter is due to increase in operating income, amounting to NIS 13.7 million, primarily due to the merger and start of benefits from synergies, against decrease in income from discontinued operations, amounting to NIS 19.4 million, due to sale of Psagot Mutual Funds Ltd., Psagot Securities Ltd. and Psagot Compass Mutual Funds Ltd. To Value Capital One Ltd. And sale of assets of provident funds and pension funds to Harel Pension and Provident Funds Ltd. For more information see Note 13 to the 2021 financial statements, enclosed as chapter C of this report. Below is information about items on the **consolidated** statement of comprehensive income (NIS in thousands):

	2021	2020	2019	4th quarter 2021	3rd quarter 2021	2nd quarter 2021	1st quarter 2021	4th quarter 2020
Revenues								
from management fees from provident funds and pension funds, net	1,423,712	897,170	684,727	389,982	394,145	352,497	287,088	256,614
Net investment gain (loss) and financing revenues	(1,912)	4,331	12,471	(771)	(631)	116	(626)	727
Other revenues	2,008	1,879	2,300	545	480 (*)	491	492	471
Total Revenues	**1,423,808**	**903,380**	**699,498**	**389,756**	**393,994**	**353,104**	**286,954**	**257,812**
Expenses								
Commissions, marketing expenses and other acquisition expenses	514,407	352,293	266,819	136,355	137,326	129,244	111,482	100,538
General and administrative expenses	500,051	320,509	281,295	130,398	142,792 (*)	134,737	92,124	85,275
Other expenses	28,617	6,274	4,729	8,765	11,348	4,336	4,168	1,536
Financing expenses	23,196	7,712	5,867	4,626	10,730	6,439	1,401	1,823
Total Expenses	**1,066,271**	**686,788**	**558,710**	**280,144**	**302,196**	**274,756**	**209,175**	**189,172**
Income before taxes on income	**357,537**	**216,592**	**140,788**	**109,612**	**91,798**	**78,348**	**77,779**	**68,640**
Taxes on income	138,000	78,335	49,819	38,341	34,166	36,403	29,090	24,108
Operating income	**219,537**	**138,257**	**90,969**	**71,271**	**57,632**	**41,945**	**48,689**	**44,532**
Income from discontinued operations (after tax)	38,726	–	–	–	19,373	19,353	–	–
Net income	**258,263**	**138,257**	**90,969**	**71,271**	**77,005**	**61,298**	**48,689**	**44,532**
Other comprehensive income (loss)	(4,306)	232	(146)	(1,557)	80	(2,829)	–	–
Comprehensive income	**253,957**	**138,489**	**90,823**	**69,714**	**77,085**	**58,469**	**48,689**	**44,532**

*) Re-classified

Revenues

Revenues from management fees from provident funds and pension funds, net – The increase in management fee revenues in the Reported Period, compared to the corresponding period last year, is due to increase in assets under management due, *inter alia*, to the Psagot Transaction, and to increase in total contributions to provident funds and pension funds managed by the Company, against decrease in the average management fee charged by the Company, primarily in pension funds, due to selection of the pension fund managed by the Company as a default fund.

Financing revenues – The decrease in financing revenues in the Reported Period, compared to the corresponding period last year, is primarily due to loss from financial investments recognized in the current Reported Period, compared to gain recognized in the corresponding period.

Other revenues – The increase in other revenues in the Reported Period, compared to the corresponding period last year, is primarily due to increase in Company revenues from marketing of Altshuler Shaham Ltd. products.

Expenses

Commissions, marketing expenses and other acquisition expenses – The increase in commissions, marketing expenses and other acquisition expenses, compared to the corresponding period last year, is due to increase in current commissions and to increased amortization of deferred acquisition expenses, due to increase in assets under management by the Company.

General and administrative expenses – The increase in general and administrative expenses, compared to the corresponding period last year, is primarily due to increase in payroll and benefits and to increase in expenses to related parties, operating fees, depreciation and amortization, advertising and marketing and other general and administrative expenses.

Other expenses – The increase in other expenses in the Reported Period, compared to the corresponding period last year, is primarily due to transaction costs amounting to NIS 2.9 million, resulting from contracting the Psagot acquisition and to increase in amortization of intangible assets and capital loss in respect of leasing, respectively, primarily due to the Psagot acquisition.

Financing expenses – The increase in financing expenses, compared to the corresponding period last year, is primarily due to increase in financing expenses to banks, due to increase in borrowing and to existing borrowing by Psagot which was repaid during the Reported Period.

B. Below is information about items on the **separate** statement of comprehensive income (NIS in thousands):

	2021	2020	2019	4th quarter 2021	3rd quarter 2021	2nd quarter 2021	1st quarter 2021	4th quarter 2020
Revenues								
from management fees from provident funds and pension funds, net	1,306,413	897,170	684,727	389,982	318,764	310,579	287,088	256,614
Net investment gain (loss) and financing revenues	(1,410)	4,331	12,471	(696)	95	(183)	(626)	727
Other revenues	2,008	1,879	2,300	545	480	491	492	471
Total Revenues	**1,307,011**	**903,380**	**699,498**	**389,831**	**319,339**	**310,887**	**286,954**	**257,812**
Expenses								
Commissions, marketing expenses and other acquisition expenses	489,880	352,293	266,819	136,354	121,623	120,421	111,482	100,538
General and administrative expenses	409,960	320,509	281,295	130,148	94,606	93,082	92,124	85,275
Other expenses	17,556	6,274	4,729	9,202	1,960	2,226	4,168	1,536
Financing expenses	15,103	7,712	5,867	4,965	5,504	3,233	1,401	1,823
Total Expenses	**932,499**	**686,788**	**558,710**	**280,669**	**223,693**	**218,962**	**209,175**	**189,172**
Company share of income (loss) of associate, net	**17,136**	–	–	**(8)**	**14,847**	**2,297**	–	–
Income before taxes on income	**391,648**	**216,592**	**140,788**	**109,154**	**110,493**	**94,222**	**77,779**	**68,640**
Taxes on income	133,144	78,335	49,819	37,642	33,488	32,924	29,090	24,108
Net income	**258,263**	**138,257**	**90,969**	**71,271**	**77,005**	**61,298**	**48,689**	**44,532**
Other comprehensive income (loss)	(4,306)	232	(146)	(1,557)	80	(2,829)	–	–
Comprehensive income	**253,957**	**138,489**	**90,823**	**69,714**	**77,085**	**58,469**	**48,689**	**44,532**

Revenues

Revenues from management fees from provident funds and pension funds, net – The increase in management fee revenues in the Reported Period, compared to the corresponding period last year, is due to increase in assets under management due, *inter alia*, to the Psagot Transaction, and to increase in total contributions to provident funds and pension funds managed by the Company, against decrease in the average management fee charged by the Company, primarily in pension funds, due to selection of the pension fund managed by the Company as a default fund.

Financing revenues – The decrease in financing revenues in the Reported Period, compared to the corresponding period last year, is primarily due to loss from financial investments recognized in the current Reported Period, compared to gain recognized in the corresponding period.

Other revenues – The balance consists of proceeds with respect to Company revenues from marketing of Altshuler Shaham Ltd. products.

Expenses

Commissions, marketing expenses and other acquisition expenses – The increase in commissions, marketing expenses and other acquisition expenses, compared to the corresponding period last year, is due to increase in current commissions and to increased amortization of deferred acquisition expenses, due to increase in assets under management by the Company.

General and administrative expenses – The increase in general and administrative expenses, compared to the corresponding period last year, is primarily due to increase in payroll and benefits and to increase in expenses to related parties, operating fees, depreciation and amortization, advertising and marketing and other general and administrative expenses.

Other expenses – The increase in other expenses in the Reported Period, compared to the corresponding period last year, is primarily due to transaction costs amounting to NIS 2.9 million, resulting from contracting the Psagot acquisition and to increase in amortization of intangible assets and capital loss in respect of leasing, respectively, primarily due to the Psagot acquisition.

Financing expenses – The increase in financing expenses, compared to the corresponding period last year, is primarily due to increase in financing expenses to banks, due to increase in borrowing.

1.4. Management Company liquidity

Below is information about items on the Company's **consolidated** cash flow statement (NIS in thousands):

	2021	2020	2019
Cash flow provided by current operations			
Net income for the period	258,263	138,257	90,969
Reconciliation to income	(51,330)	(18,437)	1,615
Net cash provided by current operations	**206,933**	**119,820**	**92,584**
Net cash used in investment operations	**(654,739)**	**(21,680)**	**(44,037)**
Net cash used in financing operations	**(159,417)**	**(37,137)**	**(31,390)**
Increase in cash and cash equivalents	**(607,223)**	**61,003**	**17,157**
Cash flow between continuing operations and discontinued operations	**763,746**	-	-
Cash and cash equivalents – balance at start of period	**140,047**	**79,044**	**61,887**
Cash and cash equivalent balance at end of period	**296,570**	**140,047**	**79,044**

Cash flow provided by current operations – The increase in cash flow provided by current operations in 2021, compared to the corresponding period last year, is primarily due to increase in net income of the Company and to change in other accounts receivable, against change in other accounts payable and increase in net taxes paid.

Cash flow used in investment operations – The increase in cash flow used in investment operations, compared to the corresponding period last year, is primarily due to acquisition of investees and to increase in acquisition of fixed assets, net, increase in acquisition of intangible assets, net and acquisition of financial investments, net.

Cash flow used in financing operations – The increase in cash flow used in financing operations in 2021, compared to the corresponding period last year, is primarily due to increase in dividends paid to shareholders and to increase in repayment of bank loans, net, against share issuance.

1.5. Shareholder equity and capital requirements

Shareholder equity as of December 31, 2021 amounted to NIS 551,521 thousand. The capital required pursuant to Supervision of Financial Services Regulations (Provident Funds)(Minimum Equity Required of a Management Company), 2012 ("**Capital Regulations**") as of the balance sheet date amounted to NIS 367,429 thousand. Excess shareholder equity as of the end of the Reported Period amounted to NIS 184,092 thousand.

In conformity with a permit granted to the controlling shareholders of the Company on May 11, 2021 by the Capital Market, Insurance and Savings Authority for control and holding means of control over the Company and Psagot Provident Funds, the Company was granted relief with respect to shareholders equity required for the period from the closing date of the Psagot acquisition transaction through conducting a merger of Psagot Provident Funds into the Company, pursuant to Section 323 of the Corporate Act ("the **Merger Date**") and for the period from the Merger Date through the 1st anniversary of the Merger Date, provided that the Company not distribute the relief amount as dividends. For more information about minimum capital requirements applicable to the Company upon closing of the Psagot acquisition, see Notes 13 and 14 to the Company's financial statements enclosed with this report.

The Company believes that there are no events which may indicate financial challenges or which may result in shortfall in the minimum capital required pursuant to the Capital Regulations. Should any adjustment be required to assets required pursuant to the Capital Regulations due to increase in Company business, the Company expects no issues with providing such assets, including by obtaining external financing as required.

The Company's Independent Auditor did not draw attention in their opinion to any material events which may impact the financial results.

For more information about issuance of Company shares in December 2021, see section 1.5 of Chapter A of this report.

1.6. Management Company's financing sources

As of the issue date of this report, the Company finances its operations from its own resources and from bank loans. The average balance of long-term loans and short-term loans (including current maturities) from banks amounted to NIS 326.3 million and NIS 80.6 million, respectively.

For more information about the Management Company's financing sources, including financing agreements signed by the Company, see Note 18 to the Company's financial statements enclosed with this report.

2. Value of member rights in provident funds and pension funds as of December 31, 2021 (NIS in thousands)

2.1. Provident Funds

Fund type	Fund name	Fund tracks	Total member rights As of December 31, 2021	Total member rights As of December 31, 2020
Provident funds For savings Provident funds and personal provident funds for severance pay	Altshuler Shaham Gemel (ID 1092)	Altshuler Shaham Gemel for ages 60+	17,529,010	14,561,178
		Altshuler Shaham Gemel for ages 50-60	55,797,946	30,336,635
		Altshuler Shaham Gemel for ages up to 50	11,203,136	8,811,871
		Altshuler Shaham Gemel Menayot	4,543,633	3,075,517
		Altshuler Shaham Gemel Agach Lelo Menayot	1,158,490	585,818
		Altshuler Shaham Gemel Agach Memshalot	382,052	293,780
		Altshuler Shaham Gemel Agach Ad 15% Menayot	4,797,500	1,387,949
		Altshuler Shaham Gemel Caspi	336,596	356,755
		Altshuler Shaham Gemel Passivi – Madadey Menayot	86,233	–
		Altshuler Shaham Gemel Halacha	177,430	–
	Altshuler Shaham Kama (ID 1219)	Altshuler Shaham Kama	1,117	–
	Altshuler Shaham Gemel LeAmitey Hever (ID 1303)	Altshuler Shaham Gemel LeAmitey Hever for ages 60+	148,050	–
		Altshuler Shaham Gemel LeAmitey Hever for ages 50-60	468,310	–
		Altshuler Shaham Gemel LeAmitey Hever for ages up to 50	155,081	–
Total			**96,784,584**	**59,409,503**

2.2. Study funds

Fund type	Fund name	Fund tracks	Total member rights As of December 31, 2021	Total member rights As of December 31, 2020
Study fund	Altshuler Shaham Keren Hishtalmut (ID 1093)	Altshuler Shaham Hishtalmut Clali	69,431,123	51,461,065
		Altshuler Shaham Hishtalmut Menayot	9,411,074	6,496,602
		Altshuler Shaham Hishtalmut Clali Bet (closed to enrollment)	1,716,405	1,775,158
		Altshuler Shaham Hishtalmut Agach Lelo Menayot	1,057,426	696,504
		Altshuler Shaham Hishtalmut Agach Memshalot	371,014	362,565
		Altshuler Shaham Hishtalmut Caspi	342,914	414,010
		Altshuler Shaham Hishtalmut Agach Ad 15% Menayot	10,115,774	9,239,017
		Altshuler Shaham Hishtalmut Halacha	369,039	121,828
Total			**92,814,769**	**70,566,749**

2.3. Central severance pay funds

Fund type	Fund name	Fund tracks	Total member rights As of December 31, 2021	Total member rights As of December 31, 2020
Central Severance Pay Provident Fund	Altshuler Shaham Kupa Merkazit LePitzuim (ID 1094)	Altshuler Shaham Pitzuim Clali	791,113	745,974
		Altshuler Shaham Pitzuim Agach Lelo Menayot	26,196	27,772
		Altshuler Shaham Pitzuim Caspi	14,156	4,452
		Altshuler Shaham Pitzuim Agach Ad 15% Menayot	208,764	212,864
Total			**1,040,229**	**991,062**

2.4. Central sick pay provident fund

Fund type	Fund name	Fund tracks	Total member rights As of December 31, 2021	Total member rights As of December 31, 2020
Central sick pay provident fund	Altshuler Shaham Marpe Kupa Merkazit LeDmey Machala (ID 872)	Altshuler Shaham Marpe Kupa Merkazit LeDmey Machala	49,232	–
Total			**49,232**	**–**

2.5. Central provident fund for budgetary pension participation

Fund type	Fund name	Fund tracks	Total member rights As of December 31, 2021	Total member rights As of December 31, 2020
Central provident fund for budgetary pension participation	Altshuler Shaham Kupat Gemel Merkazit LeHishtatfut BePensia Taktzivit (ID 1309)	Altshuler Shaham LePensia Taktzivit Maslul Agach	91,338	–
		Altshuler Shaham LePensia Taktzivit Maslul Clali	26,753	–
Total			**118,091**	**–**

2.6. Investment provident funds

Fund type	Fund name	Fund tracks	Total member rights As of December 31, 2021	Total member rights As of December 31, 2020
Investment provident fund	Altshuler Shaham Kupat Gemel LeHashka'a (ID 7797)	Altshuler Shaham Hisachon Plus Clali	8,757,012	6,746,366
		Altshuler Shaham Hisachon Plus Menayot	5,420,548	3,329,563
		Altshuler Shaham Hisachon Plus Agach Ad 15% Menayot	1,401,134	1,094,391
		Altshuler Shaham Hisachon Plus Agach Lelo Menayot	251,456	292,429
		Altshuler Shaham Hisachon Plus Caspi	68,125	106,862
		Altshuler Shaham Hisachon Plus Halacha	174,735	88,807
Total			**16,073,010**	**11,658,418**

2.7. Investment provident fund – long-term savings for children

Fund type	Fund name	Fund tracks	Total member rights As of December 31, 2021	Total member rights As of December 31, 2020
Investment provident fund – long-term savings for children	Altshuler Shaham Kupat Gemel LeHashka'a – Hisachon Aroch Tvach LaYeled (ID 11324)	Altshuler Shaham Hisachon LaYeled LeHoschim HaMa'adifim Sikun Muat	685,643	541,888
		Altshuler Shaham Hisachon LaYeled LeHoschim HaMa'adifim Sikun Benoni	1,373,879	1,084,082
		Altshuler Shaham Hisachon LaYeled LeHoschim HaMa'adifim Sikun Mugbar	3,679,065	2,693,326
		Altshuler Shaham Hisachon LaYeled Halacha	570,856	441,703
Total			**6,309,443**	**4,760,999**

2.8. Comprehensive pension fund

Fund type	Fund name	Fund tracks	Total member rights As of December 31, 2021	Total member rights As of December 31, 2020
New comprehensive pension fund	Altshuler Shaham Pensia Clalit (ID 1329)	Altshuler Shaham Pensia Clalit for ages up to 50	368,714	147,118
		Altshuler Shaham Pensia Clalit for ages 50-60	94,186	35,497
		Altshuler Shaham Pensia Clalit for ages 60+	45,103	24,033
		Altshuler Shaham Pensia Clalit Maslul Menayot	78,351	3,346
		Altshuler Shaham Pensia Clalit Maslul Halacha	1,450	27
		Altshuler Shaham Pensia Clalit Maslul Bsisi LeMekabley Kitzba Kayamim	305	314
		Altshuler Shaham Pensia Clalit Maslul Bsisi LeMekabley Kitzba	34,572	13,973
Total			**622,680**	**224,309**

2.9. Compehensive pension fund

Fund type	Fund name	Fund tracks	Total member rights As of December 31, 2021	Total member rights As of December 31, 2020
New comprehensive pension fund	Altshuler Shaham Pensia Makifa (ID 1328)	Altshuler Shaham Pensia Makifa for ages up to 50	20,665,068	13,046,216
		Altshuler Shaham Pensia Makifa for ages 50-60	3,563,163	1,824,728
		Altshuler Shaham Pensia Makifa for ages 60+	1,221,286	682,687
		Altshuler Shaham Pensia Makifa Maslul Halacha	251,132	136,040
		Altshuler Shaham Pensia Makifa Maslul Menayot	3,794,541	1,328,663
		Altshuler Shaham Pensia Makifa Maslul Bsisi LeMekabley Kitzba Kayamim	14,024	13,955
		Altshuler Shaham Pensia Makifa Maslul Bsisi LeMekabley Kitzba	758,436	206,718
Total			**30,267,649**	**17,239,007**

3. Trends, events and developments in the Company's operations and business environment in the reported period and their impact on the financial statements, including developments in the Company's macro-economic environment.

For more information about developments in the Company's macro-economic environment, see section 2.2 in chapter A of this report.

4. Non-recurring events in Company business or events outside the normal course of business

4.1. Psagot acquisition and merger

On May 12, 2021, the transaction for acquisition of Psagot shares closed. For more information about the Psagot acquisition, including transfer of management of several provident funds managed by Psagot Provident and Pension Funds Ltd. ("Psagot Provident Funds") to be managed by the Company, and sale of other portions of Psagot operations, including entering into a transaction to sell Psagot Mutual Funds Ltd. and Psagot Securities Ltd., and including agreement signed by Psagot Provident Funds and Harel Pension and Provident Funds Ltd. ("Harel") for sale of operations of the new pension fund and several provident funds, including an investment provident fund, children's savings fund, ITA provident fund and study fund, and the legacy Haal pension fund and completion of the merger of Psagot Provident Funds into the Company, pursuant to Section 323 of the Corporate Act on December 31, 2021 ("the Merger Date"), see section 1.3 in Chapter A of this report and Note 13 to the Company's annual financial statements, enclosed as Chapter C to this report.

4.2. Award of tender for management of default pension fund

On September 14, 2021, the Capital Market Authority announced that the Company-managed pension fund was selected once again to be a default pension fund, from November 1, 2021 through October 31, 2024. For more information about award of this tender and the management fee which the Company may charge, see the Company's immediate report dated September 14, 2021 (reference no. 2021-01-147093) and Note 30 to the financial statements enclosed with this report.

4.3. Financing agreements

For more information about loans and credit facilities obtained by the Company in substantial amounts, see the Company's immediate report dated September 14, 2021 (reference no. 2021-01-147096), included herein by way of reference, section 1.6 above and Note 18 to the financial statements enclosed with this report.

4.4. Corona Virus outbreak

In early 2020, the global outbreak of COVID-19 (hereinafter: "Corona Virus") was declared a pandemic by the World Health Organization. The Corona Virus outbreak and uncertainty with regard to its proliferation rate, as well as guidelines and actions taken by different countries to address the pandemic, resulted in sharp declines on stock markets around the world and in a general slow-down in the global economy. The Company believes that should the Corona Virus outbreak continue, this may impact the Company's assets under management, revenues and net income due, *inter alia*, to potential changes in returns, to potential decrease in contributions and to fund withdrawal.

Given that the Corona Virus crisis is on-going and it is uncertain how it may evolve in future, Company management is currently unable to assess the scope of future implications of the Corona Virus on Company operations and results. Nevertheless, Company management believes that the Company is prepared to optimally address current challenges and developments in capital markets during the Corona Virus crisis thanks, *inter alia*, to the extent of assets under management by the Company, with assets distributed across 2.4 million clients, the strong brand and outstanding investment management throughout its years in business, as well as accessibility and availability to its clients. The Company has taken and will continue to take measures to prepare for optimally addressing the implications of this crisis. These include, *inter alia*:

(a) The Company has made required adjustments to its information systems,so as to allow all employees to work remotely and, consequently, has assigned most of its employees to working from home.
(b) When needed, essential employees have been isolated to ensure continued operation of essential systems at the Company.
(c) Testing has been carried out for survivability of information systems and Company operations, and written procedures have been revised as needed.
(d) Required adjustments have been made to the Company's sales and customer service systems, and relations with diverse distribution channels have been reinforced.
(e) The Company's investment committee regularly monitors the need to adjust the Company's investment policy in line with market volatility.

The aforementioned assessments and forecasts constitute forward-looking information ,as this term is defined in the Securities Act .They are based ,inter alia ,on public information in Israel and world-wide , and may fai*l to materialize or may materialize partially or differently than anticipated, should the aforementioned Company forecasts and assessments fail to materialize, in whole or in part, as well as due to other factors outside of the Company's control, such as changes to measures applied with respect to the Corona Virus outbreak, legislation changes, changes to competition in this field, changes to public preferences and changes to the state of the local and global economy.*

5. Future plans for the coming year outside the normal course of Company business

For more information about expected development of the Company over the coming year, see section 3.22 of Chapter A of this report.

6. Description of the Company's business strategy and key targets

For more information about the Company's business strategy and key targets, see section 3.21 of Chapter A of this report.

7. Significant events after the reported period

On February 22, 2022, the General Meeting of Company shareholders approved for the Company to enter into a merger agreement dated January 17, 2022, between the Company and Altshuler Shaham Finance Ltd. (formerly: A.S. Matrat Hanpaka Ltd.) ("**Altshuler Shaham Finance**") and A.S. Ya'ad Hanpaka Ltd., in return for allocation of Altshuler Shaham Finance shares to holders of Company shares upon the effective date for this merger[2]. For more information about the foregoing, see immediate reports issued by the Company dated January 18, 2022 (reference no. 2022-01-008047) and dated February 22, 2022 (reference no. 2022-01-021712), included herein by way of reference, as well as section 1.3 in Chapter A of this report and Note 31A to the Company's financial statements enclosed with this report.

For more information about material events after the reported period, see Note 31 to the Company's 2021 financial statements, enclosed as chapter C of this report.

8. Charitable donations

On December 24, 2020, the Company Board of Directors approved an increase in the Company's charitable donation budget for 2021 and ratified the charitable donation policy, whereby the Company may donate annually up to NIS 7.2 million ("**Charitable Donation Budget**") to one or to multiple causes, whether or not these would qualify as deductible expense pursuant to the Income Tax Ordinance, all as resolved by the Charitable Donations Committee at its sole discretion. Charitable donations that do not qualify as deductible expense pursuant to the Income Tax Ordinance may not exceed 20% of the Charitable Donation Budget.

2 The date when the Company and Altshuler Management would issue an immediate report stating that said date is the effective date for the merger and that anyone holding Company shares on said date (on a trading day) would be entitled to receive one Altshuler Management share against each Company share they own ("**Merger Effective Date**").

Total charitable donations by the Company for the year ended December 31, 2021

In 2021, the Company utilized all of the Charitable Donation Budget for 2021 and donated NIS 7.2 million to various causes, including donations by the Company to certain recipients which exceeded NIS 50 thousand each. No donations were made to any entities affiliated with the company, any Board members, the CEO, the controlling shareholder or relative thereof.

As of the report date, the Company has no material commitments to make any charitable donations.

9. Exposure to market risk

Market risk is the risk of future fair value or cash flows of financial assets and financial liabilities would change due to changes to market prices. Market risks include, *inter alia*, risk due to changes to interest rates, share prices, the Consumer Price Index and currency exchange rates.

9.1.1. Market risk policy and supervision of market risk management and its implementation

The Company's market risk (at nostro level) is supervised by the Board of Directors and disclosed on the financial statements. Due to the quality of the Company's financial assets and liabilities, the Company's market risk level is low.

The Company's nostro portfolio is designed, *inter alia*, to support the liquid assets requirement applicable to the Company pursuant to the Supervision of Financial Services Regulations (Provident Funds) (Investment Bylaws applicable to Institutional Investors), 2012, whereby the Company is required to hold "liquid assets", as this term is defined in the Investment Rules Regulations equal to 50% of the minimum shareholder equity required of the Company pursuant to the Supervision of Financial Services Regulations (Provident Funds) (Minimum Equity Required of a Management Company), 2012. Any amount in the Company's nostro portfolio exceeding that, which is not part of the aforementioned liquid assets requirement, would be invested in negotiable or non-negotiable assets, as decided by the Company's fund managers and subject to approval by the Company's competent organs. According to this policy, changes in value of the financial asset portfolio have a minor effect on Company profitability and financial resilience.

For more information about the Company's risk factors, see section 3.26 of Chapter A of this report.

9.1.2. The person responsible for market risk management at the Company

Dr. Moshe Shimoni is the Company's financial risk manager and has been since early 2010. Dr. Shimoni holds a PhD in Business Administration (Operations Research) from UCLA, a Master's degree in Statistics from Tel Aviv University and an undergraduate degree in Mathematics from the Hebrew University. In his previous position, he headed the Foreign Securities and Derivatives Division of Bank Leumi. He has over 20 years' experience in capital markets in Israel and overseas, both in investments and in risk management for investments. The Company has reported to the Capital Market Authority the expected expiration of Dr. Moshe Shimoni's term in office. The Company shall report to the Capital Market Authority ahead of the appointment of a new person responsible for market risk management at the Company.

9.1.3. Linkage basis report

For more information see Note 28 to the Company's 2021 financial statements, enclosed as chapter C of this report.

9.1.4. Sensitivity tests

For more information see Note 28 to the Company's 2021 financial statements, enclosed as chapter C of this report.

10. Information about highly material valuations (Regulation 49(a)) of the Securities Regulations (Periodic and Immediate Reports), 1970

The valuation used for purchase price allocation (PPA) for shares of Psagot Investment House Ltd. upon achieving control over Psagot is a highly material valuation for the Company, and is enclosed with this report. Below is the information required in conformity with Regulation 8b(i) of the Reporting Regulations with regard to said valuation:

Identity of valuation subject	Valuation date (Validity date)	Value of the valuation subject soon prior to the valuation date (had generally accepted accounting principles, including with respect to depreciation and amortization, had not required it to be marked down to valuation)	Value of valuation subject determined in the valuation	Valuator identity and attributes, including experience providing valuations for accounting purposes to reporting entities on a similar scale to those of the reported valuation or higher, and dependence on the entity commissioning the valuation, including reference to any indemnification agreements with the valuator	Valuation model applied by the valuator	Assumptions used by the valuator for the valuation, based on the valuation model
Purchase price allocation of Psagot Investment House Ltd.	The acquisition closed on May 12, 2021.	The shareholder equity of Psagot Investment House Ltd. As of the acquisition date, on May 12, 2021, amounted to NIS 210.8 million.	The fair value of customer relations was estimated at NIS 387 million (of which NIS 158 million attributable to discontinued operations), and goodwill was estimated at NIS 238 million (of which NIS 27 million attributable to discontinued operations).	The valuation was prepared by a team headed by Mr. Shalom Sofer, CPA, partner at Kesselman & Kesselman PricewaterhouseCoopers and expert in financing and valuations. Mr. Sofer holds an undergraduate degree in Accounting and Economics, Magna cum Laude, and a graduate degree in Economics, Magna cum Laude – both from Tel Aviv University.	The fair value of intangible assets of Psagot Investment House Ltd. was determined by using the profit approach and applying the Discounted Cash Flow (DCF) method.	Key assumptions used in valuation of customer relations: Customer relations were valued separately for each type of savings (personal provident funds, study funds, central severance pay funds, savings for children, investment provident funds, legacy pension funds, new pension funds) based on the following assumptions: • Return on assets assumed at 2.5% annually • Historical annual contribution rate to total assets • Historical withdrawal rate to total assets • Historical inbound / outbound transfer rate

						Based on these assumptions, the asset balance at the end of each year was forecast across the forecast period, and management fee revenues were derived, based on the current management fee rate for each asset type, based on actual data as of the acquisition date. Expenses were estimated based on the average historical agent commission rate to total management fee revenues (direct expenses), net of headquarters expenses required for asset operations (indirect expenses). The discount rate applied to customer relations was estimated at 14.5% to 19.0%, depending on asset type.

For more information see Note 3 and Note 13 to the Company's 2021 financial statements, enclosed as chapter C of this report.

11. Disclosure regarding Board members with accounting and financial expertise and independent Board members at the Company

Section 7 of Chapter 2 of Part 1 in Volume 5 "Institutional Investor Board of Directors" of provisions of the combined circular lists the required expertise and composition of the Board of Directors, and should become effective in April 2022. As of the report date, the Company Board of Directors consists of ten (10) incumbent Board members with accounting and financial expertise. For more information about these Board members, see Regulation 26 in Chapter D of this report.

Company Bylaws include no provisions with regard to the number of independent Board members at the Company. However, pursuant to provisions of the aforementioned circular, given that the controlling shareholders of the Company serve as key officers of the Company, one half of all Board members are independent Board members.

12. Disclosure with regard to Internal Auditor

For more information see section 3.24 of Chapter A of this report.

13. Disclosure with regard to Independent Auditor

For more information see section 3.25 of Chapter A of this report.

Chairman of the Board of Directors	Ran Shaham	______________________
CEO	Yair Lowenstein	______________________

Report approval date: March 29, 2022

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ALTSHULER SHAHAM PROVIDENT AND PENSION FUNDS LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2021

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Building a better working world

Independent Auditor's Report to Shareholders of Altshuler Shaham Provident and Pension Funds Ltd.
Pursuant to directives of the Supervisor of Capital Market, Insurace and Savings
Regarding internal control over financial reporting

We have audited the internal control over financial reporting by Altshuler Shaham Provident and Pension Funds Ltd. - Management Company (the "Company") as of December 31, 2021, based on criteria established by the Internal Control Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (hereinafter: "COSO"). The Company's Board of Directors and management are responsible for maintaining effective internal controls over financial reporting at the Company, and for evaluating the effectiveness of said internal controls over financial reporting which is included in the attached report of the Board of Directors and management with regard to internal controls over financial reporting, enclosed herewith. We are responsible for expressing our opinion of the Company's internal control over financial reporting, based on our audit.

We have conducted our audit in accordance with standards of the Public Company Accounting Oversight Board (PCAOB) in the USA with regard to audit of internal controls over financial reporting, as adopted by the Institute of Certified Public Accountants in Israel. These standards require us to design and conduct the audit so as to achieve a reasonable degree of certainty as to whether effective internal control over financial reporting at the Company has been maintained in all material aspects. Our audit included: understanding of the internal controls over financial reporting, evaluation of the risk of existence of any material weakness, testing and evaluation of the effective design and operation of internal control based on the evaluated risk. Our audit also included additional procedures which we believed to be necessary under the circumstances. We believe that our audit provides an appropriate basis for our opinion.

Internal controls over financial reporting at the Company is a process designed to provide a reasonable degree of certainty as to the reliability of financial reporting and preparation of financial statements for external use in conformity with International Financial Reporting Standards (IFRS) and disclosure requirements stipulated by the Supervisor of the Capital Market, Insurance and Savings at the Ministry of Finance, in conformity with the Supervision of Financial Services Act (Provident Funds), 2005. Internal control over financial reporting at a company which is an institutional entity includes policies and procedures which: (1) refer to record keeping which, with reasonable detail, accurately and properly reflects transactions and transfers of Fund assets (including removal there of from Fund ownership); (2) provide a reasonable degree of certainty that transactions are properly recorded so as to allow for preparation of financial statements for external use in conformity with International Financial Reporting Standards (IFRS) and disclosure requirements stipulated in directives of the Supervisor of the Capital Market, Insurance and Savings, in conformity with the Supervision of Financial Services Act (Provident Funds), 2005 and that the Company's receipts and expenditures are made exclusively in line with authorizations of the Company's Board of Directors and management; and(3) provide a reasonable degree of certainty with regard to avoidance or timely discovery of any unauthorized acquisition, use or transfer of Company assets (including removal from ownership) which may materially impact the financial statements.

Due to inherent limitations, internal control over financial reporting may not prevent or detect a misrepresentation. Also, drawing conclusions about the future on the basis of any evaluation of current effectiveness is subject to the risk that controls may become inappropriate due to changes in circumstances or due to negative change in the extent to which policies or procedures are adhered to.

We believe that the Company maintained, in all material aspects, effective internal controls over financial reporting as of December 31, 2021 based on criteria set forth in the integrated framework for internal controls published by COSO.

We have also audited, in accordance with generally accepted audit standards in Israel, the Company's consolidated financial statements as of December 31, 2021 and 2011, and for each of the three years ended on December 31, 2021, and our report dated March 12, 2013 included our un-qualified opinion of said financial statements.

Tel Aviv,
March 29, 2022

Kost, Forer, Gabbay & Kasierer
CPAs

Building a better
working world

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Independent Auditor's report

To shareholders of

Altshuler Shaham Provident and Pension Funds Ltd.

We have audited the enclosed consolidated statements of financial position of Altshuler Shaham Provident and Pension Funds Ltd. (hereinafter: "the Company") as of December 31, 2021 and 2020 and the consolidated statements of income and other comprehensive income, statements of changes to equity and statements of cash flow for each of the three years in the period ended December 31, 2021. The Company Board of Directors and management are responsible for these financial statements. We are responsible for our opinion of these financial statements, based on our audit.

We have not audited the financial statements of subsidiaries whose revenues included in consolidation account for 8.3% of total consolidated revenues for the year ended December 31, 2021. The financial statements of said companies have been audited by other independent auditors whose reports have been provided to us and our opinion, inasmuch as it refers to amounts consolidated for the aforementioned companies, is based on the reports by these other independent auditors.

We have conducted our audit in accordance with commonly accepted auditing standards, including standards set forth in CPA Regulations (Operations of CPAs), 1973. According to these standards, we are required to plan and execute the audit in order to achieve reasonable confidence that the financial statements do not include any material misrepresentation. The audit includes testing a sample of evidence in support of figures and information included on the financial statements. The audit also includes a review of the accounting rules implemented, and any significant estimates made by the Company's Board of Directors and management, as well as an evaluation of the overall appropriateness of the representations of the financial statements. We believe that our audit and the reports of the other independent auditors provide an appropriate basis for our opinion.

In our opinion, based on our Audit and on the reports by other Independent Auditors, the aforementioned consolidated financial statements properly reflect, in all material aspects, the Company's financial standing on consolidated basis as of December 31, 2021 and 2020 and its operating results, changes to equity and cash flows for each of the three years in the period ended December 31, 2021, in conformity with International Financial Reporting Standards (IFRS) and disclosure requirements stipulated in directives of the Supervisor of the Capital Market, Insurance and Savings, in conformity with the Supervision of Financial Services Act (Provident Funds), 2005 and in conformity with provisions of the Securities Regulations (Annual Financial Statements), 2010.

We have also audited, in conformity with PCAOB standards in the USA with regard to audit of internal controls over financial reporting at the Company as of December 31, 2021, based on criteria specified in the integrated framework for internal control published by COSO, and our report dated March 29, 2022 included an unqualified opinion of the effectiveness of internal controls over financial reporting at the Company.

Tel Aviv,
March 29, 2022

Kost, Forer, Gabbay & Kasierer
CPAs

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As of December 31, 2021	As of December 31, 2020
		NIS in thousands	
Assets:			
Intangible assets	5	570,195	124,811
Right-to-use assets	6	36,532	15,151
Investment in lease, net	6	24,756	-
Deferred acquisition costs	7	353,571	314,437
Fixed assets	9	19,919	20,161
Assets held for sale	8	5,368	-
Other accounts receivable	10	71,698	18,669
Financial investments:	11		
Negotiable debt instruments		235,927	81,699
Other debt instruments		9,150	8,410
Total financial investments		245,077	90,109
Cash and cash equivalents	12	296,570	140,047
Total assets		1,623,686	723,385
Equity:	14		
Share capital		2,013	1,962
Share premium		235,669	157,365
Capital reserve with respect to transaction with related party		(1,805)	1,340
Capital reserve with respect to share-based payment transactions		29,867	17,993
Capital reserve with respect to financial assets measured at fair value on Other Comprehensive Income		550	-
Retained earnings		285,227	104,820
Total equity		551,521	283,480
Liabilities:			
Deferred tax liabilities	15	8,644	6,842
Liabilities with respect to employee benefits, net	16	6,004	3,037
Current tax liabilities	15	46,737	45,735
Other accounts payable	17	270,724	212,819
Liability with respect to lease	6	71,897	15,363
Liabilities with respect to assets held for sale	8	10,507	-
Financial liabilities	18	657,652	156,109
Total liabilities		1,072,165	439,905
Total equity and liabilities		1,623,686	723,385

The Notes to the consolidated financial statements are an integral part thereof.

March 29, 2022			
Approval date of financial statements	Ran Shaham Chairman of the Board of Directors	Yair Lowenstein CEO	Sharon Gerszbejn Deputy CEO, CFO and Head of Professional HQ

CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME

		For the year ended December 31,		
		2021	2020	2019
	Note	NIS in thousands		
Revenues from management fees from provident funds and pension funds, net	19	1,423,712	897,170	684,727
Net investment gain (loss) and financing revenues	21	(1,912)	4,331	12,471
Other revenues	26B	2,008	1,879	2,300
Total Revenues		1,423,808	903,380	699,498
Commissions, marketing expenses and other acquisition expenses	22	514,407	352,293	266,819
General and administrative expenses	23	500,051	320,509	281,295
Other expenses	24	28,617	6,274	4,729
Financing expenses	25	23,196	7,712	5,867
Total Expenses		1,066,271	686,788	558,710
Income before taxes on income		357,537	216,592	140,788
Taxes on income	15	138,000	78,335	49,819
Operating income		219,537	138,257	90,969
Income from discontinued operations (after tax)	13	38,726	-	-
Net income		258,263	138,257	90,969
Other comprehensive after-tax income (loss)				
Gain (loss) from re-measurement with respect to defined benefit plan	16	(4,856)	232	(146)
Gain from investment in financial instruments measured at fair value on Other Comprehensive Income		550	-	-
Total other after-tax comprehensive income (loss)		(4,306)	232	(146)
Total comprehensive Income		253,957	138,489	90,823
Basic net earnings per share (in NIS)				
Operating income		1.14	0.72	0.47
Income from discontinued operations		0.20	-	-
Net basic earnings per share		1.34	0.72	0.47
Diluted net earnings per share (in NIS)				
Operating income		1.11	0.70	0.47
Income from discontinued operations		0.20	-	-
Net earnings per share, diluted		1.31	0.70	0.47

The Notes to the consolidated financial statements are an integral part thereof.

