ALTSHULER SHAHAM
FINANCE LTD
Change • Innovate • Succeed

Altshuler Shaham Finance Ltd.

2022 Annual Report

ALTSHULER SHAHAM FINANCE LTD.

("the Company" or "the Corporation")

Periodic Report for 2022

Chapter A **Description of Corporate Affairs**

Chapter B **Board of Directors' Report on the State of Corporate Affairs**

Chapter C **Consolidated Financial Statements as of December 31, 2022**

Chapter D **Additional Information regarding the Corporation**

his is an English translation of a Hebrew report that was published on March 22, 2023 in "Magna" – ISA official website (reference no.: 2023-01- 029922) (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, 2022

Table of Contents

Part 1: Description of the General Development of the Corporation's Business Affairs 1
1.1 Definitions 1
1.2 The Company's activities and description of its business development 2
1.3 Major developments in the Company's operations 3
1.4 The Company's holding structure 5
1.5 The Company's operating segments 6
1.6 Investments in the Company's equity and share transactions 6
1.7 Dividend distributions 7
Part 2: Other Information 8
2.1 Financial information of the operating segments 8
2.2 General environment and the effect of external factors on the Company's operations 9
Part 3: Description of the Company's Business Affairs by Operating Segments 16
3.1 Provident and pension fund management 16
3.1.1 General information on the operating segment 16
3.1.2 Products and services 22
3.1.3 Breakdown of revenues and profits of products and services 28
3.1.4 New products 31
3.1.5 Clients (members) 31
3.1.6 Marketing and distribution 32
3.1.7 Competition 33
3.1.8 Seasonality 35
3.1.9 Fixed assets 35
3.1.10 Intangible assets 35
3.1.11 Human capital 36
3.1.12 Suppliers and service providers 37
3.1.13 Working capital 38
3.1.14 Investments 38
3.1.15 Financing 39
3.1.16 Taxation 39
3.1.17 Restrictions and supervision in the operating segment 39
3.1.18 Business strategy and targets in the operating segment 44
3.2 Other Operations 45
3.2.1 Managing alternative real estate investments 45
3.2.2 The alternative investment management operation 50

Part 4: Matters pertaining to the Group's Operations as a Whole.....51
4.1 Fixed assets 51
4.2 Intangible assets 51
4.3 Human capital 51
4.4 Working capital 54
4.5 Financing 55
4.6 Taxation 55
4.7 Material agreements and collaboration agreements 55
4.8 Litigation 55
4.9 Business strategy and targets 56
4.10 Anticipated developments in the coming year 56
4.11 Risk factors 57

Part 1: Description of the General Development of the Corporation's Business Affairs

This chapter offers a description of the Company's business and developments therein as required in the Israeli Securities Regulations (Periodic and Immediate Reports), 1970 and in the Israeli Securities Regulations (Details of Prospectus and Draft Prospectus – Structure and Format), 1969.

The disclosures provided in this report cover the period of 12 months ended December 31, 2022. However, when required by applicable laws, disclosure is provided for longer periods that precede the closing date of the business restructuring (as defined below). For such periods, the disclosure addresses the activity of Altshuler Shaham Provident and Pension Ltd. ("**Altshuler Provident**") even when the term "Company" is used.

1.1 Definitions

"Altshuler Ltd."	–	Altshuler Shaham Ltd.
"Altshuler Shaham Real Estate"	–	Altshuler Shaham Real Estate Ltd.
"The Company"	–	Altshuler Shaham Finance Ltd.
"The Supervisor"	–	The Supervisor of the Capital Market, Insurance and Savings Authority.
"The Group"	–	The Company and the corporations controlled by it as they will be from time to time.
"The Prospectus"	–	The Company's listing and initial specific public offering prospectus and shelf prospectus of February 28, 2022, as amended on March 30, 2022 (TASE references: 2022-01-023872 and 2022-01-039427).
"The Senior Officer Remuneration Law"	–	The Law for Remuneration of Senior Officers in Financial Corporations (Special Approval and Disallowance of Tax Expense due to Irregular Remuneration), 2016.
"The Companies Law"	–	The Companies Law, 1999.
"The Securities Law"	–	The Securities Law, 1968.
"The Anti-Money Laundering Law"	–	The Anti-Money Laundering Law, 2000, regulations based there upon, AML Ordinance (mandatory identification, reporting and records maintenance by insurers, insurance agents and managing companies to avoid money laundering and terrorism financing), 2017.
"The Children's Savings Fund"	–	Investment provident fund – long-term savings for children.
"Yair Holdings"	–	Lowenstein Yair Holdings Ltd.
"The Reporting/Report Date"	–	December 31, 2022.
"Ordinary Shares"	–	Registered Ordinary Shares of NIS 0.01 par value ach of the Company.
"The ITO"	–	The Income Tax Ordinance (New Version), 1961.
"The Altshuler Group"	–	Altshuler Shaham Ltd. and corporations controlled by it.
"The Capital Market Authority"	–	The Capital Market, Insurance and Savings Authority at the Ministry of Finance.
"Amendment 190"	–	Income Tax Ordinance (New Version), 1961 (Amendment No. 190).
"The Income Tax Regulations for Approval and Management of Provident Funds"	–	The Income Tax Regulations (Rules for Approval and Management of Provident Funds), 1964.
"The Distribution Commission Regulations"	–	Supervision of Financial Services Regulations (Provident Funds) (Distribution Commissions), 2006.
"The 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".

"The Direct Expense Regulations"	–	Financial Service Supervision Regulations (Provident Funds) (Direct Transaction Expenses) (Amendment and Temporary Provision), 2018.
"The Return Regulations"	–	Supervision of Financial Services Regulations (Provident Funds) (Returns Charged to New Comprehensive Pension Fund), 2017.
"The Reporting Period"	–	The period of 12 months ended December 31, 2022.

1.2 The Company's activities and description of its business development

The Company was incorporated as a private company limited in shares on December 9, 2001 by the name of A.S. Matrat Hanpaka Ltd. and on March 17, 2022 changed its name to the current name – Altshuler Shaham Finance Ltd.

On March 31, 2022, the Company obtained a merger certificate from the Registrar of Companies according to which Altshuler Provident, whose shares had been traded on the Tel-Aviv Stock Exchange ("**the TASE**") until that date, became a wholly owned subsidiary of the Company ("**the Business Restructuring**"). See more details of the business restructuring in paragraph 1.3.2 below.

As of the Report Date, the control over the Company is held by Yair Holdings (14.14%) and Altshuler Ltd. (55.72%) (together with Yair Holdings – "**the Controlling Shareholders**"). The ultimate controlling shareholders in the Company are Messrs. Yair Lowenstein, Gilad Altshuler and Kalman Shaham. See more information of the holdings of the Company's shares and the control in the Company and of the shareholders' agreement signed between the Controlling Shareholders in Regulation 21A to Chapter D to this report and in an immediate report of January 4, 2023 (TASE reference: 2023-01-002535), hereby mentioned for reference only.

See details of a business opportunity agreement signed between the Company and the Controlling Shareholders and its amendment, as approved by the General Meeting of the Company's Shareholders in paragraph 1.6 to the Company's shareholders' meeting notice report of September 22, 2022, as amended on October 19, 2022 (TASE references: 2022-01-121105 and 2022-01-127945, respectively), hereby mentioned for reference only.

As of the Report Date, the Company's core activity, which is performed by Altshuler Provident, is managing provident and pension funds. See more information of the operating segment in paragraphs 1.5 and 3.1.1 below. Moreover, in the Reporting Period, the Company began managing alternative real estate investments through Altshuler Real Estate ("**the Real Estate Investment Management Operation**").

After the Reporting Period, the Company's Board approved the Company's entry into the alternative investment management market to be performed simultaneously with Altshuler Real Estate's real estate investment management operation ("**the Alternative Operation**"). See more information of the Real Estate Investment Management Operation and the Alternative Operation which as of the Report Date do not constitute reportable segments in the Company's financial statements, in paragraph 3.2 below.

See also paragraph 1.5 below for more information of the Company's operating segments.

1.3 Major developments in the Company's operations

1.3.1 Merger of Psagot-Altshuler Provident

On May 12, 2021, the transaction for the acquisition of the shares of Psagot Investment House Ltd. ("**Psagot**") was closed between Altshuler Provident and, Psagot and Himalaya F.S. Ltd. ("**the Seller**" and "**the Psagot Transaction**", respectively). Accordingly, on December 21, 2021, a statutory merger was completed as per the provisions of Article 323 to the Companies Law whereby Psagot and Psagot Provident and Pension Funds Ltd. ("**Psagot Provident**") were merged with and into Altshuler Provident. The merging companies' entire business operations, assets and liabilities were transferred to Altshuler Provident.

In the context of the Psagot Transaction, Altshuler Provident entered into transactions to sell parts of Psagot operations, including a transaction to sell Psagot Mutual Funds Ltd. and Psagot Securities Ltd. and including a transaction signed by Psagot Provident with Harel Pension and Provident Funds Ltd. for the sale of the operation of the new pension fund and several provident funds. See more information in Notes 3 and 13 to the financial statements attached as Chapter C to this report.

1.3.2 Business restructuring

On January 17, 2022, the Company entered into a merger agreement with A.S. Ya'ad Hanpaka Ltd. ("**the Target Company**") and Altshuler Provident as a result of which on March 31, 2022, the Target Company merged with and into Altshuler Provident and the latter became a private company that is wholly owned by the Company. Consequently, Altshuler Provident is no longer a reporting entity as this term is defined in the Securities Law ("**the Merger Transaction**").

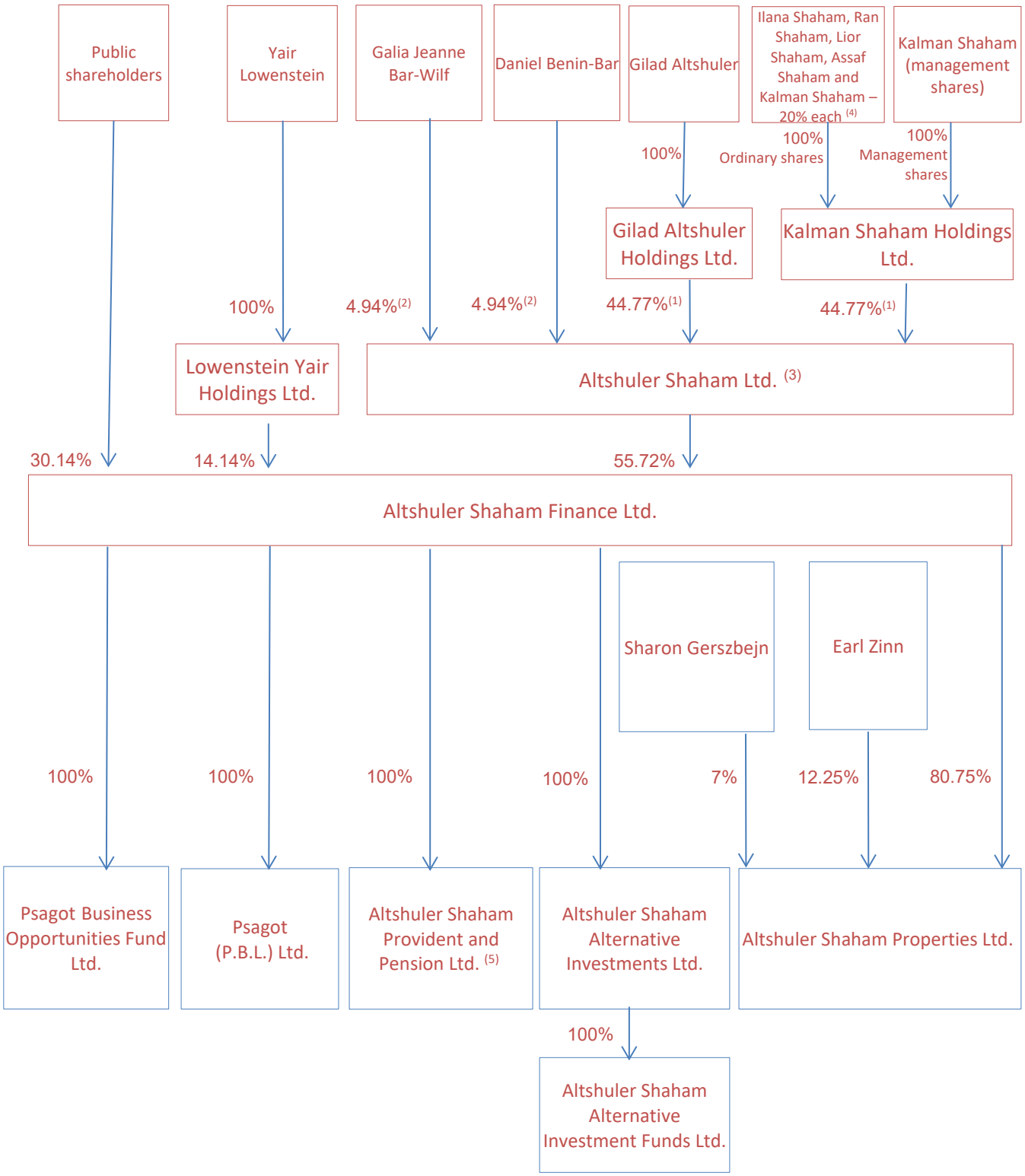
As per the Merger Transaction and the Company's Prospectus, in return for the shares of Altshuler Provident granted to the Company, each holder of Altshuler Provident share at the end of the trading day of March 31, 2022 ("**the Merger Record Date**") was allocated an Ordinary Share of NIS 0.01 par value of the Company ("**the Allocated Shares**").

Following the closing of the Merger Transaction and the grant of the Allocated Shares, on March 31, 2022, the trading of Altshuler Provident's shares on the TASE was discontinued and the shares were delisted. On April 4, 2022, the Company's shares began trading on the TASE and the Company became a public company, as this term is defined in the Companies Law, and a reporting entity, as this term is defined in the Securities Law. See more information of the service agreement signed between the Company and Altshuler Provident in Note 25 to the financial statements attached in Chapter C to this report. See information of the Company's engagement as another party to a service and cost allocation agreement signed between Altshuler Provident and Altshuler Ltd. and other agreements signed between Altshuler Provident and other related third parties in Regulation 22 to Chapter D to this report and Note 25 to the financial statements attached in Chapter C to this report.

1.3.3 New operations

In keeping with the matters discussed in paragraph 6.3.3 to Chapter 6 to the Prospectus regarding the Company's strategy to venture into new operating segments including operations that interface with Altshuler Provident's operations, in the Reporting Period, the Company, through Altshuler Real Estate, began operating in the Real Estate Investment Management Operation, which is not a reportable segment in its financial statements. See also paragraph 3.2.1 below. Moreover, after the Reporting Period, on January 26, 2023, the Company's Board approved launching the Alternative Operation (as defined in paragraph 1.2 above) to be performed simultaneously with Altshuler Real Estate's operation by a designated subsidiary. See also paragraph 3.2.2 below.