CONSOLIDATED STATEMENTS OF CHANGES TO EQUITY

	Equity Shares	Share premium	Capital reserve with respect to transaction with related party	Capital reserve from share-based payment transactions	Capital reserve with respect to financial assets measured at fair value on Other Comprehensive Income	Balance Profit	Total Equity
	NIS in thousands						
Balance as of January 1, 2019	1,827	87,053	1,460	-	-	94,508	184,848
Net income	-	-	-	-	-	90,969	90,969
Other comprehensive loss (after tax)							
Actuarial loss from defined benefit plan for employees	-	-	-	-	-	(146)	(146)
Total comprehensive income	-	-	-	-	-	90,823	90,823
Transactions with owners recognized directly in equity:							
Cost of share-based payment	-	-	4,559	4,271	-	-	8,830
Benefit to related party	-	-	(2,442)	-	-	-	(2,442)
Issuance of shares	134	69,866	-	-	-	-	70,000
Dividends to Company shareholders	-	-	-	-	-	(126,000)	(126,000)
Balance as of December 31, 2019	1,961	156,919	3,577	4,271	-	59,331	226,059
Net income	-	-	-	-	-	138,257	138,257
Other comprehensive income (after tax)							
Actuarial gain from defined benefit plan for employees	-	-	-	-	-	232	232
Total comprehensive income	-	-	-	-	-	138,489	138,489
Transactions with owners recognized directly in equity:							
Cost of share-based payment	-	-	(2,237)	14,169	-	-	11,932
Realized employee stock options	1	446	-	(447)	-	-	-
Dividends to Company shareholders	-	-	-	-	-	(93,000)	(93,000)
Balance as of December 31, 2020	1,962	157,365	1,340	17,993	-	104,820	283,480
Net income	-	-	-	-	-	258,263	258,263
Other comprehensive after-tax income (loss)							
Actuarial loss from defined benefit plan for employees	-	-	-	-	-	(4,856)	(4,856)
Gain from investment in financial instruments measured at fair value on Other Comprehensive Income	-	-	-	-	550	-	550
Total comprehensive income	-	-	-	-	550	253,407	253,957
Transactions with owners recognized directly in equity:							
Cost of share-based payment	-	-	(3,145)	14,550	-	-	11,405
Realized employee stock options	6	2,670	-	(2,676)	-	-	-
Share issuance, net	45	75,634	-	-	-	-	75,679
Dividends to Company shareholders	-	-	-	-	-	(73,000)	(73,000)
Balance as of December 31, 2021	2,013	235,669	(1,805)	29,867	550	285,227	551,521

The Notes to the consolidated financial statements are an integral part thereof.

CONSOLIDATED STATEMENTS OF CASH FLOW

	For the year ended December 31,		
	2021	2020	2019
	NIS in thousands		
Cash flow provided by current operations			
Net income for the period	258,263	138,257	90,969
Items not involving cash flow:			
Net loss (gain) from financial investments:			
Negotiable debt instruments	974	(1,664)	(2,675)
Other investments	760	(2,436)	(9,301)
Financing expenses with respect to financial liability	18,673	5,488	4,900
Financing (revenues) expenses, net	1,057	947	(447)
(Gain) loss from realized fixed assets and right-to-use asset	7,705	61	(9)
Financing expenses with respect to lease liability	2,041	743	669
Cost of share-based payment	11,405	11,932	8,830
Depreciation and amortization:			
Right-to-use assets	10,809	4,566	4,495
Fixed assets	8,379	7,689	7,208
Intangible assets	30,086	12,785	7,900
Income from discontinued operations	(38,726)	-	-
Income tax expenses	138,000	78,335	49,819
	191,163	118,446	71,389
Changes in other balance sheet items:			
Change in deferred acquisition cost, net	(39,134)	(109,419)	(54,870)
Changes to other accounts receivable	13,377	(6,910)	(75)
Change in other accounts payable	(62,174)	57,040	11,816
Change in liabilities in respect of employee benefits, net	(6,652)	231	168
	(94,583)	(59,058)	(42,961)
Cash paid and received during the year:			
Interest paid	(20,490)	(6,215)	(4,577)
Interest received	1,910	236	447
Taxes received	-	-	4,586
Taxes paid	(129,330)	(71,846)	(27,269)
	(147,910)	(77,825)	(26,813)
Net cash provided by current operations	206,933	119,820	92,584
Cash flow provided by investment operations			
Capital note repayment	-	290	-
Acquisition of fixed assets	(7,707)	(5,604)	(11,414)
Investment in intangible assets	(32,602)	(18,020)	(13,423)
Acquisition of investees	(514,578)	-	-
Acquisition of financial investments, net	(99,852)	1,654	(19,200)
Net cash used in investment operations	(654,739)	(21,680)	(44,037)
Cash flows provided by financing operations			
Repayment of short-term borrowing	-	-	(423)
Loans received from bank	1,240,000	164,275	30,000
Loans received from others	-	1,500	6,500
Repayment of lease liability	(12,589)	(4,559)	(4,325)
Repayment of loans from banks and others	(1,360,507)	(134,353)	(7,142)
Share issuance, net	75,679	-	-
Dividends paid to equity holders of the Company	(102,000)	(64,000)	(56,000)
Net cash used in financing operations	(159,417)	(37,137)	(31,390)

CONSOLIDATED STATEMENTS OF CASH FLOW

	For the year ended December 31,		
	2021	2020	2019
	NIS in thousands		
Increase (decrease) in cash and cash equivalents	(607,223)	61,003	17,157
Cash flow between continuing operations and discontinued operations *)	763,746	-	-
Cash and cash equivalents - balance at start of period	140,047	79,044	61,887
Cash and cash equivalent balance at end of period	296,570	140,047	79,044
Material non-cash transactions			
Recognition of right-to-use asset against liability with respect to lease	14,304	998	8,895
Dividends declared	-	29,000	70,000
Acquisition of intangible assets	2,820	2,062	1,894
Acquisition of fixed assets	460	62	94
Sale of fixed assets	-	116	-
Loan repayment to related party, including interest payable against capital note	-	51,871	-
Issuance of shares	-	447	70,000
(a) Acquisition of initially consolidated entities			
Assets and liabilities of subsidiaries as of acquisition date:			
Working capital (excluding cash and cash equivalents)	9,576	-	-
Intangible assets	(228,797)	-	-
Right-to-use assets	(56,118)	-	-
Goodwill	(211,251)	-	-
Deferred taxes	(2,057)	-	-
Available-for-sale assets	(722,451)	-	-
Liability with respect to lease	70,941	-	-
Other non-current liabilities	625,579	-	-
	(514,578)	-	-

*) Includes proceeds from sale of Psagot Mutual Funds Ltd., Psagot Securities Ltd. and of Psagot Compass Mutual Funds Ltd., amounting to NIS 405 million, as well as certain adjustments stipulated in the agreement, and proceeds from sale of pension fund operations to Harel, amounting to NIS 185 million. For more information see Note 13 below.

The Notes to the consolidated financial statements are an integral part thereof.

Note 1: - Overview

a. Overview of the Company and its operations

Altshuler Shaham Provident and Pension Funds Ltd. ("the Company") is a management company for provident funds and pension funds. As of December 31, 2021, the Company holds a permit to operate provident funds for savings, provident pay and severance pay, central severance pay funds, study funds, central sick pay provident fund, central provident fund for budgetary pension participation, investment provident funds and investment provident funds - long-term savings for children (with multiple tracks). The Company also holds a permit to operate two pension funds - a comprehensive pension fund and a general pension fund.

The Company was incorporated in Israel on December 9, 2001 and operates out of its offices at 19a HaBarzel Street, Ramat HaChayal, Tel Aviv.

On July 22, 2019, the Company's shares were listed for trading on the Tel Aviv Stock Exchange Ltd.

Key statutory provisions which govern management of provident funds, study funds and pension funds are: Supervision of Financial Services Act (Provident Funds), 2005 and regulations based there upon; Financial Services Supervision Act (Consulting, Marketing and Pension Settlement System), 2005; Income Tax Regulations (Bylaws for Approval and Management of Provident Funds), 1964; and circulars issued by the Capital Market Authority. The Company is also subject to supervision and guidance by the Capital Market Authority and to supervision and guidance by the Israel Securities Authority.

These statutory provisions include rules that govern operations of management companies of provident funds and pension funds, including provisions which govern the minimum capital requirements applicable to the Company.

b. For more information about acquisition of shares of Psagot Investment House Ltd. (hereinafter: "**Psagot**" and/or "**Psagot Group**"), see below Note 3 with regard to business combinations" and Note 13 with regard to investment in investees.

c. On February 22, 2022, the General Meeting of Company shareholders approved a merger transaction that would result in re-organization that is not expected to affect the holding stakes of shareholders in the Company. For more information see Note 31A below.

Note 1: - **Overview** (continued)

d. Company operations

The Company manages the following pension funds and provident funds:

Pension fund name	Pension fund type
Altshuler Shaham Pensia Makifa	New comprehensive
Altshuler Shaham Pensia Clalit	New general

Provident fund name *)	Provident fund type
Altshuler Shaham Gemel	Provident and severance pay
Altshuler Shaham Hishtalmut	Study fund
Altshuler Shaham Pitzuim	Central severance pay fund
Altshuler Shaham Hisachon Plus	Investment provident fund
Altshuler Shaham Hisachon LaYeled	Investment provident fund - long-term savings for children
Altshuler Shaham Kama	Provident and severance pay
Altshuler Shaham Gemel LeAmitey Hever	Provident and severance pay
Altshuler Shaham Marpe	Central sick pay provident fund
Altshuler Shaham LePensia Taktzivit	Central provident fund for budgetary pension participation

*) For more information about merger of provident funds previously managed by Psagot Provident Funds, see Note 13B below.

e. Definitions

In these financial statements:

The Company	- Altshuler Shaham Provident and Pension Funds Ltd.
The Group	- The Company and entities controlled thereby
Material shareholder	- Altshuler Shaham Ltd., Lowenstein Yair Holdings Ltd.
Investees	- Subsidiaries
Related parties	- As defined in IAS 24.
Interested parties	- As defined in Securities Regulations (Annual Financial Statements), 2010.
Capital Market Authority	- Capital Market, Insurance and Savings Authority.
The Supervisor	- The Supervisor of the Capital Market, Insurance and Savings.

Note 1: - **Overview** (continued)

Income Tax Regulations	- Income Tax Regulations (Rules for Approval and Management of Provident Funds), 1964.
Provident Fund Supervision Act	- Supervision of Financial Services Act (Provident Funds), 2005.
Capital Regulations	- Supervision of Financial Services Regulations (Provident Funds) (Minimum Equity Required of a Management Company), 2012.

Note 2: - Significant accounting policies

a Basis of presentation of financial statements

1. Basis of measurement

The Company's financial statements are compiled based on cost, with the exception of certain financial instruments which are measured at fair value on the income statement or on Other Comprehensive Income.

2. Basis of preparation of financial statements

These financial statements have been prepared in conformity with International Financial Reporting Standards ("IFRS").

These financial statements have also been prepared in conformity with disclosure requirements stipulated by the Supervisor, pursuant to the Provident Fund Supervision Act and in conformity with the Securities Regulations (Annual Financial Statements), 2010.

3. Consistent accounting policy and initial application of IFRS

The accounting policy applied to these financial statements has been consistently applied to all periods presented, unless otherwise stated.

4. Current reporting outline

The statements of financial position, which primarily include the Company's assets and liabilities, are presented in order of liquidity, with no distinction made between current and non-current. This presentation provides more reliable, relevant information, as stipulated by IAS 1.

The Company has elected to present income statement items based on the nature of expense method.

Note 2: - Significant accounting policies (continued)

b. Consolidated financial statements

The consolidated financial statements include the financial statements of companies that are controlled by the Company (subsidiaries). Control exists when the Company has influence over the investee, exposure or rights to variable returns due to its involvement with the investee and the ability to use its power to influence the returns from the investee. When reviewing control, the impact of potential voting rights is only accounted for if they are realistic. Consolidation of the financial statements occurs starting on the date control was achieved, and until such date as control has been discontinued.

The financial statements of the Company and of the subsidiaries are prepared as of the same dates and periods. Financial policy in financial statements of subsidiaries has been applied uniformly and consistently with the policy applied to the Company’s financial statements. Material balances and reciprocal transactions, as well as income or loss due to transactions between the Company and the subsidiaries have been wholly reversed in the consolidated financial statements.

c. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. Acquisition cost is measured at fair value of the consideration transferred upon the acquisition date, plus non-controlling interest in the acquired entity.
Direct acquisition costs are charged to the income statement when incurred.

Goodwill is initially measured at cost, which is the difference between consideration for the acquisition and non-controlling interest and the net amount of identified assets acquired and liabilities assumed. If the resulting goodwill amount is negative, the buyer would recognize the resulting gain upon the acquisition date.

d. Functional currency, presentation currency and foreign currency

The presentation currency of the financial statements is NIS, which is the Company's functional currency.

e. Major considerations, estimates and assumptions in compiling financial statements

Considerations
In applying the Company's major accounting policy, management has considered the following issues which have the most material impact on amounts recognized on the financial statements:

1. Discount rate for liability with respect to lease

   The Company cannot readily ascertain the interest rate inherent in leases, hence for calculation of lease liabilities, the Company uses its incremental interest rate. The incremental interest rate specified by the Company is the interest rate which the Company would have to pay for an asset with a value similar to the right-to-use asset due to the lease, all in a similar economic environment. In situations where there are no financing transactions which the Company may rely upon, the Company determines the incremental interest rate based on the financing risk attributed to the Company, the lease term and other economic variables due to terms and conditions set forth in the lease.
   The Company sometimes engages an external valuator to determine the incremental interest rate.

Note 2: - Significant accounting policies (continued)

2. Determination of fair value of share-based payment transactions

The fair value of share-based payment transactions is determined upon initial recognition, by using a generally accepted option pricing model. The model is based on share price, exercise price, assumptions with regard to expected volatility, expected term to maturity and expected dividends.

3. Development cost

Company management should review for fulfillment of conditions for recognizing cost with respect to development projects as intangible assets.

The Company capitalizes expenses with respect to development projects. The date for initial cost capitalization is based, *inter alia*, on management discretion whereby the project is technologically and economically feasible, typically when the project has reached a milestone specified by Company management. To determine the amount to be capitalized, management evaluates the future expected cash flows from the project, the discount rate and the expected period of benefits from the project.

Estimates and assumptions

In compiling the financial statements, Company management is required to rely on estimates and assumptions which impact application of accounting policy and reported amounts for assets and liabilities, revenues and expenses. Changes to accounting estimates are recognized in the period in which such change occurs.

The following are the major assumptions made in the financial statements with regard to uncertainty as of the reporting date as well as critical estimates calculated by the Company, where a material changes in such estimates and assumptions may alter the value of assets and liabilities in the financial statements for the next reporting year:

1. Lawsuits

There are lawsuits and motions for class action status pending against the Company. When assessing the chances of legal claims that were filed against the Company, the Company relied on the opinion of legal counsel. These estimates by legal counsel are to the best of their professional judgment, considering the stage of these proceedings as well as accumulated legal experience on the different issues. Since the outcome of these lawsuits would be determined by the Court, said outcomes may differ from these assessments. For more information see Note 29 below.

Other than the aforementioned lawsuits, the Company is exposed to un-asserted claims due, *inter alia*, to doubts with regard to interpretation of agreements and/or statutory provisions and/or their application. The Company is made aware of such exposure in multiple ways, including: Through clients who contact the Company, and in particular the Company Ombudsman, by way of

customer complaints addressed to the Public Enquiries Unit of the Capital Market Authority, and through lawsuits (other than class action lawsuits) filed with the Court. These matters are brought before Company management whenever the handling party identifies that such claims may have wider implications. In assessing the risk associated with un-asserted claims, the Company relies on internal assessment by the handling entities and by Management, which weigh the estimated probability of a claim being made, the chances of such claim, if made.

Note 2: - Significant accounting policies (continued)

e. Major Considerations, Estimates And Assumptions In Compiling Financial Statements (Continued)

Such assessment is based on past experience with regard to claims filed, and on analysis of the actual allegations. By nature, in view of the preliminary stage of elaboration of the legal allegation, the actual outcome may differ from assessment conducted prior to filing of the claim.

2. Impairment of goodwill

The Company regularly reviews goodwill for impairment, at least annually. The review for impairment of goodwill is based on review of the cash-generating unit to which such goodwill has been attributed. The Company has elected the method whereby the recoverable amount is determined based on fair value net of realization cost.

3. Determination of deferred acquisition expenses as recoverable

Deferred acquisition expenses with respect to sale of pension funds and provident funds are amortized over the expected period for receiving management fee revenues. The Company reviews for recoverability by estimating the revenue period whenever there are indications of impairment, based on the overall portfolio of pension and provident fund contracts. If there is no recoverability, amortization of deferred amortization expenses may need to be accelerated, or deferred amortization expenses may need to be written off.

4. Pension benefits and other post-employment benefits

Liabilities in respect of post-employment defined benefit plans are determined by using actuarial valuation techniques. Calculation of the liability involves setting assumption with regard to, inter alia, discount rates, expected rate of return on assets, rate of wage increase and employee turnaround rates. The liability balance may be significantly impacted by changes to these estimates.

5. Deferred tax assets

Deferred tax assets are recognized with respect to carry-forward tax losses and with respect to un-utilized temporary differences, if a taxable revenue is expected against which they may be utilized. Management estimate is required in order to determine the amount of deferred tax asset which may be recognized based on timing, the amount of expected taxable revenue and the tax planning strategy.

6. Debt assets with related party

Debt assets with related party are presented at fair value on the financial statements. To present the fair value, the Company estimates the present value of cash flows expected from such debt assets.

Note 2: - Significant accounting policies (continued)

e. Major considerations, estimates and assumptions in compiling financial statements (continued)

7. Non-negotiable debt asset

Non-negotiable debt assets are presented at fair value on the financial statements. To present the fair value, the Company estimates the present value of cash flows expected from such debt assets.
Calculation of the fair value of non-negotiable debt assets involves making assumptions with regard, *inter alia*, to discount rates, annual redemption rate, expected premiums and re-insurer premiums.

8. Lease transactions with extension and termination options

In order to assess whether it is reasonably likely that the Company would exercise an option to extend a least term, or not exercise an option to terminate a lease term, the Company accounts for all relevant facts and circumstances that create an economic incentive for the Company to exercise an extension option or not to exercise a termination option, such as: Significant amounts invested in leasehold improvement, importance of the underlying asset and its uniqueness for Company operations, the Company's past experience with similar lease transactions and so forth.
After the start date, the Company re-considers whether it if reasonably certain that it would exercise an extension option or would not exercise a termination option when a significant event occurs, or in case of a significant change to circumstances which may impact Company decisions with regard to exercise or non-exercise of the option, such as: Significant improvements made to the leasehold that were not foreseen upon the start date, contracting a sub-lease of the underlying asset for a term beyond the end of the pre-determined lease term and so on.

f. Deferred acquisition costs

Commissions paid for acquisition of asset management contracts for provident funds and pension funds are recognized under Deferred Acquisition Costs ("DAC") if they may be individually identified and reliably measured, and if they are expected to be recovered by way of management fee. DAC are amortized over the expected period for receipt of management fee revenues. According to Company estimates, the amortization period, as determined, is 6 years for provident fund contracts and 6 years for pension fund contracts through September 30, 2018, and 10 years for pension fund contracts as from October 1, 2018.

g. Financial instruments

1. Financial assets
Financial assets are initially measured at fair value plus transaction costs directly attributable to acquisition of the financial asset, except for financial assets measured at fair value on the income statement, for which transaction costs are charged to the income statement.

The Company classified and measures debt instruments on its financial statements based on the following criteria:

(a) The Company's business model for management of the financial assets; and
(b) Contractual cash flow features of the financial asset.

Note 2: - Significant accounting policies (continued)

a. The Company measured debt instruments at depreciated cost when:
The Company's business model is to hold the financial assets in order to collect contractual cash flows, and the contractual terms of the financial asset provide for eligibility, on specified dates, to cash flows that are principal and interest payments only, with respect to the outstanding principal amount.
After initial recognition, instruments in this group are measured based on terms and conditions thereof at depreciated cost, using the effective interest method and net of provision for impairment.
Upon initial recognition, the Company may designate, with no re-designation allowed, debt instrument as measured at fair value on the income statement, if such designation eliminated or significantly reduces inconsistency in measurement or recognition, for example when related financial liabilities are also measured at fair value on the income statement.

b. The Company measures debt instruments at fair value on the statement of Other Comprehensive Income when:
The Company's business model is to hold the financial assets in order to collect contractual cash flows and to sell the financial assets, and the contractual terms of the financial asset provide for eligibility, on specified dates, to cash flows that are principal and interest payments only, with respect to the outstanding principal amount.
After initial recognition, instruments in this group are measured at fair value. Gain or loss due to fair value adjustments, other than with respect to interest and exchange rate differentials - are recognized in other comprehensive income.

c. The Company measures debt instruments at fair value on the income statement when:
A financial asset that is a debt instrument fails to meet criteria for measurement at depreciated cost or at fair value under Other Comprehensive Income. After initial recognition, such financial asset is measured at fair value and any gain or loss due to adjustments to fair value are recognized on the income statement.

h. Financial instruments

2. Impairment of financial assets

3.

Upon each reporting date, the Company reviews the provision for loss with respect to financial debt instruments which are not measured at fair value on the income statement.
The Company distinguishes between two cases with regard to recognizing a provision for loss:

a) Debt instruments whose credit quality has not materially deteriorated since initial recognition, or cases where credit risk is low - the provision for loss recognized with respect to such debt instrument would take into account anticipated credit losses over 12 months following the report date, or

b) Debt instruments whose credit quality has significantly deteriorated since initial recognition and whose credit risk is not low - the provision for loss recognized with respect to such debt instrument would take into account anticipated credit losses over the remaining term of the instrument.

The Company applies the relief specified in the Standard, whereby the Company assumes that the credit risk of a debt instrument has not significantly increased since initial recognition if it has been determined, on the reporting date, that the instrument carried low credit risk, for example when the instrument has received an external "investment grade" rating.

Note 2: - Significant accounting policies (continued)

Impairment with respect to debt instruments measured at depreciated cost is charged to the income statement against provision, whereas impairment with respect to debt instruments measured at fair value on the Other Comprehensive Income statement is charged against a capital reserve and does not reduce the carrying amount of the financial asset on the statement of financial position.
he Company has financial assets with short credit terms, such as trade receivables, for which it may apply the relief set forth in the standard, i.e. the Company shall measure the provision for loss at the anticipated credit loss amount over the term of the instrument. The Company has elected to apply the relief for such financial assets.

3. De-recognition of financial instruments

The Company de-recognizes of a financial asset only when:

(a) The contractual rights to the cash flows from the financial asset have expired, or
(b) The Company essentially transfers all risks and rewards due to contractual rights to the cash flows from the financial asset, or when part of such risks and rewards upon transfer of the financial asset are retained by the Company, but it may be said that the Company has transferred control over the asset, or
(c) The Company retains the contractual rights to the cash flows from the financial asset, but undertakes a contractual obligation to pay these cash flows to a third party without material delay.

4. Financial liabilities

Financial liabilities measured at amortized cost

Upon initial recognition, the Company measures the financial liabilities at fair value net of transaction costs directly attributable to issuance of the financial liabilities. Following initial recognition, the Company measures all financial liabilities at depreciated cost using the effective interest method. Amortization of effective interest is recognized on the income statement under Financing.

5. De-recognition of financial liabilities

The Company de-recognizes financial liabilities only when they are discharged, i.e. the obligation specified in the contract is settled, is canceled or expires. A financial liability is extinguished when the debtor discharges the liability by paying in cash, other financial assets or services; or is legally released from the liability.
In case of changes to terms and conditions with respect to an existing financial liability, the Company reviews whether the terms and conditions with respect to such liability materially differ from the current terms and conditions, taking into account qualitative and quantitative considerations.
When material change has occurred to terms and conditions of an existing financial liability, or when a liability is replaced by another liability with materially different terms and conditions, between the Company and the same lender, the transaction is treated as removal of the original obligation and recognition of a new one. The difference between the carrying amount of these two liabilities on the financial statements is charged to the income statement.

In case of non-material change to terms and conditions of an existing liability, or when a liability is replaced by another liability with materially different terms and conditions, between the Company and the same lender, the Company updates the liability amount, i.e. the new cash flows are discounted using the original effective interest rate, and the difference is charged to the income statement.

Note 2: - Significant accounting policies (continued)

h. Financial instruments (continued)

6. Offset of financial instruments

Financial assets and financial liabilities are offset, and the net amount is presented on the statement of financial position, provided there is any legally enforceable right to offset the recognized amounts, and provided there is intent to dispose of the asset and liability on net basis, or to realize the asset and dispose of the liability concurrently.

The right to offset must be legally enforceable, not only in the normal course of business of the parties to the contract, but also in case of bankruptcy or insolvency of either party. In order for the right to offset to be currently enforceable, it may not be contingent on any future event, nor be inapplicable in certain time frames, nor should there be any events which would cause it to expire.

i. Fixed assets

Fixed asset items are presented at cost plus direct acquisition costs, net of accumulated depreciation and net of accumulated impairment loss and exclude expenses for current maintenance.

Depreciation is calculated at equal annual rates based on the straight line method over the useful life of the asset, as follows:

	%
Vehicles	15%
Office equipment and furniture	7%
Computers and peripheral equipment	33%
Leasehold improvements	See below.

Leasehold improvements are amortized using the straight line method over the lease term (including any optional extension term available to the Company which it intends to exercise), or over the expected useful life of the improvements - whichever is shorter.

The useful life, depreciation method and residual value are reviewed at least at the end of each year, and changes are treated as changes to accounting estimates on hence forward basis. Asset depreciation is discontinued upon the earlier of the date when the asset is classified as held for sale and the date of asset De-recognition.

j. Intangible assets

Intangible assets purchased separately are measured upon initial recognition at cost plus direct acquisition costs. Intangible assets acquired in conjunction with business mergers are measured at fair value on the acquisition date. Costs with respect to intangible assets developed in-house, other than capitalized development costs, are charged to the income statement as they are incurred.

Intangible assets which have a specific useful life are amortized using the straight line method over the useful life there of using the straight line method, and are reviewed for impairment when there are indications of impairment. The amortization period and method for intangible assets are reviewed at least annually.

Note 2: - Significant accounting policies (continued)

j. Fixed Assets (continued)

Non-tangible assets with unspecified useful life are not methodically amortized and are subject to review of depreciation annually and at any time when there are indications of a potential depreciation. The useful life of such assets is reviewed annually to ascertain the validity of the assessment of the useful life as being unspecified. If events and circumstances no longer support such assessment, the change to useful life, from unspecified to specified, is treated as a prospective change to accounting estimate and is reviewed for impairment upon the same date. As from that date, the asset is methodically depreciated over its useful life.

1. Software development cost

Software development expenses are only capitalized if development costs may be reliably measured; the software if technically and commercially feasible; future economic benefit is expected from the development, and the Company has the intention and sufficient resources to complete development and use the software. The capitalized expenditure includes the cost of materials, direct labor and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognized in the income statement as incurred.

When an intangible asset created in-house may not be recognized, development cost is recognized in the income statement when incurred. Development costs previously recognized as expenses are not recognized as assets in subsequent periods.

2. Software

Company assets include computer systems, consisting of hardware and software. Software which is an integral component of the hardware, which may not be operated without the software installed on it, is classified under fixed assets. However, licenses for stand alone software which add functionality to the hardware are classified as intangible assets.

3. Amortization

The estimated useful life for the current period and for comparison periods is as follows:

a) Future management fee - original difference with regard to expected future management fee upon acquisition of provident funds and pension funds is amortized in conformity with the expected period for receiving the management fee.
b) Software - is amortized using the straight line method over 3-6 years.

The estimates used for the depreciation methods, useful life and residual value are reviewed at least at the end of each reported year.

Note 2: - Significant accounting policies (continued)

k. Impairment of non-financial assets

Non-financial assets

The Company considers the need to review for impairment non-financial assets, other than deferred acquisition expenses, assets resulting from employee benefits and deferred tax assets, when events or changed circumstances indicate that their carrying amount is not recoverable. If the carrying amount of non-financial assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. The recoverable amount is the higher of the net selling price and the value in use. In measuring value in use, the estimated future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset. The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs. Loss from impairment is recognized in the income statement.

Impairment loss for an asset other than goodwill is only reversed when changes have occurred in estimates used to determine the recoverable amount of said asset since the most recent date on which impairment loss has been recognized. Such reversal of loss is limited to the amount of asset impairment previously recognized (net of depreciation or amortization), or to the recoverable amount of the asset - whichever is lower. For an asset measured at cost, such loss reversal is recognized on the income statement.

The following unique criteria are applied in assessing impairment of the following specific assets:

Goodwill

The Company reviews goodwill for impairment annually, as of December 31, or more frequently, if events or changed circumstances indicate impairment.

Impairment of goodwill is determined by reviewing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill is attributed. When the recoverable amount of the cash-generating unit (or group of cash-generating units) is lower than the book value of the cash-generating unit (or group of cash-generating units) to which the goodwill was attributed, impairment loss initially attributed to goodwill is recognized. Goodwill impairment losses are not reversed in subsequent periods.

l. Fair value measurement

Fair value is the price which would have been received upon sale of an asset - or paid upon transfer of a liability - in an orderly transaction between market participants upon the measurement date.

Fair value measurement is based on the assumption that the transaction is made on the primary market for the asset or liability, or in the absence of a primary market - on the most advantageous market.

Fair value of an asset or liability is measured under assumptions to be used by market participants when pricing the asset or liability, assuming that market participants act in their own best economic interest.

Note 2: - Significant accounting policies (continued)

Fair value measurement of non-financial assets accounts for the market participant's capacity to derive economic benefit from the asset at its optimal use, or by selling it to another market participant for use of the asset at its optimal use.

The Company uses valuation techniques which are appropriate under the circumstances and for which enough data is available for measuring fair value, while maximizing use of relevant observed data and minimizing use of non-observed data.

The fair value of financial instruments traded on an active market is determined using market prices as of the reporting date.

All assets and liabilities measured at fair value or whose fair value has been disclosed are categorized pursuant to the fair value ranking, based on the lowest data level that is significant for measuring fair value as a whole.

Level 1: Quoted (un-adjusted) prices on active markets for identical assets or liabilities.
Level 2: Data other than quoted prices included in level 1, which may be directly or indirectly observed.
Level 3: Data not based on observable market data (valuation techniques without use of observable market data).

m. Non-current asset or asset group held for sale

A non-current asset or asset group is classified as held for sale when they would be settled primarily through a sale transaction, rather than through continued use. This is the case when such assets are available for immediate sale at their current condition, the Company is committed to sell them, there is a plan in place to find a buyer and realization is highly probable within one year from the classification date. Such assets are not amortized after their initial classification as such assets, and are presented separately under Current Assets, at the lower of their carrying amount and their fair value net of selling cost. Other comprehensive income (loss) with respect to a non-current asset or asset group classified as held for sale is separately presented under equity. When the Company changes the planned sale, such that recovery of the asset would not be through a sale transaction, the Company discontinues classification of the asset as held for sale, and it is measured at the lower of the carrying amount thereof had it not been classified as held for sale, or at the recoverable amount of the asset upon making the decision to back out from the intended sale.

n. Liabilities with respect to employee benefits

The Company has several employee benefit plans:

1. Short-term benefits

Short-term employee benefits are benefits expected to be fully settled sooner than 12 months after the end of the annual reporting period in which employees provide the related services. Such benefits include salary, paid leave, sick leave, vacation allowance and employer contributions to National Insurance and are recognized as expenses when service is rendered. A liability with respect to cash bonus or profit sharing program is recognized when the Company has a legal or constructive obligation to pay this amount as a result of past service provided by the employee and the amount can be reliably estimated.

Note 2: - Significant accounting policies (continued)

2. Post-employment benefits

The plans are usually financed by deposits with insurance companies, and are classified as defined contribution plans or as defined benefit plans.
The Company has defined contribution plans pursuant to Section 14 of the Severance Pay Act, whereby the Company makes fixed contributions and has no legal or implied liability to make any additional payments, even if the fund does not have sufficient amounts to pay all employee benefits relating to employee service in the current and previous periods.

Deposits to a defined contribution plan in respect of severance pay or benefits are recognized upon deposit to the plan, concurrently with receiving employee service.

Furthermore, the Company operates a defined benefit plan for severance pay, in accordance with the Severance Pay Act. Pursuant to the Act, employees are eligible to receive severance pay upon termination or upon retirement. Severance pay liability is measured using the actuarial value of the anticipated eligibility unit. The actuarial calculation accounts for future wage increments and employee departure rates, based on the estimated payment timing. Amounts are presented based on discounting of expected future cash flows, using the interest rate based on the yield for highly rated CPI-linked corporate debentures as of the reporting date, whose term to maturity is similar to the term of the severance pay liability.

The Company makes contributions for its severance pay liabilities for some employees to pension funds and insurance companies ("Plan Assets"). Plan Assets include assets held by a long-term employee benefit fund and by qualifying insurance policies. Plan Assets are not available to Group creditors and may not be directly paid to the Group.

The liabilities with respect to employee benefits presented on the statement of financial position reflects the present value of the defined benefit liability, net of the fair value of Plan Assets. Re-measurement of net liabilities are charged to Other Comprehensive Income when incurred.

o. Share-based payment transactions

Company employees are eligible to receive benefits by way of share-based payment settled using equity instruments.

The cost of equity-settled transactions with employees are measured at fair value of the equity instruments granted upon the grant date. The fair value is determined using a generally accepted pricing model.

The cost of equity-settled transactions is recognized on the statement of operations along with a concurrent increase in shareholders’ equity over the period in which performance and/or service conditions are met, and ends on the date when the relevant employees are eligible for the reward (“vesting period”). The cumulative expense recognized with respect to transactions settled using equity instruments at the end of each reporting period through the vesting date, reflects the expired vesting period and the Group's best estimate with regard to the number of equity instruments that would eventually vest.

Note 2: - Significant accounting policies (continued)

Expenses with respect to awards that do not eventually vest are not recognized, except for awards whose vesting depends on market conditions, which are accounted for as vested awards regardless of fulfillment of these market conditions, assuming that all other vesting conditions (service and/or performance based) have been fulfilled.

When the Company makes changes to terms and conditions of award settled using equity instruments, a further expense is recognized, beyond the original expense calculated with respect to any change that increases the total fair value of remuneration awarded, or that is beneficial to the employee / other service provider based on the fair value upon the date of such change.

Termination of an award settled using an equity instrument is accounted for as if it has vested as of the termination date and the expense yet to be recognized with respect to such award is immediately recognized. However, if the terminated award is replaced by a new award and designated as an alternative award as of the award date thereof, the terminated award and the new award are both accounted for as change to the original award, as set forth above.

p. Provisions

A provision in accordance with IAS 37 is recognized when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects all or part of the expense to be reimbursed to the Company, such as in an insurance contract, the reimbursement would be recognized as a separate asset, only on such date when receiving the asset is essentially certain. The expense would be recognized on the income statement net of the expense reimbursement.

Below are provision types included on the financial statements:

Lawsuits

A provision for lawsuits is recognized when the Company has a current legal obligation or an implied obligation due to an event which has occurred in the past, when use of financial resources in order to discharge the obligation is more likely than not, and the obligation may be reliably estimated.

q. Revenue recognition

Revenue from contracts with customers is recognized on the income statement upon transfer of control over the asset or service to the customer. The transaction price is the expected consideration pursuant to contractual terms, net of amounts collected on behalf of third parties (such as taxes).

Revenues from services rendered

Revenues from services rendered are recognized over the period in which the customer receives and consumes the benefits resulting from Company performance. Revenues are recognized in the reporting periods in which the services are rendered.

Note 2: - Significant accounting policies (continued)

Contract acquisition costs

In order to achieve some of the Company's contracts with customers, the Company incurs incremental contract acquisition costs (such as salesmen commissions contingent on making a binding sale). Costs incurred in order to achieve the contract with the customer, and which would not have been incurred had the contract not been achieved, and which the Company expects to be reimbursed, are recognized as an asset and methodically depreciated in line with provision of the services provided in that specific contract.

r. Net investment gain, financing revenues and financing expenses

Net investment gain and financing revenues include interest revenues and linkage differentials with respect to debt assets, as well as changes to fair value of financial assets presented at fair value on the income statement.
Realized investment gain is calculated as the difference between net realization proceeds and original cost or depreciated cost, and is recognized upon sale.

Interest income is recognized as it accrues, using the effective interest method.
Gain or loss from exchange rate differences and changes to fair value of investments are reported on net basis.

Financing expenses include interest expenses, linkage differences and exchange rate differences for loans received, as well as changes to time value with respect to provisions. Borrowing costs which are not capitalized are recognized on the income statement using the effective interest method

s. Taxes on income

Tax results for current or deferred taxes are recognized on the statement of income, unless they refer to items directly recognized in equity or under Other Comprehensive Income.

1. Current taxes
Deferred tax liability is determined using the tax rate and tax legislation enacted by the reporting date, with required adjustments with respect to tax debt payable with respect to previous years.

2. Deferred taxes
Deferred taxes are calculated for temporary differences between amounts included in financial statements and amounts accounted for tax purposes.
Deferred tax balances are calculated using the tax rate expected to apply when the asset would be realized or the liability would be settled, based on tax legislation enacted by the reporting date.
Upon each reporting date, deferred tax assets are reviewed based on their expected utilization. Deductible temporary differences for which no deferred tax assets were recognized are reviewed upon each reporting date and a corresponding deferred tax asset is recognized with respect there to if they are expected to be utilized.

Deferred taxes are offset if there is a legal right to offset current tax assets against current tax liabilities and the deferred taxes refer to the same taxable entity and to the same tax authority.

Note 2: - Significant accounting policies (continued)

t. Leases

The Company has applied IFRS 16 "Leases" as from January 1, 2019 (hereinafter: "the Standard"). The Company has elected to partially apply provisions of the Standard retrospectively, without re-statement of comparison figures.

The accounting policy applied as from January 1, 2019 with respect to leases is as follows:

The Company treats a contract as a lease when, according to contractual terms, the right to control an identified asset is temporarily transferred in exchange for a specified consideration.

1. Company as lessee

For transactions in which the Company is lessee, the Company recognizes upon the lease start date a right-to-use asset against a lease liability, except for leases for a term of up to 12 months and leases where the base asset is of low value, for which the Company has elected to recognize lease payments as expenses on the income statement, using the direct line method over the lease term.

As for measuring lease liabilities, the Company has elected to apply the relief provided for in the Standard, and did not separate lease components from non-lease components, such as: management services, maintenance services and so forth, included in the same transaction.

Transactions where the employee is entitled to a Company car as part of their terms of employment, are accounted for by the Company as employee benefits, in conformity with provisions of IAS 19, rather than as a sub-lease transaction.

Upon the start date of the lease liability, it includes all unpaid lease payments, capitalized using the interest rate inherent in the lease, when it can be easily determined, or using the Company's incremental interest rate. After the start date, the Company measures the lease liability using the effective interest method.

The right-to-use asset is recognized at the outset at the amount of the lease liability plus lease payments made as of the start date or earlier, plus any transaction costs incurred.
The right-to-use asset is measured using the cost model and is depreciated over its useful life, or over the lease term - whichever is shorter. If there are indications of impairment, the Company reviews for impairment of the right-to-use asset, in conformity with provisions of IAS 36.

2. Lease payments linked to CPI

Upon the start date, the Company uses the known CPI as of the start date to calculate future lease payments.

In transactions where the Company is lessee, changes to the amount of future lease payments due to changes in the CPI are capitalized (with no change to the discount rate applicable to the liability with respect to the lease) to the balance of a right-to-use asset, and are recognized as adjustment to the balance of the liability with respect to the lease, only when a change occurs to cash flows due to a change in the CPI (i.e. upon the effective start date of the adjustment to lease payments).

Note 2: - Significant accounting policies (continued)

t. Leases (continued)

3. Options to extend or terminate the lease term

A lease term that may not be terminated includes periods covered by options to extend the lease term, when it is reasonably certain that the Company would exercise such option, as well as periods covered by options to terminate the lease term, when it is reasonably certain that the Company would not exercise such option to terminate.
In case of change to expectation with regard to exercise of an extension option or non-exercise of a termination option, the Company re-measures the balance of the liability with respect to the lease using the revised lease term, at the revised discount rate as of the date of such change to expectation, and the total change is charged to the balance of the right-to-use asset down to zero, and thereafter it is charged to the income statement.

4. Lease revisions

When a revision is made to lease terms and conditions, which does not reduce the lease scope and is not treated as a separate lease transaction, the Company re-measures the lease liability balance in conformity with the revised lease terms and conditions, using the discount rate as of the revision date, and charges the change in lease liability balance to the balance of the right-to-use asset.
When a revision of lease terms and conditions reduces the lease scope, the Company recognizes gain or loss from full or partial De-recognition of the right-to-use asset balance and the lease liability. Then, the Company re-measures the lease liability balance in conformity with the revised lease terms and conditions, using the discount rate as of the revision date, and charges the change in lease liability balance to the balance of the right-to-use asset.

5. Sub-leases

In transactions involving the Company as lessee of the base asset (primary lease) and as lessor of the same base asset to a third party (sub-lease), the Company considers whether the associated risks and rewards associated with ownership of the right-to-use asset have been transfered by, *inter alia*, reviewing the sub-lease period relative to the expected useful life of the right-to-use asset created by the primary lease.

When all risks and rewards associated with ownership of the right-to-use asset have been actually transfered, the Company accounts for the sub-lease as a financial lease; otherwise, the sub-lease is accounted for as an operating lease.

When the sub-lease is classified as a financial lease, the leased asset is de-recognized upon the start date and a "Receivables with respect to financial lease" asset is recognized whose value is equal to the present value of lease receipts discounted using the interest rate inherent in the lease. Any difference between the balance of the leased asset prior to De-recognition and the balance of receivables with respect to financial lease is recognized on the income statement.

Note 2: - Significant accounting policies (continued)

u. Earnings Per Share

Earnings per share are calculated by dividing the net income attributable to Company shareholders by the weighted number of ordinary shares outstanding during the period.
Potential ordinary shares are included in calculation of diluted earnings per share, if their effect dilutes the earnings per share from continued operations. Potential ordinary shares that are converted during the period are included in diluted earnings per share only until the conversion date and from that date in basic earnings per share.

v. Details of changes in the Consumer Price Index and in the official USD exchange rate

	Consumer Price Index		Official exchange rate
	CPI for	Known CPI	USD
	%	%	%
For the year ended December 31, 2021	2.8	2.4	(3.3)
For the year ended December 31, 2020	(0.7)	(0.6)	(7.0)
For the year ended December 31, 2019	0.6	0.3	(7.8)

w. Disclosure of new IFRS prior to application thereof

1. Amendment to IAS 8 "Accounting policies, changes in accounting estimates and errors"

In February 2021, IASB issued an amendment to IAS 8 "Accounting policies, changes in accounting estimates and errors" (hereinafter: "the Amendment"). The Amendment is designed to present a new definition of the term "accounting estimates".
Accounting estimates are defined as "monetary amounts on financial statements that involve uncertainty in measurement". The Amendment clarifies what are changes to accounting estimates and how they differ from changes to accounting policy and from error corrections. The Amendment would be prospectively applied to annual reporting periods starting on January 1, 2023 and applies to changes to accounting policy and to accounting estimates that occur at the start of that period or thereafter. Early application is permitted.
The Company believes that the Amendment should not materially impact the Company's financial statements.

2. Amendment of IAS 12 "Taxes on income"

In May 2021, IASB issued an amendment to IAS 12 "Taxes on income" (hereinafter: "IAS 12" or "the Standard"), which reduces the scope of the initial recognition exception for deferred taxes, as presented in sections 15 and 24 of the Standard (hereinafter: "the Amendment"). As part of guidelines for recognition of deferred tax assets and liabilities, the Standard provides for an exception with regard to recognition of deferred tax assets and liabilities with respect to certain temporary differences, resulting from initial recognition of assets and liabilities in certain transactions. This exception is termed "the initial recognition exception".

Note 2: - Significant accounting policies (continued)

The Amendment reduces the scope of the initial recognition exception, and clarifies that it does not apply to recognition of deferred tax assets and liabilities resulting from a transaction other than a business combination, for which equal temporary differences are created in debit and credit, even if they meet the other conditions for this exception.

The amendment would be applied for annual reported periods starting on or after January 1, 2023. Early application is permitted. With regard to lease transactions and recognition of a liability with respect to dismantling and rehabilitation - the Amendment would be applied as from the start of the earliest reported period presented on the financial statements to which the Amendment was first applied, with the cumulative effect of initial application charged to the opening balance of retained earnings (or to another equity component, if applicable) as of that date.
The Company believes that the Amendment should not materially impact the Company's financial statements.

NOTE 3: - BUSINESS COMBINATIONS

Further to note 13 below, on may 12, 2021 the company closed the acquisition of the entire issued and paid-in share capital of psagot. As of the approval date of these financial statements, the company has received the final valuation from an external valuator, with regard to fair value of identified assets acquired and liabilities assumed.

Below is the fair value of identified assets and liabilities of Psagot upon the acquisition date:	**Fair value As of May 12, 2021**
	NIS in thousands
Cash and cash equivalents	91,921
Deferred tax assets, net	2,057
Other accounts receivable	62,473
Current tax assets, net	4,179
Negotiable debt instruments	56,694
Non-negotiable debt instruments	1,731
Right-to-use assets	56,118
Other accounts payable	(134,653)
Liability with respect to lease	(70,941)
Liabilities with respect to employee benefits, net	(2,644)
Financial liabilities	(622,935)
Discontinued operations - for more information see Note 13 below	722,451
Client relations	228,797
Goodwill from acquisition	211,251
Total acquisition cost	606,499

NOTE 3: - Business Combinations (Cont.)

The total cost of this business combination amounted to NIS 606,499 thousand and was paid in cash.
Direct acquisition costs attributable to the transaction, amounting to NIS 2,899 thousand, were expensed under Other Expenses.
The goodwill created upon the acquisition is attributed to the projected benefits arising from the synergy of the combined activities of the acquired company and the Company. The goodwill recognized is not expected to be deductible for income tax purposes.

Contingent liabilities with a fair value amounting to NIS 24,792 thousand were identified upon the acquisition date. This amount is based on the expected outcome, as assessed by the Company based on the opinion of legal counsel. For more information about this business combination, see Note 13 below.
From the acquisition date through the merger date on September 30, 2021, Psagot contributed income amounting to NIS 14,395 thousand to consolidated comprehensive income, and NIS 116,872 thousand to consolidated revenues.

Note 4: - Operating segments

A. Overview

Operating segments were determined based on information reviewed by the Chief Operating Decision Maker (CODM) for the purpose of making decisions concerning resource allocation and performance evaluation. Therefore, for management purposes, the Company operates in the following operating segments:

1. Pension fund segment - engaged in management of pension funds. Pension fund products included in this segment are: New comprehensive pension fund, new general pension fund.

2. Provident fund segment - engaged in management of provident funds, including study funds. Provident fund products included in this segment are: Provident and severance pay funds, study funds, central severance pay fund, central sick pay provident fund, central provident fund for budgetary pension participation, investment provident funds and investment provident funds - long-term savings for children.

The accounting policy for these operating segments is identical to the one presented in Note 2.

Segment performance is evaluated based on earnings before taxes on income excluding expenses and revenues not attributed to segments, as presented on the financial statements.

In the pension fund and provident fund segments, management fee revenues, commissions, marketing expenses and other acquisition expenses, as well as operating expenses were directly attributed to the operating segment; All other revenues and expenses were not attributed to operating segments, since the Company's Chief Operating Decision Maker does not attribute these expenses to a specific segment during decision making at the Company.

In the provident fund segment, management fee revenues were directly attributed to the segment. All other revenues and expenses were not attributed to operating segments, since the Company's Chief Operating Decision Maker does not consider these results.

Note 4: - Operating segments (continued)

B. Operating segment reporting

	For the year ended December 31, 2021			
	Pension funds	Provident funds	Not attributed to operating segments	Total
	NIS in thousands			
Management fee revenues	91,875	1,331,837	-	1,423,712
Revenues from investments, net and financing revenues	-	-	(1,912)	(1,912)
Other revenues	-	-	2,008	2,008
Total Revenues	91,875	1,331,837	96	1,423,808
Commissions, marketing expenses and other acquisition expenses	14,576	499,831	-	514,407
Operating fees	4,289	31,025	-	35,314
Total joint expenses	18,865	530,856	-	549,721
Segment income	73,010	800,981	96	874,087
Non-attributed joint expenses				516,550
Income before taxes on income				357,537
Other comprehensive loss (before tax)				(6,424)
Total comprehensive income for the year, before taxes on income				351,111

In conformity with disclosure requirements of the Capital Market, Insurance and Savings Authority, the Company is required to attribute joint expenses which are not attributed by the Company's Chief Operating Decision Maker to the different operating segments. Attributed as follows:

	For the year ended December 31, 2021			
	Pension	Provident funds	Not attributed to operating segments	Total
	NIS in thousands			
General and administrative expenses, net of operating fees	47,405	397,490	19,842	464,737
Other expenses	906	17,107	10,604	28,617
Financing expenses	947	13,715	8,534	23,196
Total joint expenses	49,258	428,312	38,980	516,550
Other comprehensive income (loss) (before tax)	(338)	(6,636)	550	(6,424)

Note 4: - Operating segments (continued)

	For the year ended December 31, 2020			
	Pension	**Providen t funds**	**Not attributed to operating segments**	**Total**
	NIS in thousands			
Management fee revenues	53,039	844,131	-	897,170
Revenues from investments, net and financing revenues	-	-	4,331	4,331
Other revenues	-	-	1,879	1,879
Total Revenues	53,039	844,131	6,210	903,380
Commissions, marketing expenses and other acquisition expenses	9,488	342,805	-	352,293
Operating fees	3,566	20,050	-	23,616
Total joint expenses	13,054	362,855	-	375,909
Segment income	39,985	481,276	6,210	527,471
Non-attributed joint expenses				310,879
Income before taxes on income				216,592
Other comprehensive income (before tax)				352
Total comprehensive income for the year, before taxes on income				216,944

In conformity with disclosure requirements of the Capital Market, Insurance and Savings Authority, the Company is required to attribute joint expenses which are not attributed by the Company's Chief Operating Decision Maker to the different operating segments. Attributed as follows:

	For the year ended December 31, 2020			
	Pension funds	**Provident funds**	**Not attributed to operating segments**	**Total**
	NIS in thousands			
General and administrative expenses, net of operating fees	32,283	259,207	5,403	296,893
Other expenses	580	5,694	-	6,274
Financing expenses	284	4,472	2,956	7,712
Total joint expenses	33,147	269,373	8,359	310,879
Other comprehensive income (before tax)	47	305	-	352

Note 4: - Operating segments (continued)

	For the year ended December 31, 2019			
	Pension	Provident funds	Not attributed to operating segments	Total
	NIS in thousands			
Management fee revenues	32,087	652,640	-	684,727
Revenues from investments, net and financing revenues	-	-	12,471	12,471
Other revenues	-	-	2,300	2,300
Total Revenues	32,087	652,640	14,771	699,498
Commissions, marketing expenses and other acquisition expenses	6,308	260,511	-	266,819
Operating fees	2,799	15,747	-	18,546
Total joint expenses	9,107	276,258	-	285,365
Segment income	22,980	376,382	14,771	414,133
Non-attributed joint expenses				273,345
Income before taxes on income				140,788
Other comprehensive loss (before tax)				(222)
Total comprehensive income for the year, before taxes on income				140,566

Additional information for the provident fund segment

	For the year ended December 31, 2021							
	Personal provident and severance pay funds	Study funds	Central severance pay funds	Investment provident fund	Investment provident funds - long-term savings for children	Central provident fund for budgetary pension participation	Central sick pay provident fund	Total
	NIS in thousands							
Management fee revenues from provident funds	618,026	600,917	6,931	98,802	12,853	730	336	1,338,595
Management fee refunded to members	-	-	-	-	-	-	-	(6,758)
Total management fee revenues								1,331,837
Joint expenses								530,856
Income attributable to this segment								800,981

Note 4: - Operating segments (continued)

	For the year ended December 31, 2020					
	Personal provident and severance pay funds	Study funds	Central severance pay funds	Investment provident fund	Investment provident funds - long-term savings for children	Total
	NIS in thousands					
Management fee revenues from provident funds	342,569	440,619	6,245	58,376	8,913	856,722
Management fee refunded to members	-	-	-	-	-	(12,591)
Total management fee revenues						844,131
Joint expenses						362,855
Income attributable to this segment						481,276

	For the year ended December 31, 2019					
	Personal provident and severance pay funds	Study funds	Central severance pay funds	Investment provident fund	Investment provident funds - long-term savings for children	Total
	NIS in thousands					
Management fee revenues from provident funds	265,540	343,047	6,528	34,371	6,467	655,953
Management fee refunded to members	-	-	-	-	-	(3,313)
Total management fee revenues						652,640
Joint expenses						276,258
Income attributable to this segment						376,382

Note 5: - Intangible assets

	Future management fees	Goodwill	Software Computer	Total
	NIS in thousands			
Cost:				
Balance as of December 31, 2019	49,713	86,039	46,601	**182,353**
Additions	-	-	20,082 *)	**20,082**
Balance as of December 31, 2020	49,713	86,039	66,683	**202,435**
Initially consolidated entity	228,797 **)	211,251 **)	-	**440,048**
Additions	-	-	35,422 *)	35,422
Balance as of December 31, 2021	278,510	297,290	102,105	677,905
Accumulated amortization and impairment loss				
Balance as of December 31, 2019	(44,421)	(934)	(19,484)	(64,839)
Amortization recognized during the year	(1,321)	-	(11,464)	(12,785)
Balance as of December 31, 2020	(45,742)	(934)	(30,948)	(77,624)
Amortization recognized during the year	(11,294)	-	(18,792)	(30,086)
Balance as of December 31, 2021	(57,036)	(934)	(49,740)	(107,710)
Carrying amount				
As of December 31, 2021	221,474	296,356	52,365	570,195
As of December 31, 2020	3,971	85,105	35,735	124,811

*) Additions with respect to computer software include additions with respect to self-development: In 2021 and 2020 amounting to NIS 11,077 thousand and NIS 7,436 thousand, respectively.

**) For more information see Note 3 above.

Pursuant to IAS 36, in order to review for impairment, goodwill acquired in a business combination shall be allocated, as from the acquisition date, to each of the acquiring entity's cash-generating units, regardless of whether other assets or liabilities of the acquired entity have been allocated to these units. Each unit to which such goodwill has been allocated:

(a) Shall represent the lowest level in the entity where goodwill is monitored for internal management needs; and

(b) Shall not be larger than an operating segment, before segment grouping.

The disclosure requirements are set forth in Section 134 of the Standard and refer to goodwill allocated to a cash-generating unit if it is significant.

Impairment of goodwill and intangible assets of unspecified useful life

In order to review for impairment of intangible assets, one should consider whether the recoverable amount of the unit exceeds its carrying amount. If so - the unit and assets allocated there to shall be deemed not to have been impaired.

If the carrying amount of the unit exceeds its recoverable amount, the Company recognizes an impairment loss.

Note 5: - Intangible assets (continued)

impairment of goodwill and intangible assets of unspecified useful life (continued)

On December 31, 2021, the Company reviewed the fair value of its provident fund operations (including goodwill and future management fees) based on the market price for the Company.
The estimated recoverable amount is higher than the carrying amount of the unit, and therefore no provision for impairment is required. The fair value measurement is classified on Level 1 of the fair value hierarchy (for definitions of the various hierarchy levels, see Note 2K regarding fair value measurement).
Note that as of December 31, 2021, the Company's market price was at NIS 3,305 million, compared to Company shareholder equity amounting to NIS 551.5 million (as of December 31, 2020: NIS 3,221 million and NIS 283.5 million, respectively).

Note 6: - Leases

Disclosures with respect to leases where the Company is lessee

The Company is party to leases for buildings and vehicles used for the Company's on-going operations. Leases for buildings are for terms of between 2-9 years; Leases for vehicles are for terms of 3 years. Some of the leases to which the Company is party include optional extensions.

a. details of leases

	For the year ended December 31,	
	2021	**2020**
	NIS in thousands	
Interest Expenses with respect to lease liabilities	1,951	743
Revenues from sub-leasing of right-to-use assets	171	-
Total negative cash flow with respect to leases	10,621	5,177

b. Optional extensions

The Company is party to multiple leases with respect to right-to-use assets on HaBarzel Street in Tel Aviv that include optional extensions. These options allow the Company flexibility in managing the lease transactions and adapting them to the Company's business needs.
The Company exercises significant judgment when considering whether it is reasonably likely that optional extensions would be exercised.

According to the lease extension agreement, the rent for the optional period would be set upon giving notice of exercise of the option, if exercised, based on market terms upon said date.

In 2020, a lease extension agreement was signed with regard to right-to-use assets on HaBarzel Street in Tel Aviv (hereinafter: "**First Least Extension Agreement**"), which is an addendum to the original lease, whereby the basic monthly rent was reduced for all leasehold areas. As part of signing the new lease, the Company exercised the option to extend the lease term from January 1, 2021 through December 31, 2025. Moreover, the new lease includes a further optional lease extension for 5 years, from January 1, 2026 through December 31, 2030.

Note 6: - <u>Leases</u> (continued)

b. Optional extensions (continued)

In February 2022, another lease extension agreement was signed (hereinafter: "the **New Lease**"), confirming exercise of the option included in the aforementioned First Lease Extension Agreement. The New Lease set the rent for the term of the optional extension. The rent is expected to increase by 10%, and would be linked to the Consumer Price Index, as stipulated in the First Lease Extension Agreement. The effect of this lease would be reflected in the interim financial statements as of March 31, 2022.

Moreover, the New Lease stipulates that the Company may lease additional areas from the lessor, subject to availability of areas for lease offered by the lessor from time to time, for a 3-year term with an optional extension for a further 3-year term with respect to each additional area, or through December 31, 2030, whichever is sooner, in conformity with terms and conditions to be agreed by the parties at that time, which would also be part of the lease.

The New Lease further stipulates that the Company may shorten the lease term with respect to the leasehold areas, in whole or in part, including the additional areas, if any, such that the lease would expire on June 30, 2028, subject to restrictions, terms and conditions as set forth in the lease. The New Lease further stipulates that the lessor would provide a budget to the lessee, as contribution towards refurbishment and adaptation work in the leasehold areas, as set forth in the lease.

c. Investment in lease, net

Further to Note 13 with regard to sale of some Psagot Group companies to Value Capital One Ltd., on August 26, 2021 the Company entered into a sub-lease with Value Capital One Management Ltd. (hereinafter in this section: "**Sub-Lessee**") for some of the floors in Beit Psagot, 3 Rothschild Street, Tel Aviv. The lease stipulates the term of the sub-lease from August 2021 through actual expiration of the Company's lease, i.e. through December 31, 2027, in conformity with the lease signed by Psagot Investment House and the building owner (hereinafter: "the **Original Lease**").

In consideration for leasing the leasehold, the Sub-Lessee shall pay the Company monthly rent linked to the CPI, as well as additional payments as stipulated in the Original Lease.

d. Further to Note 13 with regard to the Psagot Transaction, as of the report date, following developments that took place in the fourth quarter of 2021, the Company classified the assets and liabilities with respect to the floors in Beit Psagot, 3 Rothschild Street, Tel Aviv which are expected to be returned to the building owner, as held for sale. For more information see Note 8 below.

Note 6: - Leases (continued)

e. Disclosures with respect to right-to-use assets

2021

	Buildings	Vehicles	Total
	NIS in thousands		
Cost			
Balance as of January 1, 2021	13,812	6,928	20,740
Additions during the year:			
Additions to right-to-use assets with respect to new leases in the period	10,083	2,918	13,001
Initially consolidated entity *)	52,974	3,144	56,118
Adjustments with respect to linkage to CPI	1,443	79	1,522
De-recognitions during the year:			
Transfer to assets held for sale ****)	(9,294)	-	(9,294)
Adjustments with respect to changes to lease terms and conditions **)	(26,646)	(4,023)	(30,669)
Balance as of December 31, 2021	42,372	9,046	51,418
Accumulated depreciation			
Balance as of January 1, 2021	1,927	3,662	5,589
Additions during the year			
Depreciation	7,483	3,326	10,809
Transfer to assets held for sale ****)	(3,925)	-	(3,925)
Provision for impairment **)	5,193	-	5,193
De-recognitions during the year **)	(1,418)	(1,362)	(2,780)
Balance as of December 31, 2021	9,260	5,626	14,886
Depreciated cost as of	33,112	3,420	36,532

*) For more information see Note 3 above and Note 13 below.

**) This amount includes de-recognition with respect to return of some floors at Beit Psagot and at Company offices. Return of the floors at Beit Psagot resulted in decrease in right-to-use assets of the Company by NIS 22.2 million, and at Company offices - NIS 4.4 million. Furthermore, during the reported period the Company recognized a provision amounting to NIS 5,193 thousand with respect to some of the floors at Beit Psagot for which the Company expects lessees to be found within 12 months.

***) For more information about maturities of lease liability - see Note 28E below.

****) For more information see Note 8 below.

Note 6: - Leases (continued)

e Disclosures with respect to right-to-use assets (continued)

2020:

	Buildings	Vehicles	Total
	NIS in thousands		
Cost			
Balance as of January 1, 2020	17,406	5,589	22,995
Additions during the year:			
Additions to right-to-use assets with respect to new leases in the period	471	1,853	2,324
Adjustments with respect to changes to lease terms and conditions	981	-	981
Updates to right-to-use assets with respect to linkage to CPI	(102)	(19)	(121)
De-recognitions during the year:			
Adjustments with respect to changes to lease terms and conditions	(4,944)	(495)	(5,439)
Balance as of December 31, 2020	13,812	6,928	20,740
Accumulated depreciation			
Balance as of January 1, 2020	2,412	1,936	4,348
Additions during the year	2,572	1,994	4,566
Reductions during the year	(3,057)	(268)	(3,325)
Balance as of December 31, 2020	1,927	3,662	5,589
Depreciated cost as of December 31, 2020	11,885	3,266	15,151

Note 7: - Deferred acquisition costs

a. Composition:

	As of December 31,	
	2021	2020
	NIS in thousands	
Pension funds	99,225	66,178
Provident funds	254,346	248,259
	353,571	314,437

Note 7: - Deferred acquisition costs (Cont.)

b. Movement in deferred acquisition costs

	Pension	Provident funds	Total
	NIS in thousands		
Balance as of December 31, 2019	36,179	168,839	205,018
Additions	35,635	128,191	163,826
Current amortization	(5,636)	(48,771)	(54,407)
Balance as of December 31, 2020	66,178	248,259	314,437
Additions	43,265	72,660	115,925
Current amortization	(10,218)	(66,573)	(76,791)
Balance as of December 31, 2021	99,225	254,346	353,571

As of the report date, the Company has estimated the expected useful life of this asset. For more information see Note 2F above.

Note 8: - Assets held for sale

Further to Note 13 below, with regard to the Psagot Acquisition, the Company has a proactive plan in place to locate lessees for the remaining floors at Beit Psagot, 3 Rothschild Street, Tel Aviv which are available for immediate delivery, and expects that lessees would be found within 12 months. Therefore, on December 31, 2021 the Company classified the right-to-use asset with respect to the floors which are expected to be returned to the owner of Beit Psagot, and the corresponding liability, as held for sale. For more information see Note 6D above.

The following are major groups of assets and liabilities classified as held for sale

	December 31, 2021	December 31, 2020
	NIS in thousands	
Assets		
Right-to-use asset	5,368	-
Assets held for sale	5,368	-
Liabilities		
Liability with respect to lease	(10,507)	-
Liabilities with respect to assets held for sale	(10,507)	-
Liabilities with respect to assets held for sale, net	(5,139)	-

Note 9: - Fixed assets

2021:

	Vehicles Motor vehicle	Office equipment and furniture	Computers and peripheral equipment	Leasehold improvements	Total
			NIS in thousands		
Cost					
Balance as of January 1, 2021	154	5,462	23,826	19,298	48,740
Additions during the year	-	819	4,696	2,652	8,167
Reductions during the year	-	-	(43)	-	(43)
Balance as of December 31, 2021	154	6,281	28,479	21,950	56,864
Accumulated depreciation					
Balance as of January 1, 2021	154	2,033	19,112	7,280	28,579
Additions during the year	-	402	5,113	2,864	8,379
Reductions during the year	-	-	(13)	-	(13)
Balance as of December 31, 2021	154	2,435	24,212	10,144	36,945
Depreciated cost as of December 31, 2021	-	3,846	4,267	11,806	19,919

2020:

	Vehicles Motor vehicle	Office equipment and furniture	Computers and peripheral equipment	Leasehold improvements	Total
			NIS in thousands		
Cost					
Balance as of January 1, 2020	154	5,205	19,472	18,429	43,260
Additions during the year	-	257	4,532	869	5,658
Reductions during the year	-	-	(178)	-	(178)
Balance as of December 31, 2020	154	5,462	23,826	19,298	48,740
Accumulated depreciation					
Balance as of January 1, 2020	154	1,657	13,994	5,130	20,935
Additions during the year	-	376	5,163	2,150	7,689
Reductions during the year	-	-	(45)	-	(45)
Balance as of December 31, 2020	154	2,033	19,112	7,280	28,579
Depreciated cost as of December 31, 2020	-	3,429	4,714	12,018	20,161

Note 10: - **Other accounts receivable**

	December 31,	
	2021	2020
	NIS in thousands	
Un-earned revenues *)	13,911	15,179
Payroll tax receivable	9,310	-
Indemnification asset receivable with respect to Psagot Transaction **)	16,491	-
Insurance asset receivable ***)	14,600	-
Pre-paid expenses	13,527	2,858
Pre-paid agent commissions (1)	1,353	326
Related parties	875	83
Loans to employees	216	188
Other accounts receivable	1,886	35
(1) Less - provision for doubtful debt	(471)	-
	71,698	18,669

*) Make-up revenues from management fees from provident funds and pension funds with respect to December 2021 and 2020.

**) For more information see Note 13 below.

***) For more information see Note 29B2 below.

For details of assets and liabilities by linkage basis, see Note 28D(3).

Note 11: - Details of financial investments

a. Composition

	December 31,	
	2021	2020
	NIS in thousands	
Negotiable debt assets stated at fair value on the income statement *)	235,927	81,699
Non-negotiable debt asset stated at fair value on other comprehensive income **)	2,100	-
Non-negotiable debt asset stated at fair value on the income statement ***)	7,050	8,410
	245,077	90,109

*) Government debentures and short-term bonds bearing fixed interest, non-linked to the CPI. Debentures are stated at fair value on the income statement.

**) Non-negotiable corporate debenture stated at fair value on other comprehensive income.

***) For more information about non-negotiable debt asset, see Note 26A3 below.

Note 11: - Details of financial investments (continued)

B. FAIR VALUE OF FINANCIAL ASSETS BY HIERARCHY LEVEL

The carrying amount of cash and other accounts receivable closely approximates the fair value thereof.

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
	Un-audited			
	NIS in thousands			
Negotiable debt assets stated at fair value on the income statement	235,927	-	-	235,927
Non-negotiable debt asset stated at fair value on other comprehensive income	-	2,100	-	2,100
Non-negotiable debt assets stated at fair value on the income statement	-	-	7,050	7,050
Total	235,927	2,100	7,050	245,077

	December 31, 2020		
	Level 1	Level 3	Total
	NIS in thousands		
Negotiable debt assets stated at fair value on the income statement	81,699	-	81,699
Capital note stated at fair value on the income statement	-	8,410	8,410
Total	81,699	8,410	90,109

c. Valuation techniques (Level 3 of the fair value hierarchy)

The fair value of expected future gain plus un-earned revenues as of December 31, 2021 and as of December 31, 2020, plus loans to others, was estimated at NIS 7.1 million and NIS 8.4 million, respectively. In 2021 and 2020, expected future gain plus un-earned revenues were discounted using a 7% discount rate.
In the reported period, the Company recognized a loss with respect to revaluation of another debt asset, amounting to NIS 446 thousand, charged to Financing Revenues.

Major assumptions used to calculate expected future gain as of December 31, 2021:

Real discount rate: 7%.
Annual cancellation rate between 8.5%-17.6% and annual redemption rate between 9.6%-15.25%.
Premiums and re-insurer premiums were determined based on tariff tables for different insurance coverages.
Re-insurance rate of 90% and claims at 75% of re-insurance premium.
Commissions and expenses based on various agreements with insurance agents and insurance portfolio operator.

Note 12: - Cash and cash equivalents

	December 31,	
	2021	2020
	NIS in thousands	
Cash and deposits for immediate withdrawal	296,570	140,047

As of the balance sheet date, cash with banks bears current interest based on the interest rate for daily bank deposits of 0.01%-0.07% (as of December 31, 2020: 0.01%).

For linkage terms for cash and deposits for immediate withdrawal, see Note 28D(3).

Note 13: - Investments in investees

Agreement to acquire Psagot

a. On February 12, 2021, the Company announced it has entered into agreement to acquire 100% of Psagot's issued and paid-in share capital (hereinafter: "the Acquisition Agreement") from the controlling shareholder of Psagot, Himalaya F.S. Ltd. ("the Seller"). Psagot is a private investment house engaged in diverse operations on the capital market, primarily management of financial and pension assets, including provident funds, study funds, pension funds, mutual funds and investment portfolio management. Psagot is also engaged in trading operations (stock exchange member and brokerage) and holding of insurance agencies.

On May 12, 2021 the Company closed the acquisition of the entire issued and paid-in share capital of Psagot from the Seller (hereinafter: "**Transaction Closing Date**"), for consideration amounting to NIS 602.3 million (NIS 910 million net of Psagot's bank debt as of December 31, 2020, plus cash on hand at Psagot as of December 31, 2020 (as defined in the acquisition agreement), plus or minus certain adjustments as set forth in the acquisition agreement ("the **Consideration**"). Furthermore, the acquisition agreement contains certain provisions for adjustment of the Consideration in the year following the Transaction Closing Date, by amounts which are not material (less than 5% of the Consideration). Note that after closing of the transaction, some disputes arose between the Company and the Seller with regard, *inter alia*, to the Consideration adjustment provisions. These disputes have been brought before an agreed arbiter, in conformity with provisions of the agreement.
FOR MORE INFORMATION ABOUT THE ACQUISITION COST, SEE NOTE 3 ABOVE.
In the reported period, the Company incurred non-recurring expenses with respect to external professional services for the Transaction Closing, amounting to NIS 2.9 million.

Furthermore, in conformity with a permit granted to the controlling shareholders of the Company on May 11, 2021 by the Capital Market, Insurance and Savings Authority, for control and holding means of control over the Company and Psagot Provident Funds, the controlling shareholders of the Company, the Company and the Capital Market Authority reached agreement on several actions with regard to Group operations which would be required within one year after the Transaction Closing Date (the parties agreed, *inter alia*, that during said period, the Group would discontinue management of long-term savings assets, as defined in Section 31(a) of the Insurance Supervision Act, amounting in total to NIS 7.7 billion). In the reported period, the controlling shareholders were in compliance with this requirement. Moreover, the actions required in the Supervisor's approval did not materially impact the Company's results. For more information about agreement to sell assets to Harel Pension and Provident Funds Ltd., see below.

Note 13: - Investment in investees (continued)

The Company also received relief with regard to the minimum shareholder equity requirement for the period from the Transaction Closing Date through conducting a merger pursuant to Section 323 of the Corporate Act, 1999 of Psagot Provident Funds into the Company (hereinafter: "the **Merger Date**") and for the period from the Merger Date through 12 months thereafter, provided that the Company not distribute the relief amount as dividends.

Agreement to acquire Psagot (continued)

In conformity with the aforementioned permit, the Company's minimum shareholder equity would be as follows:

(1) For 12 months after the Merger Date, not less than the sum of:

(a) The amount stipulated in Regulation 3(a)(2) of the Supervision of Financial Services Regulations (Provident Funds) (Minimum Equity Required of a Management Company), 2012 (hereinafter: "**Capital Regulations**") with respect to the Company;

(b) 25% of the annual expenses of Psagot Provident Funds on the most recent financial statements prior to the merger, amortized using the straight-line method from the Merger Date through 12 months thereafter. Notwithstanding provisions of this section, the Company may reduce this amount by up to 35% (hereinafter: "the **Relief**"), provided that the Company not distribute the Relief amount as dividends.

(2) The minimum shareholder equity required of the Company from the Transaction Closing Date through the Merger Date would be as stipulated in Regulation 5 of the Capital Regulations. Notwithstanding provisions of this section, the Company may deduct from the aforementioned amount the difference between his amount and the amount expected to be received pursuant to section 1 above upon the Merger Date, including the Relief amount, but not amortized using the straight-line method (hereinafter: "**Relief During Acquisition Period**"), provided that the Company not distribute the Relief During Acquisition Period amount as dividends.

b. Merger of provident funds

On June 22, 2021, a request was submitted to the Supervisor for approval to transfer the management of (1) a savings provident fund, provident fund and personal severance pay provident fund; (2) provident fund for Hever members; (3) Kama provident fund; (4) central provident fund for budgetary pension participation; (5) Marpe central sick pay provident fund; and (6) a study fund; managed by Psagot, to be managed by the Company and as part of such transfer of management, the savings provident fund, provident fund and personal severance pay provident fund and the study fund would be merged with and into provident funds and study funds managed by the Company. On August 4, 2021, the Supervisor gave their approval for transfer of management and merger of the provident funds, as requested by the Company. On September 30, 2021, the aforementioned transfer of management and merger of the funds was completed.

c. Merger of Psagot with and into the Company

On October 1, 2021, Psagot Investment House Ltd. and Psagot Provident and Pension Funds Ltd. Were merged with and into the Company. On December 31, 2021, the statutory approval was received from the Registrar of Companies.

Note 13: - **Investment in investees (continued)**

d. Sale of Psagot Mutual Funds Ltd., Psagot Securities Ltd. and Psagot Compass Mutual Funds Ltd.

Further to closing of the Psagot Transaction, as set forth above, and in conformity with terms and conditions of the Acquisition Agreement, on May 31, 2021 Psagot entered into agreement with Value Capital One Ltd. for sale of: (1) 75% of holdings in Psagot Mutual Funds Ltd. and Psagot Securities Ltd., for total consideration amounting to NIS 288 million; and (2) 100% of holdings in Psagot Compass Mutual Funds Ltd., for total consideration amounting to NIS 21 million. The consideration is subject to certain adjustments as set forth in the agreement ("the **May Agreement**").

On August 3, 2021, Psagot entered into another agreement with Value Capital One Ltd. for sale of 25% of its holdings in Psagot Mutual Funds Ltd. and Psagot Securities Ltd., for total consideration amounting to NIS 96 million ("the **August Agreement**"). On August 26, 2021 ("the Closing Date") the two agreements closed, such that upon the issue date of this report, Psagot no longer has any holding stakes in Psagot Mutual Funds Ltd., Psagot Securities Ltd. and Psagot Compass Mutual Funds Ltd. As part of the closing thereof, the May Agreement was revised such that out of the total consideration with respect to the May Agreement, NIS 60 million was paid within several weeks after the closing date, with collateral provided to secure this payment, as set forth in the revision.

d. Sale of Psagot Mutual Funds Ltd., Psagot Securities Ltd. and Psagot Compass Mutual Funds Ltd. (continued)

Moreover, the Seller is entitled to additional consideration, further to section (a) above, with respect to the aforementioned Acquisition Agreement.
The Company did not recognized any material gain / loss from the Transaction Closing. On the financial statements, these operations were classified as discontinued operations held for sale. Since these entities were acquired in order to be sold due, *inter alia*, to regulatory requirements, pursuant to IFRS 5 no disclosures are required with regard to major types of assets and liabilities, and analysis of a single amount on the statement of other comprehensive Income, consisting of the sum of after-tax income or loss of discontinued operations and after-tax income or loss recognized upon measurement at fair value net of selling costs.

e. Agreement for sale of assets to Harel Pension and Provident Funds Ltd.

On July 4, 2021, Psagot Provident Funds entered into an agreement with Harel Pension and Provident Funds Ltd. (hereinafter: "**Harel**") for sale of operations of the new pension fund and several provident funds, including an investment provident fund and children's savings fund, with total assets under management amounting to NIS 10 billion, and for sale of the legacy pension fund Haal, with total assets under management amounting to NIS 16 billion, for total consideration amounting to NIS 185 million. Furthermore, Harel entered into an agreement with Slice Provident Funds Ltd. To sell the operations of provident funds and IRA pension fund, where the management of these funds would be directly transferred from Psagot Provident Funds to Slice Provident Funds Ltd.

On July 5, 2021, an application was filed with the Supervisor for approval of voluntary transfer of management of pension funds and provident funds managed by Psagot Provident Funds to Harel; On August 9, 2021, the Supervisor granted approval for such transfer of management of a comprehensive pension fund, general pension fund, Haal pension fund, central severance pay funds, investment provident fund and investment provident funds - long-term savings for children. Furthermore, on August 9, 2021, the Supervisor granted approval for transfer of management of IRA provident fund and study fund managed by Psagot to Slice Provident Funds Ltd. On September 30, 2021, the voluntary transfer of management of these pension funds and provident funds to Harel and to Slice Provident Funds Ltd. was completed. The Company did not recognized any material gain / loss from the Transaction Closing.

Note 14: - Shareholder equity and capital requirements

a. Share capital composition

	December 31,			
	2021		2020	
	Registered	Issued and paid-up	Registered	Issued and paid-up
	Number of shares			
Ordinary shares NIS 0.01 par value each	400,000,000	196,745,378	400,000,000	191,659,108

b. Movement in share capital

Issued and paid-up share capital:

	Number of shares	NIS par value
Balance as of January 31, 2019	191,545,900	0.01
Realized employee stock options	113,208	0.01
Balance as of December 31, 2020	191,659,108	0.01
Realized employee stock options	586,270	0.01
Share issuance (*)	4,500,000	0.01
Balance as of December 31, 2021	196,745,378	0.01

(*) On December 15, 2021, the Company issued 4,500,000 shares of NIS 0.01 par value, for net consideration amounting to NIS 76 million. The issuance expenses amounted to NIS 1.3 million.

c. Rights conferred by shares

1. Voting rights at the General Meeting, right to dividends and rights upon dissolution of the Company.
2. Traded on the Tel Aviv Stock Exchange.

d. Dividend distribution policy

On May 15, 2019, the Company Board of Directors adopted a dividend distribution policy whereby, subject to all statutory provisions that may not be made contingent, including provisions of Section 302 of the Corporations Act, and to compliance with minimum equity requirements applicable to by law to the Company and to restrictions applicable to the Company pursuant to the financing agreements, and at the Company's sole discretion, the Company would distribute annually to its shareholders dividends equal to at least seventy-five percent (75%) of the Company's distributable earnings for that year. Note that if, due to the aforementioned restrictions, it would not be possible to distribute seventy-five percent (75%) of the Company's distributable earnings, and subject to provisions of the Corporate Act and to compliance with minimum equity requirements applicable to the Company, and at the Company's sole discretion, the maximum dividend allowed would be distributed so as to comply with such restrictions.

Note 14: - Shareholder equity and capital requirements (Cont.)

e. Dividends

1. On March 21, 2021, the Company declared a dividend amounting to NIS 33,000 thousand payable to Company shareholders. The dividend per share amounts to NIS 0.17.

2. On November 29, 2021, the Company declared a dividend amounting to NIS 40,000 thousand payable to Company shareholders. The dividend per share amounts to NIS 0.21.

3. For more information about a resolution in principle with regard to dividend distribution, dated March 29, 2022, amounting to NIS 150,000 thousand to Company shareholders, see Note 31D below.

F. Capital reserves

Capital reserve with respect to transaction with related party

1. With respect to share-based payment to Company employees for exercise at Altshuler Shaham Ltd. - in 2021 and 2020, the Company recognized expenses with respect to share-based payment amounting to NIS 387 thousand and NIS 2,432 thousand, respectively which were charged to Equity. See also Note 27B.

2. With respect to share-based payment to parent company employees for exercise at the Company - in 2021 and 2020, the Company recognized expenses with respect to share-based payment with regard to stock options of the parent company's employees, amounting to NIS 3,542 thousand and NIS 4,670 thousand, respectively, which were charged to a capital reserve.

b. Capital management and requirements

1. It is management policy to maintain a robust capital base, in order to preserve the Company's capacity to continue its operations so as to provide returns to its shareholders and in support of future business operations. The Company is subject to capital requirements stipulated by the Supervisor.

Note 14: - Shareholder equity and capital requirements (continued)

2. Below is information about the Company's required and current equity pursuant to the Capital Regulations and to the Supervisor's directives.

	As of December 31,	
	2021	2020
	NIS in thousands	
Amount required pursuant to Capital Regulations (a)	367,429	235,762
Current shareholder equity	551,521	283,480
Retained earnings	184,092	47,718
(a) The required amount includes equity requirements with respect to:		
Total assets under management	129,540	89,925
Annual expenses	208,847	155,837
Requirement with respect to controlled entity (4)	60,065	-
Relief with respect to insurance (3)	(10,000)	(10,000)
Relief with respect to controlled entity (4)	(21,023)	-
Total amount required	367,429	235,762

3. In conformity with the authority thereof, in February 2012 the Supervisor issued a circular with regard to relief provided for capital requirements for certain management companies. According to this circular, *inter alia*, a management company which has obtained professional liability insurance or insurance to cover breach of fiduciary duty of employees thereof, as set forth in Regulation 41E(f1) of the Income Tax Regulations (Rules for Approval and Management of Provident Funds), 1964 whose amount exceeds the amount required pursuant to this regulation (hereinafter: "**Excess Insurance Amount**"), may reduce the minimum shareholder equity (in NIS) required of it as of the report date, pursuant to Regulation 3 of the Capital Regulations, by 20% of the Excess Insurance Amount, subject to certain restrictions, including for the reduced amount not to exceed 30% of the minimum shareholder equity required.

4. For more information see Note 13 above.

As of December 31, 2021, the Company is in compliance with the minimum shareholder equity requirements.

Note 15: - Taxes on income

a. Tax laws applicable to the Company

1. Overview

The Company is a "financial institution", as defined in the VAT Act, 1975. Tax applicable to financial institution revenues consists of corporate tax and capital gain tax.

Note 15: - Taxes on income

2. Income Tax Act (Adjustments for Inflation), 1985 (hereinafter: "the Act")

The Company was subject to the Act through 2007. Under the law, results were measured for tax purposes after adjustment for changes to the Consumer Price Index.

In February 2008, the Knesset enacted an amendment to the Act whereby the Act would cease to be in effect in the 2007 tax year, and provisions of the Act shall no longer apply as from the 2008 tax year - other than transition provisions designed to avoid distortion of tax calculations. Starting in 2008, results for tax purposes are measured at nominal values, except for certain adjustments for changes in the Consumer Price Index for the period through December 31, 2007.