1.4 The Company's holding structure



(1) Of which 27.2% held in trust by Altshuler Shaham Trusts Ltd. (12.18% of Altshuler Ltd.'s shares).
(2) Of which 26.77% held in trust by Altshuler Shaham Trusts Ltd. (1.32% of Altshuler Ltd.'s shares).
(3) The remaining interests in Altshuler Ltd. (about 0.58%) are held by Altshuler Shaham Trusts Ltd. (in trust for employees).
(4) The entire Ordinary Shares are held in trust by Shenkar Lax Trust Company Ltd.
(5) Altshuler Provident holds the entire shares of these companies for investment for members of the provident and pension funds managed by it.
(6) Inactive companies.

1.5 The Company's operating segments

As of the Report Date, the Company mainly operates, through Altshuler Provident, in managing provident and pension funds. Moreover, in the Reporting Period, the Company began operating through Altshuler Real Estate in managing alternative real estate investments and after the Reporting Period, on January 26, 2023, received the Board's approval for entering the alternative investment management market through Altshuler Alternative Investments Ltd. ("**Altshuler Alternative**") which will operate simultaneously with Altshuler Real Estate.

Altshuler Provident is a private company that is wholly owned by the Company and was traded on the TASE between July 22, 2019 and March 31, 2022 until the closing of the Business Restructuring. Altshuler Provident's management operations are conducted in accordance with the Supervision of Financial Services Law (Provident Funds), 2005 ("**the Provident Fund Law**"). In addition, Altshuler Provident has an insurer license as per the Supervision of Financial Services Law (Insurance), 1981 ("**the Insurance Supervision Law**"). Altshuler Provident was incorporated in Israel on December 9, 2001 by the name of Altshuler Shaham Management of Provident Funds, Severance Pay Funds and Study Funds Ltd. Following several changes, on April 12, 2011, Provident Altshuler's name was changed to its current name. See more information of the provident and pension fund management operation in paragraph 3.1 below.

Altshuler Real Estate is a private company limited in shares which is 80.75% controlled by the Company, 7% owned by Ms. Sharon Gerszbejn who serves as Deputy CEO and CFO, and 12.25% owned by Mr. Earl Zinn who as of the Report Date serves as CEO of Altshuler Real Estate which was incorporated in Israel on June 28, 2022. See details of the Real Estate Investment Management Operation, which is not a reportable segment in the Company's financial statements, in paragraph 3.2.1 below.

Altshuler Alternative is a private company that is wholly owned by the Company and was incorporated in Israel on February 8, 2023. See details of the Alternative Operation, which is not a reportable segment in the Company's financial statements, in paragraph 3.2.2 below.

1.6 Investments in the Company's equity and share transactions

From January 1, 2021 to the Report Date, there were no material investments in the Company's equity or transactions in its shares by interested parties in an unlisted corporation other than as described below[1]:

Date	Transaction
December 16, 2021	Public offering of 4,500,000 Ordinary Shares accounting for 2.29% of the Company's share capital on the allocation date. The offering was conducted as a nonuniform offering, as defined in the Securities Regulations (Offering of Securities to the Public), 2007 by way of tender on the unit price. The price of the unit, consisting of 100 Ordinary Shares, was NIS 1,710 and the total proceeds raised by the Company amounted to NIS 76,950 thousand.
March 31, 2022	IPO to a specific public of 196,979,413 Ordinary Shares accounting for 100% of the Company's issued and outstanding share capital on the date of listing for trade which were allocated to qualifying shareholders as per the Company's Prospectus. See also paragraph 1.3.2 above.

[1] Excluding options allocated to employees and officers or exercised by them.

1.7 Dividend distributions

1.7.1 Dividends distributed by the Company and distributable profits

From January 1, 2021 to the Report Date, the Company did not distribute any dividends other than as described in the following table:

Date	Amount of distributed dividend
March 21, 2021	NIS 33 million
November 29, 2021	NIS 40 million
May 30, 2022	NIS 200 million
August 30, 2022	NIS 40 million
November 28, 2022	NIS 38 million

Moreover, on March 21, 2023, the Company's Board approved the distribution of a dividend based on the Company's financial statements (hereby attached as Chapter C to this report) in a total of NIS 32 million, after having decided that the Company meets the distributable profits test in the Companies Law.

See details of the dividend distributions in Note 14 to the financial statements hereby attached as Chapter C to this report.

1.7.2 Dividend distribution policy

On May 30, 2022, the Company's Board adopted a dividend distribution policy according to which, subject to the provisions of applicable undisputable laws, including the provisions of Article 302 to the Companies Law and the restrictions applicable to the Company as per financing agreements, and at the Company's sole discretion, the Company will annually distribute to its shareholders at least 75% of its distributable profits in the relevant year. It should be noted that if the above mandates and restrictions do not enable the distribution of 75% of the Company's distributable profits in a certain year, subject to the provisions of the Companies Law and at the Company's sole discretion, it will distribute a dividend at the maximum amount permitted by said mandates and restrictions.

1.7.3 Distributable profits

As of December 31, 2022, before the distribution specified in paragraph 1.7.1 above has been made, the Company's distributable profits (within the meaning of this term in Article 302 to the Companies Law) amounted to NIS 221,721 thousand.

1.7.4 Dividend distribution restrictions

As of the Report Date, the Company is not subject to any external restrictions that are likely to affect its ability to distribute a dividend. Notwithstanding the aforesaid, Altshuler Provident's noncompliance with the financial covenants applicable to it by virtue of bank loans would require the banks' consent to a distribution of a dividend by Altshuler Provident to the Company. See details of the financial covenants applicable to Altshuler Provident in Note 18e to the financial statements hereby attached to this report as Chapter C.

Part 2: Other Information

2.1 Financial information of the operating segments

For financial information and other financial data relating to the Group's operating segments, see Note 4 to the financial statements in Chapter C to this report. For explanations of the developments in the financial statement data, see the Board of Directors' Report hereby attached to this report as Chapter B. Following are financial data of the Group's operating segments based on the Company's consolidated financial statements:

Year ended December 31, 2022 (NIS in thousands)

	Provident and pension fund management	Other	Unallocated to operating segments	Total
Revenues from external parties	1,282,992	2,691	** (3,682)	1,282,001
Cost of operations with external parties	932,966	4,175	16,694	953,835
Fixed costs *	449,333	3,736	16,694	469,762
Variable costs *	483,634	439	-	484,073
Segment results	350,026	(1,484)	(20,376)	328,166
Attributable to equity holders of the Company	350,026	(1,198)	(20,376)	328,451
Attributable to non-controlling interests	-	(286)	-	(286)
Segment assets	1,139,674	1,760	186,645	1,328,079
Segment liabilities	814,588	2,109	18,250	834,946

Year ended December 31, 2021 (NIS in thousands)

	Provident and pension fund management	Unallocated to operating segments	Total
Revenues from external parties	1,423,712	** 96	1,423,808
Cost of operations with external parties	1,027,291	38,980	1,066,271
Fixed costs *	873,991	38,980	912,971
Variable costs *	549,721	-	549,721
Segment results	396,421	(38,884)	357,537
Attributable to equity holders of the Company	396,421	(38,884)	357,537
Segment assets	1,373,241	250,445	1,623,686
Segment liabilities	1,061,658	10,507	1,072,165

Year ended December 31, 2020 (NIS in thousands)

	Provident and pension fund management	Unallocated to operating segments	Total
Revenues from external parties	897,170	** 6,210	903,380
Cost of operations with external parties	678,429	8,359	686,788
Fixed costs *	302,520	8,359	310,879
Variable costs *	375,909	-	375,909
Segment results	218,741	(2,149)	216,592
Attributable to equity holders of the Company	218,741	(2,149)	216,592
Segment assets	633,276	90,109	723,385
Segment liabilities	439,905	-	439,905

* The distribution between fixed costs and variable costs is based on the principal costs in each category. The expenses that are mostly fixed are included in fixed costs and the expenses that are mostly variable are included in variable costs.

** These revenues represent other income, net gains (losses) from investments and finance income.

2.2 General environment and the effect of external factors on the Company's operations

The Company's evaluations as presented in this section below represent forward-looking information, as this term is defined in the Securities Law. These evaluations are based, among others, on information that is currently available to the Company and consist of the Company's forecasts or intentions as of the report publication date, yet there is no certainty that these evaluations relating to any of the factors described above or their effects on the Company's operations and business will materialize in whole or in part and therefore their actual effect may be materially different than anticipated. The potential factors underlying the non-materialization of the above evaluations and forecasts include changes in global and local capital markets, regulatory changes and mandatory regulatory approvals as well as the realization of any of the other risk factors to which the Company's operations are subject, as specified in paragraph 4.11 below.

2.2.1 Capital market trends

The value of assets under management by Altshuler Provident 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 in provident funds and pension funds managed by Altshuler Provident. Factors that may result in a change in capital market trends include, inter alia, factors outside Altshuler Provident's control which it is unable to anticipate nor insure, such as: the state of financial markets worldwide, and in particular in the USA, Europe and Asia-Pacific, geopolitical changes (in Israel in particular), economic growth or slowdown in Israel and worldwide, achievement of or deviation from inflation targets, changes to interest rates and so forth.

In 2022, inflation rates soared in the world's leading economies in the U.S. and Europe and also in Israel. Inflation began climbing when growing post-Covid consumption and demands encountered supply chain challenges which aggravated in the backdrop of the Russia-Ukraine war, the shortage of raw materials and the snowballing energy crisis. Changes in the employment market accelerated the inflation while increased demands continued and the cost-of-living index soared, causing central banks to take mitigating measures headed by a wave of sharp interest rises.

The above conditions led to major decreases in stock and bond markets and effectively to the repricing of the entire risk assets. Most of the world's markets experienced negative two-figure yields, including the U.S. and Europe. The contractionary monetary policy and financial slowdown in global markets were expressed in concerns and anticipation for real economic slowdown which were also translated into curtailments in the hi-tech industry which in recent years benefited from huge growth.

The bond market also experienced negative results for all bond types in Israel and abroad in view of the aggressive interest rises. In the past year, central banks ceased supporting the stock markets by lifting their interventive measures in the bond market and stopped buying high-value assets. The sharp interest increase in the U.S. led to the strengthening of the USD against the foreign currency basket and affected each country's inflation differently.

Under these circumstances, 2022 ended with negative yields in all of the investment channels in which Altshuler Provident operates.

See details of investment management in the provident and pension fund market in paragraph 3.1.14 below.

2.2.2 Regulatory changes

See details of specific regulatory restrictions that apply in the provident and pension fund segment, including updates in the Reporting Period, in paragraph 3.1.17 below.

2.2.3 Changes in the operating scope in the Company's operating segments and their profits

See details of changes in the operating scope in the provident and pension fund segment in paragraph 3.1.1.1 below. See also details of the Real Estate Investment Management Operation, which is not a reportable segment in the Company's financial statements, in paragraph 3.2.1 below.

2.2.4 Developments in the Company's macroeconomic environment

USA

In 2022, following the increase in inflation in the U.S. and worldwide, the Fed began increasing the market interest after years of maintaining low interest rates. At the end of Q1 2022, a series of consecutive and extreme Fed interest rises began from 0.25% in January to 4.5% at year end. This move caused severe fluctuations in the markets and the entire economy and was followed by numerous other central banks around the world. The aggressive contractionary monetary policy was designed to mitigate the soaring inflation which reached almost 10% in the U.S., its highest rate in the last 40 years, despite the risk of harming growth and slowing per capital consumption. The mitigating steps also included suspension of purchase of bonds for the Fed's reserve in the context of the quantitative expansion and the beginning of minimizing the reserve by ceasing the purchase of maturing bonds. This step helped reduce $ 0.5 trillion from the Fed's reserve but only accounted for about 5.5% following a growth of some $ 9 trillion in the Fed's reserve during Covid years. Despite the slowed consumption, the U.S. economy demonstrated its stability with continuing employment rates, low unemployment rates and better performances than forecasted. At year end, the IMF updated the growth forecast for developed countries whereby the U.S. economy is expected to grow by 1.4% in 2023 in the backdrop of flexible local demand compared with a former 0.4% lower forecast. Concurrently, the Biden Administration passed several crucial budget legislations including on infrastructures and the transition to renewable energy. Towards the end of the year, due to the conditions in the markets and specifically the drop in tech indices, the hi-tech industry saw a series of curtailments and cuts and global stock exchanges dropped by double digit figures. The dollar, which considerably appreciated against central currencies following the Fed's steps throughout the year, began devaluating along with the restraint in the Fed's declarations of continued strict contractionary fiscal policy. In December 2022, there was clear withdrawal of inflation data and the consumer price index reflected an annual growth rate of 6.5% as opposed to 7.1% in November. The Fed, however, pursued the trend of increasing the interest rate into 2023 and signaled that the increase trend is to continue.

Europe

The European economy experienced strong turmoil in 2022 due to the soaring inflation rates and continued fighting in Ukraine. In Q1 2022, the Russian invasion into the Ukraine put a stop to all expectations and led to security and geopolitical tensions with far reaching effects. The EU and the U.S. imposed sanctions on trade with Russia and on the dependence on energy sources from Russian territory. As a result, natural gas and electricity prices spiraled by hundreds of percentages, causing a standstill in activity in numerous markets and industries across the mainland.

Simultaneously, late Covid supply chain disruptions and high demands alongside a shortage in raw materials and markups in food prices due to the Ukraine war resulted in accelerated inflation. Inflation rates reached a high of dozens of years, climbing to more than 10% in the UK and more than 8% in Germany. However, early on before the Ukraine war escalated, the EU formulated an aggressive emergency plan for reducing its dependence on Russian oil and gas and for identifying alternative resources while pacing the transition to renewable energies. Following the success of this plan in stabilizing the EU's energy reserves and the relatively mild winter season, utility prices returned to their late 2021 levels later in the year. The raging inflation in Europe and the slowdown in growth after the Ukrainian war broke out enhanced the concerns and forecasts of a recession. Following in the footsteps of the U.S. Fed, central banks in Europe also began intermittently raising their interest rates in an attempt to contain the inflation. This only served to increase the concerns of a sharp halt to growth but later during the year forecasts improved owing to the monetary steps and the improvement in the energy crisis and supply chain operation. The UK, no longer a part of the EU, experienced its own crisis in 2022 due to rising inflation, market declines and prime minister changes. Following Boris Johnson's retirement and Liz Truss' appointment as Prime Minister, Truss and the British Chancellor of the Exchequer presented a budget plan that consisted of lowering taxes which was particularly beneficial to the wealthier populations and revoking energy company surcharges. However, this plan did not receive the markets' vote of confidence and instead was met with sharp declines of the GBP and government bonds to the extent that the UK's Central Bank was forced to intervene. Truss resigned after only 45 days on the job and was replaced by Rishi Sunak, also from the Conservative Party. Sunak's government published a new and more responsible budget plan that consisted of large cuts. Towards the end of 2022, European indices showed improvement. The IMF slightly raised the growth forecast for the developed countries to 1.2%, an additional 0.1% compared with the previous forecast and less than half of last year's 2.7% expansion, as opposed to the IMF's forecast for the UK economy which is expected to shrink by 0.6%.