Adjustments related to capital gains, such as from sale of real estate and securities, continue to apply through the sale date. The amended Act includes, inter alia, rescinding of the addition and deduction for inflation, and the additional deduction for depreciation (for depreciable assets acquired after the 2007 tax year) starting in 2008.

b. Tax rates applicable to Company revenues

1. The statutory tax applicable to financial institutions such as the Company consists of corporate tax and capital gain tax.

2. In December 2016, the Economic Streamlining Act (Legislative amendments for achieving the budget objectives for budget years 2017 and 2018), 2017 was enacted, including a reduction of the corporate tax rate as from January 1, 2017 to 24% (*in lieu* of 25%) and as from January 1, 2018 to 23%.

The following statutory tax rates apply to financial institutions, including to the Company:

Year	**Corporate tax rate**	**Capital gain tax rate**	**Overall tax rate for financial institutions**
		%	
2019 onward	23.0	17.00	34.19

c. The Company has received finalized tax assessments through 2017.
In 2020, the Company signed an agreement with regard to tax returns for 2014-2017 and paid the tax owed with respect to said agreement.

d. Carry-forward tax losses
The Company has carry-forward losses for tax purposes which amount, as of December 31, 2021, to NIS 11,794 thousand. With respect to these balances, the Company recognized on its financial statements deferred tax assets amounting to NIS 912 thousand.

The Company has carry-forward business losses due to the Psagot Merger, as set forth in Note 13, amounting to NIS 246.6 million. Company losses are subject to offset limitations due to restructuring conducted by the Company which was tax exempt, pursuant to Section 103 of the Income Tax Ordinance.

Note 15: - Taxes on income (continued)

With respect to business losses amounting to NIS 127.7 million, the Company recognized on its financial statements deferred tax assets amounting to NIS 29.3 million. No deferred taxes were recognized with respect to business losses amounting to NIS 118.9 million.

On December 19, 2021, the Company received a ruling from the Tax Authority with regard to merger of Provident and Pension Funds Ltd. ("the **Transferor**") with and into Psagot Investment House Ltd. ("**Receiving Entity 1**") and into Altshuler Shaham Provident and Pension Funds Ltd. ("**Receiving Entity 2**" and/or "the **Ultimate Entity**")

.

This ruling stipulated the following key conditions:

1. No new rights shall be allocated with respect to the mergers in Receiving Entity 1 and in Receiving Entity 2 to shareholders thereof.
2. Upon sale of shares of Receiving Entity 2, he cost of investment in shares of the Transferor and in shares of Receiving Entity 1 would not be added to the original price of such shares.
3. The mergers would not result in creation of any intangible assets, balances and/or capitalized amounts.
4. The original price of the shares transferred to Recipient Entity 1 and to Recipient Entity 2 upon the merger and the balance of the original price, the acquisition value and the acquisition date would be as they were at the Transferor as if the shares had not been transferred, pursuant to Section 103E to the Ordinance.
5. No changes would be made to ownership of assets owned by the companies taking part in this re-structuring.
6. Any expenses accrued by the Transferor or by Recipient Entity 1 and/or by the Ultimate Entity through the Merger Date (which are tax-deductible) would be subject to provisions of Section 103H of the Ordinance with regard to offset of the transferred losses.

   6.1 Loss transferred from Recipient Entity 1 - offset of loss transferred from Recipient Entity 1 against taxable income of Recipient Entity 2 as from the tax year following the merger, which may be transferred pursuant to Sections 28, 29 or 92 of the Ordinance, shall be made at 10% of the transferred loss amount or 25% of the Recipient Entity's taxable income, whichever is lower.
   6.2 Loss transferred from the Transferor - offset of loss transferred from the Transferor against taxable income of the Ultimate Entity as from the tax year following the merger, which may be transferred pursuant to Sections 28, 29 or 92 of the Ordinance, shall be made at 20% of the transferred loss amount or 50% of the Recipient Entity's taxable income, whichever is lower.
   6.3 It is clarified that total offset of cumulative loss, as set forth in sections 6.1 and 6.2 above, may not exceed 25% of the Ultimate Entity's taxable income in the same tax year before carry-forward loss preceding the merger.

7. Offset of advance payments with respect to excess expenses - may be offset against tax or appreciation tax at 10% or 20% annually, respectively.

Note 15: - Taxes on income (continued)

e. Taxes on income included on the income statement

	For the year ended December 31,		
	2021	2020	2019
	NIS in thousands		
Current taxes	131,950	79,021	48,699
Taxes for previous years	925	(1,530)	-
Deferred taxes	5,125	844	1,120
	138,000	78,335	49,819

f. Taxes on income with respect to items of Other Comprehensive Income (Loss)

	For the year ended December 31,		
	2021	2020	2019
	NIS in thousands		
Tax expense (tax benefit) with regard to actuarial loss with respect to defined benefit plans	(2,119)	121	(76)

Note 15: - Taxes on income (continued)

G. Deferred taxes

Composition:

	Deferred acquisition costs	Employee benefits	Goodwill and intangible assets	Right-to-use assets	Liability with respect to lease	Fixed assets	Investment in securities	Stock options granted to employees	Financial liabilities	Carry-forward capital loss	Carry-forward business loss	Other accounts payable	Asset held for sale, net	Lease asset receivable	Total
Balance of deferred tax asset (liability) as of January 1, 2020	1,027	2,708	(7,792)	(6,375)	6,430	(1,396)	(479)	-	-	-	-	-	-	-	(5,877)
Changes recognized on the income statement	(4,064)	272	50	1,195	(1,178)	(495)	(72)	2,722	(198)	924	-	-	-	-	(844)
Changes recognized on Other Comprehensive Income	-	(121)	-	-	-	-	-	-	-	-	-	-	-	-	(121)
Balance of deferred tax asset (liability) as of December 31, 2020	(3,037)	2,859	(7,742)	(5,180)	5,252	(1,891)	(551)	2,722	(198)	924	-	-	-	-	(6,842)
Entry into consolidation	19,401	2,125	(78,023)	(19,187)	24,255	22,378	-	-	2,009	-	22,285	6,814	-	-	2,057
Changes recognized on the income statement	(1,223)	(2,339)	3,468	11,877	(4,925)	(10,505)	711	558	(1,811)	(12)	7,008	(1,225)	1,757	(8,464)	(5,125)
Changes recognized with respect to discontinued operations	(812)	(216)	175	-	-	-	-	-	-	-	-	-	-	-	(853)
Changes recognized on Other Comprehensive Income	-	2,119	-	-	-	-	-	-	-	-	-	-	-	-	2,119
Balance of deferred tax asset (liability) as of December 31, 2021	14,329	4,548	(82,122)	(12,490)	24,582	9,982	160	3,280	-	912	29,293	5,589	1,757	(8,464)	(8,644)

Note 15: - Taxes on income (continued)

h. Theoretical tax

A reconciliation between the tax expense, assuming that all revenues and expenses, gains and losses in the income statement would have been taxed at the statutory tax rate and the taxes on income recorded in the income statement is as follows:

	For the year ended December 31,		
	2021	**2020**	**2019**
	NIS in thousands		
Income before taxes on income	357,537	216,592	140,788
Statutory tax rate	34.19%	34.19%	34.19%
Tax calculated based on the statutory tax rate	122,235	74,052	48,133
Increase in taxes on income due to the following:			
Cost of share-based payment	3,236	2,604	3,019
Effect of creation of deferred taxes at a rate different from the primary tax rate	3,409	-	-
Taxes for previous years	925	1,162	-
Interest and linkage expenses - income tax	96	391	-
Non-deductible expenses	1,758	1,426	1,797
Income for tax purposes for which no deferred tax was recognized	(136)	(1,320)	(3,180)
Increase in tax losses for which no deferred taxes were recognized in the period	6,568	-	-
Others	(91)	20	50
Taxes on income	138,000	78,335	49,819
Average effective tax rate	38.60%	36.17%	35.06%

Note 16: - Assets and liabilities with respect to employee benefits

Employee benefits include short-term benefits, post-employment benefits, other long-term benefits and severance pay benefits.

Post-employment benefits

According to the labor laws and Severance Pay Law in Israel, the Group is required to pay compensation to an employee upon dismissal or retirement or to make current contributions in defined contribution plans pursuant to Section 14 to the Severance Pay Law, as specified below. The Company's employee benefit liability is accounted for as a post-employment benefit. The calculation of the Company's employee benefit liability is made in accordance with a valid employment contract based on the employee's salary and years of service which establish the entitlement to receive severance pay.

Note 16: - Assets and liabilities with respect to employee benefits (Cont.)

The post-employment employee benefits are normally financed by contributions classified as defined contribution plans or as defined benefit plans as detailed below.

1. Defined contribution plans

Section 14 of the Severance Pay Act, 1963 applies to part of the compensation payments, pursuant to which the fixed contributions paid by the Company into pension funds and/or policies of insurance companies release the Group from any additional liability to employees for whom said contributions were made. These contributions and contributions for compensation represent defined contribution plans.

	For the year ended December 31,		
	2021	2020	2019
	NIS in thousands		
Expenses in respect of defined contribution plans	9,182	5,566	4,904

2. Defined benefit plans

The Company accounts for that part of the payment of compensation that is not covered by contributions in defined contribution plans, as above, as a defined benefit plan for which an employee benefit liability is recognized and for which the Company deposits amounts in central severance pay funds and in suitable insurance policies.

Note 16: - Assets and liabilities with respect to employee benefits (continued)

2. Defined benefit plans (continued)

a) Changes to defined benefit liability and to fair value of plan assets

2021

		Amounts recognized on income statement					Loss with respect to re-measurement on Other Comprehensive Income					
	Balance as of January 1, 2021	Cost of service Current	Interest expenses, net	Total expenses recognized on the income statement in the period	Plan payments	Entry into consolidation	Actuarial loss with respect to changes to financial assumptions	Actuarial loss with respect to deviations in experience	Total effect on other comprehensive income for the period	Payroll tax with respect to financial institution	Employer contributions	Balance as of December 31, 2021
	NIS in thousands											
Defined benefit liabilities	12,954	1,514	479	1,992	-39,327	35,491	529	7,004	7,533	967	-	19,610
Fair value of plan assets	9,917	-	412	412	-33,084	32,847	2	900	902	535	2,076	13,606
Net liability (asset) with respect to defined benefit	3,037	1,514	66	1,580	-6,243	2,644	527	6,104	6,631	432	-2,076	6,004

2020

		Amounts recognized on income statement				Loss with respect to re-measurement on Other Comprehensive Income					
	Balance as of January 1, 2020	Cost of service Current	Interest expenses, net	Total expenses recognized on the income statement in the period	Plan payments	Actuarial loss with respect to changes to financial assumptions	Actuarial gain with respect to deviations in experience	Total effect on other comprehensive income for the period	Payroll tax with respect to financial institution	Employer contributions	Balance as of December 31, 2020
Defined benefit liabilities	12,007	841	270	1,111	(235)	81	(146)	(65)	136	-	12,954
Fair value of plan assets	8,849	-	207	207	(238)	-	236	236	155	708	9,917
Net liability (asset) with respect to defined benefit	3,158	841	63	904	3	81	(382)	(301)	(19)	(708)	3,037

Note 16: - Assets and liabilities with respect to employee benefits (continued)

b) Plan assets

Plan assets include assets held by a long-term employee benefit fund (provident funds for salaried employees and pension funds) and by qualifying insurance policies.

c) Key assumptions with regard to defined benefit plan

	2021	2020
	%	
Discount Rate (1)	3.27%	2.51%
Expected salary increase rate	5.65%	4.48%

(1) The discount rate is based on high-quality, CPI-linked corporate debentures.

Note 17: - Other accounts payable

	December 31,	
	2021	2020
	NIS in thousands	
Employees and other liabilities with respect to wages and payroll	34,350	30,671
Provision for paid leave and vacation pay	7,298	5,325
Agent commissions payable	100,055	121,436
Operating fee payable	-	78
Accrued expenses	18,232	7,257
Related parties *)	9,635	27,819
Trade payables	19,502	5,646
Interest payable	341	179
Contingent liabilities	18,899	-
Liability with respect to Psagot transaction ***)	43,180	-
Others **)	19,232	14,408
Total other accounts payable	270,724	212,819

*) As of December 31, 2020, includes dividends payable amounting to NIS 21,005 thousand.
**) As of December 31, 2020, includes dividends payable amounting to NIS 7,995 thousand.
***) For more information see Notes 13A and 13D above.

For details of assets and liabilities by linkage basis, see Note 28D(3).

Note 18: - Financial liabilities

This Note provides information concerning the contractual terms and conditions of financial liabilities. For additional information about Company exposure to interest rate, foreign currency and liquidity risk, see Note 25 with regard to risk management.

a. Details of financial liabilities

	December 31,			
	Carrying amount		Fair value	
	2021	2020	2021	2020
	NIS in thousands			
Financial liabilities presented at depreciated cost:				
Loans from banking corporation	657,993 *)	156,288 *)	646,025 **)	157,843 **)
Total financial liabilities	657,993 *)	156,288 *)	646,025 **)	157,843 **)

*) Includes interest payable.

**) Fair value is based on discounted future cash flows (principal and interest) for each loan using the applicable market interest rate based on the Company's credit rating and duration of the relevant loan.

b1. Financial liabilities presented at depreciated cost - information about interest and linkage

	Effective rate of interest	
	December 31,	
	2021	2020
Linkage basis	Percent	
NIS-denominated	2.0%-1.4%	3.29%-2.1%

b2. Maturities

	As of December 31,	
	2021	2020
	NIS in thousands	
Year 1	49,390	61,731
Year 2	219,390	61,162
Year 3	49,390	10,627
Year 4	49,390	10,121
Year 5 and beyond	290,092	12,468
Total	657,652	156,109

Note 18: - Financial liabilities (continued)

c. Additional information

1. Credit facilities

The Company has a bank credit facility amounting to NIS 1,500 thousand, bearing annual interest at the Prime lending rate. As of December 31, 2021, this credit facility was un-utilized.

2. Bank loans

Reference	Loan origination date	Original loan amount	Interest rate	Balance as of December 31, 2021 *)	Balance as of December 31, 2020 *)	Original Repayment Date
		NIS in thousands		NIS in thousands	NIS in thousands	
A(1)	March 19, 2020	50,000	Prime + 0.35%	-	50,029	March 19, 2021
A(2)	March 19, 2020	35,770	3.17%	-	30,441	September 19, 2025
A(3)	March 19, 2020	9,020	3.23%	-	7,849	June 19, 2026
A(4)	March 19, 2020	20,000	3.29%	-	17,875	March 19, 2027
A(6)	September 14, 2021	250,000	2%	243,984	-	September 14, 2031
B(2)	August 29, 2020	70,000	Prime + 0.35%	-	50,094	March 31, 2022
B(2)	November 2, 2021	70,000	Prime - 0.24%	70,011	-	November 01, 2023
C(2)	September 14, 2021	250,000	2%	243,929	-	September 14, 2031
C(3)	September 14, 2021	100,000	1.4%	100,069	-	September 14, 2023
				657,993	156,288	

*) Includes interest payable.

A) Loan agreements with Bank Leumi Le-Israel Ltd. as follows:

1. Credit facility amounting to NIS 40 million, for a 2-year term, replaced on March 19, 2020 by a credit facility amounting to NIS 50 million bearing fixed NIS-denominated interest, for a 1-year term. On March 21, 2021, the aforementioned credit facility was replaced by a credit facility amounting to NIS 50 million, bearing variable NIS-denominated interest, based on the Prime lending rate, at 1.75% for a 1-year term. On September 30, 2021, the credit facility was fully repaid.

2. A loan amounting to NIS 45 million, for a 7-year term, which was replaced on March 19, 2020 by a loan amounting to NIS 35.7 million, bearing fixed NIS-denominated interest payable quarterly, for a 7-year term as from the original loan origination date. On September 30, 2021, the credit facility was fully repaid.

Note 18: - Financial liabilities (continued)

A) Loan agreements with Bank Leumi Le-Israel Ltd. as follows (continued):

3. Credit facility amounting to NIS 10 million, for a 7-year term, replaced on March 19, 2020 by a loan amounting to NIS 9.02 million bearing fixed NIS-denominated interest payable quarterly, for a 7-year term as from the original credit utilization. On September 30, 2021, the credit facility was fully repaid.

   Replacement of the credit facilities, as described in sections A(2) and A(3) above, constitutes a non-material change in credit terms. Therefore, the Company recognized financing revenues of a non-material amount on the 2020 financial statements, reflecting the difference between the carrying amount of the liability prior to the change and the present value of cash flows with respect to the new credit facilities, discounted using the original effective interest rate.

4. Loan amounting to NIS 20 million, for a 7-year term as from March 19, 2020, bearing fixed NIS-denominated interest payable quarterly. On May 10, 2021, the Company signed an increase of this credit facility to NIS 30 million. On May 24, 2021, the Company utilized NIS 20 million out of this credit facility, bearing fixed NIS-denominated interest at 2.39%, for a 4-year term. On September 30, 2021, the credit facility was fully repaid.

5. Credit facility amounting to NIS 200 million, dated May 11, 2021, bearing variable NIS-denominated interest based at Prime lending rate minus 0.2% payable quarterly, for a term of up to 1 year. The credit facility was fully utilized. On September 19, 2021, the credit facility was fully repaid.

6. Loan amounting to NIS 250 million, dated September 14, 2021, bearing fixed NIS-denominated interest at 2%. Loan principal is repayable in equal quarterly installments over 10 years as from the loan origination date, and loan interest is payable quarterly.

7. Credit facility from Bank Leumi, dated September 14, 2021, for a 1-year term, amounting in total to NIS 100 million, bearing variable NIS-denominated interest at Prime lending rate minus 0.15%, or fixed interest at a rate to be determined by the bank, at the Company's choice. This credit facility is repayable in equal quarterly installments over 10 years as from the origination date, and interest with respect to this credit facility is payable quarterly. As of the report date, the Company has yet to utilize this credit facility. On March 29, 2022, the Company Board of Directors approved termination of this credit facility.

Financing expenses charged with respect to these credit facilities in 2021, 2020 and 2019 amounted to NIS 5,576 thousand, NIS 2,931 thousand and NIS 2,611 thousand, respectively.

Note 18: - Financial liabilities (continued)

B) Loan agreements with Bank Mizrahi Tefahot Ltd. as follows:

1. Loan agreement from Bank Mizrahi Tefahot Ltd. dated August 21, 2018, amounting to NIS 40 million, for a term of up to 2 years from the loan origination date, bearing variable interest based on the Prime lending rate, payable monthly. On August 2, 2020, the loan was repaid in full.

2. On April 1, 2020, the Company signed an additional credit facility agreement, amounting to NIS 40 million. On August 16, 2020, the Company signed a credit facility agreement replacing the one signed on April 1, 2020, as set forth above, amounting to NIS 80 million, bearing variable annual interest based on the Prime lending rate and payable monthly.
On November 2, 2021, the Company signed a credit facility agreement replacing the one signed on August 16, 2020, as set forth above, amounting to NIS 100 million, bearing variable annual interest based on the Prime lending rate minus 0.24% and payable monthly. Through the report date, the Company utilized NIS 70 million out of this facility.

3. Credit facility amounting to NIS 200 million, dated May 11, 2021, bearing variable NIS-denominated interest based at Prime lending rate minus 0.2% payable monthly, for a term of up to 1 year. The credit facility was fully utilized. On September 30, 2021, the credit facility was fully repaid.

Financing expenses charged with respect to these credit facilities in 2021, 2020 and 2019 amounted to NIS 2,533 thousand, NIS 1,052 thousand and NIS 984 thousand, respectively.

C) Loan agreements with Bank HaPoalim Ltd. as follows:

1. Credit facility amounting to NIS 200 million, dated May 11, 2021, bearing variable NIS-denominated interest based at Prime lending rate minus 0.2% payable quarterly, for a term of up to 1 year. The credit facility was fully utilized. On September 30, 2021, the credit facility was fully repaid.

2. Loan amounting to NIS 250 million, dated September 14, 2021, bearing fixed NIS-denominated interest at 2%. Loan principal is repayable in equal quarterly installments over 10 years as from the loan origination date, and loan interest is payable quarterly.

3. Loan amounting to NIS 100 million, dated September 14, 2021, bearing fixed NIS-denominated interest at 1.4%. This loan is to be repaid in a single installment, on the second anniversary of loan origination date, with interest with respect to this loan payable quarterly. On March 3, 2022, the Company repaid NIS 50 million out of this loan. On March 29, 2022, the Company Board of Directors approved obtaining an additional credit facility amounting to NIS 100 million.

Note 18: - Financial liabilities (continued)

Financing expenses recognized with respect to these credit facilities in 2021 amounted to NIS 3,587.

ii. Bank loans of Psagot

For more information about the fair value of Psagot's bank loans as of the transaction closing date, see Note 3 above. On September 9, 2021, Psagot repaid in full its outstanding loan balance to banks.

Financing expenses recognized with respect to this loan in the reported period amounted to NIS 6,946 thousand.

Iii Financial covenants

To secure all credit facilities obtained by the Company from banks, as aforesaid, the Company committed to comply with the following financial covenants:

1) Company revenues with respect to management fees per quarter shall be at least NIS 200 million, and should the Psagot merger be closed, at least NIS 250 million as from the closing date thereof. Company revenues in the fourth quarter of 2021 amounted to NIS 390 million.

2) Company shareholder equity net of capital reserves shall be at least NIS 245 million. As of the report date, Company shareholder equity net of capital reserves amounted to NIS 523 million.

3) Debt coverage ratio - the balance of Company debt and obligations towards banks, divided by EBITDA as recognized for the four most recent quarters, shall not exceed:

Period	Percentage
Through testing date on September 30, 2021	4
On testing dates from December 31, 2021 through June 30, 2022	3.7
On testing dates from September 30, 2022 through June 30, 2023	3.5
On testing dates from September 30, 2023 through June 30, 2024	3.3
On testing dates as from September 30, 2024	3

As of the report date, the debt coverage ratio is 1.5.

Note 18: - Financial liabilities (continued)

E) Financial covenants (continued)

4) Debt service ratio - the ratio of EBITDA net of investments in fixed assets and software and net of tax for the four most recent calendar quarters, to debt service (the cumulative amount of interest expenses and linkage differentials plus payments of current maturities, principal and interest (except for principal payments with respect to credit extended to finance compliance with regulatory requirements regarding liquidity requirements for a company which manages provident funds and principal repayment for any credit with a term of up to 12 months, but only interest payments with respect to such credit) payable by the Company to banks in the four calendar quarters subsequent to the report date, except for credit repaid in a single installment at the end of the term) shall be at least 1.5. As of the report date, the debt coverage ratio is 5.4.

5) As of December 31, 2021, the Company is in compliance with these financial covenants.

3. Loan from related party

On July 26, 2017, the Company Board of Directors approved contracting with a related party, including provision of a credit facility amounting to NIS 50 million from Altshuler Shaham Management Services Ltd. (formerly: Altshuler Shaham Insurance Company Ltd.), bearing annual interest in conformity with provisions of Section 3(j) of the Income Tax Ordinance (hereinafter: "the Credit facility"). The amount borrowed, plus interest, would be repaid to Altshuler Shaham Management Services on the 3rd anniversary of the borrowing date. Through December 27, 2020, the Company utilized NIS 48 million out of this credit facility. On December 27, 2020, the Company repaid the outstanding loan balance, including interest payable, amounting to NIS 3,871 thousand. For more information about repayment of a capital note, see Note 26A3 below.
Financing expenses charged with respect to this loan facility in 2020 and 2019 amounted to NIS 1,365 thousand and NIS 1,121 thousand, respectively.

Note 19: - Management fee revenues

	Management fees			Average management fee rate		
	For the year ended December 31,			For the year ended December 31,		
	2021	2020	2019	2021	2020	2019
	NIS in thousands			Percent		
Management fees from provident funds						
Management fees from accrual:						
Altshuler Shaham Provident Funds - track-based fund	497,816	340,076	262,771	0.68	0.7	0.71
Altshuler Shaham Study Fund - track-based fund	600,917	440,619	343,047	0.73	0.75	0.76
Altshuler Shaham Severance Pay Fund - track-based fund	6,931	6,245	6,528	0.66	0.68	0.69
Altshuler Shaham Savings Plus - track-based fund	98,802	58,376	34,371	0.67	0.69	0.68
Altshuler Shaham Savings for Children - track-based fund	12,853	8,913	6,467	0.23	0.23	0.23
Altshuler Shaham Gemel LeAmitey Hever	2,019	-	-	0.42	-	-
Altshuler Shaham Kama	232	-	-	0.20	-	-
Altshuler Shaham Marpe Kupa Merkazit LeDmey Machala	156	-	-	0.51	-	-
Altshuler Shaham Kupat Gemel Merkazit LeHishtatfut BePensia Taktzivit	172	-	-	0.21	-	-
Psagot Gadish	74,880	-	-	0.62	-	-
Psagot Sie Study Fund	31,464	-	-	0.59	-	-
Management fees with respect to sold operations	7,870	-	-	0.37	-	-
Total management fees from accrual	1,334,112	854,229	653,184			
Management fees from deposits:						
Altshuler Shaham Provident Funds - track-based fund	4,483	2,493	2,769	0.12	0.09	0.11
Total management fees from deposits	4,483	2,493	2,769			
Net of reimbursement to members	(6,758)	(12,591)	(3,313)			
Total management fees from provident funds	1,331,837	844,131	652,640			
Management fees from pension funds						
Management fees from accrual:						
Altshuler Shaham Pensia Clalit	1,111	679	547	0.26	0.43	0.58
Altshuler Shaham Pensia Makifa	29,543	15,178	9,553	0.12	0.13	0.18
Total management fees from accrual	30,654	15,857	10,100			
Management fees from deposits:						
Altshuler Shaham Pensia Clalit	3,090	794	410	1.52	1.46	1.54
Altshuler Shaham Pensia Makifa	62,582	37,769	21,787	1.53	1.62	1.81
Total management fees from deposits	65,672	38,563	22,197			
Net of reimbursement to members	(4,451)	(1,381)	(210)			
Total management fees from pension funds	91,875	53,039	32,087			
Total management fees	1,423,712	897,170	684,727			

Note 20: - Data about provident funds and pension funds managed by the Company

A. TOTAL ASSETS UNDER MANAGEMENT, RECEIPTS AND PAYMENTS

	December 31, 2021	For the year ended December 31, 2021	
	Total assets	Incoming	Payments
	NIS in thousands		
Altshuler Shaham Provident Funds - track-based fund	96,012,026	2,248,275	(1,690,002)
Altshuler Shaham Kama	1,117	-	(4,000)
Altshuler Shaham Gemel LeAmitey Hever	771,441	23,921	(14,900)
Altshuler Shaham Study Fund - track-based fund	92,814,769	7,498,928	(2,550,006)
Altshuler Shaham Severance Pay Fund - track-based fund	1,040,229	-	(60,403)
Altshuler Shaham Marpe	49,232	-	(30)
Altshuler Shaham LePensia Taktzivit	118,091	9,079	(9,991)
Altshuler Shaham Savings Plus - track-based fund	16,073,010	5,807,105	(1,456,837)
Altshuler Shaham Savings for Children - track-based fund	6,309,443	947,099	(54,439)
Altshuler Shaham Pensia Clalit	622,680	215,543	(1,189)
Altshuler Shaham Pensia Makifa	30,267,649	4,121,809	(121,864)
Total	244,079,687	20871759	(5,963,661)

	December 31, 2020	For the year ended December 31, 2020	
	Total assets	Incoming	Payments
	NIS in thousands		
Altshuler Shaham Provident Funds - track-based fund	59,409,503	3,099,689	(1,095,452)
Altshuler Shaham Study Fund - track-based fund	70,566,749	6,618,636	(2,250,302)
Altshuler Shaham Severance Pay Fund - track-based fund	991,062	-	(62,550)
Altshuler Shaham Savings Plus - track-based fund	11,658,418	4,704,122	(1,044,229)
Altshuler Shaham Savings for Children - track-based fund	4,760,999	917,965	(25,708)
Altshuler Shaham Pensia Clalit	224,309	55,829	(1,606)
Altshuler Shaham Pensia Makifa	17,239,007	2,353,059	(60,022)
Total	164,850,047	17,749,300	(4,539,869)

Note 20: - Data about provident funds and pension funds managed by the Company (continued)

A. TOTAL ASSETS UNDER MANAGEMENT, RECEIPTS AND PAYMENTS (CONTINUED)

	December 31, 2019	For the year ended December 31, 2019	
	Total assets	**Incoming**	**Payments**
	NIS in thousands		
Altshuler Shaham Provident Funds - track-based fund	44,232,368	3,285,253	(835,836)
Altshuler Shaham Study Fund - track-based fund	52,998,246	5,185,360	(1,829,615)
Altshuler Shaham Severance Pay Fund - track-based fund	951,835	-	(84,104)
Altshuler Shaham Savings Plus - track-based fund	7,464,210	3,538,273	(510,254)
Altshuler Shaham Savings for Children - track-based fund	3,539,532	1,063,384	(11,095)
Altshuler Shaham Pensia Clalit	123,463	25,820	(1,933)
Altshuler Shaham Pensia Makifa	7,856,459	1,258,270	(24,963)
Total	117,166,047	14,356,360	(3,297,800)

B. TRANSFER OF FUNDS

	For the year ended December 31, 2021		
	Provident funds	**Pension funds**	**Total**
	NIS in thousands		
Transfers from others to the Company			
Transfers from insurance companies	1,439,813	840,093	2,279,906
Transfers from pension funds	473,982	7,415,426	7,889,408
Transfers from provident funds	9,428,168	194,056	9,622,224
Total transfers to the Company	11,341,963	8,449,575	19,791,538
Transfers from the Company to others			
Transfers to insurance companies	(308,774)	(27,745)	(336,519)
Transfers to pension funds	(275,383)	(1,481,524)	(1,756,907)
Transfers to provident funds	(16,556,910)	(98,450)	(16,655,360)
Total transfers from the Company	(17,141,067)	(1,607,719)	(18,748,786)
Transfers, net	(5,799,104)	6,841,856	1,042,752

Note 20: - Data about provident funds and pension funds managed by the Company (continued)

	For the year ended December 31, 2020		
	Provident funds	**Pension funds**	**Total**
	NIS in thousands		
Transfers from others to the Company			
Transfers from insurance companies	2,228,785	101,653	**2,330,438**
Transfers from pension funds	783,094	5,974,499	**6,757,593**
Transfers from provident funds	19,452,801	442,315	**19,895,116**
Total transfers to the Company	22,464,680	6,518,467	**28,983,147**
Transfers from the Company to others			
Transfers to insurance companies	(106,923)	(11,716)	**(118,639)**
Transfers to pension funds	(93,792)	(382,748)	**(476,540)**
Transfers to provident funds	(1,579,364)	(40,099)	**(1,619,463)**
Total transfers from the Company	(1,780,079)	(434,563)	**(2,214,642)**
Transfers, net	20,684,601	6,083,904	26,768,505

c. Below is the actuarial excess amount calculated for pension funds managed by the Company and the rate of update to balances of insured members and pension for retirees and those currently eligible for pension, before offset with respect to demographic return distribution made during the year:

	Altshuler Shaham Pensia Clalit	**Altshuler Shaham Pensia Makifa**
	NIS in thousands	
Total actuarial excess for fund members, for the year ended December 31, 2021	2,304	39,906
	%	
Balance update rate:		
Active and suspended members	0.12%	0.14%
Retirees	7.55%	1.39%
Current pension recipients	(0.64%)	1.20%

	Altshuler Shaham Pensia Clalit	**Altshuler Shaham Pensia Makifa**
	NIS in thousands	
Total actuarial excess (shortfall) for fund members, for the year ended December 31, 2020	651	55,688
	%	
Balance update rate:		
Active and suspended members	0.23%	0.40%
Retirees	1.03%	0.87%
Current pension recipients	0.51%	1.66%

Note 21: - Net investment gain (loss) and financing revenues

	For the year ended December 31,		
	2021	2020	2019
	NIS in thousands		
Changes to fair value, net with respect to assets held for trade	(1,973)	1,664	2,675
Gain from appreciation of capital note	-	2,436	9,301
Changes to fair value, net with respect to non-negotiable assets	(835)	-	-
Income tax interest income	-	-	227
Interest and linkage differential income from financial assets other than at fair value on the income statement	-	-	31
Interest and linkage differential income from financial assets at fair value on the income statement	999	210	210
Others	(103)	21	27
Total net investment gain (loss) and financing revenues	(1,912)	4,331	12,471

Note 22: - Commissions, marketing expenses and other acquisition expenses

	For the year ended December 31,		
	2021	2020	2019
	NIS in thousands		
Current commissions	444,078	**302,839**	**232,089**
Amortization of deferred acquisition expenses	76,791	**54,407**	**38,115**
Net of settlement fees	(6,462)	**(4,953)**	**(3,385)**
Total commissions, marketing expenses and other acquisition expenses	514,407	352,293	266,819

Note 23: - **General and administrative expenses**

	For the year ended December 31, 2021	2020	2019
	NIS in thousands		
Payroll and benefits	257,170	**176,151**	**153,106**
Expenses to related parties, net	58,901	**49,547**	**46,962**
Depreciation and amortization	37,732	**23,709**	**18,249**
Operating fees *)	35,314	**23,616**	**18,546**
Professional fees	15,034	**5,456**	**4,135**
Advertising and marketing, including commissions	555,761	**374,734**	**283,014**
IT and communications	25,216	**10,164**	**8,736**
Office maintenance	13,477	**4,601**	**4,903**
Auto maintenance	3,283	**1,175**	**2,025**
Charitable donations	7,190	**5,403**	**5,326**
Issuance expenses	-	**-**	**2,439**
Others	16,603	**7,664**	**9,151**
Total	1,025,682	**682,220**	**556,592**
Net of amounts classified under commissions, marketing expenses and other acquisition expenses	(514,407)	**(352,293)**	**(266,819)**
Contribution towards Company expenses by:			
Altshuler Shaham Ltd. **)	(8,553)	**(9,418)**	**(8,478)**
Others ***)	(2,670)	**-**	**-**
General and administrative expenses	500,051	**320,509**	**281,295**

*) The Company has entered into agreement with multiple operators, for current operation of provident funds and pension funds.

**) See Note 26E2a1.

***) On August 26, 2021, the Company signed a mutual services agreement with Psagot Mutual Funds Ltd., Psagot Securities Ltd. and Value Capital One Management Ltd. (hereinafter: "the **Agreement**"). The Agreement stipulates the various services to be provided by each party to the other, and the consideration with respect there to. The services include: Staff, common IT systems, information databases and other current settlements, if any. The Agreement is effective through December 31, 2021.

Note 24: - Other expenses

	For the year ended December 31, 2021	2020	2019
	NIS in thousands		
Amortization of intangible assets	11,294	1,321	1,344
Other expenses with respect to settlement fees	6,719	4,953	3,385
Capital loss with respect to lease	7,705	-	-
Transaction expenses *)	2,899	-	-
Total other expenses	28,617	6,274	4,729

*) See Notes 3 and 13B above.

Note 25: - Financing expenses

	For the year ended December 31,		
	2021	2020	2019
	NIS in thousands		
Liabilities to banks and others	18,639	5,378	4,900
Commissions and other financing expenses	2,228	448	298
Interest to income tax	288	1,143	-
Financing expenses with respect to lease	2,041	743	669
Total financing expenses	23,196	7,712	5,867

Note 26: - Balances and transactions with interested parties and related parties

Parent company

The Company is directly and indirectly held by Altshuler Shaham Ltd. (which is incorporated in Israel).

A. BALANCES WITH INTERESTED PARTIES AND RELATED PARTIES

Composition:

As of December 31, 2021

	For conditions, see Note	Parties with material influence	Interested parties and other related parties
		NIS in thousands	
Other accounts receivable 1)		-	822
Other accounts payable 2)	23E	7,892	1,680
Liability with respect to lease 4)		-	2,368

As of December 31, 2020

	For conditions, see Note	Parties with material influence	Interested parties and other related parties
		NIS in thousands	
Other accounts receivable 1)		-	83
Other accounts payable 2)	23E	25,111	2,708
Liability with respect to lease 4)		-	2,743

1) Highest balance of other accounts receivable for a party with material influence, interested parties and other related parties, in 2021 and 2020, amounted to NIS 1,500 thousand and NIS 1,400 thousand, respectively.

2) Current balances due to current settlements between the Company and Group companies.

3) Through 2016, the Company provided to Altshuler Shaham Financial Management Ltd. ("the Borrower"), a company controlled by the controlled by the controlling shareholders, capital notes amounting in total to NIS 73.5 million. These amounts are not linked to the CPI nor to the exchange rate, and do not bear interest. Furthermore, it was agreed that these amounts would only be payable after 5 years from the signing date, on a date to be agreed by the parties. Under certain conditions, as stipulated in the note, the Company is entitled to 25% of earnings distributed by the Borrower.

Note 26: - Balances and transactions with interested parties and related parties (continued)

In 2020 and 2019, expected repayment of capital notes was revised, and consequently the Company recognized gain with respect to appreciation amounting to NIS 2,436 thousand and NIS 9,301 thousand, respectively, charged to Financing Revenues.

On December 24, 2020, the 3 capital notes were repaid by offset of the loan balance provided to Altshuler Shaham Management Services Ltd. (For more information about loan from a related party, see Note 18C3 above), and cash receipt amounting to NIS 290 thousand. The capital note balance was repaid against assignment of the right to receive future receipts from Hachshara Insurance Company Ltd. (for more information, see Note 11C above with regard to financial investments).

4) PURSUANT TO AN AGREEMENT DATED DECEMBER 2014 AND REVISIONS THEREOF, THE COMPANY LEASES A BUILDING FROM A COMPANY CONTROLLED BY MS. GALIA BAR WILFE, AN INTERESTED PARTY IN THE COMPANY, FOR OPERATING THE COMPANY'S SERVICE CENTER IN HAIFA.

B. TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES

For the year ended December 31, 2021

	For conditions, see	Parties with material influence	Interested parties and other related parties
	Note	NIS in thousands	
Other revenues	26E	(2,008)	-
General and administrative expenses	26E	51,785	14,456
Commissions, marketing expenses and acquisition expenses	26E	-	5,115
Receipts from Altshuler Shaham Ltd.	26E	(8,553)	-
Development costs capitalized to intangible assets	26E	-	6,396
Capitalization of deferred acquisition expenses	26E	-	299
Cost of share-based payment for exercise at Altshuler Shaham Ltd.	27B	397	-
Cost of share-based payment to employees of Altshuler Shaham Ltd. for exercise at the Company	27C	3,542	-
		45,163	26,266

Note 26: - Balances and transactions with interested parties and related parties (continued)

For the year ended December 31, 2020

	For conditions, see Note	Parties with material influence	Interested parties and other related parties
		NIS in thousands	
Other revenues	26E	(1,879)	-
General and administrative expenses	26E	40,873	17,016
Commissions, marketing expenses and acquisition expenses	26E	-	3,422
Receipts from Altshuler Shaham Ltd.	26E	(9,418)	-
Development costs capitalized to intangible assets	26E	-	7,437
Capitalization of deferred acquisition expenses	26E	-	439
Financing expenses	18C3	-	1,365
Cost of share-based payment for exercise at Altshuler Shaham Ltd.	27B	2,432	-
Cost of share-based payment to employees of Altshuler Shaham Ltd. for exercise at the Company	27C	4,670	-
		36,678	29,679

For the year ended December 31, 2019

	For conditions, see Note	Parties with material influence	Interested parties and other related parties
		NIS in thousands	
Other revenues	26E	(2,300)	-
General and administrative expenses	26E	38,859	13,841
Commissions, marketing expenses and acquisition expenses	26E	-	2,172
Receipts from Altshuler Shaham Ltd.	26E	(8,478)	-
Development costs capitalized to intangible assets	26E	-	6,541
Capitalization of deferred acquisition expenses	26E	-	374
Financing expenses	18C3	-	1,110
Benefit to related party charged to equity	26J	2,442	-
Cost of share-based payment for exercise at Altshuler Shaham Ltd.	27B	6,199	-
Cost of share-based payment to employees of Altshuler Shaham Ltd. for exercise at the Company	27C	1,639	-
		38,361	24,038

Note 26: - Balances and transactions with interested parties and related parties (continued)

C. BENEFITS TO RELATED PARTIES AND OTHER INTERESTED PARTIES

	For the year ended December 31,					
	2021		2020		2019	
	Number of persons	Amount	Number of persons	Amount	Number of persons	Amount
		NIS in thousands		NIS in thousands		NIS in thousands
General Manager's salary	1	2,256	1	2,255	1	2,254

D. BENEFITS TO RELATED PARTIES AND OTHER INTERESTED PARTIES NOT EMPLOYED BY THE COMPANY

	For the year ended December 31,					
	2021		2020		2019	
	Number of persons	Amount	Number of persons	Amount	Number of persons	Amount
		NIS in thousands		NIS in thousands		NIS in thousands
Board members not employed by the Company	7	1,907	7	1,660	7	1,157

E. REVENUES AND EXPENSES WITH RELATED PARTIES AND INTERESTED PARTIES

1. Terms and conditions of transactions with related parties

Some of the Company's financial activity is with related parties and interested parties, in the normal course of business and at market terms. Outstanding balances at end of year are not secured, do not bear interest and would be settled in cash. No guarantees were received nor provided with respect to amounts receivable or payable.

2. Settlement agreements with related parties

As of the date of this report, the Company has co-operation agreements with related parties, as follows:

a) Agreements with Altshuler Shaham Ltd.

1) Agreement between the Company and Altshuler Shaham Ltd., specifying the services provided to the Company by Altshuler Shaham Ltd. And services provided by the Company to Altshuler Shaham Ltd., as from January 2019. The consideration for services provided by the Company to Altshuler Shaham Ltd. in 2021, 2020 and 2019 amounted to NIS 8,553 thousand, NIS 9,418 thousand and NIS 8,478 thousand, respectively. The consideration for services provided to the Company by Altshuler Shaham Ltd. in 2021, 2020 and 2019 amounted to NIS 51,785 thousand, NIS 40,873 thousand and NIS 38,859 thousand, respectively. The services provided to the Company by Altshuler Shaham Ltd. include, *inter alia*, services of investment managers, human resource services, IT, marketing communications and other services.

Note 26: - **Balances and transactions with interested parties and related parties (continued)**

2) Agreement between the Company and Altshuler Shaham Ltd. for marketing of Altshuler Shaham Ltd. products by the Company. This agreement has been terminated with regard to future referrals, but the Company continues to be entitled to commissions with respect to prior referrals, as agreed by the parties. The consideration for these services in 2021, 2020 and 2019 amounted to NIS 2,008 thousand, NIS 1,879 thousand and NIS 2,300 thousand, respectively.

a. Agreement between the Company and Altshuler Shaham Insurance Agency Ltd. (hereinafter: "**Insurance Agency**"), specifying the services provided by the Insurance Agency to the Company.

In June 2019, the Company signed a new marketing agreement with the Insurance Agency, which governs their relationship with regard to pension marketing of Company products to clients of the Insurance Agency. As part of this agreement, several Company employees and provisions with respect there to were transferred to the Insurance Agency. For these services, the Company paid in 2021, 2020 and 2019 NIS 6,497 thousand, NIS 8,137 thousand and NIS 5,738 thousand, respectively.

b. Agreement between the Company and Altshuler Shaham Mutual Fund Management Ltd., specifying the settlement between the companies with respect to services provided to the Company by Altshuler Shaham Mutual Fund Management Ltd. and vice versa. For these services, the Company paid in 2021, 2020 and 2019 NIS 1,545 thousand, NIS 1,472 thousand and NIS 1,728 thousand, respectively.

c. IT expenses to Generics Software Ltd. (a company wholly owned by Perfect (Y.N.A) Capital Markets Ltd.) with respect to software services, maintenance and IT system operation. On March 3, 2019, the Company Board of Directors approved an amendment to the agreement with Generics Software Ltd., revising the service tariff. For these services, the Company paid in 2021, 2020 and 2019 NIS 12,375 thousand, NIS 14,873 thousand and NIS 13,082 thousand, respectively (out of these amounts, NIS 6,396 thousand, NIS 7,437 thousand and NIS 6,541 thousand, respectively, were capitalized to an intangible asset.

d. In May 2019, the Company entered into an agreement with Altshuler Shaham Properties Ltd. (hereinafter: "**Properties**"), which governs the relationship between the parties and purchase of various services from the Company by Properties, as from January 2019. The consideration for these services in 2021, 2020 and 2019 amounted to NIS 407 thousand, NIS 235 thousand and NIS 207 thousand, respectively.

e. Agreements between the Company and Altshuler Shaham Retirement Guidance Insurance Agency Ltd., governing retirement planning services for Company members and marketing of Company products to clients of Altshuler Shaham Retirement Guidance Insurance Agency Ltd. For these services, the Company paid in 2021, 2020 and 2019 current commissions amounting to NIS 2,102 thousand, NIS 1,508 thousand and NIS 527 thousand, respectively and target commissions amounting to NIS 299 thousand, NIS 439 thousand and NIS 374 thousand, respectively.

f. Agreement between the Company and Altshuler Shaham Finance Retirement Insurance Agency Ltd., governing their relationships with regard to pension marketing of Company products to clients of Altshuler Shaham Finance Retirement Insurance Agency Ltd. For these services, the Company paid in 2021, 2020 and 2019 NIS 2,879 thousand, NIS 1,775 thousand and NIS 873 thousand, respectively.

Note 26: - Balances and transactions with interested parties and related parties (continued)

g. On July 22, 2019, the Company's shares were listed for trading on the Tel Aviv Stock Exchange Ltd. In conjunction with public offering of Company shares in 2019, the Company incurred expenses with respect to preparing and issuing the prospectus. As described in the prospectus, the Company bore all of these expenses, with half of the issuance expenses, amounting to NIS 2,442 thousand, charged against shareholder equity of the Company as benefit to a related party.

For more information about revision of agreements between the Company and related parties, see Note 31B below.

Note 27: - Share-based payment transactions

A. EXPENSE RECOGNIZED ON FINANCIAL STATEMENTS

The expense recognized in the financial statements for services rendered by employees is presented in the following table:

	For the year ended December 31,		
	2021	2020	2019
	NIS in thousands		
Share-based payment plans for exercise at Altshuler Shaham Ltd., settled in equity instruments - for more information see section B below.	398	2,433	6,199
Share-based payment plans for exercise at the Company, settled in equity instruments - for more information see section C below.	11,007	9,499	2,631
Total expense recognized for share-based payment transactions	11,405	11,932	8,830

Share-based payment transactions awarded by the Company to its employee are described below. In 2021, 2020 and 2019 no changes or cancellations were made to said employee benefit plans.

B. SHARE-BASED PAYMENT PLAN FOR EXERCISE AT ALTSHULER SHAHAM LTD.

1. SHARE-BASED PAYMENT PLAN FOR SENIOR EXECUTIVES, FOR EXERCISE AT ALTSHULER SHAHAM LTD.

   On July 18, 2017, the Board of Directors of Altshuler Shaham Ltd. approved an employee stock option plan through a Trustee, pursuant to Section 102 of the Income Tax Ordinance under the Capital Gain track. On December 31, 2018 and 2017, the Board of Directors of Altshuler Shaham Ltd. approved allocation of option warrants, for no consideration, to select executives of the Company, for a total of 6,514 and 7,106 option warrants, respectively, registered in the owner's name, non-negotiable, exercisable (assuming full exercise) for up to 6,514 and 7,106 ordinary shares of Altshuler Shaham Ltd., respectively of NIS 0.01 par value each, subject to adjustments, including adjustment of the exercise price for dividend distribution. The exercise price for the stock options as of the award date was NIS 844 and NIS 616, respectively.

Note 27: - Share-based payment transactions (continued)

b. Share-based payment plan for exercise at Altshuler Shaham Ltd. (continued)

The options vest in lots, over 3 years from the award date, and contingent on the executive being employed by the Company and on achievement of performance-based targets, as set forth in the award letters.

The contractual term of the stock options, if vested, is 10 years after the award date.
This share-based payment transaction may only be settled by shares of Altshuler Shaham Ltd. (There is no alternative cash settlement).

The fair value of the options as of the award date was estimated using the binomial model, based on conditions and data used in award of these instruments.

The agreement between the Company and Altshuler Shaham Ltd. further stipulates that, subject to option exercise by employees of the Company and of Altshuler Shaham Ltd., who provide services to the Company, Altshuler Shaham Ltd. Would be entitled to increase its holding stake in the Company. In 2019, these provisions were terminated and any option exercise by employees of the Company and of Altshuler Shaham Ltd., who provide services to the Company, Altshuler Shaham Ltd. Would not be entitled to increase its holding stake in the Company.

2. Share-based payment plan for employees, for exercise at Altshuler Shaham Ltd.

On July 18, 2017, the Board of Directors of Altshuler Shaham Ltd. approved an employee stock option plan through a Trustee, pursuant to Section 102 of the Income Tax Ordinance under the Capital Gain track. On December 31, 2017, the Board of Directors of Altshuler Shaham Ltd. approved allocation of option warrants, for no consideration, to select employees of the Company, for a total of 15,456 option warrants, registered in the owner's name, non-negotiable, exercisable (assuming full exercise) for up to 15,456 ordinary shares of Altshuler Shaham Ltd. of NIS 0.01 par value each, subject to adjustments, including adjustment of the exercise price for dividend distribution. The exercise price for each option is NIS 616.

The options vest in lots, over 3 years from the award date, and contingent on the employee being employed by the Company and on achievement of performance-based targets, as set forth in the award letters.

The contractual term of the stock options, if vested, is 10 years after the award date.
This share-based payment transaction may only be settled by shares of Altshuler Shaham Ltd. (There is no alternative cash settlement).

The fair value of the options as of the award date was estimated using the binomial model, based on conditions and data used in award of these instruments.

The agreement between the Company and Altshuler Shaham Ltd. further stipulates that, subject to option exercise by employees of the Company and of Altshuler Shaham Ltd., who provide services to the Company, Altshuler Shaham Ltd. Would be entitled to increase its holding stake in the Company. In 2019, these provisions were terminated and any option exercise by employees of the Company and of Altshuler Shaham Ltd., who provide services to the Company, Altshuler Shaham Ltd. Would not be entitled to increase its holding stake in the Company.

Note 27: - Share-based payment transactions (continued)

c. Share-based payment plan for exercise at the Company

1. Share-based payment plan for a key executive other than an officer

a) Further to the Board of Directors' resolution dated July 9, 2019, whereby the Board of Directors adopted an outline for allocation of 12,226,334 option warrants pursuant to the Company stock option plan, on March 29, 2020, the Board of Directors approved allocation of an additional lot of Company option warrants, out of the aforementioned option warrants, to a key executive other than an officer of the Group.
In March 2020, a key executive other than officer of the Company and of Altshuler Shaham Ltd. was allocated 27,168 and 54,335 non-negotiable options, respectively.

Eligibility for option warrants to be allocated to offerees who are key executives other than officers, is contingent on all pre-conditions for stock options, as specified by the Company's Remuneration Committee and Board of Directors. Eligibility conditions involve achievement of minimum shareholder equity and targets for revenues and net income for the year ended December 31, 2020.

The options may be exercised for ordinary shares of NIS 0.01 par value Each, on the following dates:
(1) A total of 27,168 options would vest on April 1, 2022;
(2) A total of 27,168 options would vest on April 1, 2023;
(3) A total of 27,167 options would vest on April 1, 2024.

The option exercise price, as of the award date, is NIS 11.25 per share, before adjustment for dividend distributions, determined based on the average closing price per Company share on the Tel Aviv Stock Exchange on the 30 trading days prior to approval of the award by the Board of directors.
The contractual term of the stock options, if vested, is 10 years after the award date.
The options were awarded under the Capital Gain track with a Trustee, as defined in Section 102(b)(2) of the Income Tax Ordinance.
Vested options may be exercised by net exercise only (i.e. Cash-less exercise based on the inherent benefit value), so that the exercise price is merely theoretical - to be used for calculation of the benefit value - and not actually paid by the offeree.

Below is data used to measure the fair value of the options upon the award date, based on the binomial model for pricing options, for the aforementioned plan:
Share dividend yield - 0%
Expected share price volatility - 32.73%
Risk-free interest rate - 1.13%
Expected contractual term of the options - 10 years after the award date
Price of share / underlying asset - NIS 12.62
According to the above data, the fair value of the options was set to NIS 431 thousand upon the award date.

Note 27: - Share-based payment transactions (continued)

c. Share-based payment plan for exercise at the Company (continued)

2. Share-based payment plan for officer

Further to the Board of Directors' resolution dated July 9, 2019, whereby the Board of Directors adopted an outline for allocation of 12,226,334 option warrants pursuant to the Company stock option plan, on March 21, 2021, the Board of Directors approved allocation of an additional lot of Company option warrants, out of the aforementioned option warrants, to officers of the Company and of Altshuler Shaham Ltd.
In March 2021, 63,385 and 27,165 non-negotiable options were awarded to an officer of the Company and to an officer of Altshuler Shaham Ltd., respectively.

Eligibility for option warrants to be allocated to offerees who are officers, is contingent on all pre-conditions for stock options, as specified by the Company's Remuneration Committee and Board of Directors. Eligibility conditions involve achievement of minimum shareholder equity and targets for revenues and net income for the year ended December 31, 2021.
The options may be exercised for ordinary shares of NIS 0.01 par value Each, on the following dates:

(1) A total of 30,183 options would vest on April 1, 2023;
(2) A total of 30,183 options would vest on April 1, 2024;
(3) A total of 30,184 options would vest on April 1, 2025.

The option exercise price is NIS 20.96 per share, before adjustment for dividend distributions, determined based on the average closing price per Company share on the Tel Aviv Stock Exchange on the 30 trading days prior to approval of the award by the Board of directors. The contractual term of the stock options, if vested, is 10 years after the award date.

The options were awarded under the Capital Gain track with a Trustee, as defined in Section 102(b)(2) of the Income Tax Ordinance.

Vested options may be exercised by net exercise only (i.e. Cash-less exercise based on the inherent benefit value), so that the exercise price is merely theoretical - to be used for calculation of the benefit value - and not actually paid by the offeree.

Below is data used to measure the fair value of the options upon the award date, based on the binomial model for pricing options, for the aforementioned plan:

Share dividend yield - 0%
Expected share price volatility - 33.8%
Risk-free interest rate - 1.36%
Expected contractual term of the options - 10 years after the award date
Price of share / underlying asset - NIS 21.35
According to the above data, the fair value of the options was set to NIS 842 thousand upon the award date.

Note 27: - Share-based payment transactions (continued)

C. Share-based payment plan for exercise at the Company (continued)

3. Share-based payment plan for general employees

a) Further to the Board of Directors' resolution dated July 9, 2019, whereby the Board of Directors adopted an outline for award of 12,226,334 option warrants pursuant to the Company's stock option plan, on March 29, 2020 the Company Board of Directors approved award of 636,879 and 63,823 non-negotiable options to employees of the Company and of Altshuler Shaham Ltd., respectively, which may be exercised for ordinary shares of NIS 0.01 par value each, on the following dates:

(1) A total of 233,567 options would vest on April 1, 2021;
(2) A total of 233,567 options would vest on April 1, 2022;
(3) A total of 233,568 options would vest on April 1, 2023.

The option exercise price, as of the award date, is NIS 11.25 per share, before adjustment for dividend distributions, determined based on the average closing price per Company share on the Tel Aviv Stock Exchange on the 30 trading days prior to approval of the award by the Board of directors. The contractual term of the stock options, if vested, is 10 years after the award date.

The options were awarded under the Capital Gain track with a Trustee, as defined in Section 102(b)(2) of the Income Tax Ordinance.
Vested options may be exercised by net exercise only (i.e. Cash-less exercise based on the inherent benefit value), so that the exercise price is merely theoretical - to be used for calculation of the benefit value - and not actually paid by the offeree.

Below is data used to measure the fair value of the options upon the award date, based on the binomial model for pricing options, for the aforementioned plan:
Share dividend yield - 0%
Expected share price volatility - 32.73%
Risk-free interest rate - 1.13%
Expected contractual term of the options - 10 years after the award date
Price of share / underlying asset - NIS 12.62
According to the above data, the fair value of the options was set to NIS 3,648 thousand upon the award date.

b) Further to the Board of Directors' resolution dated July 9, 2019, whereby the Board of Directors adopted an outline for award of 12,226,334 option warrants pursuant to the Company's stock option plan, on May 27, 2020 the Company Board of Directors approved award of 334,366 and 43,665 non-negotiable options to employees of the Company and of Altshuler Shaham Ltd., respectively, which may be exercised for ordinary shares of NIS 0.01 par value each, on the following dates:

(1) A total of 126,010 options would vest on June 1, 2021;
(2) A total of 126,010 options would vest on June 1, 2022;
(3) A total of 126,011 options would vest on June 1, 2023.

Note 27: - Share-based payment transactions (continued)

c. Share-based payment plan for exercise at the Company (continued)

3. Share-based payment plan for general employees (continued)

The option exercise price, as of the award date, is NIS 12.08 per share, before adjustment for dividend distributions, determined based on the average closing price per Company share on the Tel Aviv Stock Exchange on the 30 trading days prior to approval of the award by the Board of directors.The contractual term of the stock options, if vested, is 10 years after the award date.

The options were awarded under the Capital Gain track with a Trustee, as defined in Section 102(b)(2) of the Income Tax Ordinance.

Vested options may be exercised by net exercise only (i.e. Cash-less exercise based on the inherent benefit value), so that the exercise price is merely theoretical - to be used for calculation of the benefit value - and not actually paid by the offeree.

Below is data used to measure the fair value of the options upon the award date, based on the binomial model for pricing options, for the aforementioned plan:
Share dividend yield - 0%
Expected share price volatility - 33.99%
Risk-free interest rate - 0.78%
Expected contractual term of the options - 10 years after the award date
Price of share / underlying asset - NIS 13.93

According to the above data, the fair value of the options was set to NIS 2,228 thousand upon the award date.

c) Further to the Board of Directors' resolution dated July 9, 2019, whereby the Board of Directors adopted an outline for award of 12,226,334 option warrants pursuant to the Company's stock option plan, on August 16, 2020 the Company Board of Directors approved award of 622,128 and 101,418 non-negotiable options to employees of the Company and of Altshuler Shaham Ltd., respectively, which may be exercised for ordinary shares of NIS 0.01 par value each, on the following dates:

(1) A total of 241,182 options would vest on August 18, 2021;
(2) A total of 241,182 options would vest on August 18, 2022;
(3) A total of 241,182 options would vest on August 18, 2023.

The option exercise price, as of the award date, is NIS 14.97 per share, before adjustment for dividend distributions, determined based on the average closing price per Company share on the Tel Aviv Stock Exchange on the 30 trading days prior to approval of the award by the Board of directors. The contractual term of the stock options, if vested, is 10 years after the award date.

Note 27: - Share-based payment transactions (continued)

C. SHARE-BASED PAYMENT PLAN FOR EXERCISE AT THE COMPANY (CONTINUED)

3. Share-based payment plan for general employees (continued)

The options were awarded under the Capital Gain track with a Trustee, as defined in Section 102(b)(2) of the Income Tax Ordinance.
Vested options may be exercised by net exercise only (i.e. Cash-less exercise based on the inherent benefit value), so that the exercise price is merely theoretical - to be used for calculation of the benefit value - and not actually paid by the offeree.
elow is data used to measure the fair value of the options upon the award date, based on the binomial model for pricing options, for the aforementioned plan:
Share dividend yield - 0%
Expected share price volatility - 33.8%
Risk-free interest rate - 0.69%
Expected contractual term of the options - 10 years after the award date
Price of share / underlying asset - NIS 17.46
According to the above data, the fair value of the options was set to NIS 5,371 thousand upon the award date.

d) Further to the Board of Directors' resolution dated July 9, 2019, whereby the Board of Directors adopted an outline for award of 12,226,334 option warrants pursuant to the Company's stock option plan, on November 25, 2020 the Company Board of Directors approved award of 720,637 and 77,252 non-negotiable options to employees of the Company and of Altshuler Shaham Ltd., respectively, which may be exercised for ordinary shares of NIS 0.01 par value each, on the following dates:

(1) A total of 265,963 options would vest on November 11, 2021;
(2) A total of 265,963 options would vest on November 11, 2022;
(3) A total of 265,963 options would vest on November 11, 2023.

The option exercise price, as of the award date, is NIS 16.40 per share, before adjustment for dividend distributions, determined based on the average closing price per Company share on the Tel Aviv Stock Exchange on the 30 trading days prior to approval of the award by the Board of directors. The contractual term of the stock options, if vested, is 10 years after the award date.
The options were awarded under the Capital Gain track with a Trustee, as defined in Section 102(b)(2) of the Income Tax Ordinance.
Vested options may be exercised by net exercise only (i.e. Cash-less exercise based on the inherent benefit value), so that the exercise price is merely theoretical - to be used for calculation of the benefit value - and not actually paid by the offeree.
Below is data used to measure the fair value of the options upon the award date, based on the binomial model for pricing options, for the aforementioned plan:
Share dividend yield - 0%
Expected share price volatility - 34.3%
Risk-free interest rate - 0.88%
Expected contractual term of the options - 10 years after the award date
Price of share / underlying asset - NIS 18.01

According to the above data, the fair value of the options was set to NIS 5,947 thousand upon the award date.

Note 27: - Share-based payment transactions (continued)

C. Share-based payment plan for exercise at the Company (continued)

3. Share-based payment plan for general employees (continued)

e) Further to the Board of Directors' resolution dated July 9, 2019, whereby the Board of Directors adopted an outline for award of 12,226,334 option warrants pursuant to the Company's stock option plan, on March 21, 2021 the Company Board of Directors approved award of 381,482 and 119,534 non-negotiable options to employees of the Company and of Altshuler Shaham Ltd., respectively, which may be exercised for ordinary shares of NIS 0.01 par value each, on the following dates:

(1) A total of 167,005 options would vest on March 24, 2022;
(2) A total of 167,005 options would vest on March 24, 2023;
(3) A total of 167,006 options would vest on March 24, 2024.

The option exercise price, as of the award date, is NIS 20.96 per share, before adjustment for dividend distributions, determined based on the average closing price per Company share on the Tel Aviv Stock Exchange on the 30 trading days prior to approval of the award by the Board of directors. The contractual term of the stock options, if vested, is 10 years after the award date.

The options were awarded under the Capital Gain track with a Trustee, as defined in Section 102(b)(2) of the Income Tax Ordinance.
Vested options may be exercised by net exercise only (i.e. Cash-less exercise based on the inherent benefit value), so that the exercise price is merely theoretical - to be used for calculation of the benefit value - and not actually paid by the offeree.

Below is data used to measure the fair value of the options upon the award date, based on the binomial model for pricing options, for the aforementioned plan:

- Share dividend yield - 0%
- Expected share price volatility - 33.8%
- Risk-free interest rate - 1.36%
- Expected contractual term of the options - 10 years after the award date
- Price of share / underlying asset - NIS 21.35

According to the above data, the fair value of the options was set to NIS 4,284 thousand upon the award date.

f) Further to the Board of Directors' resolution dated July 9, 2019, whereby the Board of Directors adopted an outline for award of 12,226,334 option warrants pursuant to the Company's stock option plan, and further to the Board of Directors' resolution dated April 26, 2021, whereby the Board of Directors approved an outline for award of 1,000,000 options pursuant to the Company's stock option plan, on May 26, 2021 the Company Board of Directors approved award of 236,124 and 84,042 non-negotiable options to employees of the Company and of Altshuler Shaham Ltd., respectively, which may be exercised for ordinary shares of NIS 0.01 par value each, on the following dates:

(1) A total of 106,722 options would vest on May 30, 2022;
(2) A total of 106,722 options would vest on May 30, 2023;
(3) A total of 106,722 options would vest on May 30, 2024.

Note 27: - Share-based payment transactions (continued)

c. Share-based payment plan for exercise at the Company (continued)

The option exercise price, as of the award date, is NIS 19.72 per share, before adjustment for dividend distributions, determined based on the average closing price per Company share on the Tel Aviv Stock Exchange on the 30 trading days prior to approval of the award by the Board of directors. The contractual term of the stock options, if vested, is 10 years after the award date.

The options were awarded under the Capital Gain track with a Trustee, as defined in Section 102(b)(2) of the Income Tax Ordinance.
Vested options may be exercised by net exercise only (i.e. Cash-less exercise based on the inherent benefit value), so that the exercise price is merely theoretical - to be used for calculation of the benefit value - and not actually paid by the offeree.

Below is data used to measure the fair value of the options upon the award date, based on the binomial model for pricing options, for the aforementioned plan:

- Share dividend yield - 0%
- Expected share price volatility - 33.7%
- Risk-free interest rate - 1.34%
- Expected contractual term of the options - 10 years after the award date
- Price of share / underlying asset - NIS 21.53

According to the above data, the fair value of the options was set to NIS 2,872 thousand upon the award date.

g) Further to the Board of Directors' resolution dated July 9, 2019, whereby the Board of Directors adopted an outline for award of 12,226,334 option warrants pursuant to the Company's stock option plan, and further to the Board of Directors' resolution dated April 26, 2021, whereby the Board of Directors approved an outline for award of 1,000,000 options pursuant to the Company's stock option plan, on August 30, 2021 the Company Board of Directors approved award of 289,441 and 121,326 non-negotiable options to employees of the Company and of Altshuler Shaham Ltd., respectively, which may be exercised for ordinary shares of NIS 0.01 par value each, on the following dates:

(1) A total of 136,922 options would vest on September 1, 2022;
(2) A total of 136,922 options would vest on September 1, 2023;
(3) A total of 136,923 options would vest on September 1, 2024.

The option exercise price, as of the award date, is NIS 17.79 per share, before adjustment for dividend distributions, determined based on the average closing price per Company share on the Tel Aviv Stock Exchange on the 30 trading days prior to approval of the award by the Board of directors. The contractual term of the stock options, if vested, is 10 years after the award date.

The options were awarded under the Capital Gain track with a Trustee, as defined in Section 102(b)(2) of the Income Tax Ordinance.

Note 27: - Share-based payment transactions (continued)

c. Share-based payment plan for exercise at the Company (continued)

Vested options may be exercised by net exercise only (i.e. Cash-less exercise based on the inherent benefit value), so that the exercise price is merely theoretical - to be used for calculation of the benefit value - and not actually paid by the offeree.

Below is data used to measure the fair value of the options upon the award date, based on the binomial model for pricing options, for the aforementioned plan:

- Share dividend yield - 0%
- Expected share price volatility - 34%
- Risk-free interest rate - 1.19%
- Expected contractual term of the options - 10 years after the award date
- Price of share / underlying asset - NIS 16.25

According to the above data, the fair value of the options was set to NIS 2,477 thousand upon the award date.

2. MOVEMENT DURING THE YEAR

The following table lists the change in number of stock options and their weighted average exercise price:

	2021	
	Number of stock options	Weighted average exercise price *)
		NIS
Options at start of year	10,499,815	7.72
Options awarded during the year	1,322,499	19.68
Stock options forfeited during the year	(713,764)	12.23
Stock options exercised during the year	(876,581)	6.11
Options at end of year	10,231,969	8.74

	2020	
	Number of stock options	Weighted average exercise price *)
		NIS
Options at start of year	8,563,380	6.28
Options awarded during the year	2,673,522	13.91
Stock options forfeited during the year	(565,635)	7.60
Stock options exercised during the year	(171,452)	5.59
Options at end of year	10,499,815	7.72

The weighted average remaining contractual term of the stock options as of December 31, 2021 and as of December 31, 2020 is 8.1 years and 8.9 years, respectively.
The range of stock option exercise prices as of December 31, 2021 and as of December 31, 2020 is NIS 5.07-20.58 and NIS 5.45-16.40, respectively.

*) Adjusted for dividend distributions.

Note 28: - **Risk management**

A. Overview

The Company does business in the provident fund and pension fund operating segments. Company operations expose the Company to the following risk types: Market risk, credit (counter-party) risk, liquidity risk, operating risk.

b. Description of risk management procedures and methods

Risk management is an inherent part of the Company's day-to-day operations in making investments. In risk management, the Company strives to identify, measure and analyze the risk facing the Company, to set appropriate limitations and controls for such risk and to supervise both the risk and compliance with such limitations. The risk management methodology is regularly reviewed so as to reflect changes in market conditions and in Company operations. The Company, through training, procedures and controls, strives to develop an efficient control environment, where all employees understand their role and commitment.

d. Legal requirements

The Company has appointed a Financial Risk Officer for provident funds managed by the Company, as an objective, independent party for creating appropriate infrastructure at the management company for understanding, identifying and measuring the aforementioned risk types, for regular monitoring thereof, for decision making and for setting policy based there upon. The Financial Risk Officer conducts regular measurements and controls, which are reported to the Board of Directors and to Board committees as required.

d. Market risk

1. Market risk is the risk of future fair value or cash flows of financial assets and financial liabilities would change due to changes to market prices. Market risks include, *inter alia*, risk due to changes to interest rates, share prices, the Consumer Price Index and currency exchange rates.

2. Sensitivity tests regarding market risk

Below is the assessment of sensitivity and changes to value of financial assets, which are various debt instruments, due to changes in interest rate. These calculations assume that all other variables that affect asset value (such as credit rating) are kept constant.
Note that this sensitivity is not linear, so that larger or smaller changes than the changes described below may not be simply extrapolated from the effect of such changes.

As of December 31, 2021:

	Interest rate (a)	
	1%	**-1%**
	NIS in thousands	
Income (loss)	(5,141)	5,141
Total revenues (shareholder equity)	(5,141)	5,141

Note 28: - Risk management (continued)

ד. MARKET RISK (CONTINUED)

As of December 31, 2020:

	Interest rate (a)	
	1%	-1%
	NIS in thousands	
Income (loss)	(3,028)	3,028
Total revenues (shareholder equity)	(3,028)	3,028

Sensitivity analysis to change in interest rate applies to instruments bearing fixed interest, as well as to the carrying amount of such instrument, and for instruments bearing variable interest - exposure is with regard o cash flow for instruments bearing variable interest. For instruments bearing fixed interest, the exposure is in the ratio of cash from the financial instrument. To calculate sensitivity, we accounted for a change in interest rate since the start of the year, even for assets acquired during the year.

3. Company assets and liabilities by linkage basis

	December 31, 2021			
	Non-linked	Linked To CPI	Non-monetary and other items	Total
	NIS in thousands			
Assets:				
Intangible assets	-	-	570,195	570,195
Deferred acquisition costs	-	-	353,571	353,571
Right-to-use assets	-	-	36,532	36,532
Investment in lease, net	-	24,756	-	24,756
Fixed assets	-	-	19,919	19,919
Assets held for sale	-	-	5,368	5,368
Other accounts receivable	48,861	9,310	13,527	71,698
Financial investments:				
Negotiable debt instruments	235,927	-	-	235,927
Other debt instruments	9,150	-	-	9,150
Total financial investments	245,077	-	-	245,077
Cash and cash equivalents	296,570	-	-	296,570
Total assets	590,508	34,066	999,112	1,623,686
Total equity	-	-	551,521	551,521
Liabilities:				
Deferred tax liabilities	-	-	8,644	8,644
Current tax liabilities	-	46,737	-	46,737
Liabilities with respect to employee benefits	-	-	6,004	6,004
Liability with respect to lease	-	71,897	-	71,897
Other accounts payable	270,724	-	-	270,724
Liabilities with respect to assets held for sale	-	10,507	-	10,507
Financial liabilities	657,652	-	-	657,652
Total liabilities	928,376	129,141	14,648	1,072,165
Total equity and liabilities	928,376	129,141	566,169	1,623,686
Total on-balance sheet exposure	(337,868)	(95,075)	432,943	-

Note 28: - Risk management (continued)

C. MARKET RISK (CONTINUED)

	DECEMBER 31, 2020			
	Non-linked	**Linked To CPI**	**Non-monetary and other items**	**Total**
	NIS in thousands			
Assets:				
Intangible assets	-	-	124,811	124,811
Deferred acquisition costs	-	-	314,437	314,437
Right-to-use assets	-	-	15,151	15,151
Fixed assets	-	-	20,161	20,161
Other accounts receivable	18,669	-	-	18,669
Financial investments:				
Negotiable debt instruments	81,699	-	-	81,699
Other debt instruments	8,410	-	-	8,410
Total financial investments	90,109	-	-	90,109
Cash and cash equivalents	140,047	-	-	140,047
Total assets	248,825	-	474,560	723,385
Total equity	-	-	283,480	283,480
Liabilities:				
Deferred tax liabilities	**-**	**-**	**6,842**	**6,842**
Current tax liabilities	-	45,735	**-**	**45,735**
Liabilities with respect to employee benefits	**-**	**-**	**3,037**	**3,037**
Liability with respect to lease	**-**	**15,363**	**-**	**15,363**
Other accounts payable	**212,819**	**-**	**-**	**212,819**
Financial liabilities	**156,109**	**-**	**-**	**156,109**
Total liabilities	**368,928**	**61,098**	**9,879**	**439,905**
Total equity and liabilities	**368,928**	**61,098**	**293,359**	723,385
Total on-balance sheet exposure	**(120,103)**	(61,098)	**181,201**	-

c. Liquidity risk

Liquidity risk is the risk of the Company being required to realize assets at a lower price, in order to meet its obligations. For example, a potential need to raise resources unexpectedly and within a short time, may require rapid realization of assets, to be sold at prices below market value for such assets.

Out of all Company assets, NIS 532,497 thousand is in cash and negotiable assets, which may be realized immediately. According to investment regulations, the Company is required to hold liquid assets, as defined in the investment regulations, against shareholder equity, but not less than 50% of required capital.

Note 28: - Risk management (continued)

Future maturities

The tables below provide a summary of anticipated maturities of the Company's financial liabilities. As these amounts include future interest payments, they do not match the financial liabilities balance on the statement of financial position.
Maturities of financial liabilities were included based on contractual maturities. In contracts where the counter-party may select the timing of any payment, the liability was included based on the earliest date when the Company may be required to settle its liability.

	Up to 1 year	1-5 years	5-10 years	Total
	NIS in thousands			
As of December 31, 2021				
Financial liabilities	49,390	367,561	240,701	657,652
Liability with respect to lease	13,202	46,102	12,592	71,897
As of December 31, 2020				
Financial liabilities	61,910	90,206	4,172	156,288
Liability with respect to lease	3,901	10,926	536	15,363

d. Credit risk

The Company's debt assets are Government debentures traded in Israel and carried at fair value. The debentures are rated AA or higher.
The Company's off-balance sheet instruments are the Company's guarantee to secure office leases. This guarantee is not rated. See also Note 26B.

Details of exposure to economic sectors for investments in financial debt assets, negotiable and non-negotiable

	December 31, 2021	
	On-balance sheet credit risk	
	Amount NIS in thousands	% Out of total
Economic sector		
Government debentures	235,927	96.3%
Non-negotiable debt asset	9,150	**3.7%**
Total	245,077	100%

	December 31, 2020	
	On-balance sheet credit risk	
	Amount NIS in thousands	% Out of total
Economic sector		
Government debentures	81,699	90.6%
Capital note	8,410	**9.4%**
Total	90,109	100%

Note 29: - Liens, contingent liabilities and contracts

a. Legal and other proceedings against Altshuler Shaham Provident and Pension Funds Ltd.

The table below shows a summary of amounts claimed in pending motions for class action status filed against the Company, as noted by plaintiffs in their statements of claim. Note that the amount claimed may not necessarily be a quantification of the exposure as estimated by the Company, since these are assessments by the plaintiffs which would be elaborated in the legal proceeding. Note, also, that the table below does not show completed proceedings, including proceedings completed after a settlement agreement has been approved.

Motions for approval of class action status filed against the Company:

Summary table

	Number of claims	**Amount claimed (NIS in millions)**
Pending motions for approval of class action status:		
Claim amount indicated	2	117
Claim amount not indicated	3	-

1. Motion for approval of class action status filed on July 11, 2019 with the District Labor Court in Jerusalem, concerning allegations of investment management expenses charged to Company clients, in addition to management fee charged in the study fund managed by the Company, which were not explicitly allowed in the fund Bylaws. The plaintiff, a member of a study fund managed by the Company, quantified the claim amount at NIS 59 million. The Company has filed a motion for stay of proceedings, pending resolution of other proceedings that raise similar questions, which are being heard by the Court. Based on the opinion of legal counsel provided to the Company, due to the preliminary stage of this motion and claim, its likely outcome cannot be estimated yet.

2. Motion for approval of class action status filed on July 22, 2019 with the District Labor Court in Jerusalem, concerning allegations of investment management expenses charged to Company clients, in addition to management fee charged in provident funds managed by the Company, in violation of statutory provisions and which were not explicitly allowed in the fund Bylaws. The plaintiff, a member of a provident fund managed by the Company, quantified the claim amount at NIS 58 million. The Company has filed a motion for stay of proceedings, pending resolution of other proceedings that raise similar questions, which are being heard by the Court. Based on the opinion of legal counsel provided to the Company, due to the preliminary stage of this motion and claim, its likely outcome cannot be estimated yet.

Note 29: - Contingent liabilities, claims and contracts (continued)

a. Legal and other proceedings against Altshuler Shaham Provident and Pension Funds Ltd. (continued)

3. Motion for approval of class action status, filed on May 12, 2020 with the Tel Aviv District Court against 14 defendants. Briefly, the motion concerns the calculation of tax liability with respect to contributions by members to study funds managed by the defendants which, as alleged in the motion, has resulted in unlawful tax liability for members of the class which the plaintiff seeks to represent. The plaintiffs did not quantify their claim, but believe this amounts to hundreds of millions of NIS for all of the defendants. The remedies sought in the motion include, *inter alia*, a request for the defendants to be instructed to cease this unlawful denial of the tax benefit, and to order restitution and/or compensation to be paid to all class members, as would be instructed by the Court. The Company and the other defendants in this proceeding have filed their responses to the motion for approval of class action status, and also filed motions for permission to file third party notice by the Company and by the other defendants against the Tax Authority.

   On February 4, 2022, the Court ruled that the Tax Authority should be added as defendant in this proceeding, and that at this stage the motion for permission to file third party notice against the Tax Authority would not be heard. Based on the opinion of legal counsel obtained by the Company, noting all of the arguments, including the Tax Authority's position, whereby the cap should be calculated on monthly basis; and that any tax withheld was transferred to the Tax Authority; but, on the contrary, the new allegation included in the response to the answer with regard to "cumulative monthly" which, if elaborated, may cloud the likelihood of denying this motion - denying the motion for approval of class action status is more likely than not.

4. Motion for approval of class action status, filed on April 12, 2021 with the Tel Aviv District Court. The motion was filed against another 14 defendants (banks, insurance companies, credit companies and investment houses) (hereinafter jointly: "the Defendants"). The motion alleges that the Company and the other defendants provided personal information of users of the personal zone on their website, without their consent, to Google in conjunction with the Company using the Google Analytics service; Thus, the plaintiffs allege, the Company and the other defendants impacted their privacy, acted in breach of their fiduciary and confidentiality duty, with unlawful enrichment, acted with lack of good faith in fulfilling the agreement and were in breach of agreement, in breach of statutory obligation, impact to their autonomy and so forth. The plaintiffs believe that the total damage caused by all defendants amounts to millions of NIS, and in any case more than NIS 2.5 million, and the individual amount claimed is NIS 2,000 per each plaintiff. Based on the opinion of legal counsel obtained by the Company, due to the preliminary stage of this motion, it is currently not possible to assess the likelihood of its approval as class action.

5. Motion for approval of class action status, filed with the District Labor Court in Tel Aviv on August 4, 2021, against the Company, alleging that the Company is not in compliance with statutory provisions that stipulate the time frame for actions, upon request from members, in funds accumulated in provident funds, which causes the members to incur significant monetary loss. The plaintiff alleges that the Company does not proactively compensate its members for any delay in conducting transactions in their funds accumulated in provident funds, in violation of statutory provisions.

Note 29: - Contingent liabilities, claims and contracts (continued)

a. Legal and other proceedings against Altshuler Shaham Provident and Pension Funds Ltd. (continued)

The plaintiff also alleges that the Company is in breach of its duty to provide proper disclosure to its members, by not informing them of their eligibility to receive compensation for any delay, and how such compensation is calculated. The plaintiff alleges that the Company also deliberately misleads by providing a response to member enquiries designed to cause members to believe that they are not entitled to compensation, or that they have not properly completed the fund transfer requests. Thus, the plaintiff alleges, the Company is in breach of statutory and regulatory provisions, and of its statutory fiduciary duty. The plaintiff quantifies the individual damage they have incurred at NIS 1,311 and alleges that the class damage cannot be quantified at this stage. On February 27, 2022, the Company filed its response to the motion for class action status. Based on the opinion of legal counsel obtained by the Company, due to the preliminary stage of this motion, it is not possible to assess the likelihood of its approval as class action.

During the reported period, the following legal proceedings brought against the Company were concluded:

6. Request for approval of class action status, filed on May 6, 2019 with the District Labor Court in Jerusalem alleges unlawful charges to Company clients and/or providing erroneous reports to Company clients, in violation of directives of the Capital Market, Insurance and Savings Authority. The plaintiff did not quantify their claim (but noted it amounted to over NIS 2.5 million), hence the amount of this claim cannot be estimated. The parties have since reached a settlement agreement, whereby the Company would pay a non-material amount. The settlement agreement was filed with the Court and on April 6, 2021, the Court issued a verdict confirming the settlement agreement.

7. Motion for approval of class action status, filed on April 28, 2020 with the Tel Aviv District Court against 10 defendants, alleging over-charging of fees to those seeking a foreclosure order by the Enforcement and Collection Authority, and unlawful transfer of such fees to third parties. The plaintiff did not quantify their claim. On October 22, 2020, a motion was filed seeking dismissal out of hand of this claim, due to lack of contention and because the claim did not meet any of the items in Addendum II to the Class Action Lawsuit Act, as well as a motion seeking an alternative remedy of stay of proceedings on the motion for approval, pending resolution of a concurrent claim filed by the plaintiff against the Enforcement and Collection Authority. On April 7, 2021, after a hearing at which the Court raised the issues with the plaintiff's motion, the motion asked to erase their motion for approval, and the Court ordered the motion for approval of class action status to be erased.

Due to the nature of its business, the Company receives in the normal course of business enquiries from clients that include various claims. Some of these enquiries may result in a lawsuit being brought against the Company. As of the report approval date, there are no lawsuits of material amounts other than the foregoing.