China

The Chinese regulator's steps against tech companies (tightened regulation and control) continued into the first half of 2022 and the credit crunch which began in 2021 with monetary contraction began taking its toll on the local market. The People's Bank of China (PBOC) retained a lenient monetary policy to support the economy whereas the regulator incentivized the banks to give out more loans. The scope of new loans in 2022 reached some CNY 21.3 trillion, an all-time record, despite the reduced demand for credit. Most loans were given to government corporations and infrastructure projects. Consequently, there was a decline in the returns on new loans. The Chinese consumer and business sentiment remained at its lowest throughout 2022. The rising unemployment rates and reduced employment security and earning potential combined with the Covid restrictions were expressed in a decrease in consumer spending. The Chinese population saved more, consumed less and invested less. The Chinese GDP grew in 2022 by 3% compared with the forecasted 5% at the beginning of the year. The main cause for missing the forecast was the Covid restrictions. China stuck to its zero Covid policy until November 2022. The Chinese Government imposed mass lockdowns, held frequent population testing and closely monitored all civilian contacts. On November 10, 2022, the Chinese President surprisingly changed the policy to mitigate its effect on the local economy. On December 7, 2022, the Chinese Government published ten new Covid regulations and immediately after lifted all of them in all the districts. The highest number of new Covid cases came soon after when about 80% of the population became infected, which lasted until mid-January 2023. The restrictions on construction contractors and the phenomenon of ghost towns in China critically weakened the real estate market, which reached a low point in Q2 2022 but began its gradual recovery from Q3 2022. There was a 7% decrease in property sales, a 40% decrease in new building contracts, a 15% decrease in building completion, a 24% decrease in sales and a 10% decrease in real estate investments.

Israel

Similarly to other countries round the world, in the past year, Israel also experienced rising inflation and a sharp increase in interest rates. Annual inflation reached 5.3%, the highest in the last 14 years since October 2008. In an attempt to mitigate the inflation, the Bank of Israel raised the benchmark interest from 0.25% to 3.25% at the end of 2022 in several sharp portions. In March 2023, the BOI interest rate was 4.25% after two increases from the beginning of the year in view of the inflation. Residential real estate prices also rose significantly, reaching an annual increase rate of 20.3%. The Israeli market's starting point in Q1 2022 continued to be affected by the Covid crisis but noted a significant recovery expressed in macro parameters. The local unemployment rate rose moderately to 4.3% in December 2022 compared with 4.1% in November 2022 as per the Central Bureau of Statistics. However, the local employment rate increased only slightly to 61% in December 2022 compared with 60.6% in November 2022. Export of local hi-tech services continued to be high and was the main cause for the continued growth, mitigating the damage to the Israeli market and contributing to only a minor slowdown in economy. The BOI demonstrated its determination to get the inflation rate to its target range of 1%-3% by continuing to raise the interest. The BOI's Research Division downgraded the growth forecast for 2023 to 2.8%. The BOI advocates the stability of the Israeli economy's activity and high employment level despite the mitigation in certain data.

Elections and change of power

Only a year after its instatement, in June 2022, the Bennet-Lapid government was dissolved and the State of Israel was forced to undergo a fifth election round within 3.5 years, causing political turmoil and partial paralysis of the government systems during the transition period. Following the elections in November 2022, Benjamin Netanyahu, the Chairman of the Likud Party, was given a mandate to assemble a government headed by a right-winged coalition and religious parties which earned 64 mandates. Netanyahu's sixth government was sworn in on December 29, 2022, consisting of 33 ministers and 6 deputy ministers. As part of the coalition's agreements, the government undertook to repeal certain reforms and laws passed by the former government such as tax on soft drinks, tax on disposable silverware, agricultural reform, kashrut reform and more and also committed to increase the independent ultraorthodox educational budget by removing control over core studies and increasing government pensions to Yeshiva students. Some of these changes have an immediate impact on the State's tax income and expense while others are likely to have long-term effects on growth, removal of market barriers, the employment market, the environment and healthcare. In this context it should be noted that from the beginning of 2023, the Israeli Parliament has several pending bills regarding a major reform to the Israeli judicial system whose approval and format cannot be assessed as of the report publication date ("**the judicial reform**"). The proposed changes in the reform have created disputes among jurists and economists both in Israel and overseas and have led to widespread public protests. The judicial reform or its implications are likely to affect the economic environment in which the Company operates, the cost of financing resources, the Israeli market's credit rating and more. As of the Report Date, the Company is unable to assess whether and how these effects will be expressed.

Altshuler Provident's evaluations regarding the effects of the judicial reform represent forward-looking information, as defined in the Securities Law, whose materialization is uncertain and not under Altshuler Provident's control. Such evaluations rely on the assessments of Altshuler Provident's management, based on publicly available information. These evaluations may not materialize or materialize differently than expected as a result of factors which are not under Altshuler Provident's control and other macroeconomic changes as well as the materialization of any of the risks described in paragraph 4.11 below.

General

As a result of the rising global inflation, interest increases by central banks, the war in Ukraine and the uncertainty which is indicative of a global slowdown, 2022 ended with sharp declines in capital markets and the entire risk assets. U.S. stocks dropped significantly in the year with the S&P500 dropping by about 19.45% and the NASDAQ falling by about 33%. In Europe, the Stoxx600 dropped by about 12.9% and the DAX lost about 12.35%. The MSCI World index lost about 19.46%. In the local market, the TA35 index dropped by about 9.16%, the TA125 by about 11.8% and the TA90 by about 18.25% in 2022. The trend in the global bond exchanges was negative. In the U.S., 10-year government bond yields grew to 3.88% at the end of the year compared to 1.51% at the beginning of the year.

The Russia-Ukraine war

In late February 2022, the Russian army invaded Ukraine. The increased tensions between the countries led various Western countries such as the U.S. and the EU to impose economic sanctions on Russia in general and personal economic sanctions on Russian businesspeople and politicians. As a result, the fighting between the countries and the ensuing geopolitical crisis have had major adverse ramifications on global economy and caused extreme fluctuations in the local and global capital markets and foreign currency exchange rates. As a major player in the capital markets, Altshuler Provident is exposed to fluctuations in these markets and therefore the geopolitical events had an adverse effect on the scope and value of the assets managed by it both directly resulting from the global capital market volatility and indirectly arising from the management fees it charges and are likely to have an effect on its operating results in the future.

Altshuler Provident's evaluations regarding the effects of the fighting in the Ukraine and the resulting geopolitical crisis on its results represent forward-looking information, as defined in the Securities Law, whose materialization is uncertain and not under Altshuler Provident's control. Such evaluations rely on the assessments of Altshuler Provident's management, based on publicly available information. These evaluations may not materialize or materialize differently than expected as a result of factors which are not under Altshuler Provident's control such as the aggravation of the geopolitical crisis, the spread of the fighting into other countries and other macroeconomic changes as well as the materialization of any of the risks described in paragraph 4.11 below.

Effect of inflation and market interest rise

As discussed above, in the Reporting Period, there was a trend of accelerated inflation and enhanced concern of recession in the local and global markets. Altshuler Provident's exposure to capital market volatility due to increased inflation and interest rates has negatively affected the scope of assets managed by it as expressed in the returns on its investments and the management fees charged by it in the Reporting Period. Moreover, in the Reporting Period, net losses from financial investments totaling approximately NIS 6 million were recognized, mainly as a result of the effects of inflation and interest rates. In contrast, there was a decrease of approximately NIS 1.4 million in the liability for defined benefit plans due to the change in the discount rate which was carried against other comprehensive income. It should be noted that the bulk of the Company's financial debt which it transferred to Altshuler Provident bears unindexed fixed interest and therefore its finance expenses were not materially affected.

It should also be noted that at present, Altshuler Provident is unable to assess any future effects of the entire factors mentioned above on its operations. In general, an increase in interest and in inflation rates have potentially negative impact on capital market conditions and the business environment in which Altshuler Provident operates and are therefore likely to result in a decrease in the scope and value of the assets managed by it whether due to changes in the number of members operating in the different savings channels or due to a slowdown and rate decreases in the market. However, Altshuler Provident estimates that its financial stability and current asset status along with its debt structure, the composition of its financial investments, its free cash flows and high current cash flow generated by it will allow it to continue financing its operations and meet its liabilities.

Altshuler Provident's evaluations regarding the future effects of the accelerated inflation and market interest rises on its operating results represent forward-looking information, as defined in the Securities Law, whose materialization is uncertain and not under Altshuler Provident's control. Such evaluations rely on the assessments of Altshuler Provident's management and may not materialize or materialize differently than expected as a result of factors which are not under Altshuler Provident's control such as the continued acceleration of inflation and market interest rises and other macroeconomic changes as well as the materialization of any of the risks described in paragraph 4.11 below.

The Covid crisis

From early 2020, the entire world has been dealing with the outbreak and spread of the Covid-19 pandemic which until late 2021 caused an unprecedented global crisis and made the various governments around the world adopt extreme measures and policies. Among others, countries like Israel and the U.S. took major steps in order to mitigate the virus' spread such as imposing restrictions on personal and business activities, banning social gatherings and recreational activities, closing down state borders and in some countries even limiting construction and financial activities. Following several vaccination campaigns against the virus around the world, there was a major decline in the virus' spread and in the number of Covid cases and therefore, from the first half of 2022, the majority of global markets including the local market resumed full routine operation. As of the Report Date, after three years have elapsed from the initial outbreak of the pandemic, it no longer has any effects on Altshuler Provident's operations or business results. Notwithstanding the aforesaid, in view of the dynamic nature of the pandemic, a renewed or aggravated outbreak and spread of the virus are liable to have major adverse ramifications on global economy and therefore on Altshuler Provident's business results. Altshuler Provident is closely monitoring aby local and global developments and is constantly acting to examine the potential implications of such crisis on its operations. See more information of the effects of Covid as a risk factor in paragraph 4.11 below.

It should be noted that Altshuler Provident's evaluations regarding the potential effects of any aggravation in the spread of the Covid pandemic on its operating results represent forward-looking information, as defined in the Securities Law, whose materialization is uncertain and not under Altshuler Provident's control. Such evaluations rely on the assessments of Altshuler Provident's management based on global publicly available information and past experience accrued during the pandemic and may not materialize or materialize differently than expected as a result of factors which are not under Altshuler Provident's control such as the aggravation of the virus' spread and its anticipated and unanticipated effects and other macroeconomic changes as well as the materialization of any of the risks described in paragraph 4.11 below.

Suspension of Silicon Valley Bank's operations

On March 10, 2023, as part of regulatory restrictions levied on Silicon Valley Bank ("**SVB**"), the Federal Deposit Insurance Corporation (FDIC) announced the suspension of SVB's operations and appointment of a receiver for its assets.

The Company estimates that the receivership of SVB is not expected to have a material impact on its operating results. However, such receivership process might have an adverse effect on local and global capital markets whose degree cannot be assessed at present.

It should be noted that the Company's evaluations regarding the potential effects of the suspension of SVB's operations on the Company's operating results represent forward-looking information, as defined in the Securities Law, whose materialization is uncertain and not under the Company's control. Such evaluations rely on the assessments of the Company's management based on global publicly available information and may not materialize or materialize differently than expected as a result of factors which are not under the Company's control, including anticipated and unanticipated effects.

Part 3: Description of the Company's Business Affairs by Operating Segments

3.1 Provident and pension fund management

3.1.1 General information on the operating segment

The Company, through Altshuler Shaham, operates in the provident and pension fund management segment in which it manages saving provident funds, study funds, central severance pay funds, investment provident funds, which include a children savings plan and two new pension funds – Comprehensive Pension Fund and General Pension Fund (together – "**the Funds**"). The Funds are managed by virtue of legislative arrangements and obtain an annual certification from the Capital Market Authority and from the Supervisor.

3.1.1.1 Structure of the operating segment and changes therein

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. 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 Altshuler Provident in this operating segment, see paragraph 3.1.2 below.

Pension funds

Pension funds are long-term savings instruments designed to pay out a pension as from the retirement age. Altshuler Provident'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 Altshuler Provident in this operating segment, see paragraph 3.1.2 below.

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.

3.1.1.2 Restrictions, legislation, standards and special constraints applicable to the operating segment

For more information about limitations, legislation, standards and special constraints applicable to the operating segment, see paragraph 3.1.17 below.

3.1.1.3 Changes to business volume and profitability of the operating segment

Due to the global financial crisis reflected by soaring inflation and capital market volatility, the trend in the past year has been a decrease in Altshuler Provident's business volume and market share. The decrease mainly arises from the transfer of long-term savings to the management of Altshuler Provident's business rivals mostly due to Altshuler Provident's short yield in the past year and the decrease in deposits in provident funds and study funds managed by it. In an attempt to deal with this trend, in the Reporting Period, Altshuler Provident continued to focus on enhancing its work relations with the various distribution channels such as agencies, banks, employers, independent consultants and direct customers and also initiated marketing campaigns on different channels for enhancing and positioning its brand and pension fund among the Israeli public, for recruiting new members and customers and for retaining existing ones.

In addition, Altshuler Provident continued marketing products approved by State legislation and initiatives such as the investment provident fund and long-term children's investment provident fund known as the Savings for Every Child Plan which have been introduced into Altshuler Provident's product offerings in recent years. Altshuler Provident also invested in promoting and enhancing its private pension fund and positioning it in the Israeli public. For information about the markets in which Altshuler Provident operates and its market share, see paragraph 3.1.7 below.

3.1.1.4 Market developments and changes to client characteristics in the operating segment

As of December 31, 2022, total provident fund assets in Israel (annuities and rewards, study funds, central severance pay funds, investment provident funds and long-term children's investment provident funds) amounted to approximately NIS 648.11 billion compared with approximately NIS 688.28 billion at the end of 2021, a decrease of about 5.84%.

As of December 31, 2022, total pension fund assets in Israel (new comprehensive and general funds) amounted to approximately NIS 621.45 billion compared with approximately NIS 590.40 billion at the end of 2021, an increase of about 5.26%.

Moreover, from April 2022, two new pension funds were introduced as players in the pension fund market and as the chosen pension fund – the More Investment House and the Infinity Investment House pension funds – which enhanced the competition in the market. See more information of the competition in the operating segment and Altshuler Provident's ways of contending with it in paragraph 3.1.7 below.

3.1.1.5 Technological changes which may materially impact the operating segment

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, Altshuler Provident is preparing to adapt its relevant systems as necessary.

Also, over the years, Altshuler Provident has been investing significant financial resources in IT support for work processes, creation of computer interfaces, upgrading its switchboard, upgrading its website and so forth. Moreover, during the Reporting Period, Altshuler Provident invested resources to bolster information security, including for safeguarding client data from cyberattacks.

Altshuler Provident's estimates with regard to the Retirement Savings 2025 project constitute forward-looking information as defined in the Securities Law. These estimates may not materialize or may materialize differently or at a different time than anticipated due, inter alia, to factors outside Altshuler Provident's control.