Note 29: - Contingent liabilities, claims and contracts (continued)

b. Legal and other proceedings against Psagot Provident and Pension Funds Ltd. (hereinafter: "Psagot Provident Funds"), which has been merged into the Company.

Motions for approval of class action status filed against Psagot Provident Funds:

Summary table

	Number of claims	Amount claimed NIS in millions
Claim granted class action status	1	140
Pending motions for approval of class action status:		
Claim amount indicated	3	1,431*
Claim amount not indicated	3	-

*) Note that after the reported period, a claim amounting to NIS 1,000 million was concluded by a settlement agreement, as set forth in section B.2 below.

1. On November 9, 2010, a claim and motion for approval of class action status were filed with the Tel Aviv Yafo District Court against Psagot Provident Funds and Psagot, by a member of the Gadish provident fund managed by Psagot Provident Funds (hereinafter: "the **Fund**"). The plaintiff alleged that when they enrolled as member in the Fund, they were promised that the management fee to be charged would be fixed, and that Psagot Provident Funds, who acquired the fund management rights from Bank HaPoalim, raised the management fee, in breach of this commitment and without giving them 60 days' advance notice. The plaintiff asked for their claim to be granted class action status, for all member groups who had received a commitment to a fixed management fee, and which management fee was increased by Psagot Provident Funds without their consent, or without giving them 60 days' advance notice of such increase (hereinafter: "the **Groups**"). The plaintiff estimated the damage incurred by the Groups at NIS 40 million. The parties reached a settlement with regard to a member group whose management fee was increased on January 1, 2010 without being given 60 days' advance notice of such increase. According to this settlement, Group members would receive compensation equal to the excess fees charged in the 60 days following the increase. On October 11, 2013, the Court approved this settlement agreement and the members received their appropriate compensation. On December 23, 2013, the plaintiff filed a new lawsuit with motion for approval of class action status, with the Tel Aviv Yafo District Court, against Psagot Provident Funds and Psagot, estimated at NIS 140 million (hereinafter respectively: "the **Previous Lawsuit**" and "the **New Lawsuit**"). The plaintiff alleged that the settlement reached by the parties in the Previous Lawsuit was based on a statement by Psagot Provident Funds, whereby there was no commitment to fund members that their management fee would be fixed, and that no document was found to this effect; However, after signing the settlement agreement, the plaintiff found out that a letter had been found, titled "Provident fund management fee for Paz employees", which stated, *inter alia*, that the management fee in provident funds in the name of Paz would be 0.25% for all their funds, in perpetuity.

Note 29: - Contingent liabilities, claims and contracts (continued)

b. Legal and other proceedings against Psagot Provident and Pension Funds Ltd. (hereinafter: "Psagot Provident Funds"), which has been merged into the Company. (Cont.)

After the parties have filed various statements an Court hearings were held, on June 24, 2019, the District Court ruled that the settlement agreement validated as a verdict should be partially canceled, and approval was granted for the New Lawsuit to be litigated as a class action lawsuit citing the cause of "breach of contract". On September 8, 2019, Psagot Provident Funds appealed the verdict, citing lack of jurisdiction by the District Court to cancel the finalized verdict issued in the Previous Lawsuit, and even more so to partially cancel it, and unlawfully and that there was no cause to grant class action status to the New Lawsuit. On May 13, 2021, the Supreme Court ordered a stay of proceedings at the District Court pending resolution of the appeal filed by Psagot Provident Funds. In view of this ruling, on May 20, 2021, the District Court ordered a stay of proceedings in this case pending resolution of the appeal by the Supreme Court.

Based on the opinion of legal counsel obtained by the Company, the appeal of the ruling which canceled the verdict in the Previous Lawsuit, which validated the settlement agreement, was more likely than not to prevail. The likely outcome of the ruling to approve class action status for the lawsuit cannot be estimated at this time because, *inter alia*, it is contingent on the issue of the verdict cancellation - which is still pending. Moreover, the likelihood of the class action lawsuit to prevail cannot be estimated, should the aforementioned appeal proceedings be denied and a class action lawsuit would be litigated, as ruled by the Court on June 24, 2019.

2. Motion for approval of class action status for a lawsuit amounting to NIS 1 billion, filed on October 27, 2016 against Psagot Provident Funds and referred to the District Labor Court in Tel Aviv. The plaintiffs are children of a deceased member of Gadish provident fund, which was managed by Psagot Provident Funds. The plaintiffs allege that Psagot Provident Funds, who acquired group-based life insurance for its members, was in breach of its statutory obligations and did not send notices to beneficiaries or heirs of a deceased member about the existence of a life insurance policy and their eligibility to receive payout from said insurance policy, so that eventually, the insurance claim became subject to the statute of limitations. The plaintiffs further allege that Psagot Provident Funds should have been proactive in receiving the life insurance payout, should have informed the beneficiaries or heirs of the reduced period under the statute of limitations (three years after occurrence of the insurance event) and should have filed claims seeking insurance payouts for those beneficiaries or heirs, to be held in the member's account and to accrue returns. After the parties filed their statements, including summaries filed by the plaintiffs, the parties agreed to refer this case to a mediation proceeding, following which the parties, on February 9, 2021, filed a settlement agreement to be approved by the Court, whereby Psagot Provident Funds would act to compensate beneficiaries or heirs of members insured under the group-wide life insurance policy who had died and for whom a claim for insurance payouts amounting in total to NIS 4.1 million was not approved, would pay NIS 1.15 million as expense reimbursement and legal fees for the plaintiffs' attorneys, and would pay the plaintiffs NIS 250,000 as special compensation. Furthermore, Psagot would take further action to enhance its capacity to claim life insurance payouts from the insurer on behalf of its members after their death. On October 6, 2021, the Attorney General filed their position, which opposed the settlement agreement reached by the parties. The Attorney General claimed, in their response, that the proposed settlement agreement is not in the best interest of class members, and they believe that defects in this settlement agreement make it unreasonable.

Note 29: - Contingent liabilities, claims and contracts (continued)

b. Legal and other proceedings against Psagot Provident and Pension Funds Ltd. (hereinafter: "Psagot Provident Funds"), which has been merged into the Company. (Cont.)

On November 28, 2021, Psagot Provident Funds and the plaintiffs filed their responses to the Attorney General's objection to the settlement agreement, claiming that the settlement agreement is fair and appropriate and should be approved, as filed for approval by the Court. On January 11, 2022, the Court handed down its ruling on the motion for approval of the settlement agreement. The Court rejected most of the claims made by the Attorney General and ruled that the settlement agreement is appropriate, fair and reasonable considering the interest of class members, subject to several corrections and clarifications to be made to the settlement agreement, and should the parties have no objection to the proposed changes, this ruling would constitute a verdict approving the settlement agreement. The parties have filed their position whereby they had no objection to the changes set forth in the Court ruling, and on February 22, 2022, the parties filed the revised settlement agreement with the Court. As noted above, after the reported period, the aforementioned settlement agreement was approved as a Court verdict. Subject to signing a waiver letter by the Company, the insurers would contribute to the settlement amount and would indemnify the Company for litigation expenses and legal fees.

3. Motion for approval of class action status, filed on October 10, 2016 with the District Labor Court in Jerusalem against Psagot Provident Funds. The plaintiff alleges that Psagot Provident Funds was not entitled to deduct from member assets direct expenses with respect to transactions in provident fund assets, in which they had been a member through January 1, 2016. The remedy sought is reimbursement of the direct expenses charged with respect to transactions in provident fund assets. The plaintiff estimated their individual damage incurred at NIS 114.7, and the damage incurred by the Group was estimated at NIS 324.2 million. The parties filed their statements with the Court, including summaries and the position statement by the Supervisor of Capital Market, Insurance and Savings. The parties have filed a hearing arrangement, where a decision was made to postpone the date for filing the plaintiffs' response summaries and to allow the defendants to make additional claims so as to be able to refer to the position of the Attorney General, filed on August 13, 2020 in a concurrent proceeding to which Psagot Provident Funds is not party, concerning direct expenses in individual insurance (Appeal Motion 6388/19 HaPhoenix et al v. Hoffman et al - motion to appeal the District Court ruling) and the Supreme Court ruling, once given in that proceeding, which may impact the proceeding involving Psagot Provident Funds.

   Based on the opinion of legal counsel at this stage, the Company has good defense claims and therefore it is more unlikely (i.e. probability of 50% or lower) that the motion for approval of class action status would be approved.

4. Motion for approval of class action status, filed on October 6, 2016 with the District Labor Court in Jerusalem against Psagot Provident Funds. The plaintiff alleges that Psagot Provident Funds was not entitled to deduct from member assets direct expenses with respect to transactions in study fund assets, in which they are a member. The remedy sought is reimbursement of the direct expenses charged with respect to transactions in fund assets. The plaintiff estimated their individual damage incurred at NIS 356, and the damage incurred by the Group was estimated at NIS 106.8 million. The parties filed their statements with the Court, including summaries and the position statement by the Supervisor of Capital Market, Insurance and Savings.

Note 29: - Contingent liabilities, claims and contracts (continued)

b. Legal and other proceedings against Psagot Provident and Pension Funds Ltd. (hereinafter: "Psagot Provident Funds"), which has been merged into the Company. (Cont.)

The parties have filed a hearing arrangement, where a decision was made to postpone the date for filing the plaintiffs' response summaries and to allow the defendants to make additional claims so as to be able to refer to the position of the Attorney General, filed on August 13, 2020 in a concurrent proceeding to which Psagot Provident Funds is not party, concerning direct expenses in individual insurance (Appeal Motion 6388/19 HaPhoenix et al v. Hoffman et al - motion to appeal the District Court ruling) and the Supreme Court ruling, once given in that proceeding, which may impact the proceeding involving Psagot Provident Funds. Based on the opinion of legal counsel at this stage, the Company has good defense claims and therefore it is more unlikely (i.e. probability of 50% or lower) that the motion for approval of class action status would be approved.

5. Motion for approval of class action status, filed on January 26, 2017 with the District Labor Court in Jerusalem against Psagot Provident Funds. The plaintiff alleges that Psagot Provident Funds was not entitled to deduct from member assets direct expenses with respect to transactions in pension fund assets managed by Psagot Provident Funds. The monetary remedy sought in the motion is reimbursement of direct expenses charged to pension fund assets with respect to transactions in fund assets. Allegedly, the claim value cannot be estimated at this stage. The parties filed their statements with the Court, including the position statement by the Supervisor of Capital Market, Insurance and Savings. Based on the opinion of legal counsel at this stage, the Company has good defense claims and therefore it is more unlikely (i.e. probability of 50% or lower) that the motion for approval of class action status would be approved.

6. Motion for approval of class action status filed on May 12, 2020 with the Tel Aviv Yafo District Court against the Company, Psagot Provident Funds and other management companies. For more information about this lawsuit, see section A3 under details of pending lawsuits against the Company, above. In addition to filing Psagot Provident Funds' response to the motion for approval of class action status and motion to request permission to file a third-party notice against the Tax Authority, as set forth in section A3 above, Psagot Provident Funds also filed a motion to dismiss the motion for approval out of hand due, *inter alia*, to material information not discovered in the motion for approval and in the plaintiff's statement. Furthermore, the Court ruling dated January 25, 2022 stipulates that the motion by Psagot Provident Funds to dismiss the motion for approval out of hand would be decided, if need be, later on based on the written material. Based on the opinion of legal counsel, due to the preliminary stage of the proceeding regarding the motion for approval, as well as matters raised in the Court ruling dated January 25, 2022, including the option to seek a mediation proceeding, it is not possible at this stage to assess the likelihood and risk associated with the motion for approval of class action status and the likelihood of the actual lawsuit to prevail (should class action status be granted).

7. On November 16, 2020, a motion for approval of class action status was filed with the District Labor Court in Tel Aviv Yafo, in a lawsuit brought against Psagot Provident Funds, alleging Psagot Provident Funds is liable for a fraud case in which the previous Chief Investment Manager of Gadish provident fund was convicted (hereinafter: "the Investment Manager"), which eventually was managed by Psagot Provident Funds. The plaintiff is a former member of Psagot Gadish provident fund, alleging that when the Investment Manager worked at Psagot Provident Funds, he purchased for Psagot Provident Funds members securities that were artificially inflated and sold securities at artificially reduced prices, and even stole from member accounts.

Note 29: - Contingent liabilities, claims and contracts (continued)

b. Legal and other proceedings against Psagot Provident and Pension Funds Ltd. (hereinafter: "Psagot Provident Funds"), which has been merged into the Company. (Cont.)

The plaintiff alleges that Psagot Provident Funds is liable and should compensate members thereof with respect to the criminal conduct of the Investment Manager, given both its direct liability and vicarious liability. The class lawsuit amount cannot be estimated, but is over NIS 2.5 million. Psagot Provident Funds has filed its response to the motion for approval. Based on the opinion of legal counsel, due to the preliminary stage of this motion, it is not possible to assess the likelihood of the motion for approval nor the likelihood of the lawsuit to prevail.

During the reported period, the following legal proceedings brought against Psagot Provident Funds were concluded:

1. Motion for approval of class action status, filed on June 13, 2021 with the District Court in Haifa against Psagot Provident Funds. The lawsuit concerns unreasonable claim management fees charged in 2020 to members of provident funds managed by Psagot Provident Funds, estimated at NIS 106.8 million or more, and the remedy sought is reimbursement of the claim management fees charged, including expected returns on this amount had the claim management fees not been charged to member assets. Note, in this regard, that Psagot Provident Funds alleged a typo in the data for "Investment management expenses" in the 2020 report to members, but the expense rate actually charged was valid and in line with the standard rate for investment management expenses, and therefore the mis-presentation of this data did not affect the financial data on reports to members. Psagot Provident Funds provided on its website revised files with regard to investment management expenses. Furthermore, as directed by the Capital Market, Insurance and Savings Authority, Psagot Provident Funds provided, on the individual zone, a notice to members informing them of the typo in presentation of "data for investment management expenses" on the 2020 report to members, and even notified members of this by SMS and/or email. Due to the fact that this is an error in presentation, i.e. the expense rate actually charged to members was valid, due to the fact that reports and updates were provided to members with regard to correction of the mis-presentation error and due to documents presented to the plaintiff's attorneys, on November 15, 2021 the parties filed an agreed motion to approve the plaintiff's request to withdraw the lawsuit and motion for approval of class action status, to erase the motion for approval and to order the individual claim brought by the plaintiff against the company to be denied. On November 21, 2021, the Court approved the plaintiff's request to withdraw the lawsuit and motion for approval of class action status and denied their individual claim, without requiring the motion to be made public.

2 On July 13, 2021, Harel Insurance Company Ltd. and Psagot Provident Funds signed a settlement agreement, whereby Psagot Provident Funds would pay Harel Insurance Company Ltd. a one-time payment as compensation, with Psagot Provident Funds not admitting to any claim, to conclude the dispute between the parties, and in full, complete and final settlement of claims brought by Harel Insurance Company Ltd. Against Psagot Provident Funds with regard to any event and/or matter involving filing of insurance claims under group-wide life insurance policies that include death and disability insurance coverage for members of provident funds managed by Psagot Provident Funds and/or contracting of such insurance policies by the parties. During the reported period, the amount set forth in the aforementioned settlement agreement has been paid.

Note 29: - Contingent liabilities, claims and contracts (continued)

b. Legal and other proceedings against Psagot Provident and Pension Funds Ltd. (hereinafter: "Psagot Provident Funds"), which has been merged into the Company. (Cont.)

On October 18, 2020, Psagot filed its opening arguments against Blender P2P Israel Ltd. And Blender Financial Technologies Ltd. (Previously: V-Finance Technologies Ltd.) (hereinafter: "**Blender**" and "**Blender Technologies**", respectively) with the Tel Aviv District Court - Economic Division, wherein it sought a declaration that the share dilution conducted at Blender was null and void, and that Psagot owned 19.99% of the issued share capital of Blender, or alternatively a declaration that the dilution should be carried out based on the formula set forth in the agreement between the parties. Shortly thereafter, on December 1, 2020, Blender Technologies filed a lawsuit with the Tel Aviv District Court against Psagot, in the amount of NIS 4.5 million. The plaintiff is a provider of a loan platform, alleging that Psagot was in breach of their agreement, including by not referring borrowers to the platform (Blender), not taking an active part in management of Blender and not allowing advertising and marketing resources to be used. The lawsuit includes as attachment the meeting minutes of a meeting of Psagot Board of Directors, which includes trade secrets of Psagot, hence Psagot filed a motion for an interim injunction in the presence of one party only, to instruct the hearing be held behind closed doors and to provide a protection order. The Court granted the interim injunction as requested. On January 12, 2021, a ruling was given whereby a protection order to keep all documents in confidence would apply to any information which constitutes a business trade secret of either party. Psagot has filed its statement of defense, and the plaintiff has filed their response statement. Based on the opinion of legal counsel, at this preliminary stage it is not possible to assess the likelihood of this lawsuit to prevail.

The total provision amount with respect to lawsuits brought against Psagot and Psagot Provident Funds, as set forth above, amounted to NIS 18,835 thousand as of December 31, 2021.

c. Guarantees provided

Bank Leumi LeIsrael Ltd.

Guarantee amounting to NIS 1,115 thousand with respect to transactions n management of long-term savings funds in children's savings fund.

Bank HaPoalim Ltd.

1. Guarantee amounting to NIS 264 thousand to secure borrowing; Guarantee to Bank HaPoalim Ltd. amounting to NIS 67 thousand, to secure office leases.
2. Guarantee amounting to NIS 46 thousand, a historical guarantee to reimburse deposits (nominal principal amount). Guarantee renewable annually.

d. Contracts

The Company has entered into agreement with multiple operators, for current operation of Provident and Pension Funds funds.

Note 30: - Material regulations and circulars in this segment

A. Below is a summary of published legislation which may materially impact the Company's financial statements:

(1) Draft Financial Service Supervision Regulations (Provident Funds) (Direct Transaction Expenses) (Amendment), 2021

FINANCIAL SERVICE SUPERVISION REGULATIONS (PROVIDENT FUNDS) (DIRECT TRANSACTION EXPENSES), 2008 (HEREINAFTER: "THE **REGULATIONS**") STIPULATE THE TYPES OF DIRECT EXPENSES WITH RESPECT TO CONDUCTING TRANSACTIONS IN PROVIDENT FUND ASSETS, WHICH INSTITUTIONAL INVESTORS MAY CHARGE TO MEMBER ACCOUNTS. THE REGULATIONS INCLUDE AN INTERIM DIRECTIVE IN SECTION 3A WHICH STIPULATES, *INTER ALIA*, DETAILS OF ADDITIONAL EXPENSES INCLUDED UNDER DIRECT EXPENSES WITH RESPECT TO CONDUCTING TRANSACTIONS IN PROVIDENT FUND ASSETS, AS WELL AS A CAP ON DIRECT EXPENSES WHICH MAY BE CHARGED TO MEMBERS, AT 0.25% OF TOTAL ESTIMATED VALUE OF PROVIDENT FUND ASSETS ("**CAP**"). THIS CAP WAS SET AS AN INTERIM DIRECTIVE THROUGH JULY 26, 2021. ON DECEMBER 26, 2021, THE KNESSET FINANCE COMMITTEE APPROVED THE DRAFT REGULATIONS, EXTENDING THE INTERIM DIRECTIVE THROUGH APRIL 6, 2022.

(2) Circular regarding uniform layout for transfer of information and data in pension savings market - revision

On June 13, 2021, the circular regarding uniform layout for transfer of information and data in pension savings market - revision was published (hereinafter: "the **Circular**"), designed to streamline work processes and to provide a solution for key processes, including by adding new interfaces, shorter time frames for information transfer, ensuring that information is current and accessible and providing an option to immediately conduct transactions. Furthermore, the Circular emphasized the Client Journey process, including enrollment, deposit and fund transfer between provident funds. The Circular specifies a 2-year work plan to implement the changes set forth therein. One of the significant new interfaces created by the Circular is a setup interface, designed to promote a digital enrollment process for pension products with a uniform layout, allowing the client, or a license holder on behalf of the client, to make changes online to a pension product, including revision of insurance / investment options and revision of beneficiaries. Creating this interface requires extensive preparations and development by the Company and/or by the fund operators.

(3) SH 2021-5846 Process for selection of default funds

The Circular stipulates rules with regard to a proceeding to determine the selection of default funds, from November 1, 2021 through October 31, 2024, and to the management fees they may charge. In this proceeding, at least two pension funds would be selected as default funds (up to five, depending on the bidding outcome). In order to select the default funds, a rating mechanism was specified, based on the management fee as the sole rating parameter. The selected funds would be the highest rated funds. A pension fund management company wishing to be selected as a default fund should propose to the Supervisor the maximum management fee from accrual and from deposits, ranging between 0.5%-1% (from deposits) and at least 0.05% (from accrual). For the purpose of rating, for a pension fund whose market share out of total deposits to new comprehensive pension funds is 5%-10%, the maximum management fee proposed by the fund would be deemed to be 0.5% higher than the management fee from deposits actually proposed thereby, and 0.07% higher than the management fee from accrual actually proposed thereby;

Note 30: - Material regulations and circulars in this segment (continued)

For a pension fund whose said market share is over 10%, the maximum management fee proposed by the fund would be deemed to be 0.5% higher than the management fee from deposits actually proposed thereby, and 0.1% higher than the management fee from accrual actually proposed thereby. Market share would be reviewed on two dates, on aggregate: (1) In the calendar year ended November 1, 2021; and (2) In the first half preceding November 1, 2021. It was further stipulated that the management fee to b charged by a default fund management company to retirement pension recipients who would retire in the fund during the award period, may not exceed 0.3%.

Furthermore, a new pension fund that did not exist in the previous calendar year would be allowed to be nominated as a default fund, subject to certain conditions set forth in the process.

For more information about participation of the Company in the process for selection of default funds, see section 4 below.

(4) Provisions with regard to provident fund selection - revision

The outcome of the third process for selection of default funds, dated September 14, 2021, in conformity with the process for selection of default funds and directives of the institutional Investor circular concerning provisions with regard to provident fund selection, the following management companies were selected in the process for selection of default pension funds: Altshuler Shaham Provident and Pension Funds Ltd., Meitav Dash Provident and Pension Funds Ltd., Infinity Study and Provident Fund Management Ltd. And More Provident Funds Ltd. The two winning bidders, the pension fund from Altshuler Shaham Provident and Pension Funds Ltd. and the pension fund from Meitav Dash Provident and Pension Funds Ltd. were designated as default pension funds from November 1, 2021 through October 31, 2024. Furthermore, the pension funds from the other winning bidders would be designated as default pension funds from their inception date through October 31, 2021. The management fee, from accrual and from deposits, charged by each management company of the selected funds may not exceed the following: Management fee from deposits: 1% (the range set by the Authority: 0.5%-1%); Management fee from accrual: 0.22% (the Authority set the minimum at 0.15%). The management fee for new members who enroll in a default fund would be effective for at least 10 years after enrollment in the default pension fund.

(5) **Change to provisions to secure stable returns for pension funds**

In August 2021, the Government passed resolutions with regard to the economic plan for 2021-2022. A suggestion was made, *inter alia*, to replace the current provisions to secure stability of pension savings in (new or legacy) comprehensive pension funds through designated debentures, with new provisions to ensure such stability through making up the returns. On November 15, 2021, Amendment no. 26 to the Supervision of Financial Services Act (Provident Funds), 2005 was published. According to this amendment, the investment portfolio of a pension fund would include a separate investment track named "Investment track - guaranteed returns", where assets for which the fund is entitled to assured making-up of returns would be separately managed. Investments in the track named "Investment track - guaranteed returns" would be managed as an investment track in line with the investment policy of the largest track by assets under management, or as directed by the Minister. Such policy would not account for investment in designated debentures. The guaranteed target return from which the track named "Investment track - guaranteed returns" would benefit is annual interest at 5.15%, calculated as compounded interest and linked to the Consumer Price Index. Funds for making up the returns would be paid from a designated fund for making-up returns, to be established by the Ministry of Finance and managed

Note 30: - Material regulations and circulars in this segment (continued)

by the Comptroller General (and managed in a separate account to be opened at the Bank of Israel, into which the Government would deposit funds on a decreasing trajectory), or in case of insufficient funds in this designated fund - from the state budget. This making-up of returns would be carried out should it turn out (based on a periodic review to be conducted) that the returns on this track as managed by the fund are below the aforementioned target returns. Should it turn out, after 60 months (and from time to time, based on a periodic review to be conducted) that the returns of the track named "Investment track - guaranteed returns" are above the aforementioned target returns, the fund would transfer the excess difference to the designated fund managed by the Comptroller General. The effective start date of these provisions is July 1, 2022 or later, as determined by the Minister of Finance pursuant to Section 35F(d) of the Supervision of Financial Services Act (Provident Funds), 2005. For implementation of the act, various amendments were required to diverse regulations based on the Supervision of Financial Services Act (Provident Funds), 2005, which stipulated directives with regard to the designated debentures provision, and which now should be adapted for the new provisions; Therefore, the following were issued: Draft Supervision of Financial Services Regulations (Provident Funds) (Investment Bylaws applicable to Institutional Investors); Draft Supervision of Financial Services Regulations (Provident Funds) (Returns Charged to New Comprehensive Pension Fund) and Draft Supervision of Financial Services Regulations (Provident Funds) (Transfer of funds between Provident Funds).

(6) Draft circular regarding uniform layout for transfer of information and data in pension savings market - revision

As an additional pillar to the circular issued on June 13, 2021, on December 20, 2021 the "Draft circular regarding uniform layout for transfer of information and data in pension savings market - revision" was issued. The Draft proposes a uniform layout for information transfer, to ensure that savers can maximize their tax advantages provided by law, in order to implement Government policy for promoting retirement savings. Thus, it is proposed to allow institutional investors to provide the required information to savers in the clear, simple format required for making informed decisions with regard to tax benefits, and to create a technology infrastructure to enable some of the benefits to be directly implemented for savers, without requiring them to file a tax return with the Tax Assessor. Moreover, it is proposed to allow savers to view a complete overview of all funds managed in their name by diverse institutional investors, with features based on diverse tax legislation. Moreover, in order to provide to savers digital tools that would facilitate decision making and would promote competition in the retirement savings market, it is proposed to further adopt new technology for information transfer in the retirement savings market, which would significantly improve the information transfer processes between different entities operating in this market. Concurrently, it is proposed to continue the trend of making information services accessible to savers by incorporating API technology. It is proposed, *inter alia*, to promote APIs that include information that is critical for savers, including detailed information about account balances, severance pay, transactions, details of insurance coverage in pension fund, details of borrowing and management fees.

Note 30: - Material regulations and circulars in this segment (continued)

(7) Amendment of the Retirement Age Act

The proposed Arrangements Act approved by the Government in August 2021 suggests amendment of the Retirement Age Act, by including provisions to increase the retirement age at which women may retire:

A. Increase the retirement age from 62 to 65, gradually over 10 years.
B. Specify automatic provisions to increase the retirement age for women, as from July 2038, whereby the retirement age would be increased once every three years by two thirds of the increase in life expectancy for women aged 65 (over the life expectancy upon the previous review date), until such time as the retirement age for women would equal the retirement age for men.

The amendment includes an increase in the retirement age for women across the entire economy, but should have indirect effect on institutional investors, *inter alia*, with regard to deposit periods for provident funds and the start date of drawing a pension.

(8) Institutional investor circular - Ways to deposit contributions to provident funds

The "Institutional investor circular - Ways to deposit contributions to provident funds" stipulates provisions with regard to deposit of contributions on behalf of employees and the reporting of such deposits by employers to the management company (hereinafter: "the Circular"). The Circular also stipulates provisions with regard to the obligation of a management company to provide feedback to employers as to contributions received in employees' provident funds, and also requires employers and management companies to provide such report and feedback in a file with a uniform layout, as specified by the Supervisor ("Employer Interface"), in order to enhance the process of receiving contributions and to allow the employer and the management company to apply controls to this process. On June 13, 2021, a revision to the Circular was issued, improving transparency to members with regard to contributions deposited on their behalf in a provident fund, which significantly reduces the time frame for providing feedback about contributions received in employees' provident funds. This is designed to enable employers to receive feedback about contributions received in employees' provident fund accounts, soon after depositing such contributions.

(9) Draft circular - Ways to deposit contributions to provident funds - revision

On December 20, 2021 the "Draft circular - Ways to deposit contributions to provident funds - revision" was published. The draft proposes provisions with regard to reporting by employers to institutional investors, with regard to retirement bonuses payable to the employee by their employer, in conformity with details listed in the Income Tax Form 161 "Employer notice of retirement of employee". The amendment proposes to help savers in maximizing their tax benefits with regard to their retirement bonuses. The draft also proposes to regulate cases that require settlement between the employer and the employee, including return of all funds deposited by the State on behalf of the employee to their provident fund, as part of the accrual pension arrangement under which the employee was insured, due to being transferred from an accrual pension plan to a budgetary pension plan.

Note 30: - Material regulations and circulars in this segment (continued)

(10) Circular - Service for clients of institutional investors

On January 2, 2022, the Institutional Investor Circular 2022-9-1 "Service for clients of institutional investors" was issued (hereinafter: "the **Circular**"), designed to ensure proper service to insured clients and to savers who are elderly citizens. The Circular further emphasizes that institutional investors are required to make
accessibility adaptations which all service providers are required to provide pursuant to the Equal Rights for Persons with Disabilities Act, 1998 and regulations based there upon. The Circular stipulates that institutional investors shall appoint a "Senior Citizen Manager", reporting to the Service Manager of the institutional investor, tasked with setting corporate policy with regard to service to senior citizens, segmenting their needs and adapting various processes for this demographic. The Circular further stipulates that institutional investors should put in place a specific call router, so that once a senior citizen who is a client of the institutional investor enters their ID, their call would be automatically routed to a human service agent, without requiring a PIN to be entered. The Circular further stipulates that the Senior Citizen Manager shall provide an annual report to management of the institutional investor and to the Capital Market Authority, reviewing compliance of the institutional investor with their work plan and policy for providing service to this demographic, as well as suggestions for improvement. The report shall be posted on the website of the institutional investor.

Note 31: - Events subsequent to the report date

A. On January 17, 2022, the Company entered into a merger agreement with A.S. Ya'ad Hanpaka Ltd. ("the **Target Company**") and A.S. Matrat Hanpaka Ltd. (which was renamed Altshuler Shaham Finance Ltd.) ("**Altshuler Finance**") whereby, upon closing of the merger transaction, the Target Company would be merged with and into the Company ("**Merged Altshuler Shaham**" and "the **Merger Transaction**", respectively) by way of statutory merger pursuant to provisions of Chapter 1 of Part VIII of the Corporate Act, such that immediately after allocation of the allocated shares and conducting the re-structuring pursuant to the Merger Transaction, Altshuler Finance would hold 100% of the issued and paid-in share capital of Merged Altshuler Shaham. In consideration for the Merger Transaction, the allocated shares would be allocated to eligible shareholders in the Company, and would be listed for trading pursuant to a prospectus issued by Altshuler Finance, dated February 28, 2022 ("the **Prospectus**").

Altshuler Finance was incorporated as a private company limited by shares on December 9, 2021, under the name A.S. Matrat Hanpaka Ltd., by Lowenstein Yair Holdings Ltd. ("**Yair Holdings**") and for technical reasons only, 100 Company ordinary shares were allocated to Yair Holdings ("**Trust Shares**"). On January 27, 2022, Yair Holdings, the Company and Altshuler Shaham Trustees Ltd. ("the **Trustee**") entered into a Trust agreement, whereby the Trust Shares were transferred to the Trustee, and the Company Board of Directors was exclusively authorized to provide notifications with regard to Altshuler Finance shares. As of this date, the Trustee holds the entire issued and paid-in share capital of Altshuler Finance, on behalf of all eligible shareholders of the Company. Furthermore, on December 19, 2021, A.S. Ya'ad Hanpaka Ltd. Was incorporated as a private company wholly owned by Altshuler Finance ("the **Target Company**"). As from the inception date of Altshuler Finance and of the Target Company, Altshuler Finance and the Target Company had no operations other than as required for issuing the Prospectus and conducting the Merger Transaction.

Note 31: - Events subsequent to the report date (Cont.)

The number of allocated shares to be allocated to each Company shareholder would equal the number of Company shares they hold upon the merger effective date (as defined in the Prospectus). Subject to closing of the Merger Transaction, the allocated shares would be allocated to eligible shareholders for no additional consideration, other than the share swap as part of the Merger Transaction. Note that no tender would be conducted to set the price of the allocated shares, and they would be allocated pursuant to the Prospectus to eligible shareholders, such that each Company shareholder as of the merger effective date would be eligible to receive one share of Altshuler Finance against each Company shares they hold at that time.

Closing of the Merger Transaction is subject to the following suspensive conditions ("the **Suspensive Conditions**"):

1. Approval by the General Meetings of shareholders of the Target Company and of the Company ("the **Merged Companies**") for the Merger Transaction, pursuant to provisions of the Corporate Act;
2. Approval by the Capital Market Authority for amendment of the control permit in the merged Altshuler Provident Funds;
3. Receipt of merger certificate from the Registrar of Companies as proof of merger execution, as set forth in Section 323(5) of the Corporations Act ("**Merger Certificate**");
4. Receipt of a tax ruling from the Tax Authority with regard to tax implications applicable to the Merged Companies and to shareholders thereof following the merger, including an income tax exemption with respect to the merger and postponement of the tax event applicable to eligible shareholders and Altshuler Finance following the merger, provided that such tax ruling is not materially different from the request filed by the Merged Companies with the Tax Authority on January 16, 2022, as highlighted in section 2.6 of chapter 2 of the Prospectus, or any revision thereof by the Merged Companies. And fulfillment of the conditions stipulated in said tax ruling and/or reaching other understandings or another arrangement to be agreed by the Merged Companies and the Tax Authority that would allow for application of the tax ruling;
5. Receipt of a tax ruling from the Tax Authority whereby conversion of the options awarded pursuant to the Company stock option plan to employees and officers of the Company into stock options at Altshuler Finance, to be made while retaining existing taxation provisions pursuant to Section 102 of the Income Tax Ordinance as they currently are, including a request whereby the original award terms and condition, award dates and blocking periods would remain unchanged from the original dates as they are at the Company immediately prior to conducting the Merger Transaction.
6. Approval by the stock exchange for listing for trading of securities as requested pursuant to the Prospectus. As of the report issue date, such approval by the stock exchange has been received;
7. Approvals from third parties, including banks providing financing to the Company. As of this date, such approvals have been received;
8. Absence of any legal or other hindrance for closing of the Merger Transaction.

On January 17, 2022, the Company Board of Directors, the Board of Directors of Altshuler Finance and the Board of Directors of the Target Company approved contracting of the Merger Transaction by the parties; on February 22, 2022, the General Meetings of shareholders of the Company and of the Target Company approved contracting of the Merger Transaction, all subject to the aforementioned suspensive conditions.

Note 31: - Events subsequent to the report date (Cont.)

As of this date, not all of the aforementioned suspensive conditions have been fulfilled, and the Company believes they would be fulfilled by March 31, 2022. As set forth in the Altshuler Finance Prospectus, soon after the suspensive conditions will have been fulfilled, except for receiving the merger certificate from the Registrar of Companies, Altshuler Finance would issue an immediate report announcing fulfillment of the suspensive conditions except for receiving the merger certificate. Furthermore, upon receiving the merger certificate, Altshuler Finance and the Company would issue immediate reports with regard to receiving the merger certificate, indicating: (1) The effective date of the merger; (2) The closing date of the Merger Transaction; (3) The share swap date when shares would be actually swapped as part of closing of the Merger Transaction for eligible shareholders, to be conducted in co-ordination with the stock exchange.

The aforementioned re-structuring is not expected to affect the holding stakes of Company shareholders and is made, *inter alia*, to allow for review and execution (subject to all statutory approvals) of entry into other operating segments, including those synergetic with Company operations, without any restricted operations to which the Company is subject by virtue of being a management company being applied.

B. On February 27, 2022, the Services Agreement between the Company and Altshuler Shaham Ltd. (a controlling shareholder of the Company) was revised, as were other agreements between the Company and third parties in which the controlling shareholders have a personal interest in approval thereof (Altshuler Shaham Ltd. and said third parties - hereinafter jointly: "**Related Parties**"), such that Altshuler Shaham Finance Ltd. ("**Altshuler Finance**") would become party to these agreements, such that the services provided by the Related Parties to the Company would be provided to Altshuler Finance and to the Company, as the case may be, and such that the services provided by the Company would be provided by Altshuler Finance to the Related Parties.

In this regard, the following agreements were revised: (1) Services and expense attribution agreement between the Company and Altshuler Ltd. dated May 15, 2019; (2) Unilateral commitment letter provided by Altshuler Ltd. to the Company on December 23, 2021, whereby Altshuler Ltd. committed to provide the services pursuant to the Services Agreement, in conformity with statutory provisions and specific regulation applicable to the Company, for no additional consideration; (3) Services agreement between the Company and Altshuler Shaham Properties Ltd. ("**Properties**") dated May 15, 2019, which governs the relations between the parties and purchase of various services by Properties; (4) Agreement between the Company and Altshuler Shaham Mutual Fund Management Ltd. ("**Altshuler Mutual Funds**") dated March 20, 2013, whereby the Company would pay Altshuler Mutual Funds 50% of any expense incurred by Altshuler Mutual Funds with respect to participation in sports sponsorship to which the Company has consented, on behalf of Altshuler Shaham Group. (5) Services agreement between the Company and Altshuler Shaham Trustees Ltd. dated August 20, 2019, for Trustee service provision for stock option plans for employees and officers; (6) Services agreement between the Company and Generics Ltd. dated October 10, 2010, for receiving IT operation services, IT training and troubleshooting with regard to computer-based CRM system for administration of provident fund member rights.

C. On March 3, 2022, the Company repaid NIS 50 million out of a loan amounting to NIS 100 million obtained from Bank HaPoalim. For more information see Note 18C2c3 above.

Note 31: - Events subsequent to the report date (Cont.)

D. On March 29, 2022, the Company Board of Directors resolved that immediately after closing of the Merger Transaction as set forth in Note 31A above, the Board of Directors shall convene to pass a resolution about a distribution based on the Company's 2021 annual financial statements, amounting in total to NIS 150 million, subject to all statutory provisions. Note that such distribution, should it take place, would be made entirely to Altshuler Finance. To the best of the Company's knowledge, upon conducting such distribution, Altshuler Finance intends to act on a dividend distribution to shareholders thereof.

E. On March 29, 2022, the Company Board of Directors approved termination of a credit facility from Bank Leumi amounting to NIS 100 million. For more information see Note 18C2a7.

F. On March 29, 2022, the Company Board of Directors approved obtaining a credit facility from Bank HaPoalim amounting to NIS 100 million. For more information see Note 18C2c3 above.

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ALTSHULER SHAHAM PROVIDENT FUNDS AND PENSION LTD.

FINANCIAL INFORMATION FROM CONSOLIDATED FINANCIAL STATEMENTS ATTRIBUTABLE TO THE COMPANY

AS OF DECEMBER 31, 2021

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Kost Forer Gabbay & Kasierer
144 Menachem Begin Road, Building A,
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To: Shareholders of Altshuler Shaham Provident Funds and Pension Ltd.
19A HaBarzel Street, Tel Aviv Yafo

Dear Sir/Madam,

Re: Special report by the Independent Auditor of separate financial information in conformity with Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970

We have audited the separate financial information presented pursuant to Regulation 9C of the Securities Regulations (Periodic and immediate reports), 1970 of Altshuler Shaham Provident Funds and Pension Ltd. (hereinafter: "the Company") as of December 31, 2021 and 2020 and for each of the three years, the most recent of which ended December 31, 2021, included in the Company's periodic report. The Board of Directors and the Company's Management are responsible for the separate financial information. We are responsible for our opinion of this separate financial information, based on our audit.

We have not audited the separate financial information on financial statements of investees, in which the Company's share of earnings of such entities amounted to NIS 14,395 thousand for the year ended December 31, 2021. The financial statements of said companies have been audited by other independent auditors whose reports have been provided to us and our opinion, inasmuch as it refers to amounts consolidated for the aforementioned companies, is based on the reports by these other independent auditors.

We have conducted our audit in accordance with generally accepted audit standards in Israel. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the separate financial information is free of material misstatement. The audit includes testing a sample of evidence in support of figures and items included in the separate financial information. The audit also includes a review of the accounting rules implemented in compiling the separate financial information and any significant estimates made by the Company's Board of Directors and management, as well as an evaluation of the overall appropriateness of the presentation of the separate financial information. We believe that our audit and the reports of the other independent auditors provide an appropriate basis for our opinion.

We believe, based on our audit and on reports by other Independent Auditors, that the separate financial information is compiled, in all material aspects, according to instructions of Regulation 9C of the Securities Regulations (Periodic and Immediate Reports) 1970.

Tel Aviv,
March 29, 2022

Kost, Forer, Gabbay & Kasierer
CPAs

Special report pursuant to Regulation 9C

Financial data and information from consolidated financial statements attributable to the Company

Below is separate financial data and information attributable to the Company from the Company's consolidated financial statements as of December 31, 2021 published in the periodic reports (hereinafter: "Consolidated Financial Statements"), presented pursuant to Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970.

Significant accounting policies applied in compiling this financial information is set forth in Note 2 to the Consolidated Financial Statements.