3.1.1.6 Critical success factors in the operating segment and changes therein

Altshuler Provident estimates that the critical success factors in the operating segment are as follows:

3.1.1.6.1 Outperformance 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 Altshuler Provident's products, and a significant component in existing client retention. Note that short-term returns are more significant than long-term returns, due to data accessibility and regular posting of returns to various media. For more information about investment management, see paragraph 3.1.14 below.

3.1.1.6.2 Brand strength

Altshuler Provident 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 Altshuler Provident's success in its business.

3.1.1.6.3 High-quality marketing and distribution systems

Marketing operations carried out by inhouse 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 Altshuler Provident and/or among current clients who wish to enroll with additional products offered by Altshuler Provident. For more information about marketing and distribution, see paragraph 3.1.6 below.

3.1.1.6.4 Professional operating system

Efficient, high-quality operational management while providing a rapid response to employers and to clients of Altshuler Provident.

3.1.1.6.5 Customer service and client retention

Altshuler Provident sees great importance in providing a professional, high-quality and highly available response in these areas, to members and to all distribution channels.

3.1.1.6.6 Original and innovative ideas and technology

Introducing computer support for work processes and interfaces, along with constant improvement of services provided through the website. Altshuler Provident 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 Altshuler Provident's clients, agents and for the public at large.

3.1.1.6.7 Response capacity

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

3.1.1.6.8 Reputation

Reputation is of the utmost importance over time, given that members' assets are managed by Altshuler Provident for extended periods of time. Altshuler Provident benefits from the advantage of having a reputation for competitive values and strong brand assets.

3.1.1.7 Changes in suppliers and raw materials in the operating segment

For more information about Altshuler Provident's engagement in an addendum to an agreement signed with Sapiens for replacing the pension fund's operating system from March 31, 2022 and about service agreements signed in the Reporting Period with the parent company and the Company, see paragraph 3.1.12 below.

3.1.1.8 Main barriers to entry into and exit in the operating segment and changes therein

3.1.1.8.1 Barriers to entry

Major barriers to entry in the operating segment 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.

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. Altshuler Provident believes that professional skills and familiarity with this area are required in order to operate such systems. Finally, the provident fund segment is highly competitive. Altshuler Provident believes that the required positive reputation for investment managers and for the management company form another barrier to entry into this segment.

3.1.1.8.2 Barriers to exit

Termination of provident fund and pension fund operations requires such operations to be transferred to another management company. This procedure is governed by the Provident Fund Law 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 Altshuler Provident 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 Altshuler Provident and therefore may form a barrier to exit of Altshuler Provident from the operating segment.

3.1.1.8.3 Limitations underlying the control permit

Altshuler Provident's control permit (issued by the Supervisor to the controlling shareholders in Altshuler Provident) sets forth various limitations regarding a change in control and/or holding structure in Altshuler Provident including a requirement to obtain the Supervisor's advance written approval for such change other than the circumstances and conditions specified in the permit. Moreover, the permit proscribes the grant of rights (such as mortgage, foreclosure, debt or other right) to the means of control in Altshuler Provident to any third party other than as specified in the permit. The permit also includes a requirement to report to the Supervisor any change in the cumulative rate of holdings in the various corporations which are part of the control chain in Altshuler Provident and an annual reporting duty (all as specified in the permit).

For more information about limitations and restrictions applicable to Altshuler Provident in the operating segment, see paragraph 3.1.17 below.

3.1.1.9 Alternatives to the operating segment products and changes therein

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

Altshuler Provident 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.

Altshuler Provident 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.

3.1.1.10 Structure of the competition in the operating segment and changes therein

For more information on competition see paragraph 3.1.7 below.

3.1.2 Products and services

As of the Report Date, the Company, through Altshuler Provident, manages 8 provident funds (including a study fund) and 2 pension funds in the context of which Altshuler Provident manages assets at a scope of some NIS 170,380 million. Below are the key product types offered by the Company through Altshuler Provident in the operating segment:

Provident and pension 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 makes 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 approval date, Altshuler Provident manages two provident funds: Altshuler Shaham Gemel and Altshuler Shaham Gemel LeAmitey Hever, with a total of 17 investment tracks, allowing the saver to invest their money at the appropriate risk level for them, 5 of which were founded on January 1, 2023, after the Reporting Period.

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 tax benefit is granted in proportion to the employer's contributions at a capped rate of 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) and for the employee's contributions at a capped rate of 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 a rate that is not lower than 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 which does not mandate making fixed monthly contributions. Pursuant to the Income Tax Ordinance, contributions at a rate of up to 4.5% of taxable income and up to the ceiling amount are deductible expenses for tax purposes.

As of the report approval date, the study fund managed by Altshuler Provident 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. Altshuler Provident manages 4 different investment tracks in this 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. Altshuler Provident manages 2 investment tracks in this fund.

f. Investment provident funds

An investment provident fund is a savings plan for the 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 (withdrawal as actual annuity 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 approval date, the cap is at approximately NIS 76,450.

As of the report approval date, the investment provident fund managed by Altshuler Provident 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 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 until the child reaches 18, in addition to payment of the regular child allowance for that child. Children are also 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.

Children born before December 31, 2016 were entitled, at age 18, to a bonus of NIS 500; Children born from January 1, 2017 received a bonus of NIS 00 in two installments: NIS 250 at age 3 and NIS 250 at age 12 or 13 (for girls or boys). Should the child continue to save in their account after age 18, they were entitled to another bonus of NIS 500 at age 21, provided that no withdrawals had been made from accrued savings.

These amounts are updated from 2017 on January 1 of each year at the rate of increase in the CPI published before that day compared to the CPI published before January 1, of the previous year. In 2022, the contribution and bonus amounts were as follows: the monthly contribution paid by the National Insurance Institute and the matching monthly contribution by the parent were NIS 52, so the savings amount per month could be up to NIS 104 and total bonuses amounted to NIS 522.

The management fee is payable by the National Insurance Institute through age 21. Upon withdrawal, capital gain tax shall be deducted.

As of the report approval date, the long-term savings for children investment provident fund managed by Altshuler Provident has 4 investment tracks that allow savers to invest their money based on the risk level suitable for them.

Pension funds

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's pension fund account, with the cost of such insurance coverage not to exceed 35% over the period when the member is insured in the comprehensive pension fund, where the comprehensive pension 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 became effective, which stipulates that self-employed 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%.

On July 1, 2017, the Return Regulations became effective, changing how designated State-issued Arad type bonds are allocated, so as to prioritize retirees and 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.

From October 1, 2022, a mechanism to secure stable returns for pension funds, as included in Amendment No. 26 to the Supervision of Financial Services Act (Provident Funds), 2005, became effective. According to this mechanism, instead of the investment of 30% of the pension fund assets in designated bonds, the assets will be invested according to the investment policy of the comprehensive pension fund as per the legally prescribed mechanism and will benefit from a secured annual return of 5.15% (linked to the CPI).

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, will not change despite the higher allocation of designated debentures, yet recipients of new pensions from February 2023 will be entitled to a tariff interest rate of 4.38% (instead of 4.26%). Pensions payable to retirees who retire after the effective start date of these circulars will 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 6 investment tracks for members and 2 tracks for pension recipients.

Insurance coverage and insurance tracks in comprehensive pension fund

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.

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 6 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%.

Changes in products in the Reporting Period

a. Inclusion of new investment tracks in the comprehensive pension fund and general pension fund – as part of expanding the variety of investment channels for pension fund savers, in February 2022, two new investment tracks were established, one for the comprehensive pension fund and the other for the general pension fund:

The passive index tracker investment track which tracks local stock indices in Israel and abroad, allowing passive investment alongside active management by Altshuler Provident through selection of attractive stock indices based on the timing and conditions in the market out of a variety of indices in different geographical regions.

The regulated investment policy of the new tracks consists of investing assets of not less than 75% and not more than 100% in stock indices. The remaining assets, other than a percentage that is invested in cash for managing contributions, withdrawals and money wiring, are invested in different indices in keeping with applicable laws and at the investment committee's discretion.

Altshuler Provident manages a provident fund with an identical investment track that was transferred to it following the Psagot merger.

b. Closing down the Altshuler Shaham Kama fund – in keeping with the Company's request to close down the fund which had been used as a savings provident fund (rewards only) for members of Kibbutz/Cooperative Settlement Kama and that was transferred to the Company's management in October 2021 in the context of the Psagot merger, on November 28, 2022, the Capital Market Authority approved the closing down of the fund as it had no assets or members.

Changes in products after the Reporting Period

In keeping with the publication of Institutional Entity Circular 2022-9-28, "Investment Tracks in Provident Funds – Amendment", Institutional Entity Circular 2022-9-30, "Investment Tracks in Provident Funds – Amendment" and Circular 2022-6545, "List of Investment Tracks", which all updated the variety of specialized investment tracks which an institutional entity can manage, effective from January 2, 2023, the following investment tracks were established in the comprehensive pension fund, the general pension fund, in Altshuler Shaham Provident and in Altshuler Shaham LeAmitey Hever:

a. A combined quoted investment track whose assets are exposed to a mix of shares, corporate debentures and government bonds in Israel and overseas at an exposure rate of not less than 75% and not more than 120% of the track's assets. The exposure to assets will be obtained by investing in quoted assets only. The investment can be made directly (in base assets) or through investment in derivatives (including futures, options and warrants and including unquoted derivatives used for hedging and unquoted derivatives whose value is derived from a quoted base asset), ETFs and mutual funds. The remaining assets will be invested in cash and deposits placed for a maximum period of three months from the investment date. Investment in this track is likely to be exposed to currency risks.

b. Flexible index tracker investment track whose assets at a rate of not less than 75% and not more than 100% will track stock indices or corporate debentures or government bonds, or a mix thereof, as defined in the index tracker track cluster, and at least three indices using index tracking instruments. The remaining assets, other than a percentage of the assets that will be invested in derivatives used for hedging, in cash and in deposits for a period of less than 12 months from the investment date for managing collaterals for derivatives, deposits, withdrawals and money wiring, will track different indices subject to applicable laws. Index tracking is likely to expose the investments to currency risks.

3.1.3 Breakdown of revenues and profits of products and services

See details of segment results in Note 4 to the financial statements in Chapter C to this report. Following are main data of the provident and pension fund management operating segment:

Year ended December 31, 2022 (NIS in thousands)

	New pension funds		Personal provident funds for rewards and severance pay	Study funds	Investment provident funds	Long-term Savings for Every Child Plan	Central funds	Total
	Comprehensive	General						
Managed assets	25,657,541	662,068	63,557,265	62,409,112	11,029,007	6,112,983	951,724	**170,379,700**
Receipts from fees	4,613,290	272,914	1,172,043	6,931,138	2,367,630	977,946	7,317	**16,342,278**
Of which, nonrecurring fees	-	-	332,721	218,692	1,394,299	41,739	20	**1,987,471**
Annualized fees for newly enrolled members	702,483	98,947	38,052	566,791	112,755	43,088	14	**1,562,130**
Annualized fees for all members	4,229,116	363,437	778,977	6,050,310	804,841	934,933	6,635	**13,168,249**
Accruals transferred to the fund	1,810,817	40,390	614,515	257,500	31,267	4,906	2,402	**2,761,797**
Accruals transferred from the fund	(7,648,040)	(165,376)	(22,237,971)	(23,673,116)	(3,585,997)	(71,386)	(103,239)	**(57,485,125)**
Payments	(188,677)	6,815	(2,971,441)	(3,665,567)	(1,646,676)	(83,912)	(60,890)	**(8,610,348)**
Surplus revenues (losses) over expenses in the period	(2,965,821)	(103,723)	(9,804,670)	(10,261,707)	(2,210,227)	(1,024,014)	(101,418)	**(26,471,580)**
Revenues from accrual management fees	34,798	1,343	514,046	549,872	89,390	13,835	6,350	**1,209,634**
Revenues from deposit management fees	67,273	4,061	4,450	-	-	-	-	**75,784**
Average annual rate of management fees from active assets (%)	0.11	0.18	0.68	0.75	0.67	0.23	0.21	
Average annual rate of management fees from inactive assets (%)	0.12	0.28	0.65	0.70	0.65	0.23	0.64	
Average annual rate of management fees from assets – annuities (%)	0.34	0.33	-	-	-	-	-	
Average annual rate of management fees from deposits (%)	1.45	1.46	0.37	-	-	-	-	

Year ended December 31, 2021 (NIS in thousands)

	New pension funds		Personal provident funds for rewards and severance pay	Study funds	Investment provident funds	Long-term Savings for Every Child Plan	Central funds	Total
	Comprehensive	General						
Managed assets	30,267,649	622,680	96,784,584	92,814,769	16,073,010	6,309,443	1,207,552	**244,079,687**
Receipts from fees	4,121,809	215,543	2,255,441	7,498,928	5,807,105	947,099	1,822	**20,847,747**
Of which, nonrecurring fees	-	-	1,970,730	190,736	4,668,800	40,004	-	**6,870,270**
Annualized fees for newly enrolled members	1,762,092	186,076	121,901	1,528,099	371,785	55,896	65	**4,025,914**
Annualized fees for all members	4,613,272	273,831	1,093,914	8,527,783	1,231,972	916,035	7,126	**16,663,933**
Accruals transferred to the fund	8,253,262	196,313	6,035,746	5,030,741	212,385	12,953	39,625	**19,781,025**
Accruals transferred 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	(121,864)	(1,189)	(1,691,588)	(2,550,006)	(1,456,837)	(54,439)	(64,111)	**(5,940,034)**
Surplus revenues (losses) over expenses in the period	2,539,100	35,611	6,995,821	7,511,018	1,337,275	660,829	129,153	**19,208,807**
Revenues from accrual management fees	29,543	1,111	498,417	600,917	98,802	12,853	6,993	**1,248,636**
Revenues from deposit management fees	62,582	3,090	2,765	-	-	-	-	**68,437**
Average annual rate of management fees from active assets (%)	0.12	0.22	0.68	0.75	0.66	0.23	0.21	
Average annual rate of management fees from inactive assets (%)	0.13	0.35	0.66	0.71	0.67	0.23	0.64	
Average annual rate of management fees from assets – annuities (%)	0.35	0.33	-	-	-	-	-	
Average annual rate of management fees from deposits (%)	1.53	1.46	0.10	-	-	-	-	

Year ended December 31, 2020 (NIS in thousands)

	New pension funds		Personal provident funds for rewards and severance pay	Study funds	Investment provident funds	Long-term Savings for Every Child Plan	Central funds	Total
	Comprehensive	General						
Managed assets	17,239,007	224,309	59,409,503	70,566,749	991,062	11,658,418	4,760,999	**164,850,047**
Receipts from fees	2,353,059	55,829	3,099,689	6,618,636	-	4,704,122	917,965	**17,749,300**
Of which, nonrecurring fees	-	-	2,491,224	158,562	-	3,854,802	36,180	**6,540,768**
Annualized fees for newly enrolled members	1,438,273	65,256	164,057	2,162,946	-	391,331	56,627	**4,278,490**
Annualized fees for all members	2,898,735	96,192	672,868	7,487,296	-	1,043,976	895,196	**13,094,263**
Accruals transferred to the fund	6,470,621	47,846	11,403,292	10,841,467	72,304	136,099	11,518	**28,983,147**
Accruals transferred from the fund	(423,403)	(11,160)	(855,839)	(846,685)	(15,674)	(60,462)	(1,419)	**(2,214,642)**
Payments	(60,022)	(1,606)	(1,095,452)	(2,250,302)	(62,550)	(1,044,229)	(25,708)	**(4,539,869)**
Surplus revenues (losses) over expenses in the period	1,141,494	10,141	2,625,357	3,202,299	45,147	458,678	319,111	**7,802,227**
Revenues from accrual management fees	15,178	679	340,076	440,619	6,245	58,376	8,913	**870,086**
Revenues from deposit management fees	37,769	794	2,493	-	-	-	-	**41,056**
Average annual rate of management fees from active assets (%)	0.13	0.39	0.69	0.75	0.00	0.63	0.23	
Average annual rate of management fees from inactive assets (%)	0.15	0.49	0.67	0.72	0.66	0.67	0.23	
Average annual rate of management fees from assets – annuities (%)	0.39	0.33	-	-	-	-	-	
Average annual rate of management fees from deposits (%)	1.62	1.46	0.08	-	-	-	-	

3.1.4 New products

See details of products and changes therein in and after the Reporting Period in paragraph 3.1.2 above.

3.1.5 Clients (members)

Altshuler Provident has a diverse client base. Members of provident funds, study funds and pension funds managed by it 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 revenues of Altshuler Provident. Furthermore, there is no single client or client group added through an employer agreement, whose managed assets exceed 1% of total assets. Altshuler Provident 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 Altshuler Provident's operations. Altshuler Provident has some 2.3 million clients. See information of balances and movements of managed assets in paragraph 3.1.3 above.

Below is information about Altshuler Provident's clients by product:

	Year	Average member age	Average member seniority[2]	Number of member accounts
Comprehensive pension	2021	36.5	1.8	329,599
	2022	37.0	2.1	358,617
General pension	2021	40.4	1.2	22,613
	2022	40.0	2.7	24,969
Rewards and severance	2021	54.7	13.6	1,221,316
	2022	55.6	14.0	1,009,413
Provident funds	2021	48.0	4.7	1,151,761
	2022	49.0	5.2	906,628
Study fund	2021	-	16.6	2,265
	2022	-	18.2	2,112
Central severance pay fund	2021	34.0	1.8	236,829
	2022	33.0	2.6	198,421
Investment provident funds	2021	9.0	4.2	964,729
	2022	10.0	4.9	980,874
Investment provident fund – Savings for Every Child	2021	71.0	22.2	4,832
	2022	71.0	26.8	4,259
Central provident fund for budgetary pension participation*	2021	62.0	17.8	82
Central sick pay fund*	2022	63.0	18.9	78

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

[2] Referring to active members since fund foundation date.

3.1.6 Marketing and distribution

Altshuler Provident markets its products through multiple distribution channels, primarily through pension insurance agencies and agents. It has been co-operating for years with leading pension insurance agencies and agents, but it is not dependent on any particular agent or agency.

Altshuler Provident also works with insurance agencies in the Altshuler Group. For more information about marketing agreements between Altshuler Provident and said agencies, see Note 25 to the financial statements in chapter C to this report.

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

Other than the aforementioned distribution channels, Altshuler Provident allows individuals to enroll in its products through digital tools and/or through pension savings marketing agents and/or pension insurance agents affiliated with the Group. Altshuler Provident constantly strives to enhance the digital enrollment processes, so as to make them simple and accessible and to allow for rapid enrollment in its products. Altshuler Provident also advertises and markets its products through media advertising: TV, internet, billboards, sponsorships and participation in professional conferences.

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

2022

	Repaid commissions (2)		Target commissions (1)		Total	
	Provident	Pension	Provident	Pension	Provident	Pension
Agent/agency	298,137	5,216	5,043	5,692	303,180	10,908
Party affiliated to and/or controlled by the Company (3)	4,119	2	73	40	4,192	42
Banks	62,573	-	-	-	62,573	-
Non-bank pensionary advisors	553	-	-	-	553	-
Total	365,382	5,218	5,117	5,732	370,499	10,950

2021

	Repaid commissions (2)		Target commissions (1)		Total	
	Provident	Pension	Provident	Pension	Provident	Pension
Agent/agency	379,520	4,404	63,472	40,238	442,992	44,642
Party affiliated to and/or controlled by the Company (3)	5,115	3	278	21	5,393	24
Banks	47,885	-	-	-	47,885	-
Non-bank pensionary advisors	630	-	-	-	630	-
Total	433,150	4,407	63,750	40,259	496,900	44,666

2020

	Repaid commissions (2)		Target commissions (1)		Total	
	Provident	Pension	Provident	Pension	Provident	Pension
Agent/agency	258,107	3,829	117,691	32,847	375,798	36,676
Party affiliated to and/or controlled by the Company (3)	3,418	3	419	20	3,837	23
Banks	32,058	-	-	-	32,058	-
Non-bank pensionary advisors	471	-	-	-	471	-
Total	294,054	3,832	118,110	32,867	412,164	36,699

(1) 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.
(2) Net of settlement fees.
(3) For more information about the Company's agreements with related parties for distribution of Company products, see Note 25 to the financial statements in chapter C to this report.

3.1.7 Competition

Provident funds

The provident fund market is characterized by 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, 2022, despite the decrease in its market share, the Company is the largest player in the provident fund market, with a market share of 22.23% of total assets under management in provident funds and study funds, compared to 30.97% as of December 31, 2021.

To the best of Altshuler Provident's knowledge, its major competitors in the provident fund market are: Yelin Lapidot Provident Fund Management Ltd.; More Provident and Pension Funds Ltd.; HaPhoenix Pension and Provident Funds Ltd.; Harel Pension and Provident Funds Ltd.; Meitav Provident and Pension Funds Ltd.; Clal Pension and Provident Funds Ltd., Migdal Makefet Provident and Pension Funds Ltd.; Analyst Provident Funds Ltd.; and Menora Mivtachim Pension and Provident Funds Ltd.

Pension funds

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. Nevertheless, 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 holding over 90% of total assets under management in the new pension fund market. As of December 31, 2022, of nine local pension fund managers, Altshuler Provident is ranked 7th, with a market share of 4.21% 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. However, in April 2022, two new designated pension funds were added, from More Investment House and Infinity Investment House.

To the best of Altshuler Provident's knowledge, its major competitors in the pension fund market are: Harel Pension and Provident Funds Ltd.; Menora Mivtachim Pension and Provident Funds Ltd.; Clal Pension and Provident Funds Ltd.; Migdal Makefet Pension Funds and Provident Funds Ltd.; HaPhoenix Pension Funds Ltd.; Meitav Provident and Pension Funds Ltd.; More Pension and Provident Funds Ltd.; and Infinity Study, Pension and Provident Funds Ltd.

Major ways to address the competition

In the past year, Altshuler Provident faced negative accruals of managed assets in the provident and pension funds managed by it. Consequently, in order to preserve and expand the current client portfolio, Altshuler Provident is acting to avoid departure of members to competing market players. As a result, it improved its internal retention processes and diverted teams towards expansion of client, advisor and agent retention efforts. Altshuler Provident also makes a concerted effort to recruit new clients by highlighting its advantages over the competition and by reinforcing relations and expanding the current distribution system. It also strives to make forms digitally accessible for clients and to improve online enrollment processes for its products, so as to make them simple and user-friendly.

Due to the concentration in the new pension fund market, as described above, Altshuler Provident directs marketing and advertising resources to increase awareness of its pension funds through, inter alia, bidding in tenders, participating in employer conferences, holding professional daily seminars for agents and employers and expanding the direct distribution channel.

Altshuler Provident also leverages the selection of its pension fund as a designated pension fund by the Capital Market Authority to recruit new clients for both the pension product and to other products. As discussed above, from April 1, 2019, the default products available to employers were canceled, which forces employers to make contributions for employees who did not choose a pension product only to funds selected by the Capital Market Authority's default procedure or in the employer's bidding process. Accordingly, Altshuler Provident automated the employee enrollment process through a digitalized interface which significantly reduces member enrollment costs.

Other than the foregoing, Altshuler Provident manages its members' funds professionally and with diligence, while attempting to maintain stability over time and to generate high returns. Concurrently, it 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 Altshuler Provident to change the asset allocation and to respond to market events as required.

3.1.8 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 November-December, members in investment provident funds tend to make up their contributions to such funds up to the legal annual contribution cap per person, which is NIS 70 thousand, linked to the CPI (for more information about the cap as of the Report Date, see paragraph 3.1.2 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 Altshuler Provident, this has no direct bearing on the Company's financial results.

3.1.9 Fixed assets

For more information about Altshuler Provident's engagement in an agreement with Sapiens for replacing the pension fund's operating system (for managing member rights), see paragraph 3.1.12 below.

3.1.10 Intangible assets

Altshuler Provident has intangible assets consisting of goodwill and customer relations. Moreover, the Group owns various trademarks duly registered with the Ministry of Justice Trademark Registry, some of which are used by Altshuler Provident. For more information about intangible assets owned by the Company, see Note 5 to the financial statements in Chapter C to this report.

3.1.11 Human capital

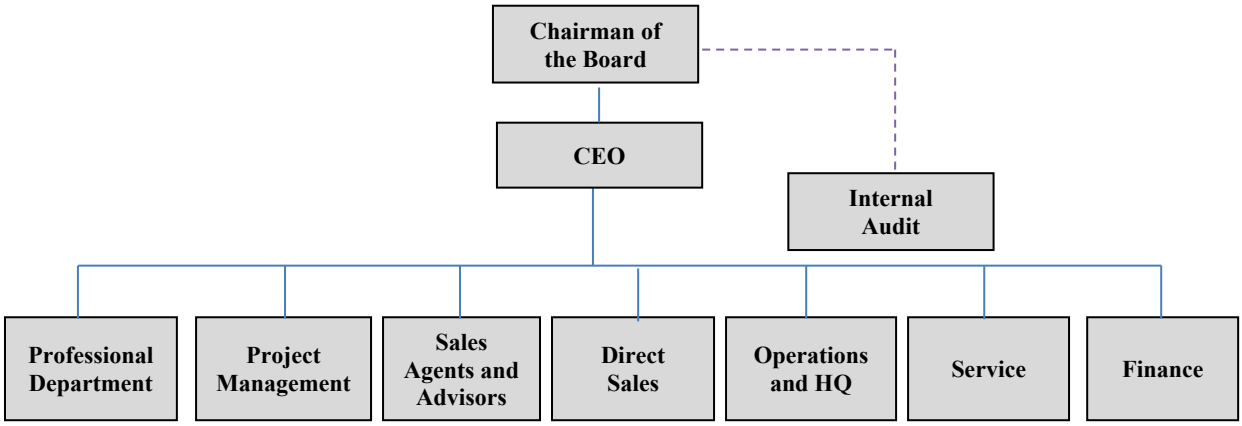
3.1.11.1 Overview

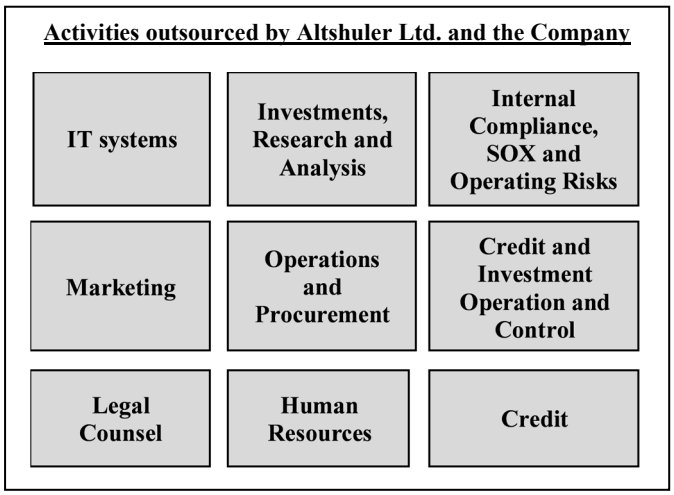
As of the Report Date, total employees in this operating segment employed by the Company and Altshuler Provident and outsourced by subcontractors, including by related parties which provide services to Altshuler Provident, consist of 8 officers and 870 employees (based on position scope). As of December 31, 2022, this segment employed 10 senior officers and 1,075 employees.

Following is the breakdown of employees in the segment as of December 31, 2022 and 2021 by department:

Department	December 2022	December 2021
Operations	216	292
Service	303	424
Sales and marketing	107	115
IT systems	97	102
Investments	65	53
HQ	82	89
Total	**870**	**1,075**

3.1.11.2 Chart of Altshuler Provident's organizational structure





3.1.11.3 Material changes in employee headcount during the Reporting Period

As described above, in the Reporting Period, the Business Restructuring was completed in the context of which the majority of Altshuler Provident's employees, including the officers, were transferred to the Company with retention and continuation of accrued employee-employer rights.

Moreover, in the context of completion of the Merger Transaction, on January 17, 2022, the board of Altshuler Provident approved that from the closing date of the Merger Transaction, the following officers serve in Altshuler Provident:

(a) Mr. Yair Lowenstein, who before the merger closing date served as the CEO of Altshuler Provident, was appointed as the Chairman of the Board of Altshuler Provident for no additional remuneration other than his remuneration as CEO.

(b) Ms. Anat Knafo-Tavor, who before the merger closing date served as VP of Operations and Pension Funds in Altshuler Provident, was appointed as CEO of Altshuler Provident.

Other than the two above officers, from the merger closing date, there are other officers serving in Altshuler Provident who report to the CEO who were appointed instead of the officers appointed in the Company.

3.1.12 Suppliers and service providers

3.1.12.1 Bank Leumi (Leumi Capital Market Services Ltd.) ("**Leumi Capital Market**")

On December 29, 2021, Altshuler Provident and Leumi Capital Market signed an agreement for provision of operating services for provident funds and study funds managed by Altshuler Provident (in this paragraph - "the agreement" and "the services", respectively), superseding the agreement between the parties dated March 26, 2012. The agreement term is 7 years, from January 1, 2020 through December 31, 2026. The agreement is automatically renewed for subsequent terms of 12 months each. For services provided by Leumi Capital Market, Altshuler Provident pays the fees agreed by the parties, up to a cap specified in the agreement. Altshuler Provident believes it is somewhat dependent on this provider, as transition to an alternative provider will involve a significant additional cost.

3.1.12.2 Sapiens Software Solutions (Life and Pension) Ltd. ("**Sapiens**")

In December 2020, Altshuler Provident and Sapiens (a wholly owned subsidiary of Sapiens Technologies (1982) Ltd.), signed an agreement for provision of operating services to Altshuler Provident's pension fund (in this paragraph - "the agreement" and "the services", respectively). The agreement was signed for a three-year term, from July 1, 2020 through June 30, 2023. Upon expiration of the agreement, it will be automatically renewed for additional 12-month terms. For services to be provided by Sapiens, Altshuler Provident pays the fees agreed by the parties. On March 31, 2022, the parties signed an addendum to the agreement for upgrading Altshuler Provident's pension fund operating system (for management of member rights). The agreement was also extended until September 30, 2027 and settles the fee for the system upgrade. Altshuler Provident is dependent on this provider, as transition to an alternative provider will involve a significant additional cost.