Investees, as defined in the Consolidated Financial Statements.

FINANCIAL INFORMATION FROM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ATTRIBUTABLE TO THE COMPANY

	As of December 31,	
	2021	2020
	Un-audited	
ASSETS		
Intangible assets	570,195	124,811
Right-to-use assets	36,532	15,151
Investments in lease, net	24,756	–
Deferred acquisition costs	353,571	314,437
Fixed assets	19,919	20,161
Assets net of liabilities attributable to investees, net – including goodwill	2,402	–
Assets held for sale	5,368	–
Other accounts receivable	71,831	18,669
Financial investments:		
Negotiable debt instruments	235,927	81,699
Other debt instruments	9,150	8,410
Total financial investments	245,077	90,109
Cash and cash equivalents	292,632	140,047
Total assets	1,622,283	723,385
EQUITY:		
Share capital	2,013	1,962
Share premium	235,669	157,365
Capital reserve with respect to transaction with related party	(1,805)	1,340
Capital reserve with respect to share-based payment transactions	29,867	17,993
Capital reserve with respect to financial assets measured at fair value on Other Comprehensive Income	550	–
Retained earnings	285,227	104,820
Total equity	551,521	283,480
LIABILITIES:		
Deferred tax liabilities	8,644	6,842
Liabilities with respect to employee benefits, net	6,004	3,037
Current tax liabilities	46,438	45,735
Other accounts payable	269,620	212,819
Liability with respect to lease	71,897	15,363
Liabilities with respect to assets held for sale	10,507	–
Financial liabilities	657,652	156,109
Total liabilities	1,070,762	439,905
Total equity and liabilities	1,622,283	723,385

The additional information enclosed is an integral part of the financial data and the separate financial information.

March 29, 2022			
Approval date of financial statements	Ran Shaham Chairman of the Board of Directors	Yair Lowenstein CEO	Sharon Gerszbejn Deputy CEO, CFO and Head of HQ

FINANCIAL INFORMATION FROM CONSOLIDATES STATEMENTS OF INCOME OR OTHER COMPREHENSIVE INCOME ATTRIBUTABLE TO THE COMPANY

	For the year ended December 31,		
	2021	2020	2019
	NIS in thousands		
Revenues from management fees from provident funds and pension funds, net	1,306,413	897,170	684,727
Net investment gain (loss) and financing revenues	(1,410)	4,331	12,471
Other revenues	2,008	1,879	2,300
Total Revenues	1,307,011	903,380	699,498
Commissions, marketing expenses and other acquisition expenses	489,880	352,293	266,819
General and administrative expenses	409,960	320,509	281,295
Other expenses	17,556	6,274	4,729
Financing expenses	15,103	7,712	5,867
Total Expenses	932,499	686,788	558,710
Company share of income of investees, net	17,136	–	–
Income before taxes on income	391,648	216,592	140,788
Taxes on income	133,385	78,335	49,819
Net income	258,263	138,257	90,969
Other comprehensive after-tax income (loss)			
Gain (loss) from re-measurement with respect to defined benefit plan	(1,557)	232	(146)
Company share of loss of investees, net	(2,749)	–	–
Total other after-tax comprehensive income (loss)	(4,306)	232	(146)
Total comprehensive income	253,957	138,489	90,823
Basic net earnings per share (in NIS)	1.34	0.72	0.47
Diluted net earnings per share (in NIS)	1.31	0.70	0.47

The additional information enclosed is an integral part of the financial data and the separate financial information.

FINANCIAL INFORMATION FROM CONSOLIDATED STATEMENTS OF CASH FLOWS ATTRIBUTABLE TO THE COMPANY

	For the year ended December 31,		
	2021	2020	2019
	NIS in thousands		
Cash flow provided by current operations			
Net income for the period	258,263	138,257	90,969
Items not involving cash flow:			
Net loss (gain) from financial investments:			
Negotiable debt instruments	974	(1,664)	(2,675)
Other investments	445	(2,436)	(9,301)
Company share of income of investees, net	(17,136)	–	–
Financing expenses with respect to financial liability	11,696	5,488	4,900
Financing (revenues) expenses, net	1,257	948	(447)
(Gain) loss from realized fixed assets and right-to-use asset	3,109	61	(9)
Financing expenses with respect to lease liability	1,252	743	669
Cost of share-based payment	11,404	11,931	8,830
Depreciation and amortization:			
Right-to-use assets	6,460	4,566	4,495
Fixed assets	7,752	7,689	7,208
Intangible assets	21,719	12,785	7,900
Income tax expenses	133,385	78,335	49,819
	182,317	118,446	71,389
Changes in other balance sheet items:			
Change in deferred acquisition cost, net	(39,579)	(109,419)	(54,870)
Changes to other accounts receivable	19,741	(6,910)	(75)
Change in other accounts payable	80,567	57,040	11,816
Change in liabilities in respect of employee benefits, net	501	231	168
	61,230	(59,058)	(42,961)
Cash paid and received during the year:			
Interest paid	(11,815)	(6,215)	(4,577)
Interest received	1,913	236	447
Taxes received	–	–	4,586
Taxes paid	(126,144)	(71,846)	(27,269)
	(136,046)	(77,825)	(26,813)
Net cash provided by current operations	365,764	119,820	92,584
Cash flow provided by investment operations			
Capital note repayment	-	290	–
Acquisition of fixed assets	(7,049)	(5,604)	(11,414)
Investment in intangible assets	(30,305)	(18,020)	(13,423)
Acquisition of investees	(606,499)	–	–
Acquisition of financial investments, net	(113,527)	1,654	(19,200)
Dividends received from investees	1,145	–	–
Net cash used in investment operations	(756,235)	(21,680)	(44,037)
Cash flows provided by financing operations			
Repayment of short-term borrowing	–	–	(423)
Loans received from bank	1,240,000	164,275	30,000
Loans received from others	–	1,500	6,500
Repayment of lease liability	(6,565)	(4,559)	(4,325)
Repayment of loans from banks and others	(739,035)	(134,353)	(7,142)
Issuance of shares	75,679	–	–
Dividends paid to equity holders of the Company	(102,000)	(64,000)	(56,000)
Net cash provided by (used in) financing operations	468,079	(37,137)	(31,390)

The additional information enclosed is an integral part of the financial data and the separate financial information.

FINANCIAL INFORMATION FROM CONSOLIDATED STATEMENTS OF CASH FLOWS ATTRIBUTABLE TO THE COMPANY

	For the year ended December 31,		
	2021	2020	2019
	NIS in thousands		
Increase in cash and cash equivalents	77,609	61,003	17,157
Merger	74,976	–	–
Cash and cash equivalents – balance at start of period	140,047	79,044	61,887
Cash and cash equivalent balance at end of period	292,632	140,047	79,044
Material non-cash transactions			
Recognition of right-to-use asset against liability with respect to lease	12,840	998	8,895
Dividends declared	–	29,000	70,000
Acquisition of intangible assets	2,820	2,062	1,894
Acquisition of fixed assets	460	62	94
Sale of fixed assets	–	116	–
Loan repayment to related party, including interest payable against capital note	–	51,871	–
Issuance of shares	2,671	447	70,000

(ב) Merger

Assets and liabilities of subsidiaries as of de-consolidation date:

	2021	2020	2019
Working capital (excluding cash and cash equivalents)	(118,533)	–	–
Intangible assets	(222,727)	–	–
Right-to-use assets	(55,369)	–	–
Deferred acquisition costs	445	–	–
Goodwill	(211,251)	–	–
Deferred taxes	812	–	–
Liability with respect to lease	64,558	–	–
Other non-current liabilities	100	–	–
	(541,965)	–	–

The additional information enclosed is an integral part of the financial data and the separate financial information.

Additional information

1. Overview

Information regarding presentation of financial statements pursuant to Regulation 9C
The financial information from the consolidated financial statements attributable to the Company (hereinafter: "Financial Information") was compiled in conformity with provisions of Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970, including information set forth in Addendum X to these Regulations (hereinafter: "Addendum X").

2. Merger of Psagot with and into the Company

On October 1, 2021, Psagot Investment House Ltd. and Psagot Provident and Pension Funds Ltd. Were merged with and into the Company. For more information see Note 13 to the consolidated financial statements.

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ALTSHULER SHAHAM PROVIDENT FUNDS AND PENSION LTD.

PRO-FORMA CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2021

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Kost Forer Gabbay & Kasierer
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Independent Auditor's report

To shareholders of

Altshuler Shaham Provident Funds and Pension Ltd.

We have audited the pro-forma consolidated income statements and other comprehensive income statements of Altshuler Shaham Provident Funds and Pension Ltd.(hereinafter: "the Company") for each of the three years in the period ended December 31, 2021. The Company Board of Directors and management are responsible for these pro-forma consolidated financial statements. We are responsible for our opinion of these pro-forma consolidated financial statements, based on our audit.

We have not audited the financial statements of subsidiaries whose revenues included in the pro-forma consolidation amount to 15.7%, 26.4% and 34.2% of total pro-forma consolidated revenues for the years ended December 31, 2021, 2020 and 2019, respectively. The financial statements of said companies have been audited by other independent auditors whose reports have been provided to us and our opinion, inasmuch as it refers to amounts consolidated for the aforementioned companies, is based on the reports by these other independent auditors.

We have conducted our audit in accordance with commonly accepted auditing standards, including standards set forth in CPA Regulations (Operations of CPAs), 1973. According to these standards, we are required to plan and execute the audit in order to achieve reasonable confidence that the pro-forma financial statements do not include any material misrepresentation. The audit includes testing a sample of evidence in support of figures and information included in the pro-forma financial statements. The audit also includes a review of the accounting rules implemented, and any significant estimates made by the company's board and management, as well as an evaluation of the overall appropriateness of the representations of the pro-forma financial statements. We believe that our audit and the reports of the other independent auditors provide an appropriate basis for our opinion.

It is our opinion, based on our audit and on the reports by other Independent Auditors, that the aforementioned pro-forma financial statements properly reflect, in all material aspects, their pro-forma operating results for each of the three years in the period ended December 31, 2021, in conformity with the accounting policy set forth in Note 1, guidelines set forth in Note 2 to the pro-forma consolidated financial statements and in conformity with Regulation 9A of the Securities Regulations (Periodic and immediate reports), 1970.

Tel-Aviv, Israel
March 29, 2022

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

PRO-FORMA CONSOLIDATED INCOME STATEMENTS AND OTHER COMPREHENSIVE INCOME STATEMENTS

	For the year ended 31 December,					
	2021			2020		
	Data as presented on the consolidated financial statements	Adjustments with respect to pro-forma data	Consolidated pro-forma data	Data as presented on the Company's financial statements	Adjustments with respect to pro-forma data	Consolidated pro-forma data
	NIS in thousands					
Revenues from management fees from provident funds and pension funds, net	1,423,712	115,442	1,539,154	897,170	322,286	1,219,456
Net investment gain (loss) and financing revenues	(1,912)	1,117	(795)	4,331	1,473	5,804
Other revenues	2,008	–	2,008	1,879	–	1,879
Total Revenues	1,423,808	116,559	1,540,367	903,380	323,759	1,227,139
Commissions, marketing expenses and other acquisition expenses	514,407	23,656	538,063	352,293	66,787	419,080
General and administrative expenses	500,051	48,339	548,390	320,509	145,111	465,620
Other expenses	28,617	5,748	34,365	6,274	20,075	26,349
Financing expenses	23,196	13,416	36,612	7,712	38,968	46,680
Total Expenses	1,066,271	91,159	1,157,430	686,788	270,941	957,729
Income before taxes on income	357,537	25,400	382,937	216,592	52,818	269,410
Taxes on income	138,000	7,953	145,953	78,335	33,499	111,834
Operating income	219,537	17,447	236,984	138,257	19,319	157,576
Income from discontinued operations (after tax)	38,726	1,486	40,212	–	63,435	63,435
Net income	258,263	18,933	277,196	138,257	82,754	221,011

The notes to the pro-forma consolidated financial statements are an integral part thereof.

PRO-FORMA CONSOLIDATED INCOME STATEMENTS AND OTHER COMPREHENSIVE INCOME STATEMENTS

	For the year ended 31 December,					
	2021			2020		
	Data as presented on the consolidated financial statements	Adjustments with respect to pro-forma data	Consolidated pro-forma data	Data as presented on the Company's financial statements	Adjustments with respect to pro-forma data	Consolidated pro-forma data
	NIS in thousands					
Other comprehensive after-tax income (loss)						
Gain from investment in financial instruments measured at fair value on Other Comprehensive Income	550	–	550	–	–	–
Gain (loss) from re-measurement with respect to defined benefit plan	(4,856)	–	(4,856)	232	(1,937)	(1,705)
Total components of other comprehensive after-tax income (loss)	(4,306)	–	(4,306)	232	(1,937)	(1,705)
Total comprehensive income	253,957	18,933	272,890	138,489	80,817	219,306
Basic net earnings per share (in NIS)						
Operating income	1.14	0.09	1.23	0.72	0.10	0.82
Income from discontinued operations	0.20	0.01	0.21	–	0.33	0.33
Net basic earnings per share	1.34	0.10	1.44	0.72	0.43	1.15
Diluted net earnings per share (in NIS)						
Operating income	1.11	0.08	1.19	0.70	0.10	0.80
Income from discontinued operations	0.20	0.01	0.21	–	0.32	0.32
Net earnings per share, diluted	1.31	0.08	1.39	0.70	0.42	1.12

The notes to the pro-forma consolidated financial statements are an integral part thereof.

March 29, 2022			
Approval date of financial statements	Ran Shaham Chairman of the Board of Directors	Yair Lowenstein CEO	Sharon Gerszbejn Deputy CEO, CFO and Head of HQ

PRO-FORMA CONSOLIDATED INCOME STATEMENTS AND OTHER COMPREHENSIVE INCOME STATEMENTS

	Year ended December 31, 2019		
	Data as presented on the Company's annual financial statements	**Adjustments with respect to pro-forma data**	**Consolidated pro-forma data**
		NIS in thousands	
Revenues from management fees from provident funds and pension funds, net	684,727	355,174	1,039,901
Investment gain, net and financing revenues	12,471	8,205	20,676
Other revenues	2,300	–	2,300
Total Revenues	699,498	363,379	1,062,877
Commissions, marketing expenses and other acquisition expenses	266,819	60,234	327,053
General and administrative expenses	281,295	135,370	416,665
Other expenses	4,729	15,715	20,444
Financing expenses	5,867	45,604	51,471
Total Expenses	558,710	256,923	815,633
Income before taxes on income	140,788	106,456	247,244
Taxes on income	49,819	32,689	82,508
Operating income	90,969	73,767	164,736
Income from discontinued operations (after tax)	–	9,043	9,043
Net income	90,969	82,810	173,779
<u>Other comprehensive loss</u>			
Loss from re-measurement with respect to defined benefit plan	(146)	(2,083)	(2,229)
Total comprehensive income	90,823	80,727	171,550
Basic net earnings per share (in NIS)			
Operating income	0.47	0.39	0.86
Income from discontinued operations	–	0.05	0.05
Net basic earnings per share	0.47	0.44	0.91
Diluted net earnings per share (in NIS)			
Operating income	0.47	0.38	0.85
Income from discontinued operations	–	0.05	0.05
Net earnings per share, diluted	0.47	0.43	0.90

The notes to the pro-forma consolidated financial statements are an integral part thereof.

NOTES TO CONSOLIDATED PRO-FORMA FINANCIAL STATEMENTS

NOTE 1: – SIGNIFICANT ACCOUNTING POLICIES

These pro-forma consolidated financial statements should be read in conjunction with the Company's consolidated financial statements as of December 31, 2021 and for the year then ended. The accounting policies applied to the pro-forma consolidated financial statements are consistent with those applied to the Company's consolidated financial statements.

These pro-forma consolidated financial statements were compiled in conformity with Regulation 9A of the Securities Regulations (Periodic and immediate reports), 1970.

The pro-forma consolidated financial statements were compiled in order to reflect the Company's pro-forma operating results for each of the three years in the period ended December 31, 2021.

The pro-forma consolidated financial statements were compiled under assumptions as set forth in Note 2B below.

NOTE 2: – PRO-FORMA EVENT AND PRO-FORMA ASSUMPTIONS

a. The pro-forma event

As set forth in Note 13 to the Company's consolidated financial statements as of December 31, 2021, on May 12, 2021 (hereinafter: "the **Closing Date**"), a pro-forma event took place, in which a material business combination was made by acquisition of 100% of shares of Psagot Investment House Ltd. (hereinafter: "**Psagot**").

On May 31, 2021, Psagot signed entered into an agreement to sell 75% of shares of Psagot Mutual Funds Ltd., Psagot Securities Ltd. and 100% of shares of Psagot Compass Mutual Funds Ltd. To Value Capital One Ltd. (hereinafter: "**Value Capital One**") and on August 3, Psagot entered into an agreement to sell 25% of shares of Psagot Mutual Funds Ltd. and Psagot Securities Ltd. To Value Capital One. The aforementioned transactions closed on August 26, 2021.

Furthermore, on July 4, 2021 Psagot Provident and Pension Funds Ltd. (hereinafter: "**Psagot Provident Funds**") entered into an agreement with Harel Pension and Provident Funds Ltd. (hereinafter: "**Harel**") for sale of operations of the new pension fund and several provident funds, including an investment provident fund, children's savings fund, ITA provident fund and study fund, with total assets under management amounting to NIS 10 billion, and for sale of the legacy pension fund Haal, with total assets under management amounting to NIS 16 billion, for total consideration amounting to NIS 185 million.

The pro-forma consolidated statements of other comprehensive income are designed to reflect the Company's consolidated statements of other comprehensive income together with Psagot's consolidated statements of other comprehensive income, had the acquisition transaction taken place on January 1, 2019. For pro-forma assumptions, see Note 2B below.

NOTE 2: – PRO-FORMA EVENT AND PRO-FORMA ASSUMPTIONS (Cont.)

Financing of the transaction:

Upon the Closing Date, the Company paid to Himalaya F.S. Ltd. (hereinafter: "the **Seller**") a total of NIS 602.3 million. On May 10, 2021 and on May 11, 2021, the Company signed credit facility agreements with Bank Leumi, Bank Mizrahi and Bank HaPoalim, amounting in total to NIS 600 million (NIS 200 million each), bearing variable NIS-denominated interest at Prime minus 0.2% for a term of up to 1 year. These credit facilities were fully utilized.

On September 19, 2021 and September 30, 2021, the Company repaid the balance of these loans. For more information about financing agreements signed on September 14, 2021, see Note 18 to the Company's consolidated financial statements as of December 31, 2021.

b. Assumptions made in preparation of the pro-forma consolidated financial statements

The pro-forma consolidated financial statements are based on the Company's consolidated financial statements and on Psagot's consolidated financial statements for the applicable reported periods, which were compiled in conformity with International Financial Reporting Interpretations (IFRS) and in conformity with Supervision of Financial Services Regulations (Provident Funds)(Minimum Equity Required of a Management Company), 2012 (hereinafter: "Capital Regulations") with respect to the Company.

The accounting policy applied in compiling the pro-forma consolidated financial statements is as set forth in Note 1.

Furthermore, the pro-forma financial statements were compiled under the following assumptions:

1. The pro-forma consolidated financial statements are based on the Company's consolidated financial statements and on Psagot's consolidated financial statements, which were compiled in conformity with provisions of IAS 1. Psagot's accounting policy was modified as needed, to align it with the accounting policy adopted by the Company.

2. Pro-forma Consolidated income statements and other comprehensive income statements for each of the three years in the period ended December 31, 2021 were compiled under the assumption that the acquisition transaction as set forth in Note 2A above was made on January 1, 2019.

3. Expenses with respect to depreciation of intangible assets and deferred acquisition expenses included on Psagot's financial statements, which served as basis for the pro-forma Consolidated income statements and other comprehensive income statements, were fully adjusted for presentation of pro-forma results. Conversely, expenses with respect to amortization of excess cost based on cost attribution of the Psagot acquisition were charged in order to reflect amortization of these assets pro-forma had Psagot been acquired on January 1, 2019.

NOTE 2: – PRO-FORMA EVENT AND PRO-FORMA ASSUMPTIONS (Cont.)

4. Since this acquisition was financed by debt, as set forth in Note 2A above, on the pro-forma Consolidated income statements and other comprehensive income statements adjustments were charged with respect to financing expenses based on the inherent interest rate in the loan used to finance this acquisition.

5. On the pro-forma statements we did not account for any cost savings expected to accrue from merger of the Company's provident and pension fund operations and Psagot's continuing provident fund operations.

6. Income tax expenses on the pro-forma consolidated income statements were included at the overall tax rate applicable to the Company and to Psagot in each reported period – 34.19% (which reflects the total tax rate applicable to financial institutions).

7. The pro-forma Consolidated income statements and other comprehensive income statements for each of the applicable reported periods were presented under the assumption that the companies and operations sold to Value One Capital and to Harel, as noted above, were classified as discontinued operations as from January 1, 2019 and therefore, depreciation and amortization expenses were adjusted as included on Psagot's consolidated income statements.

8. Upon acquisition of Psagot, Psagot's financial statements included assets, liabilities and operating results attributable to discontinued operations with respect to the transactions with Value Capital One and Harel, as set forth in Note 2B above. The discontinued operations attributable to the sale to Value Capital One and to Harel, were presented on Psagot's financial statements through March 31, 2021 as operating segments. On the pro-forma consolidated financial statements, results of discontinued operations were consistently charged to presentation of such operations in the Operating Segment Note on Psagot's financial statements through March 31, 2021 (for adjustments with respect to depreciation and amortization, see assumption 7 above).

9. The pro-forma Consolidated income statements and other comprehensive income statements for the year ended December 31, 2021 were calculated based on operating results for the six-month period, as presented on the pro-forma consolidated financial statements as of June 30, 2021, plus actual operating results of the Company in the six-month period ended December 31, 2021 as presented on the consolidated financial statements as of December 31, 2021, subject to pro-forma assumption 8 above.

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CHAPTER D

ADDITIONAL INFORMATION REGARDING THE CORPORATION

DECEMBER 31, 2021

CHAPTER D – ADDITIONAL INFORMATION REGARDING THE CORPORATION

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1. **Regulation 10a: Condensed statements of comprehensive income for each of the quarters ended March 31, June 30, September 30 and December 31, 2021**

For quarterly condensed statements of comprehensive Income for 2021, see section 1.4 of the Board of Directors Report.

2. **Regulation 10c: Use of proceeds from securities**

In December 2021, the Company issued 4,500,000 Company ordinary shares, registered in the owner's name, of NIS 0.01 par value each, for total gross consideration amounting to NIS 76,950 thousand. This share issuance was conducted, *inter alia*, with due attention to minimum public holding requirement for inclusion in stock exchange indexes. Proceeds from this issuance have been used by the Company for current operations, in conformity with resolutions passed by the Company Board of Directors, as they may be from time to time, all in conformity with Company targets and strategy, and for financing the Company's current operations at its full discretion.

3. **Regulation 20: Trading on the stock exchange**

In 2021 and through the approval date of these financial statements, Company ordinary shares of NIS 0.01 par value each were listed for trading on the Tel Aviv Stock Exchange Ltd. as follows:

3.1. 4,500,000 shares from public issuance conducted by the Company in December 2021. For more information about this share allocation, see immediate reports issued by the Company dated December 14, 2021 and December 16, 2021 (reference no. 2021-01-180006 and 2021-01-181404), included herein by way of reference.

3.2. 820,305 shares from exercise of options allocated by the Company to employees, officers and service providers of the Group, pursuant to shelf offering reports issued by the Company.

4. **Regulation 21: Remuneration of interested parties and senior officers**

4.1. Company's remuneration policy –

Remuneration of Company officers is subject to the Company's officer remuneration policy. For more information about the Company's officer remuneration policy, see report convening a General Meeting of Company shareholders, dated September 25, 2019 (reference no. 2019-01-083652), included herein by way of reference.

For more information about remuneration policy for key officers and other employees of the Company, as this term is defined in Institutional Investor Circular 2019-9-6, dated July 11, 2019, issued by the Supervisor of Capital Market, Insurance and Savings with regard to remuneration at institutional investors (hereinafter: "the **Supervisor's Circular**"), see the Company website at: https://www.as-invest.co.il/interstedin.

Below are details of remuneration provided to each of the top 5 remunerated senior and key officers of the Company, with respect to their office with the Company in the 12 months ended December 31, 2021, as recognized on the 2021 financial statements, in terms of cost to the Company (NIS in thousands):

CHAPTER D – ADDITIONAL INFORMATION REGARDING THE CORPORATION

Remunerated party				Remuneration for services rendered						Other remuneration					Share of control group attributable to the Company (%)
Name	Position	Full-time position equivalent	Holding stake in capital	Payroll cost (*)	Bonus (**)	Share-based payment (***) (****)	Management fee	Consulting fee	Commission	Other	Interest	Rent	Other	Total	
Yair Lowenstein [(1)]	CEO	100%	14.04%	1,928	–	–	–	–	–	–	–	–	–	1,928	100%
Anat Knafo-Tavor	Pension Fund Manager and VP, Operations	100%	–	1,361	193	355	–	–	–	–	–	–	–	1,909	100%
Tzafrir Zanzuri	VP, Sales and Marketing	100%	–	1,453	193	68	–	–	–	–	–	–	–	1,714	100%
Osnat Antebi	VP, Legal Counsel	100%	–	1,426	193	61	–	–	–	–	–	–	–	1,680	100%
Sharon Gerszbejn	Deputy CEO, CFO and Head of Professional HQ	100%	–	1,415	193	68	–	–	–	–	–	–	–	1,676	100%

– Data in this table exclude VAT and/or payroll tax.

(*) The cost of payroll for officers and senior officers of the Company may include, in addition to their monthly salary: fixed bonus, contribution towards auto maintenance or a company car (including expenses), cell phone maintenance and use expenses, per diem expenses, healthcare insurance, contributions to pension fund and study fund, in conformity with terms and conditions of their employment contracts. The employment contracts of Company officers also include provisions with regard to their eligibility for annual paid leave, as agreed, vacation allowance days, advance notice period and commitment to non-disclosure.

(**) In conformity with the remuneration policy, the threshold conditions for payment of annual bonuses for 2021 to officers and senior officers were fulfilled. According to individual bonus plans for 2021, the annual bonus determined for Ms. Knafo-Tavor, Mr. Zanzuri, Ms. Gerszbejn and Ms. Antebi is in conformity with the Company's performance evaluation process based on qualitative criteria and capped at three months' salary.

(***) Pursuant to section 4.2 below, on December 31, 2018 the Company allocated options to purchase shares of the parent company to certain officers of the Company, which would vest in three lots, as set forth in section 4.2 below. The fair value of these options as of the award date was estimated using the binomial model, based on conditions and data used in award of these instruments. The contractual term of the stock options as of December 31, 2021 was 7 years and the exercise price as of December 31, 2021 was NIS 677.

(****) Pursuant to section 3.3 below, on September 16, 2019 the Company allocated options to purchase Company shares, which would vest in three lots, as set forth in section 4.2 below. The fair value of these options as of the award date was estimated using the binomial model, based on conditions and data used in award of these instruments. The weighted average contractual term of the stock options as of December 31, 2021 was 7.7 years and the exercise price as of December 31, 2021 was NIS 5.07. For more information see the Company's shelf offering report dated September 15, 2019 (reference 2019-01-096427).

(1) For more information about the employment contract of Mr. Yair Lowenstein, Company CEO and a controlling shareholder of the Company, see section 0 below.

4.2. Options to purchase shares of the parent company allocated to key officers of the Company

On December 31, 2018, the Company allocated options to purchase shares of Altshuler Shaham Ltd. ("the **Parent Company**" or "**Altshuler Ltd.**") to Company officers, pursuant to provisions of the equity-based remuneration plan and the remuneration policy (at that time), which would vest on December 31 of each year from 2019 through 2021. For more information see Note 27B to the Company's 2021 financial statements, enclosed as chapter C of this report.

4.3. Options allocated to Company officers

For more information about option allocation by the Company to Company officers and employees, see Note 27B to the Company's 2021 financial statements, enclosed as chapter C of this report. Remuneration of interested parties in the Company

Below is information about remuneration of an interested party in the Company, not listed in section 3.1 above, with respect to services provided as officer of the Company or a company controlled thereby, whether or not in the capacity of employer-employee and even if the interested party is not a senior officer (NIS in thousands):

4.4. Board member remuneration

In 2021, the total remuneration paid to Company Board members for their office amounted to NIS 2,109 thousand, of which NIS 1,848 thousand was paid to external Board members of the Company and NIS 262 thousand was paid to Board members other than external Board members, based on the following categories:

A. Board members whose office on the Company Board of Directors is in addition to being officers or managers with Group companies, some of whom receive no additional remuneration for their office on the Company Board of Directors, and some of whom are entitled only to remuneration for attending meetings, equal to the maximum amount allowed by Addendum III to the Corporate Regulations (Rules for remuneration and expense reimbursement for independent board members), 2000 (hereinafter: "the **Remuneration Regulations**"). Note that some of the aforementioned Board members were eligible for allocation of Company option warrants with respect to their office as officers of the Parent Company, as set forth in Note 26 to the financial statements.

B. Board members other than external Board members who do not serve as officers or managers with Group companies, who are entitled only to remuneration for attending meetings equal to the maximum amount allowed by Addendum III to the Reporting Regulations.

C. External Board members – remuneration paid to External Board members is in conformity with the Company's remuneration policy, equal to the maximum amount allowed by Addendums II and III to the Reporting Regulations, based on the Company classification from time to time, linked to the Consumer Price Index and in conformity with provisions of the Remuneration Regulations.

D.Company Board of Directors are included on officer insurance and indemnification provisions, as customary at the Company. For more information about waiver, insurance and indemnification for Company officers, including some controlling shareholder of the Company, see section 0 below.

4.5. Employment contract of Company CEO

Mr. Yair Lowenstein, a controlling shareholder of the Company, serves as CEO of the Company pursuant to an employment contract signed with them on January 1, 2017 (as revised on April 15, 2019, effective as from January 1, 2019) (in this context "the **Contract**"). Note that Mr. Lowenstein has informed the Company of their consent to be further involved in management of the Company, for a period of five years or longer as from July 2019, subject to statutory provisions and to resolutions by the Company's competent organs, as they may be from time to time.

In consideration, Mr. Lowenstein would be entitled to monthly salary, reimbursement of cell phone maintenance and daily newspaper cost and to contributions to retirement savings and to a study fund. They would also be entitled to annual leave, vacation days and a notice period. The Contract also contains non-disclosure provisions agreed to by Mr. Lowenstein.

Subject to closing of the merger, Mr. Yair Lowenstein would serve as CEO of Altshuler Shaham Finance Ltd. ("**Altshuler Finance**"), pursuant to terms and conditions of their Contract. Mr. Yair Lowenstein would also serve as Chair of the Company Board of Directors, with no additional remuneration beyond their remuneration with respect to their office as CEO of Altshuler Finance.

For more information about attribution and service agreements between the Company and Altshuler Ltd. And Group companies thereof, see section 6.1 below.

5. Regulation 21a: Control of the Company

As of the report date, the ultimate controlling shareholders of the Company are as follows: Gilad Altshuler, Kalman Shaham[1] and Yair Lowenstein.
Company shareholders are Altshuler Ltd., which holds 55.83% of Company share capital, and Lowenstein Yair Holdings Ltd. ("**Yair Holdings**"), which holds 14.04% of Company share capital.
For more information about the Company shareholder agreement, see section 3.4.3 of the Prospectus.

6. Regulation 22: Transactions with controlling shareholder and/or in approval of which a controlling shareholder has a personal interest

Below is information, to the best of the Company's knowledge, about transactions between the controlling shareholders of the Company and the Company, or Company transactions with any third party in which the controlling shareholders had a personal interest in approval thereof, contracted by the Company in the reported year or thereafter through the report filing date, or still effective as of the report issue date:

1 For more information about shareholders of Kalman Shaham Holdings Ltd. Included in the control permit issued to the Company by the Capital Market, Insurance and Savings Authority, see section 1.1 of Chapter A.

CHAPTER D – ADDITIONAL INFORMATION REGARDING THE CORPORATION

Transactions listed in Section 270(4) of the Corporate Act, 1999 ("the **Corporate Act**")

6.1. Services and expense attribution agreement between the Company and Altshuler Ltd.

On May 15, 2019, the Company entered into agreement with Altshuler Ltd. with regard to providing mutual operating and other services for current operations of the parties (in this context: "the **Services Agreement**" and "the **Parties**", respectively). The Services Agreement was signed for a term of five (5) years as from January 1, 2019, after which it would be automatically renewed for additional terms of twelve (12) months each, subject to obtaining all approvals required by law. The Services Agreement may be terminated by either party by giving advance notice of one hundred and eighty (180) days2.

The Services Agreement governs the various services provided by Altshuler Ltd. to the Company and vice versa, and attribution of the costs to the Parties.

The cost attribution is governed by the agreement through provisions based on one of the following: (a) Pre-determined rates set forth in the agreement, which reflect the share of services provided by employees of any department to either party (relative to the total human resource services), so as to result in total cost to the Company equal to or lower than the share of services provided there to; (b) Attribution factors set forth in the agreement, as applicable to each service type, based on each of the following: Staff ratio3, asset ratio4 and area ratio5; and (c) as for specific systems or services which only serve one party (as set forth in the agreement) – such cost is attributed to that one party.

The Services Agreement specifically stipulates attribution provisions with respect to the following services and expenses:

- Labor – The parties shall bear the cost of employment of employees and officers providing services to both parties, at pre-determined rates set forth in the agreement, which reflect their scope of work with respect to each party, as set forth in the agreement6, with regard to these departments: Research Department; Innovation Department; Investment Operation Department; Investment Control Department; Investment Department; Alternative Investment Department; Procurement Department; Marketing Department; Risk Management Department; Operations and Logistics Department; Human Resources Department; IT Department; Internal Audit Department; and Service Department. In case of staff increase at the aforementioned departments due to expansion of current standards, the attribution rates would be as set forth in the agreement, unless otherwise agreed by the parties and approved by the organs as required by law.

  For example, as of the report issue date, the Company bears 50% of the employment cost of the Research Department staff and 50% of the employment cost of the Innovation Department staff.

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[2] With respect to the Services Agreement, "Group" means: Altshuler Ltd., Altshuler Shaham Insurance Agency Ltd., Altshuler Shaham Investment Portfolio Management Ltd. and the Company.

[3] Meaning that the consideration owed by one party to the other would be a share out of total expenses or transaction cost, calculated *pro rata* to the number of employees of that party out of total Group employees.

[4] The ratio derived from dividing total assets under management for the Company by total assets under management for the Group.

[5] Assuming that the area used by the Company is 70% of total leased area used by the Group. The area ratio may be revised based on change in ratio of Group employees, as set forth in the agreement.

6 Note that the Company bears 50% of the employment cost of employees in the Innovation Department, headed by Ms. Hen Altshuler, spouse of Mr. Gilad Altshuler, a controlling shareholder of the Company; The Company also bears the employment cost of the brother-in-law of Ms. Galia Jeanne Bar Wilfe, a former indirect controlling shareholder of the Company, who serves as Provident Fund Investment Manager.

- Joint external legal counsel – Depending on the subject of advice (commercial agreements or opinions), the cost would be attributed based on the relevant stipulations made in the agreement7 or, if no relevant stipulation is found, would be shared by the parties in equal shares.
- Expenses for wellbeing, communications, current office supplies, office rent and maintenance, sales and marketing services – Either party would bear these expenses *pro rata* to stipulations made in the agreement, including the staff ratio and area ratio.
- Common computer systems – Where the computer system is solely required to be used by one party, the cost of such system would be attributed to that party only, as determined by the IT Manager. Where the computer system is required to be used by both parties, the parties would share the cost based on the aforementioned attribution provisions. Where the computer system is primarily used by one party, then based on necessity of the computer system for that party.
- Board member and officer liability insurance and business insurance – The Company would bear the *pro rata* share of this cost, based on the asset ratio (for Board member and officer liability insurance) (unless it should be determined that the Company would independently obtain such insurance) and based on the staff ratio (for business insurance).
- Non-recurring expenses – As agreed by the parties on quarterly basis, but not more than NIS 180,000 per quarter for either party.
- Expenses incidental to provision of investment services to the Company (such as Bloomberg system) – The Company shall bear 50% of such expenses.
- General expenses for work and related services for current Company operations – These expenses would be attributed as stipulated in the agreement. The appropriate attribution provisions would be agreed by the CEOs of the Company and of Altshuler Ltd., based on the methodology underlying the attribution stipulations as set forth in the agreement, not to exceed NIS 2 million per year.

The consideration with respect to services shall be payable monthly, and the Company shall pay this consideration to Altshuler Ltd. Against tax invoice and Altshuler Ltd. shall pay this consideration to the Company against a payment demand.

Furthermore, Altshuler Ltd. is entitled to receive a fixed annual payment of NIS 3.1 million plus VAT, for management of all services provided to the Company pursuant to provisions of the Services Agreement.

7 For example, the cost of counsel related to labor laws and applicable to all Group employees would be attributed based on the employee ratio.

The Services Agreement includes control provisions whereby, as part of the multi-annual work plan of the Company's Internal Auditor, the Internal Auditor shall review implementation of the agreement, and would ensure that actual cost attribution is in conformity with provisions of the agreement as aforesaid, and the need to adjust the stipulated ratios reflecting the *pro rata* share of services provided to either party and the attribution provisions, in view of the time passed and changes to the scope of operations, and their conclusions would be presented to the Company's Audit Committee. Should the Audit reveal discrepancies with respect to implementation of the agreement, calculation of payments based there upon or the need to adjust the stipulated ratios or attribution provisions as aforesaid – the parties would discuss in good faith making the required adjustments to payments. Furthermore, as part of the Internal Auditor's annual work plan, the Internal Auditor shall review implementation of the agreement with respect to those attribution provisions whose implementation requires judgment to be applied with respect to payment sharing by the Company and by Altshuler Ltd. and shall present their conclusions to the Company's Audit Committee.

Moreover, Company staff specialized in retirement savings marketing are assigned from time to time to Group insurance agencies for specialization work, as part of their training as retirement savings marketing staff.

Note also that on December 23, 2021, the Company received a unilateral undertaking from Altshuler Ltd. whereby Altshuler Ltd. commits to provide the services pursuant to the Services Agreement subject to specific statutory and regulatory provisions applicable to the Company (including regulatory directives and guidelines to which the Company is subject), including with regard to Company obligations to members thereof with respect to the services, throughout the term of providing the services. This would be done for no additional consideration with respect to this unilateral undertaking, subject to liability provisions set forth in this undertaking.

On February 27, 2022, the parties and the Company confirmed signing of an amendment to the Services Agreement whereby, upon closing of the merger, the agreement would be assigned from the Company to Altshuler Finance such that services provided by Altshuler Ltd. would be provided to Altshuler Finance and/or to companies controlled thereby, including the Company, as required from time to time.

In 2021, total payments, net paid by the Company pursuant to the Services Agreement amounted to NIS 39,274 thousand.

6.2. <u>Services agreement between the Company and Altshuler Shaham Properties Ltd.("**Altshuler Properties**")</u>

On May 15, 2019, the Company entered into an agreement with Altshuler Properties (a company owned by some controlling shareholder of the Company), which governs the relations between the parties and purchase of diverse services by Altshuler Properties from the Company ("the **Properties Services Agreement**"). The Properties Services Agreement was signed for a term of five (5) years, after which it would be automatically renewed for additional terms of twelve (12) months each, subject to obtaining all approvals required by law. The agreement may be terminated ahead of time by any of the parties by giving 60 days' advance notice. Pursuant to the Properties Services Agreement, the Company would provide to Altshuler Properties, *inter alia*, supervisory services, Internal Audit services and general services as required by Altshuler Properties at that time and as agreed by the parties; The cost of such general services to the Company and the consideration there for shall not exceed NIS 1 million per year. Furthermore, the Properties Services Agreement includes a non-recurring expense component, to be determined quarterly by the parties (up to NIS 200 thousand). The consideration with respect to the agreement is payable to the Company quarterly, based on actual transaction cost and commissions paid to Company supervisors (with respect to supervisory services), based on the work hours ratio for Internal Audit staff (with respect to Internal Audit services) and based on *pro rata* cost incurred in provision of general services to Altshuler Properties.

On February 27, 2022, the parties and the Company confirmed signing of an amendment to the Properties Services Agreement whereby, subject to closing of the merger, the agreement would be assigned from the Company to Altshuler Finance such that the services would be provided by Altshuler Finance and/or to companies controlled thereby, as required from time to time.

In 2021, total consideration received pursuant to the Services Agreements amounted to NIS 407 thousand.

6.3. Option allocation to Group employees

In conjunction with the Company's stock option plan, approved by the Company Board of Directors on June 12, 2019, the Company may allocate options to employees and officers of Altshuler Ltd. and companies controlled thereby, who are not directly employed by the Company (in this context: "**Group Employees**"). On July 9, 2019, the Company Board of Directors approved allocation of option warrants to Group Employees, which may be exercised, with theoretical assumption of full cash exercise, for 2.7% of the Company's issued and paid-in share capital (after such allocation) ("**Options to Group Employees**") at an exercise price as set forth in section 3.6 of chapter 3 of the prospectus. Altshuler Ltd. Would determine, at its sole discretion, the identity of Group Employees to receive allocation of Options to Group Employees.