3.1.12.3 Partner Wireline Communications Solutions Limited Partnership ("**Partner**")

In June 2017, Altshuler Provident and Partner signed an agreement for provision of communication and hosting services Altshuler Provident's servers (in this paragraph - "the original agreement" and "the services", respectively). The original agreement was later updated in effect from January 1, 2022 (in this paragraph – "the agreement"). The agreement is for a term of 24 months from the service inception date or until its termination by Altshuler Provident, whichever is later. Altshuler Provident is dependent on this provider, as transition to an alternative provider will involve a significant additional cost.

3.1.13 Working capital

Working capital items mainly consist of credit from suppliers and service providers, cash and cash equivalents, short-term investments and short-term credit and are managed at the Group level. See more information in paragraph 4.4 below.

3.1.14 Investments

Investment management by Altshuler Provident

Altshuler Provident manages its investments in each channel while considering the best interests of savers, as measured over the long term, and subject to regulatory provisions. Investment management is carried out by the investment arm as follows:

3.1.14.1 The investment system

The Investment Committee operates as governed by the investment policy set by Altshuler Provident's 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 relevant period, holdings of the funds and other matters that require reporting from time to time.

3.1.14.1 The investment support system

The investment support system is tasked with processing, settlement, transfers and valuation of all financial transactions conducted by the investment arm. The investment 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 investment support system is also responsible for ensuring settlement and required adjustments for various entities, as stipulated by regulatory requirements and controls. The investment support system also conducts ongoing investment control and is in charge of regular monitoring of the compliance of the Investment Manager's performances with the Investment Committee's decisions and with applicable regulatory provisions. The investment control function reports to the Investment Committee and to Altshuler Provident's key management personnel as needed. It should be noted that the teams of the investment arm and investment support system are employed by Altshuler Ltd. and outsource their services to Altshuler Provident based on the service and cost allocation agreement detailed in Note 25e(2)(a) to the financial statements hereby attached in Chapter C.

3.1.14.2 The annual investment policy

Once a year, Altshuler Provident's Board sets forth and approves the investment policy for the provident and pension funds managed by Altshuler Provident in the operating segment, after having received and discussed the recommendations of the Investment Committee. The Board also receives ongoing reports from Altshuler Provident's Credit Manager, Bad Debt Center, Investment Manager and Financial Risk Manager. Altshuler Provident's investment policy relies on macroeconomic and microeconomic analyses of capital markets in Israel and overseas and is reviewed from time to time by the Investment Committee and revised as needed.

3.1.14.3 In general, the funds invest in diverse asset classes, such as: shares in Israel and overseas, government bonds, 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.

3.1.14.4 Hedging policy

Altshuler Provident uses derivatives and other instruments as hedges against capital market volatility and currency risk and as a means of mitigating the currency exposure of investing in foreign products and securities.

3.1.15 Financing

See more information of Altshuler Provident's financing agreements, loans and borrowings in Note 18 to the financial statements hereby attached as Chapter C.

3.1.16 Taxation

Altshuler Provident is a financial institution, as this term is defined in the Value Added Tax Law, 1975. The tax applicable to a financial institution's income is comprised of corporate tax and capital gains tax. See more information in Note 15 to the financial statements hereby attached as Chapter C.

3.1.17 Restrictions and supervision in the operating segment

Altshuler Provident's 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 Altshuler Provident, 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 Altshuler Provident in its provident fund and pension fund operating segments which, Altshuler Provident believes, have or may have material impact on its operations and results in the operating segment:

a. Primary legislation and regulations which may have material impact on Altshuler Provident's operations

Below is a concise description of legislation and regulations which may materially impact Altshuler Provident's operations and its competitive positioning as of the Report Date; This is not an exhaustive description of all legislation, regulations and circulars applicable to its operations.

(1) Provident Fund Law

The Provident Fund Law became effective in November 2005. It 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 Law 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 Law imposes certain provisions on a management company pursuant to the Insurance Supervision Law, including with regard to pension fund management and with regard to licensing of a pension fund management company as insurer.

(2) Income Tax Ordinance

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 Law (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. Altshuler Provident believes that this amendment increased and will continue to increase total contributions to provident and pension funds managed by it.

(3) Income Tax Regulations

Before the Provident Fund Law was enacted, the Income Tax Regulations were the principal legislation that governed the current operations of provident funds and managing companies. The Income Tax Regulations settle certain rules of managing provident and pension funds and prescribe the rate of contributions to provident funds, the activity of investment committees and the payments and reports to members etc.

(4) Distribution Commission Regulations

The Distribution Commission Regulations became effective in April 2006, requiring provident fund managers, upon fulfillment of certain conditions (such as distribution agreement in place, agreement between advisor and client in place and more) to pay distribution commissions to retirement advisors at a fixed, specified rate not to exceed 0.25%.

(5) 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 Altshuler Provident's revenues, do require companies in this field to enhance their analysis and compliance departments and how they are implemented may have an effect on Altshuler Provident's reputation.

(6) 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, Altshuler Provident is in compliance with provisions of the shareholder equity regulations and circular and expects to continue to be in compliance therewith on all of the relevant dates.

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

The regulations determine the maximum management fees that may be charged from the provident funds managed by Altshuler Provident. The regulations had a material impact on the management fees charged by companies in Altshuler Provident's operating segment, and Altshuler Provident believes that in future, management fees in this field will continue to trend moderately lower.

(8) 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 provident funds managed by Altshuler Provident and with regard to investment of Altshuler Provident's nostro funds.

(9) Direct Expense Regulations

The Direct Expense Regulations stipulate the types of direct expenses with respect to conducting transactions in provident fund assets, which institutional investors may charge to member accounts. On October 30, 2022, an amendment to these regulations was published which sets forth directives for charging direct expenses based on the various investment tracks set up from January 1, 2023, including how to charge direct expenses in a yield-guaranteed investment channel. According to the amendment, for certain investment tracks, institutional investors must determine in advance for each investment track individually the maximum rate of direct expenses classified as "external management commissions" that they may charge from members during a calendar year. Institutional investors are required to publish on their website the "external management commission" restriction which they may charge by December 31 of the year before the year in which the restriction was set. The "external management commission" restriction cannot include an expense that consists of payment of variable management fees, as defined in the regulations.

(10) Anti-Money Laundering Act

The AML Law in Israel 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 Law and directives of the Authority may expose Group companies and employees to criminal and civilian sanctions, and require the Company to invest operational resources.

b. Capital Market Authority circulars and ordinances which may have material influence on Altshuler Provident's operations

(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 as their default funds: Altshuler Provident, Meitav 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 Provident and the pension fund from Meitav 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 fees for new members who enroll in or are added to a default fund by October 31, 2024, other than members who are added as per an agreement for a default fund chosen according to the revised article 7 to the Circular, will be effective for at least 10 years after the enrollment date.

(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 to a pension fund and/or non-pension provident fund were increased to 6% and the employer contributions were increased to 6.5%.

(3) Institutional Investor Circular 2017-9-15 "Management fees in retirement savings instruments – Amendment"

The amendment to stipulates, inter alia, that discounted management fees would be granted for at least five years and provisions which govern cases in which the management fees may be increased even prior to end of the five-year period. This amendment reduces Altshuler Provident's flexibility in increasing management fees charged to savers, and therefore may negatively affect revenues of companies in this field.

(4) Circular 2018-9-19 "Outsourcing by Institutional Investors"

On June 3, 2018, the circular 2018-9-19 "Outsourcing by Institutional Investors" was issued, followed by an amendment which 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.

(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 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 composition and qualifications of board members, composition, roles, authority and conduct of the board of directors. The circular became effective on April 24, 2019 and was published in the regulation codex.

Altshuler Provident's 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 Law. Altshuler Provident's assessments, as noted in this section, including with regard to which legislation, regulations and circulars have material impact on its operations, may fail to materialize, or may materialize partially or differently than anticipated due, inter alia, to factors outside of its control, such as changes in public preferences, enforcement policy of enforcement entities and so forth.

3.1.18 Business strategy and targets in the operating segment

Altshuler Provident's strategy is to maintain its position as a leader 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 its clients over time and strict adherence to transparency, professional attitude, reliability and fairness, improvement of customer service, service and product innovation and technological leadership.

Consequently, Altshuler Provident strives for expansion and business growth, innovation, development and establishing retirement products in response to its clients' needs, identifying new business opportunities, achieving organizational efficiency by reducing expense rates, ensuring that organizational and technological infrastructure is maintained for future growth, reinforcing control systems and maintaining risk management and regulatory compliance systems, all while contending with negative managed asset accruals in the pension and provident funds managed by Altshuler Provident, as evidenced in the Reporting Period. In the investment sector, Altshuler Provident focuses on identifying cost-effective investment opportunities for generating returns for its customers. In response, Altshuler Provident does not invest its entire assets solely in Israeli securities but also allocates a considerable portion of investments to foreign markets. This business strategy minimizes risk and exposure to the local market's economic volatility and diversifies the investment options. In 2023, Altshuler Provident will continue 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 it, including by way of digital marketing.

Altshuler Provident's strategy, as set forth above, reflects its policy regarding the provident and pension fund management operations as of the report publication date and is based on assessments of the operating segment and Altshuler Provident's position as of said date. Altshuler Provident may decide not to implement the aforementioned strategy, in whole or in part, due 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 regulatory approvals, as well as due to other risk factors applicable to its operations, as set forth in paragraph 4.11 below.

3.2 Other Operations

As set forth in paragraph 6.3.3 to Chapter 6 to the Prospectus regarding the Company's strategy of promoting the analysis (and obtaining the necessary legal approvals) of launching additional operations that synergize with Altshuler Provident's operations, on June 28, 2022 and January 26, 2023, the Company's Board approved the Company's entry into the following markets:

3.2.1 Managing alternative real estate investments

As discussed in paragraph 1.5 above, as of the Report Date, the Company is promoting the launch of management operation in the alternative real estate investment market through Altshuler Real Estate.

On May 30, 2022, the Company's Board decided to establish a real estate investment management operation. Consequently, on June 28, 2022, Altshuler Real Estate was founded as a private company limited in shares which is 80.75% controlled by the Company and owned by Ms. Sharon Gerszbejn (7%), who serves as Deputy CEO and CFO in the Company, and Mr. Earl Zinn (12.25%), who as of the Report Date serves as CEO of Altshuler Real Estate (in this paragraph - "the shareholders"). On August 1, 2022, the shareholders entered into an agreement which settles their business relationship, including the management of Altshuler Real Estate, share dispositions and Buy Me Buy You mechanisms.

In addition, in the Reporting Period, the approvals of those charged with corporate governance in the Company, including the General Meeting of Shareholders, were obtained for the Company's engagement in a service agreement with Altshuler Real Estate according to which the Company will provide the latter services, as detailed in paragraph 3.2.1.6 below.

In the Reporting Period, Altshuler Real Estate began operating in the real estate investment market by completing an initial investment round through a European fund operating in this market. The investment raised in the Reporting Period amounted to approximately € 24,000 thousand.

After the Reporting Period, Altshuler Real Estate completed another investment round with a U.S. firm at a scope of some $ 20,500 thousand.

3.2.1.1 Structure of the operation

As of the Report Date, the Company, through Altshuler Real Estate, operates in the alternative real estate investment management and development market. In the context of this operation, Altshuler Real Estate identifies potential investments independently or through third parties, conducts a preliminary analysis of potential investments through due diligence studies and term sheets, studies the business plan, visits the property and analyzes the real estate developer and the material underlying risks. After completing the due diligence studies, insofar as the prospective investment gets the green light, Altshuler Real Estate acts to raise capital and/or debt from private investors by incorporating them in a specific or several REITs.

Altshuler Real Estate serves as the general partner and/or manager of the REIT and may invest and participate in investments by itself or through the Company, at its sole discretion and as prescribed by applicable law. The agreements for incorporating the private REITs settle Altshuler Real Estate's rights as a GP and/or manager and/or investment developer. The agreements may include mechanisms setting forth management fees, carried interest and reimbursement of expenses in connection with Altshuler Real Estate's activities.

Concurrently with the equity and debt raising process, Altshuler Real Estate prepares and signs investment documents, including legal agreements of capital and/or debt investments by the REITs. Once the investment agreements have been signed and the funds have been raised, the REITs provide the necessary funds for the investments after which Altshuler Real Estate monitors and assists the investment by the local real estate developer.

The Company has also begun promoting other operations in the investment property market by analyzing prospective investments and foundation of other SPVs including public funds.

3.2.1.2 Critical success factors

(a) Being a member of the Altshuler Group and owing to the Group's market leadership and track record, Altshuler Real Estate is often privy to valuable investment opportunities.

(b) Altshuler Real Estate has the knowhow, experience and expertise for selecting the proper investment projects and developers to guarantee beneficial returns for the investors.

(c) Altshuler Real Estate can use its knowhow and expertise to analyze business plans, perform developer DD studies and assess the project's risk and exposure.

(d) The local developer has proven experience in the operation that allows optimal management of the project to appreciate returns and manage any crises.

(e) Ongoing management and monitoring of the project by Altshuler Real Estate vis-a-vis the local developer which include frequent communications with the developer's representatives and ongoing updates on project progress, receiving current reports, budget/business plan analysis, project Gantt charts, cash flow analysis, project loan follow-up, as applicable.

3.2.1.3 Main barriers to entry and exit

Altshuler Real Estate expects the main barriers to entry in the real estate investment market to be as follows:

(a) Ability to raise capital for investing in a variety of real estate projects.

(b) Experience and knowledge in the real estate investment market.

(c) Experience and knowledge in analyzing real estate transactions and in managing a diversified real estate investment portfolio in different geographical areas and with different characteristics.

(d) Acquaintance with various professional entities for assistance in identifying prospective projects and allowing the planned deal flow.

(e) Experience and knowledge in close monitoring of several ongoing real estate projects simultaneously and managing teams of experienced professionals and outside advisors with vast professional background.

Altshuler Real Estate expects the main barriers to exit in the real estate investment market to be as follows:

(a) Meeting project deadlines which may become shorter or longer than expected due to delaying factors such as obtaining building permits, prolongation of construction, slowdown in sales etc.

(b) Real estate investments are by nature not for the short term. Selling real estate for a profit as derived from meeting project deadlines and milestones to allow return of the investment with a margin may be extended and require making additional investments, particularly during economic crises.

(c) Ability to find appropriate buyers which is also affected by objective factors such as the state's economy, unemployment and real estate prices, supply and demand, competition, policy mandates etc.

3.2.1.4 Alternatives to the proposed services in the operation

To the best of Altshuler Real Estate's knowledge, the services which it expects to provide are rendered by bank and non-bank lenders and REITs as follows:

(a) Equity firms/companies that offer financing and/or capital to real estate developers – private and institutional equity firms, banks, brokerage companies, insurance companies and public and private local and international corporations and individuals.

(b) Bonds – raising bonds as a partial alternative to the products offered by Altshuler Real Estate since raising bonds from the public is a lengthy and complex process that consists of issuing a prospectus to the public and obtaining regulatory approval.

3.2.1.5 Competition

The main competition in the operation is likely to be encountered from real estate investment groups including public and family-owned companies, investment funds and institutional investors, all of which benefit from a solid financial structure. These groups also purchase real estate for appreciation purposes as investment property and are likely to compete for property buying opportunities.

Competition may also be affected by the multitude of investors in a specific real estate market. As such, the Company estimates that its share and/or Altshuler Real Estate's share in this market will not be material.

Altshuler Real Estate can also expect to benefit from the track record, experience and expertise of its managers that will enable identifying, analyzing and purchasing high-yield business opportunities and maintaining extensive business relations with developers. During the transaction management stage, Altshuler Real Estate's managers will strive for efficient management and optimal cost reduction concurrently with resource investment for achieving higher returns. During the divestiture stage, the business relations and local market understanding will be harnessed into optimal property divestiture terms and improved investor profits.

3.2.1.6 Material agreements

Real estate service agreement

On July 1, 2022, the Company entered into a service agreement with Altshuler Real Estate according to which the Company will provide the latter various services needed for Altshuler Real Estate's operating activities ("**the Real Estate Service Agreement**"). Concurrently with the Real Estate Service Agreement, on the same day, Altshuler Real Estate entered into a service agreement with Altshuler Shaham Properties Ltd. (which is owned by some of the Controlling Shareholders in the Company, "Altshuler Properties") according to which Altshuler Real Estate will provide some of the services rendered to it by the Company as per the Real Estate Service Agreement to Altshuler Properties for a transition period until Altshuler Properties ceases to operate. Moreover, during this period, Altshuler Properties will also provide certain services to Altshuler Real Estate including a universal irrevocable license to use the entire IP rights owned or controlled by Altshuler Properties free of charge other than the fee specified below ("**Service Agreement B**" and together with the Real Estate Service Agreement – "**the Service Agreements**").

On September 15, 2022, the Service Agreements were approved by the General Meeting of Shareholders. The Real Estate Service Agreement is in effect indefinitely from July 1, 2022, as long as the Company is the sole shareholder in Altshuler Real Estate. Service Agreement B is in effect for three years from July 1, 2022 and will be automatically renewed unless any of the parties decide to terminate it by providing an advance notice of 60 days, as required by applicable law. Each party to the Service Agreements may terminate them by providing an advance written notice of 180 days. Notwithstanding the aforesaid and without prejudicing any of the parties' rights as per the Service Agreements and/or applicable law, each party may terminate the agreements effective immediately without providing an advance notice upon the occurrence of any of the following events: default, material change in interests in a party to the agreements, legal impediment or fundamental breach (with a recovery period).

As per the Real Estate Service Agreement, the Company will pay Altshuler Real Estate management fees and a 6% margin (cost+6%) in return for management and CEO services and professional services such as IT, finance, legal counsel and marketing. Moreover, according to Service Agreement B, Altshuler Real Estate will provide Altshuler Properties the same services granted to it by the Company for management fees at cost only based on an objective cost allocation mechanism whereby Altshuler Real Estate and Altshuler Properties will bear their relative portion of the fees for the services received from the Company. In addition to the services granted by Altshuler Real Estate (through the Company), Altshuler Real Estate and Altshuler Properties will provide mutual services at cost based on the cost sharing mechanism in Service Agreement B. See more information of the Service Agreements and underlying fees in paragraph 1 to the Company's shareholders' meeting notice report of August 11, 2022 and meeting summary report of September 15, 2022 (TASE references: 2022-01-102046 and 2022-01-118096, respectively), hereby included for reference only.

Shareholders' agreement in Altshuler Real Estate

On August 1, 2022, Altshuler Real Estate's shareholders entered into a shareholders' agreement for settling their business relationship as shareholders in Altshuler Real Estate. The agreement sets forth guidelines for appointing directors on the board, convening general meetings and making decisions that require the consent of 100% of the board members. The agreement also includes provisions regarding share dispositions (first refusal, tag along and drag along rights), capital raising, financing, sale or transfer of shares between the shareholders and Buy Me Buy You mechanisms. The agreement is in effect as long as the shareholders or their transferees are shareholders in Altshuler Real Estate, unless the agreement is terminated at the decision of the entire shareholders or in the event of Altshuler Real Estate's winding up or liquidation.

3.2.2 The alternative investment management operation

After the Reporting Period, on January 26, 2023, the Company's Board approved the foundation of the Alternative Operation in which the Company, through an SPV, will serve as general partner in limited partnerships and/or designated funds for which the Company will raise capital from private and/or public investors. This operation will be performed simultaneously with the Real Estate Investment Management Operation performed by the Company through Altshuler Real Estate.

In the context of this operation, the Company plans to offer customers new investment channels in addition to the traditional investment channels such as stocks, debt or forex by granting them access to alternative investment channels that consist of unquoted assets. As of the Report Date, this operation is under construction.

The Company's strategy and intention to operate in the alternative investment market and assessments regarding the Alternative Operation, if founded, reflect the Company's policy as of the report publication date and rely on the evaluation of its current operating segments and financial position. The Company may decide against implementing the plan to enter into this operation, in whole or in part, for the following reasons: changes in local and global capital markets, changes in economic feasibility, changes in competition in the market and in the market itself, regulatory changes and necessary regulatory approvals and as a result of the realization of any of the other risk factors to which the Company's operations are subject, as specified in paragraph 4.11 below.

Part 4: Matters pertaining to the Group's Operations as a Whole

4.1 Fixed assets

See details of property, plant and equipment in Note 9 to the financial statements hereby attached as Chapter C.

4.2 Intangible assets

See details of intangible assets in Note 5 to the financial statements hereby attached as Chapter C.

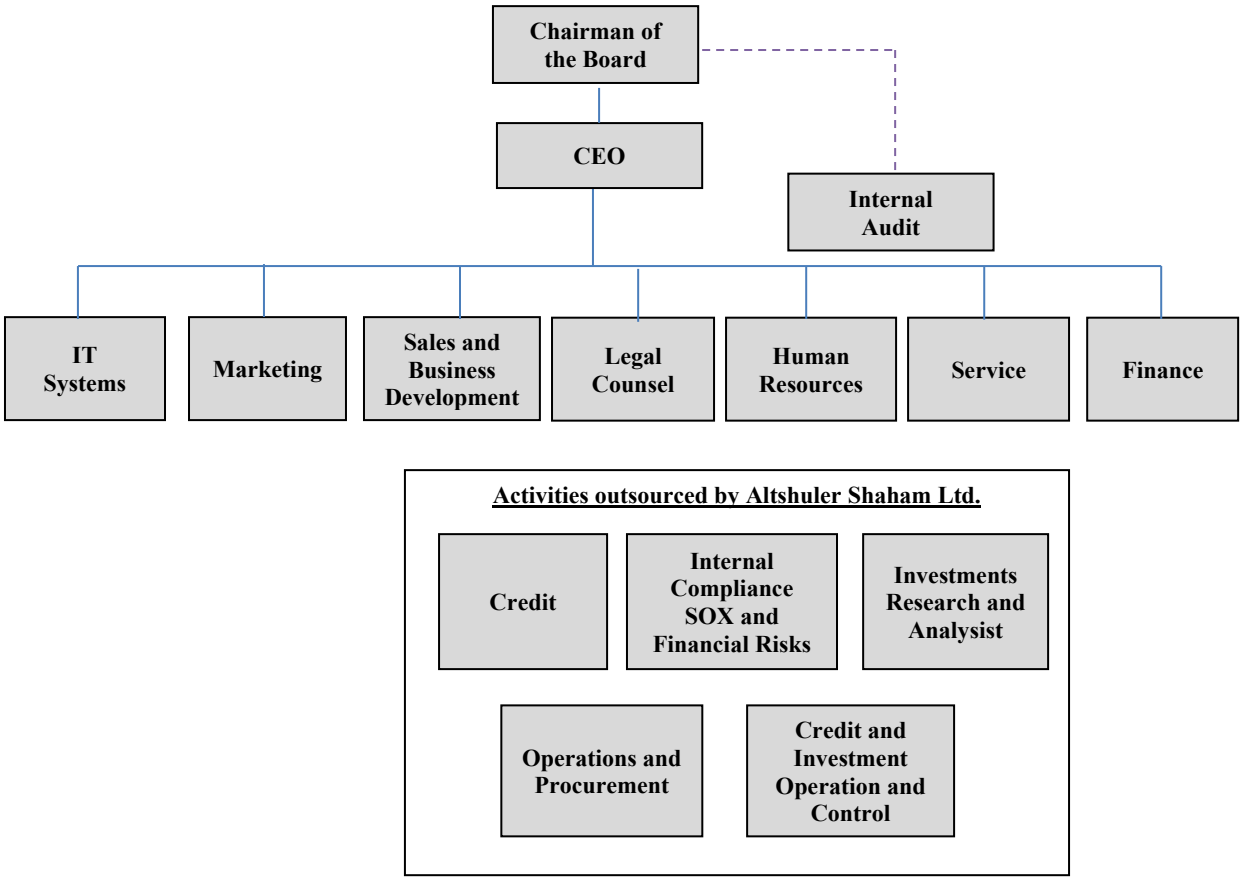
4.3 Human capital

4.3.1 Overview

The Company considers the human resource as instrumental in its potential of enhancing its profits and therefore invests extensively in recruiting and retaining quality personnel with the required experience and expertise. The Company also invests financial and administrative resources in training its teams as needed for its operating activities and for rendering services to the Group companies. As of the Report Date, the Company has 10 senior officers and 903 employees in total. As of December 31, 2021, Altshuler Provident had 10 senior officers and 1,154 employees. Some of the Company's employees focus on a specific operation while others provide services to more than one operation. See details of senior officers in the Company in paragraph 14 to Chapter D to this report.

As part of the Business Restructuring, the majority of Altshuler Provident's employees and officers were transferred to the Company with retention and continuation of the employer-employee rights and these employees now provide services to the Group companies including the services to Altshuler Provident as specified in paragraph 3.1.11.1 above. It should be noted that as required by capital market regulations, Altshuler Provident retained certain key management personnel. Moreover, as explained in paragraph 3.2.1.6 above, the Company provides Altshuler Real Estate services for the latter's operating activities through the Company's employees, officers and service providers.

4.3.2 Chart of the Group's organizational structure



4.3.3 Employee headcount

As of December 31, 2022 and 2021, the Group had a total of 903 and 1,075 employees, respectively.

Breakdown of employee headcount as of December 31, 2022:

Department	Pension and provident fund operation (Altshuler Provident)	Real estate investment operation (Altshuler Real Estate)	In the Company (HQ)
Operations	216	-	-
Service	303	-	1
Sales and marketing	107	5	2
IT systems	97	2	2
Investments	65	-	-
HQ	82	7	14
Total	**870**	**14**	**19**

Breakdown of employee headcount as of December 31, 2021:

Department	Pension and provident fund operation (Altshuler Provident)
Operations	292
Service	424
Sales and marketing	115
IT systems	102
Investments	53
HQ	89
Total	**1,075**

4.3.4 Material changes in employee headcount during the Reporting Period

As described above, in the Reporting Period, the Business Restructuring was completed in the context of which the majority of Altshuler Provident's employees, including the officers, were transferred to the Company with retention and continuation of accrued employee-employer rights.

4.3.5 Dependence on employees

As of the Report Date, the Company believes neither it nor Altshuler Provident has any material dependence on a specific employee or officer.

4.3.6 Investments in training and learning

The Group's employees undergo training and on-the-job training in the issues that are needed in their line of work, including for compliance with laws and regulations that govern their profession as well as an onboarding orientation workshop for new hires. Also, in conformity with the Company's training program, as part of the onboarding and professional learning processes in the Company, employees receive the proper training for fulfilling their positions including applicable statutes and regulations. All the Company's employees are hired under personal labor contracts and are not governed by any collective or special labor agreements.

4.3.7 Employee remuneration, benefits and nature of employment contracts at the Group

The employment terms of all Group 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 nondisclosure undertakings with respect to information which the employee has received in conjunction with and during their employment by the Group.

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.

In keeping with a pre-ruling received from the Israel Tax Authority in connection with the Business Restructuring, the conversion of the options allocated as per Altshuler Provident's option plan to its employees and officers into Company shares was conducted while adhering to the existing tax rulings as per the provisions of Section 102 to the Income Tax Ordinance under the current version. See more information in paragraph 9.3 to Chapter D to this report and paragraphs 3.5-3.6 to the Prospectus, hereby included for reference only.

4.3.8 Remuneration of key officers

The remuneration of key officers in the Company are governed by the Company's remuneration policy. See more information in the Company's shareholders' meeting notice report of September 22, 2022, as amended on October 19, 2022 (TASE references: 2022-01-121105 and 2022-01-127945, respectively), hereby mentioned for reference only.

See details of the employment agreement of Mr. Yair Lowenstein, the Company's CEO and a Controlling Shareholder, in paragraph 6.3.2 to Chapter D to this report.

4.4 Working capital

Composition of the Company's working capital as of December 31, 2022

Current assets – include cash and securities (including liquid assets for compliance with the minimum equity requirement) totaling NIS 262.4 million, unbilled receivables and salary tax receivable totaling NIS 16.9 million, current tax asset of NIS 13.3 million and other receivables totaling NIS 23.2 million – total current assets of NIS 315.8 million.

Current liabilities – include current maturities of loans from banks and others totaling NIS 125.7 million, trade payables totaling NIS 10.6 million, short-term payables totaling NIS 133.6 million, deferred tax liability of NIS 0.8 million and current maturities of lease liability totaling NIS 16.6 million – total current liabilities of NIS 287.3 million.

As of December 31, 2022, the Company has a positive working capital of NIS 28.5 million (including liquid assets for compliance with the minimum equity requirement).

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

Current assets – include cash and securities (including liquid assets for compliance with the minimum equity requirement) totaling NIS 541.6 million, unbilled receivables and salary tax receivable totaling NIS 23.2 million, asset held for sale of NIS 5.4 million and other receivables totaling NIS 44.7 million – total current assets of NIS 614.9 million.

Current liabilities – include current maturities of loans from banks and others totaling NIS 49.4 million, current taxes payable totaling NIS 46.7 million, trade payables totaling NIS 19.5 million, short-term payables totaling NIS 251.2 million, liability attributable to assets held for sale of NIS 10.5 million and current maturities of lease liability totaling NIS 13.2 million – total current liabilities of NIS 390.5 million.

As of December 31, 2021, the Company had a positive working capital of NIS 224.4 million (including liquid assets for compliance with the minimum equity requirement).

4.5 Financing

As of the report publication date, the Company finances its operations using its own resources and loans and borrowings provided to Altshuler Provident by banks. See more information of loans and borrowings provided to Altshuler Provident by banks in paragraph 3.1.15 above and in Note 18 to the financial statements hereby attached as Chapter C.