The stock option plan, whereby the Company may allocate options to Group Employees, was adopted based on the viewpoint whereby the Group, including the Company, acts in close co-operation based on an overall vision shares by all business units of the Group, such that operations of each unit of the investment houses contributes to success of all other units.

For more information about the Company's stock option plan, see sections 3.5-3.6 of the prospectus and shelf offering reports issued by the Company on September 15, 2019, November 26, 2019, March 30, 2020, May 31, 2020, August 17, 2020, November 26, 2020, March 22, 2021, May 27, 2021 and August 31, 2021 (reference no. 2019-01-096427 2019-01-102399 2020-01-032790 2020-01-055533 2020-01-080260 2020-01-120238 2021-01-041481 2021-01-091995 and 2021-01-142281, respectively) included herein by way of reference.

6.4. Remuneration of employee who is a relative of a former controlling shareholder

For more information about allocation of Company option warrants and revision of remuneration terms and conditions of Mr. Erez Wilfe, brother in law of Ms. Gali Bar, a former (indirect) controlling shareholder of the Company, see immediate reports issued by the Company on September 25, 2019 and October 30, 2019 (reference no. 2019-01-083652 and 2019-01-092679, respectively), dated February 13, 2020 and March 19, 2020 (reference no. 2020-01-015897 and 2020-01-027117, respectively), dated April 26, 2021 and June 1, 2021 (reference no. 2021-01-071391 and 2021-01-094134, respectively), included herein by way of reference.

6.5. Insurance, waiver and indemnification

For more information about waiver, insurance and indemnification for Company officers, including some controlling shareholder of the Company, see section 0 below.

Transactions not listed in section 270(4) of the Corporate Act

6.6. Customer referral agreement ("**Leads**") between the Company and Altshuler Ltd.

On August 21, 2011, the Company entered into an agreement with Altshuler Ltd. Which governs the referral of leads from the Company to Altshuler Ltd. (in this context: "the **Agreement**" and "the **Parties**", respectively). The Agreement term is three (3) years, after which it would be automatically renewed for additional terms of twelve (12) months each, subject to obtaining all approvals required by law, unless terminated by either party by sixty (60) days' advance notice. According to terms and conditions of the Agreement, the Company would be entitled to commissions with respect to each client referred by the Company to Altshuler Ltd. for portfolio management services. The commission would be at 50% of the annual management fee in the managed portfolio, for each lead referred by a Company marketer or employee.

In 2021, total consideration received by the Company pursuant to the Lead Agreement amounted to NIS 1,939 thousand.

Note that the Agreement has been terminated with regard to future referrals, but the Company continues to be entitled to commissions with respect there to, as agreed by the parties and as set forth above.

On July 19, 2021, the Company entered into a new agreement with Altshuler Ltd. Which governs the referral of leads from the Company to Altshuler Ltd. (in this context: "the **New Lead Agreement**" and "the **Parties**", respectively). The term of this agreement is three (3) years, after which it would be automatically renewed for additional terms of three (3) years each, subject to obtaining all approvals required by law, unless terminated by either party by fourteen (14) days' advance notice. According to terms and conditions of the Agreement, the Company would be entitled to commissions with respect to each client referred by the Company to Altshuler Ltd. for portfolio management services. The commission would be at 50% of the annual management fee in the managed portfolio, for each lead referred by a Company marketer or employee. On July 19, 2021, the Company's Audit Committee classified and confirmed the New Lead Agreement as a non-extraordinary transaction. In 2021, total consideration received by the Company pursuant to the New Lead Agreement was negligible.

6.7. Agreement between the Company and Altshuler Shaham Mutual Fund Management Ltd. ("**Altshuler Mutual Funds**")

On March 20, 2013, the Company entered into an agreement with Altshuler Mutual Funds (a subsidiary of Altshuler Ltd.), revised on May 15, 2019 (in this section: "the **Parties**" and "the **Agreement**", respectively) whereby the Company would pay to Altshuler Mutual Funds 50% of any expense incurred by Altshuler Mutual Funds with respect to participation in sports sponsorship to which the Company has consented, on behalf of Altshuler Shaham Group. Any amount paid by the Company for sports sponsorship provided on behalf of Altshuler Shaham Group would be deducted from such cost[8]. The term of the Agreement is five (5) years, after which it would be automatically renewed for additional terms of twelve (12) months each, unless terminated by either party by fourteen (14) days' advance notice prior to such renewal date and subject to obtaining all approvals required by law.

On February 27, 2022, the parties and the Company confirmed signing of an amendment to the Agreement whereby, subject to closing of the merger, the agreement would be assigned from the Company to Altshuler Finance such that Altshuler Finance would pay Altshuler Mutual Funds as aforesaid.

In 2021, total payments paid by the Company pursuant to the Services Agreement amounted to NIS 1,545 thousand.

6.8. Agreement between the Company and Altshuler Shaham Insurance Agency Ltd. ("**Altshuler Insurance Agency**")

On June 12, 2019, the Company entered into an agreement with Altshuler Insurance Agency (indirectly owned by the controlling shareholders of the Company) which governs their relations with regard to retirement savings marketing of Company products to clients of Altshuler Insurance Agency (in this section: "the **Marketing Agreement**").

The Marketing Agreement is valid indefinitely and either party may terminate it by 30 days' advance written notice. Pursuant to the agreement, Altshuler Insurance Agency would conduct retirement savings marketing to its clients, in order to enroll them as members in Company products. In consideration, the Company would pay Altshuler Insurance Agency for such clients actually enrolled as members in Company products, a commission equal to net employment cost of Altshuler Insurance Agency staff (i.e. Net of Altshuler Insurance Agency revenues from activity of such staff).

Note that the Company's Customer Service Department provides services to Group insurance agencies, negligible in scope.

In 2021, total payments paid by the Company pursuant to the Services Agreement amounted to NIS 6,497 thousand.

8 In this context, "Altshuler Shaham Group" means: Altshuler Shaham Ltd., partnerships in which it is partner and all subsidiaries, affiliates and associates, as defined in the Securities Act, 1968.

6.9. Agreement between the Company and Altshuler Shaham Trustees Ltd.("**Altshuler Trustees**")

In conjunction with the stock option plan for Company employees and officers (as set forth in section 6.3 below), the Company entered into an agreement with Altshuler Trustees to receive Trustee services, worded as customary for such agreements and at market terms. The value of this contract is negligible.

On February 27, 2022, the parties and the Company confirmed signing of an amendment to the Trustee services agreement whereby, subject to closing of the merger, the agreement would be assigned from the Company to Altshuler Finance such that the services would be provided to Altshuler Finance.

6.10. Agreements between the Company and Altshuler Shaham Retirement Guidance Insurance Agency Ltd. ("**Altshuler Retirement Guidance**")

6.10.1. **Retirement planning agreement**

On November 26, 2013, the Company entered into an agreement with Altshuler Retirement Guidance (a subsidiary of Altshuler Ltd.) which governs retirement planning services, including mapping of current pension plans and financial portfolio, formulating a retirement plan, manner and order of realizing retirement savings, to be provided by Altshuler Retirement Guidance to Company members (in this section: "the **Agreement**"). The Agreement is valid indefinitely and may be terminated by either party for any reason whatsoever by giving 14 days' advance notice. In consideration for such services, the Company would pay Altshuler Retirement Guidance NIS 1,500 plus VAT for providing services to a member with a standard retirement savings portfolio, and NIS 2,000 plus VAT for providing services to a member with a complex retirement savings portfolio.

In 2021, the consideration paid by the Company to Altshuler Retirement Guidance with respect to the Agreement was negligible.

6.10.2. **Product marketing agreement**

On September 2, 2014, the Company entered into an agreement with Altshuler Retirement Guidance which governs their relations with regard to retirement marketing of Company products to clients of Altshuler Retirement Guidance (in this section: "the **Marketing Agreement**").

The Marketing Agreement is valid indefinitely and either party may terminate it by 30 days' advance written notice. Pursuant to the agreement, Altshuler Retirement Guidance would conduct retirement savings marketing to its clients, in order to enroll them as members in Company products. In consideration, the Company would pay Altshuler Retirement Guidance for such clients who actually enroll as members in Company products, a current commission and a volume commission, based on the product in which these clients enroll and subject to required adjustments.

In May 2021, the Marketing Agreement between the parties was revised, including a non-material update to the current commission rate payable to Altshuler Retirement Guidance (in this section: "the **Revised Marketing Agreement**"). On May 24, 2021, the Company's Audit Committee classified and confirmed the Revised Marketing Agreement as a non-extraordinary transaction.

In 2021, the commission paid by the Company to Altshuler Retirement Guidance pursuant to the Marketing Agreement, for current commissions and volume commissions, amounted to NIS 2,102 thousand and NIS 200 thousand, respectively.

6.11. Agreements between the Company and Altshuler Shaham Finance Retirement Insurance Agency Ltd. ("**Altshuler Retirement Insurance**")

On September 10, 2017, the Company entered into an agreement with Altshuler Retirement Insurance which governs their relations with regard to retirement marketing of Company products to clients of Altshuler Retirement Insurance (in this section: "the **Marketing Agreement**"). The Marketing Agreement is valid indefinitely and either party may terminate it by 30 days' advance written notice. Pursuant to the Agreement, Altshuler Retirement Insurance would conduct retirement marketing to its clients so as to enroll them as members in Company products, and in consideration the Company would pay Altshuler Retirement Insurance for such clients who actually enroll as members in Company products, a monthly commission based on the product in which these clients enroll and subject to required adjustments.

In 2021, the commission paid by the Company to Altshuler Retirement Insurance pursuant to the Marketing Agreement amounted to NIS 2,879 thousand.

6.12. Agreement between the Company and Generics Ltd. ("**Generics**")

On October 10, 2010, the Company entered into an agreement with Generics (a wholly-owned subsidiary of Perfect9, a company owned by the controlling shareholders of the Company), which governs provision of IT operations services, IT training and troubleshooting with regard to a computer-based CRM system for administration of provident fund member rights (in this context: "the **System**"), which the Company acquired by perpetual license from Generics. The Agreement term is three (3) years, after which it would be automatically renewed for additional terms of twelve (12) months each, unless terminated by either party by three (3) months' advance notice, subject to obtaining all approvals required by law. The Company would retain the license to use the System even after termination of the Agreement for any reason whatsoever. Generics would provide to the Company, *inter alia*, maintenance and operation services for the System as well as support and troubleshooting services; for as long as the Agreement is effective, Generics would provide regular employees who would provide the services to the Company. In consideration for providing the services, the Company pays a fixed hourly rate as agreed by the parties.

On February 27, 2022, the parties and the Company confirmed signing of an amendment to the Agreement whereby, subject to closing of the merger, the agreement would be assigned from the Company to Altshuler Finance.

Total contracting between the parties in 2021 amounted to NIS 12.4 million.

9 Note that on June 30, 2020, Perfect acquired the outstanding Generics shares from the other shareholder of Generics, such that after this acquisition, Perfect holds 100% of the Generics share capital.

6.13. Provident fund investments along with Altshuler Properties

(1) On December 23, 2019, the Company's Audit Committee classified investments by provident funds managed by the Company in joint ventures along with Altshuler Properties and others, designed as investment in real estate properties, as non-extraordinary transactions. The investment amount in both ventures is negligible compared to total provident fund assets.

The personal interest of controlling shareholders of the Company is due to their holdings in the Company and in the General Partner of Altshuler Properties Partnership10; Moreover, Messrs. Ran Shaham, Yair Lowenstein, Earl Zin and Sharon Gerszbejn, who serve as Company officers, have a personal interest in these ventures .11.

Further to classifications of the transactions as non-extraordinary transactions by the Audit Committee, on December 25, 2019 the Company Board of Directors approved these joint venture transactions as non-extraordinary transactions in which an officer has a personal interest.

(2) On May 25, 2020, the Company's Audit Committee classified investment by provident funds managed by the Company in a joint venture along with Altshuler Properties and others, designed as investment in real estate properties, as non-extraordinary transactions. The investment amount in the venture is negligible compared to total provident fund assets. Further to classifications of the transaction as a non-extraordinary transaction by the Audit Committee, on May 27, 2020 the Company Board of Directors approved the transaction as a non-extraordinary transactions in which an officer has a personal interest. For more information about the personal interest of controlling shareholders and officers, see sub-section (1) above.

(3) On July 19, 2021, the Company's Audit Committee classified investment by provident funds managed by the Company in a private company then held by Altshuler Ltd., with a negligible holding stake, as a non-extraordinary transaction. The aforementioned investment amount is negligible compared to total provident fund assets. The personal interest of Altshuler Ltd. Is due to holding shares of the private company as aforesaid, and consequently, the additional affinity of Mr. Ran Shaham, an indirect controlling shareholder of the Company, who serves as Chair of the Company Board of Directors.

(4) On July 07, 2021, the Company's Audit Committee classified investments by provident funds managed by the Company in joint ventures along with Altshuler Properties and others, designed as investment in real estate properties, as non-extraordinary transactions. The investment amount in the venture is negligible compared to total provident fund assets. For more information about the personal interest of controlling shareholders and officers, see sub-section (1) above.

6.14. Provident fund investments in Group products

Note that in general, provident funds managed by the Company invest in diverse asset classes, such as: shares in Israel and overseas, corporate debentures, loans in Israel and overseas, real estate and various equity funds with geographic and sector diversification of the investment portfolio. Furthermore, the funds may, from time to time, invest in Group products as well, subject to statutory provisions. This includes investment by the provident funds in Group hedge funds, in amounts which are not material compared to total provident fund assets.

10 Shares of the General Partner of Altshuler Properties Partnership are held by Altshuler Shaham Ltd. (50%) and by GLZ Overseas Real Estate Investments Ltd., whose shares are held by Messrs. Yair Lowenstein, Earl Zin and Sharon Gerszbejn.

11 See footnote 9 above.

CHAPTER D – ADDITIONAL INFORMATION REGARDING THE CORPORATION

6.15. Lease signed by the Company and a former controlling shareholder of the Company

Pursuant to an agreement dated December 2014 and revisions thereof, the Company leases a building from a company controlled by Ms. Galia Jeanne Bar Wilfe, a former indirect controlling shareholder of the Company, for operating the Company's service center in Haifa, for amounts which are not material for the Company.

7. **Regulation 24: Holdings of interested parties and senior officers**

For more information, to the best of the Company's knowledge, about securities held by interested parties in the Company, see immediate reports by the Company dated January 5, 2022 and February 24, 2022 (reference no. respectively: 2022-01-002791 and 2023-01-010633), included herein by way of reference.

8. **Regulation 24a: Registered share capital, issued share capital and convertible securities**

For information about the Company's securities, see the Company's immediate report dated March 29, 2022 (reference no. 2022-01-037831), included herein by way of reference.

9. **Regulation 24b: Shareholder registry**

For more information about the Company's shareholder registry, see Company's immediate report dated March 29, 2022 (reference no. 2022-01-037831), included herein by way of reference.

10. **Regulation 25a: Address of record**

Company's registered office:	19 HaBarzel Street, Tel Aviv Yafo 6791026
Email address:	osnat@altshul.co.il
Telephone:	073-2331500
Fax:	073-2462700

CHAPTER D – ADDITIONAL INFORMATION REGARDING THE CORPORATION

11. Regulation 26: Company Board members

Below is information about Company Board members:

10.1. External Board member of the Company

	Barry Ben Ze'ev	Shai Datika	Ya'akov Rozin	Noga Kenaz-Brayer	Ehud Nahtomi
ID	051205508	023942162	022197297	022433072	056465790
Date of Birth	March 29, 1952	July 1, 1968	December 30, 1965	October 4, 1966	December 18, 1963
Formal Address	9 Shmuel Shnitzer Street, Tel Aviv	15 HaGanim Street, Kfar Shmaryahu	7 Migdal HaLevanon, Modi'in	37 Trumpeldor Street, Tel Aviv	14 Eylona Fahr Street, Holon
Citizenship:	Israeli	Israeli	Israeli	Israeli, USA	Israeli
Membership of Board Committee(s)	Chair, Investment Committee; Member, Audit Committee; Member, Remuneration Committee; Member, Nomination Committee.	Member, Audit Committee; Member, Remuneration Committee; Member, Nomination Committee; Member, Investment Committee; Member, Risk Management Committee.	Chair, Audit Committee; Member, Remuneration Committee; Member, Nomination Committee.	Member, Audit Committee; Member, Remuneration Committee; Member, Nomination Committee.	Member, Audit Committee; Member, Remuneration Committee; Member, Nomination Committee; Member, Risk Management Committee.
Independent Board member or external Board member?	External Board member	External Board member	External Board member	External Board member	External Board member
Has accounting and financial expertise or professional qualification?	Yes	Yes	Yes	Yes	Yes
Employed by the corporation, subsidiary, affiliate or interested party?	No	No	No	No	No
Start date in office as Board member	March 20, 2014	May 25, 2017	June 1, 2018	August 1, 2019	August 1, 2019
Education, including the professions or fields of education, institution and the academic title or professional diploma held:	Undergraduate degree in Economics and Graduate degree in Business Administration, from Tel Aviv University. Investment advisors course, Bank HaPoalim. Financial statements analysis course, CitiBank, New York.	Undergraduate degree in Exact Science and Graduate degree in Business Administration and Financing from Manchester Business School.	Undergraduate degree in Economics from Haifa University and MBA from Heriot Watt University. Licensed insurance agent.	Undergraduate degree in Economics and Business Administration from Haifa University. Investment advisors and senior portfolio manager course. Training for Board members and senior corporate officers. Licensed investment portfolio manager.	Undergraduate degree in Sociology and Anthropology from Hebrew University. Undergraduate degree and Graduate degree in Economics, specialized in international trade, from Hebrew University. MBA (Financing) from Hebrew University.

CHAPTER D – ADDITIONAL INFORMATION REGARDING THE CORPORATION

	Barry Ben Ze'ev	Shai Datika	Ya'akov Rozin	Noga Kenaz-Brayer	Ehud Nahtomi
Occupation during past five years / other primary occupation	Strategic business advisor in Israel and overseas.	CEO, AnyOption Israel. CEO, ILS Brokers Ltd. President, INX LIMITED.	Business advisor at Kobi Rozin Management and Consulting (2015) Ltd. CEO, IBI Provident Funds Ltd.	External Board member of Big Commercial Centers Ltd.; Nobel Estas (BVI) Ltd.; MGG (BVI) Ltd.; Hilan Ltd.; ORT Technologies Ltd. Member, Investment Committee of Tel Aviv University;	Financial and pension advisor; External Board member of the following: Altshuler Shaham Provident Funds and Pension Ltd. Mahog Provident Fund Administration for IEC Employees Ltd. Excellence Nessuah Investment Management Ltd. Lahav Real Estate Ltd. Gilad Retirement for Religious Employees Ltd.
Corporations on which serves as board member	Kelly Pension Arrangement Management Ltd.	Triple V (1999) Ltd. Libel Shaked Holdings and Investments Ltd. 365 Scores Ltd.	Kobi Rozin Management and Consulting (2015) Ltd.	Big Commercial Centers Ltd. Nobel Estas (BVI) Ltd. MGG (BVI) Ltd. Hilan Ltd.; ORT Technologies Ltd. Econergy Renewable Energy Ltd.	Mahog Provident Fund Administration for IEC Employees Ltd. Lahav Real Estate Ltd. Gilad Retirement for Religious Employees Ltd.
Relative of another interested party in the corporation?	No	No	No	No	No
Regarded by the Company as having accounting and finance expertise with regard to compliance with minimum quota set by the Board of Directors pursuant to section 92(a)(12) of the Corporate Act	Yes	Yes	Yes	Yes	Yes

CHAPTER D – ADDITIONAL INFORMATION REGARDING THE CORPORATION

	Barry Ben Ze'ev	Shai Datika	Ya'akov Rozin	Noga Kenaz-Brayer	Ehud Nahtomi
Board member has accounting and financial expertise as set forth in Regulation 2(3) of the Supervision Regulations for Financial Services (Insurance) (The Board of Directors and its Committees), 2007 ("Board of Directors and Board Committee Regulations")	Yes	Yes	Yes	Yes	Yes
Board member has proven, clear expertise in the field of pension or insurance, as set forth in Regulation 2(2)(a) of the Board of Directors and Board Committee Regulations, and is compliant with provisions of said regulation	No	No	No	No	Yes

CHAPTER D – ADDITIONAL INFORMATION REGARDING THE CORPORATION

10.2. Company Board members

	Ran Shaham, Chairman of the Board of Directors	Dafna Bassa	Reuven Alex	Tomer Cohen	Earl Zin
ID	27700244	027488758	024433625	017716655	012524336
Date of birth	March 26, 1970	July 13, 1974	July 29, 1969	July 11, 1978	February 28, 1967
Formal address	19A HaBarzel Street, Ramat HaChayal, Tel Aviv	13 Gelber Street, Jerusalem	1 Nachal Kane Street, Hod HaSharon	51 Mevo HaKfar, Har Adar	79 HaMesila Street, Herzliya
Citizenship:	Israeli	Israeli	Israeli	Israeli	Israeli
Membership of Board Committee(s)	No	No	Member of the Risk Management Committee.	No	No
Independent Board member or external Board member?	No	No	No	No	No
Has accounting and financial expertise or professional qualification?	Yes	Yes	Yes	Yes	Yes
Employed by the corporation, subsidiary, affiliate or interested party?	Yes – Co-CEO of Altshuler Ltd. And Altshuler Shaham Investment Portfolio Management Ltd.	Yes – Manager, private portfolio management at Altshuler Ltd.	No	Yes – CFO at Altshuler Ltd.	Yes – CEO of Altshuler Shaham Properties Ltd.
Start date in office as Board member	January 29, 2007	June 27, 2010	June 1, 2015	December 15, 2016	August 1, 2019
Education, including the professions or fields of education, institution and the academic title or professional diploma held:	MA in Economics and Management from City University New York; Undergraduate degree in Economics and Management from Tel Aviv Yafo Academic College. Holds a (suspended) portfolio management license from the Israel Securities Authority.	Graduate degree in Business Administration (Financing) from the Management College; Undergraduate degree in Economics and Management (specialized in Economics and Finance) from the Management College.	Undergraduate degree in Accounting, Business Administration and Education from the Management College.	Undergraduate degree in Accounting and Economics from the Hebrew University. Certified Public Accountant.	Undergraduate degree in Business Administration (specialized in Finance) from University of Houston, Texas. Holds a (suspended) investment marketing license from the Israel Securities Authority.
Occupation over the past five years	Co-CEO of Altshuler Shaham Ltd. And Altshuler Shaham Investment Portfolio Management Ltd.	Manager, private portfolio management at Altshuler Shaham Ltd.; Member of Executive Board of HaPoel Katamon Jerusalem.	CEO of Fattal Hotels, Israel; Co-Manager of Canada Israel Hotels.	CFO of Altshuler Shaham Ltd.	Board member of Onyx Wealth Management Ltd. CEO of Altshuler Shaham Properties Ltd. Co-Manager of Onyx Properties LP

CHAPTER D – ADDITIONAL INFORMATION REGARDING THE CORPORATION

	Ran Shaham, Chairman of the Board of Directors	Dafna Bassa	Reuven Alex	Tomer Cohen	Earl Zin
Corporations on which serves as board member	Altshuler Shaham Finance Ltd., Smart Beta Ltd., Altshuler Shaham Finance Retirement Insurance Agency Ltd., Altshuler Shaham Financial Services Ltd., Altshuler Shaham Retirement Guidance Insurance Agency Ltd., Altshuler Shaham Provident Fund Holdings Ltd., Altshuler Shaham Provident Funds and Pension Ltd., Altshuler Shaham Management Services Ltd., Altshuler Shaham Alternative Ltd., Trade 1 Ltd. (in voluntary dissolution), Altshuler Shaham Technologies Ltd., A&I Financial Software Systems Ltd., EcoCycle Ltd., L.N. Technology Entrepreneurship Ltd., Altshuler Shaham Properties Founder Ltd., Altshuler Shaham Benefits Ltd., Altshuler Shaham Trustees Ltd., Altshuler Shaham Partnership Management Ltd., Portfolio A Gidur Ltd., Netz Gidur Ltd., Saifan Gidur Ltd., Ayit Gidur Ltd., Yas'ur Gidur Ltd., Blue Orca Capital Ltd., Blue Orca Long GP		Altshuler Shaham Finance Ltd.	Altshuler Shaham Finance Ltd., Altshuler Shaham Partnership Management Ltd., Altshuler Shaham Financial Services Ltd., Altshuler Shaham Properties Founder Ltd., Clinicalix Ltd., A Funds Capital Ltd.	Onyx Wealth Management Ltd.
Relative of another interested party in the corporation?	Son of Kalman Shaham, a controlling shareholder of the Company.	No	No	No	No
Regarded by the Company as having accounting and finance expertise with regard to compliance with minimum quota set by the Board of Directors pursuant to section 92(a)(12) of the Corporate Act	Yes	Yes	Yes	Yes	Yes

CHAPTER D – ADDITIONAL INFORMATION REGARDING THE CORPORATION

11. Regulation 26a: Senior officers of the Company

Following are details about senior company officers12:

Senior officers of the corporation	Yair Lowenstein	Sharon Gerszbejn	Osnat Antebi	Shai Aharoni	Anat Knafo-Tavor	Meital Barnea	Sigalit Raz	Keren Fuchs	Erez Yefet	Tzafrir Zanzuri Amiad
ID	023016678	037827888	013234406	038308466	037568177	036391852	022843908	023715972	037966694	037408978
Date of birth	June 8, 1967	July 26, 1983	March 22, 1976	January 18, 1976	February 15, 1976	December 18, 1979	January 22, 1967	April 11, 1968	October 5, 1985	July 23, 1980
Position	Company CEO	Deputy CEO, CFO and Head of Professional HQ	VP, Legal Counsel	Internal Auditor	VP, Pension Fund and Operations	VP, Customer Service and Distribution	VP, Human Resources	VP, IT	CFO	VP, Sales and Marketing
Start date in office	July 21, 2009	November 25, 2010	October 1, 2007	June 16, 2009	February 16, 2018	January 1, 2018	January 1, 2016	July 1, 2020	December 18, 2016	January 1, 2015
Position held in the corporation, in a subsidiary of the corporation, in a related company or in an interested party thereof:	Company CEO	Deputy CEO, CEO, CFO and Head of Professional HQ of the Company and affiliated companies	VP, Legal Counsel of the Company and affiliated companies	Internal Auditor of the Company and affiliated companies	VP, Pension Fund and Operations	VP, Customer Service and Distribution with the Company	VP, HR of the Group, officer of the parent company13	IT Manager of all Altshuler Shaham Group companies	CFO	VP, Sales and Marketing
Family member of another senior executive or interested party?	No	No	No	No	No	No	No	No	No	No
Education, including the professions or fields of education, institution and the academic	CPA, undergraduate degree in Economics and Accounting from Haifa University.	CPA, undergraduate degree in Accounting, Economics and Management	Attorney, undergraduate Law degree from the Hebrew University; Graduate Law degree	Undergraduate degree in Economics and Accounting; Graduate degree in Business	Undergraduate degree in Business Administration from Izrael College;	Undergraduate degree in Management and Communications from the Open University.	Undergraduate degree in Education and Sociology from the Hebrew University;	Computer programming course, IDF; Undergraduate degree in Logistics and Computer	CPA, Undergraduate degree in Economics and Accounting from Ben Gurion University;	Undergraduate degree in Economics and Management (specialized in Finance) from Rupin

12 Some senior officers provide services to the Company pursuant to the attribution and services agreement, as set forth in section 6.1 above. Those officers do not report to the Company CEO and are not employed by the Company, and therefore are not considered senior officers of the Company. Those officers include, *inter alia*, managers in the Company's investment, risk management and research areas. There are also Company officers who, due to regulatory requirements applicable to the Company, being a provident fund and pension fund manager, report to the Company while in actual fact, they essentially report to the Investment Officer of Altshuler Group, i.e. report to Altshuler Ltd., and therefore are not considered senior officers of the Company.

13 Employed by Altshuler Ltd. with salary partially attributed to the Company.

CHAPTER D – ADDITIONAL INFORMATION REGARDING THE CORPORATION

Senior officers of the corporation	Yair Lowenstein	Sharon Gerszbejn	Osnat Antebi	Shai Aharoni	Anat Knafo-Tavor	Meital Barnea	Sigalit Raz	Keren Fuchs	Erez Yefet	Tzafrir Zanzuri Amiad
title or professional diploma held:		from Tel Aviv University. Graduate degree in Business Administration – Financial Management from Tel Aviv University.	(commercial specialization) from Tel Aviv University.	Administration (Finance) from Bar Ilan University, CPA.	Graduate degree in Public Policy from Tel Aviv University; suspended pension marketing license; suspended pension advisory license.		Graduate degree in Organizational Behavior from Tel Aviv University.	Science from Bar Ilan University and graduate degree in Business Administration from Harriott Watt University	Graduate degree in Business Administration – Financial Management from Tel Aviv University;	Academic Center; Pension marketing license.
Business experience over past five years	Serves as CEO of the Company and of the following companies: Altshuler Shaham Insurance Company Ltd., Altshuler Shaham Financial Management Ltd. And Perfect (Y.N.A) Capital Markets Ltd. Chairman of the Board of Directors, Altshuler Shaham Properties Ltd. and Altshuler Shaham Properties Founder Ltd.	CFO of the Company and affiliated companies; Board member of Altshuler Shaham Properties Ltd.; Board member of Altshuler Shaham Properties Founder Ltd.; Board member of B Center Harish Ltd.	Legal Counsel of the Company and affiliated companies.	Internal Auditor of the Company and affiliated companies	VP, Pension Fund and Operations of the Company; Head of LTD Division and Senior Deputy CEO of Psagot Investment House; CEO of Psagot Provident Funds and Pension Funds; VP, HR of Psagot Investment House.	Head of Business Customer Division of Partner Communications Ltd.; Head of Business Customer Division of Hot Mobile Ltd.	VP, Human Resources of the Company;	VP, IT of the Company; Manager, Business Development of Isracard; VP, IT of Issta.	CFO and Chief Comptroller of the Company;	VP, Sales and Marketing; VP, Pension Fund; Shareholder and Board member of Kings Development and Investment Ltd. Board member of Altshuler Shaham Mutual Funds Ltd.

CHAPTER D – ADDITIONAL INFORMATION REGARDING THE CORPORATION

12. **Regulation 26b: Independent signatories for the Company**

As of the report issue date, the Company has no independent authorized signatories, as this term is defined in section 37(d) of the Securities Act.

13. **Regulation 27: Independent Auditor**

The Company's Independent Auditor is Kost Forer Gabbay Kasierer (Ernst & Young) of 144a Menachem Begin Road, Tel Aviv. The Independent Auditor of provident funds and pension funds managed by the Company is BDO Ziv Haft of Beit Amot, 48 Menachem Begin Road, Tel Aviv Yafo. For more information see section 3.25 of Chapter A of this report.

14. **Regulation 28: Changes to Articles of Association or to Bylaws**

No amendment was made to the Company's Bylaws in the reported year.

15. **Regulation 29: Recommendations and resolutions by the Board of Directors**

15.1. Recommendations and resolutions by the Board of Directors
Below is information about recommendations made by Board members to the General Meeting and Board resolutions not requiring approval by the General Meeting, with regard to:

15.1.1. Dividend payment or distribution (as defined in the Corporate Act)

15.1.1.1. On March 21, 2021, the Company Board of Directors resolved to distribute dividends to Company shareholders (as of said date), amounting in total to NIS 33,000 thousand.

15.1.1.2. On November 29, 2021, the Company Board of Directors resolved to distribute dividends to Company shareholders (as of said date), amounting in total to NIS 40,000 thousand.

15.1.1.3. On March 29, 2022, the Company Board of Directors resolved that immediately after closing the merger, the Board of Directors shall convene to pass a resolution amounting in total to NIS 150,000 thousand, subject to all statutory provisions. Note that such distribution, should it take place, would be made entirely to Altshuler Finance. To the best of the Company's knowledge, upon conducting such distribution, Altshuler Finance intends to act on a dividend distribution to shareholders thereof.

15.1.2. Changes to Company's authorized or issued share capital

15.1.2.1. On March 21, 2021, on May 26, 2021 and on August 30, 2021 the Company Board of Directors resolved to allocate 1,322,499 options to Company and Group employees. For more information see section 6.3 above and immediate reports issued by the Company on March 22, 2021, on May 27, 2021 and on August 31, 2021 (reference no. 2021-01-041481 2021-01-091995 and 2021-01-142281, respectively) included herein by way of reference.

15.1.2.2. On December 13, 2021, the Board of Directors resolved to issue 4,500,000 Company shares. For more information about this issuance, see section 1.5 of Chapter A of this report.

15.2. Resolutions by a special General Meeting

15.2.1. On May 31, 2021, the General Meeting of Company Shareholders convened and passed the following resolutions: (1) Re-appointment of the Independent Auditor of the Management Company, authorizing the Company Board of Directors to agree their fees; (2) Re-appointment of the Independent Auditor of the provident funds and pension funds managed by the Company, authorizing the Company Board of Directors to agree their fees; (3) Re-appointment of Mr. Ya'akov Rozin as External Board member of the Company for a further term in office; (4) Re-appointment of Board members (other than external Board members) for a further term in office; (5) Approval of remuneration of employee who is a relative of the controlling shareholder. For more information see immediate reports issued by the Company dated April 26, 2021 and June 2, 2021 (reference no. 2021-01-071391A and 2021-01-094134, respectively), included herein by way of reference.

16. REGULATION 29A: CORPORATE RESOLUTIONS

Insurance, waiver and indemnification

After approval by the Company's Remuneration Committee and Board of Directors, on November 29, 2021 the Company acquired a Group-wide Board member and officer's liability insurance policy. On December 21, 2021, December 23, 2021 and March 29, 2022, the Company's Remuneration Committee and Board of Directors, respectively approved – pursuant to the Company's remuneration policy and with due notice of ISA position no. 101-21 and of the attribution and services agreement between the Company and Altshuler Ltd., as set forth in section 6.1 above, contracting designed to increase the liability limit of the Group-wide insurance policy, such that the Group-wide liability limit would be USD 40 million per case and in total for the insurance period (i.e. an additional USD 10 million, applicable to actions taken as from the actual coverage increase date), both for Company operations and for the re-structuring and merger transaction. All subject to Corporate Regulations (Relief for transactions with interested parties), 2000. For more information see immediate reports by the Company dated November 30, 2021 and December 23, 2021 (reference no. 2021-01-184368), included herein by way of reference.

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<u>Altshuler Shaham Provident Funds and Pension Ltd.</u>

Report and certifications with regard to effectiveness of internal control over financial reporting and disclosure

For the year ended December 31, 2021

CHAPTER E – REPORT AND CERTIFICATIONS WITH REGARD TO EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE

REPORT OF THE BOARD OF DIRECTORS AND MANAGEMENT WITH REGARD TO INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management, supervised by the Board of Directors of Altshuler Shaham Provident Funds and Pension Ltd. (hereinafter: "the **Management Company**") is responsible for setting and maintaining appropriate internal controls over financial reporting. The internal control system of the Management Company was designed to provide reasonable certainty to the Management Company's Board of Directors and management with regard to appropriate preparation and presentation of financial statements published in conformity with International Financial Reporting Standards (IFRS) and with directives of the Capital Market Supervisor. Regardless of the quality of their design, all internal control systems have inherent limitations. Therefore, even should it be determined that these systems are effective, they may only provide a reasonable degree of certainty with regard to preparation and presentation of financial statements.

The management, under supervision of the Board of Directors, maintains a comprehensive system of controls intended to ensure that transactions are executed in line with management authorization, that assets are protected, and that accounting records are reliable. Furthermore, management, under supervision of the Board of Directors, takes steps to ensure that information and communication channels are effective and monitor execution, including execution of internal control procedures.

The Management Company's management, under supervision of the Board of Directors, has evaluated the effectiveness of the Management Company's internal control system of financial reporting as of December 31, 2021 based on criteria set forth in the internal control model of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the aforementioned evaluation, management believes that as of December 31, 2021, the Management Company's internal controls over financial reporting are effective.

March 29, 2022			
Report approval date	Ran Shaham Chairman of the Board of Directors	Yair Lowenstein CEO	Sharon Gerszbejn Deputy CEO, CFO and Head of Professional HQ

CHAPTER E – REPORT AND CERTIFICATIONS WITH REGARD TO EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE

CERTIFICATION

I, Yair Lowenstein, certify that:

1. I have reviewed the annual report of Altshuler Shaham Provident Funds and Pension Ltd. (hereinafter: "the **Management Company**") for 2021 (hereinafter: "the **Report**").

2. To the best of my knowledge, the report is free of any mis-representation of material fact and is not lacking any representation of material fact required for the representations made there in, under the circumstances in which they were made, to not be misleading in reference to the period covered by the report.

3. To the best of my knowledge, the financial statements and any other financial information included in the Report properly reflect, in all material aspects, the Management Company's financial standing, operating results, changes in shareholders' equity and cash flows as of the dates and for the periods presented in the Report.

4. I and others at the Management Company who provide this certification, are responsible for determining and maintaining controls and procedures with regard to disclosure and to the Management Company's internal controls over financial reporting; and

    a. We have set such controls and procedures, or have supervised the setting there of, intended to ensure that material information with regard to the Management Company is brought to our attention by others within the Management Company, in particular during preparation of the Report;
    b. We have set such internal controls over financial reporting, or had it set under our supervision, intended to provide a reasonable degree of certainty with regard to the reliability of financial reporting and to the fact that the financial statements are prepared in conformity with International Financial Reporting Standards (IFRS) and with directives of the Capital Market Supervisor;
    c. We have evaluated the effectiveness of the Management Company’s disclosure controls and procedures and have presented our conclusions about the effectiveness of the disclosure controls and procedures in this Report, as of the end of the period covered by this Report based on our evaluation; and
    d. We have disclosed in this Report any change in the Management Company’s internal controls over financial reporting that occurred during the fourth quarter, that has materially affected, or is reasonably likely to materially affect, the Management Company’s internal controls over financial reporting. And –

5. I and others at the Management Company who are declaring this certification, have disclosed, based on our most recent evaluation of the internal controls over financial reporting, to the Management Company’s independent auditors, the Board of Directors and the Audit Committee of the Board of Directors of the Bank:

CHAPTER E – REPORT AND CERTIFICATIONS WITH REGARD TO EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE

a. All significant deficiencies and material weaknesses in the determination or operation of internal control over financial reporting which are reasonably likely to impair the Management Company's ability to record, process, summarize and report financial information; and –

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Management Company's internal controls over financial reporting.

The foregoing shall not derogate from my responsibility or that of any other person pursuant to all statutory provisions.

March 29, 2022

Yair Lowenstein
CEO

CHAPTER E – REPORT AND CERTIFICATIONS WITH REGARD TO EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE

CERTIFICATION

I, Sharon Gerszbejn, certify that:

1. I have reviewed the annual report of Altshuler Shaham Provident Funds and Pension Ltd. (hereinafter: "the **Management Company**") for 2021 (hereinafter: "the **Report**").

2. To the best of my knowledge, the report is free of any mis-representation of material fact and is not lacking any representation of material fact required for the representations made there in, under the circumstances in which they were made, to not be misleading in reference to the period covered by the report.

3. To the best of my knowledge, the financial statements and any other financial information included in the Report properly reflect, in all material aspects, the Management Company's financial standing, operating results, changes in shareholders' equity and cash flows as of the dates and for the periods presented in the Report.

4. I and others at the Management Company who provide this certification, are responsible for determining and maintaining controls and procedures with regard to disclosure and to the Management Company's internal controls over financial reporting; and

    a. We have set such controls and procedures, or have supervised the setting there of, intended to ensure that material information with regard to the Management Company is brought to our attention by others within the Management Company, in particular during preparation of the Report;
    b. We have set such internal controls over financial reporting, or had it set under our supervision, intended to provide a reasonable degree of certainty with regard to the reliability of financial reporting and to the fact that the financial statements are prepared in conformity with International Financial Reporting Standards (IFRS) and with directives of the Capital Market Supervisor;
    c. We have evaluated the effectiveness of the Management Company's disclosure controls and procedures and have presented our conclusions about the effectiveness of the disclosure controls and procedures in this Report, as of the end of the period covered by this Report based on our evaluation; and
    d. We have disclosed in this Report any change in the Management Company's internal controls over financial reporting that occurred during the fourth quarter, that has materially affected, or is reasonably likely to materially affect, the Management Company's internal controls over financial reporting. And –

5. I and others at the Management Company who are declaring this certification, have disclosed, based on our most recent evaluation of the internal controls over financial reporting, to the Management Company's independent auditors, the Board of Directors and the Audit Committee of the Board of Directors of the Bank:

    a. All significant deficiencies and material weaknesses in the determination or operation of internal control over financial reporting which are reasonably likely to impair the Management Company's ability to record, process, summarize and report financial information; and –
    b.
    c. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Management Company's internal controls over financial reporting.

CHAPTER E – REPORT AND CERTIFICATIONS WITH REGARD TO EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE

The foregoing shall not derogate from my responsibility or that of any other person pursuant to all statutory provisions.

March 29, 2022

Sharon Gerszbejn
Deputy CEO, CFO and Head of Professional HQ