4.6 Taxation

See information in Note 15 to the financial statements hereby attached as Chapter C.

4.7 Material agreements and collaboration agreements

Service agreement between the Company and Altshuler Provident

On July 31, 2022, the Company and Altshuler Provident signed a service agreement, as amended on December 27, 2022, according to which the Company will provide Altshuler Provident various services needed for Altshuler Provident's ongoing operations such as legal, finance, marketing and investment services ("**the provident services**") whereas Altshuler Provident will provide the Company predetermined sales management services for the Real Estate Investment Operation ("**the sale services**").

The agreement is in effect indefinitely from April 1, 2022 as long as the Company is the sole shareholder in Altshuler Provident, subject to each party's right to terminate the agreement by providing an advance written notice of 180 days. Altshuler Provident also has the right to terminate the agreement effective immediately without providing advance notice in the occurrence of any of the events stipulated in the agreement such as conflict of interests between the companies, the Company's insolvency, the Supervisor's demand or a material change in the Company's holding structure.

In return for the provident services, Altshuler Provident will pay the Company annual management fees at a rate derived from the former's revenues from management fees in the relevant period and at least in a total that is equivalent to the relative portion attributed to Altshuler Provident for the cost of employment of the senior officers providing the services to it, as approved by its managers. In return for the sale services, Altshuler Provident will receive from the Company fees in the amount of the cost of employment of the salespeople based on the scope of position attributed to the sale services with the relevant commissions and offset from the fees received by the Company for the provident services.

See details of the Company's agreements with interested parties and a service agreement signed in the Reporting Period between the Company and Altshuler Real Estate in paragraph 8 to Chapter D to this report.

4.8 Litigation

See information of material litigations against the Company or other Group members in Note 27 to the financial statements hereby attached as Chapter C.

4.9 Business strategy and targets

The Company regularly explores the possibility of branching out into new operating segments that are synergetic to its current operating segments and specifically to managing provident and pension funds, whether by itself or by founding SPVs, all subject to applicable legal requirements. In keeping with this business strategy, in the Reporting Period, the Company initiated the Real Estate Investment Management Operation through Altshuler Real Estate (see paragraph 3.2.1 above) and decided to initiate the alternative investment management operation through Altshuler Alternative (see paragraph 3.2.2 above), this in order to extend its service and investment channel offerings to customers into areas that are less affected by the volatile capital market.

Notwithstanding the aforesaid, the Company will continue to act to identify new business opportunities and invest resources and management inputs into business expansion, growth and innovation in its core operating segment of managing provident and pension funds through Altshuler Provident (see paragraph 3.1 above), while focusing on enhancing its profits. Simultaneously, the Company strives to strengthen and retain the brand name of its investment house and of Altshuler Provident's saving products and specifically the pension funds managed by it by using diverse digital and other marketing channels and by investing inputs in the constant improvement of customer service and provision of comprehensive and professional responses to customers by changing or diversifying the saving tracks and by designing an all-encompassing platform of service and product offerings.

The Company's strategy, as set forth above, reflects Company policy as of the report publication date and is based on assessment of the Company's operating segments and position and of the capital markets as of the Report 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 the materialization of any of the other risk factors applicable to Company operations, as set forth in paragraph 4.11 below.

4.10 Anticipated developments in the coming year

In the coming year, the Company will focus on enhancing the platform of services and products offered by the Group companies by strengthening and expanding the real estate investment operation including the scope and type of investments managed by Altshuler Real Estate and the involvement of public funds and by establishing Altshuler Alternative's operation in managing and making alternative investments including identifying business prospects for developing the operation and its investment channels.

The Company also plans to continue exploring branching out into other operating segments through business opportunities and potential business partnerships.

The Company's assessments as above represent forward-looking information, as this term is defined in the Securities Law, 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 regulatory approvals, demand for Company services and investment channels (current and future, as they may be), lower returns achieved by the Company and changes to economic markets as well as due to the materialization of any of the other risk factors applicable to Company operations, as set forth in paragraph 4.11 below.

4.11 Risk factors

As of the Report Date, the Company's core operation is managing pension and provident funds which is performed by Altshuler Provident and accordingly, the risk factors applicable to the Company mainly involve the exposures in this operating segment.

4.11.1 Macro and market risks

4.11.1.1 Dependence on the capital market

The local and global capital markets are characterized by extreme volatility and are exposed to stock price drops due to the effect of factors which are not controlled by the Company on the financial markets. Such factors are likely to result in deterioration in market stability and adversely affect the Group's business results through the decline in the scope of assets managed by the Group and the withdrawal of member funds, which directly affect the Group's revenues, the scope and value of the assets managed by it and the appeal of some of its products. These factors are also highly sensitive to economic instability and political unrest both locally and globally due to economic slowdown, rising inflation and interest rates, geopolitical changes and reforms to economic and judicial systems such as the planned judicial reform in Israel, or other state-initiated steps which are able to affect the stability of the market and the economy.

The Company believes that the planned judicial reform in Israel and the Russia-Ukraine war are both factors that are likely to cause volatility in the markets as they develop.

The management of the capital market's sensitivity to different financial risks is incorporated in the management of the provident and pension fund assets through the use of adequate risk management, supervision and control mechanisms that are implemented in the management of the fund investments and overall, in the Group's entire operations. The mechanisms are used to design Althsuler Provident's annual investment policy and practice regular control and monitoring of the implementation of the investment policy by the Investment Committee. As part of the control process, the Investment Committee sets forth current guidelines for the investment managers regarding the desired mix of investments, the ratio of equity instruments to debt instruments, the exposure to foreign currency, the average life of the instruments etc. The Group's investment policy is to diversify the investment portfolio by choosing different investment tracks and multiple issuers and market sectors.

4.11.1.2 Inflation and interest risks

In the Reporting Period, the trend of rising inflation and interest rates continued. Changes in inflation and interest rates in Israel and around the world are likely to have a negative impact on the Group's business activity, including operating costs, labor costs, finance cost structure and the value of the assets managed at the provident and pension funds and accordingly the business results of Altshuler Provident.

This risk is managed as per the guidelines of Altshuler Provident's Investment Committee, which receives forecasts and studies regarding macroeconomic 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. The Investment Committee periodically updates the scope of exposure to linkage bases (NIS, CPI-linked) and the average life. The investment control department monitors the investments and alerts any incidents of approaching deviation from standard parameters. The Company uses derivatives to hedge some of the inflation and interest rate risks and also examines the exposure to interest rate changes in the occurrence of extreme scenarios.

4.11.1.3 Exchange rate risks

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 management of the funds' exchange rate risks is performed as per the guidelines of the Investment Committee and investment managers based on forecasts with regard to exchange rates that are communicated to them for hedging the exchange rate risk: which currencies, hedge duration and volume of hedge transactions. The investment manager decides on hedge timing and method.

4.11.1.4 Credit risks

This involves the risk of financial loss due to insolvency or lowered credit rating of issuers of securities, loan debtors or contract counterparties. The members' assets are exposed to actual or potential default by debtors due to credit failure and to extended losses from the materialization of credit risks due to concentration of the investments in a specific sector or exposure to individual borrower or a group of borrowers.

Altshuler Provident's policy with regard to credit and debt is to invest in debentures and in providing customized 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 Altshuler Provident's Board, and some not rated but also included in the credit policy specified by the Board and subject to the relevant regulation. The funds maintain exposure to issuers in conformity with the Investment Regulations and guidelines of the Board. Investments and loans are carried out after analysis and assessment by the credit department of the borrower's / issuer's debt service capacity in compliance with loan terms and conditions.

When required, a credit application is submitted to Altshuler Provident's Credit Committee, which provides its recommendations as to credit quality and debt service capacity, and if needed includes a recommendation for adding credit terms, for the Investment Committee to make a decision. 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. Altshuler Provident's Investment Committee also refers to alignment of the investment with the investment policy as set forth by Altshuler Provident's Board.

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

Altshuler Provident has established adequate management, oversight and control mechanisms for managing the credit risks arising from investment activity. Altshuler Provident's Board has determined limits to risk exposure that arises from providing credit and control procedures for regular monitoring of the policy's practice. The credit activity is supervised by Altshuler Provident's Investment Committee, the Credit Committee, the credit department, the investment control department and financial risk manager. They monitor borrower compliance with loan terms and financial covenants, changes in macro data and credit margins, hold meetings to discuss the research department's reviews and supervise distressed debentures and extreme scenarios.

4.11.1.5 Counterparty risks

A counterparty risk is the risk of erosion of the value of the Company's assets arising from a counterparty's failure to meet its contractual obligations. The risk considers the probability of default and loss given default of the counterparty. The funds managed by Altshuler Provident invest members' funds through banks, brokers and custodians whereby the securities are held by the custodians and the monetary deposits are held by banks. Transactions in negotiable derivatives (options and futures) are performed by the local bank. Nonnegotiable OTC transactions (such as currency and interest options, forwards, swaps) 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 counterparty risk, as operating risk or as financial risk.

Altshuler Provident manages this risk by entering into ISDAs and monitoring the financial stability of custodians, brokers and reinsurers. In times of accelerated inflation, interest rise and capital market volatility which affect the financial stability of banks and financial institutions, as is the case today in the U.S. and Europe, the risk manager enhances the frequency and extent of tests of the financial stability of financial institutions and communicates all developments to the Company's management.

4.11.1.6 Liquidity risks

Liquidity risk arises from Altshuler Provident's uncertainty as to the timing of payment or mobilization of accruals of readily available quoted assets and cash. Moreover, market illiquidity or unexpected and immediate need for free cash pose challenges in exposure mitigation or rapid major asset divestiture for prices below market value.

The funds may make nonnegotiable investments such as in real estate, private equity funds and customized 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 illiquid investments. The investment control unit monitors compliance with these restrictions on daily basis. Any breach is reported to the Investment Committee and to Altshuler Provident's Board.

Liquidity risk is incorporated in the considerations underlying the design of the investment management policy and is managed on a regular basis with respect to the scope and use of financial instruments such as quoted derivatives and preparation for extreme scenarios.

4.11.2 Sectoral risks

4.11.2.1 Competition risks

The provident and pension fund sector in Israel is highly competitive. Competition is expressed both in management fees and returns achieved by investment managers and in service quality. 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.

Altshuler Provident manages this risk by developing a diversified portfolio of specialized investment tracks, direct and external distribution channels, advertising and branding and customer service and retention.

4.11.2.2 Regulatory risks (compliance and enforcement)

The Group's activities are primarily governed by regulation in the market and subject to frequent regulatory oversight and changes. Regulatory changes that restrict the Group's operations or modify its business environment are likely to adversely affect its business results. They include changes in barriers to entry of potential competitors and costs of integrating regulatory changes which may burden the Group's activities and increase its operating costs. The Group's, and specifically Altshuler Provident's inability to adjust to frequent regulatory changes is likely to impair its business activity. In this context, and to minimize exposure to regulatory risks and monetary sanctions for noncompliance, the Group has designed an internal enforcement system consisting of methodologies and control and reporting processes for managing compliance risk. These include an internal enforcement plan, compliance, control and audit functions, methodologies, control and compliance risk procedures, work process and procedure updates and employee training programs. The legal department monitors changes in legislation and regulations and prepares for them, to the extent possible, to allow the Group to meet operational, administrative and digital requirements arising from such changes.

4.11.3 Company specific risks

4.11.3.1 Human capital

The Group's human capital is a fundamental resource which dictates the Group's competition skills, profits and professional capabilities. The Company and other Group companies have several valuable managers and employees who form an important nucleus for the 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 staff, duly noting existing restrictions on remuneration of officers and key employees in the Group, pursuant to the Executive Remuneration Law and to statutory provisions. The Company invests considerable resources in improving customer experience, training programs and knowhow development and retention.

4.11.3.2 Damage to reputation

The Group's operating segments are characterized by significant media exposure, a multitude of clients and long-lasting business relationships. Reputation is critical for preserving existing clients and for engaging new ones. Impact to the Group's reputation may detrimentally impact its business results.

The Group allocates resources to building and supporting its reputation and adheres to its code of ethics in conducting itself with integrity, transparency and availability. The Group holds regular seminars for employees on its code of ethics, implements an internal enforcement program and has an anonymous email platform for reporting irregular events and a public complaints unit.

4.11.3.3 Fraud and embezzlement risks

The Group manages extensive business activities and is therefore exposed to a broad spectrum of fraud and embezzlement risks that are liable to cause financial losses and damage to reputation. These risks include insider trading, security fraud, misuse of payment means information and financial losses of Altshuler Provident's members and so on. The Company has put in place controls for managing these risks which are inherent to its operations such as stock trading and money wiring for fund members. The Company's procedures take into account fraud and embezzlement risks by designing automated systems that maintain segregation of duties and controls, conduct regular fraud and embezzlement surveys and update internal controls and methodologies based on survey results as well as an internal control function and error and customer complaint functions.

4.11.3.4 Operational and IT risks

The management of the funds by Altshuler Provident is organically exposed to operational risks which are likely to cause damages and adversely affect its ongoing activity both in respect of members and in respect of investments. These risks include human errors, computer system malfunctions, IT system malfunctions, frauds and embezzlements and noncompliance with regulations. The Group's methodologies require the Group companies to invest resources in identifying and categorizing each operational and IT risk in terms of severity, develop means of mitigation and prevention and design alternative methodologies in the event of disruption to normal activity.

IT system malfunctions are a material risk to the Group as these systems critically support not only Altshuler Provident's operations but the Group's entire operations. The Group manages an ITGC program for monitoring IT system risks and practices enhanced control for sensitive processes. The Group has a backup site that reduces the risk of shutdown.

Altshuler Provident entered into operating agreements with two management companies for the ongoing operation of the provident and pension funds. It also has a CRM system for monitoring and documenting member rights. It has departments that support and supervise the services of these management companies. Some of the operational risks are covered by the operating agreements signed with the management companies (Leumi Capital Market Services and Tiful Gemel). Every year, Altshuler Provident receives SSAE 18 reports from the management companies that set forth ITGC targets and tests of the effectiveness of the planning, implementation and operation of ITGCs to achieve the control targets.

Altshuler Provident has appointed a business continuity process owner and approved a business continuity procedure under which it simulates scenarios and responses and decision making by the relevant functions.

Property operational risks consist of theft, fire and flooding. The Company takes various measures to prevent such risks such as locking down the offices and installing fire and smoke detectors that undergo periodic checks and controls and more.

4.11.3.5 Cyber and data security risks

The Group's computer systems are protected by a variety of means such as firewall, logical segregation, access control, passwords and more. Systems and databases are backed on a daily basis. Data are also backed on a separata server farm. Due to the developments in the local capital market, cyberthreats have become a serious risk for market players due their exposure to shutdowns, disruptions or damages to their systems, leakage of information of the Group and/or its suppliers and service providers using its operating and CRM systems. To contend with technological challenges of this modern age, the Group companies practice a risk policy that consists of integrating technological means and processes designed to improve the monitoring, prevention and control of cyber risks, conducting regular cyber security surveys and tests of internal and external penetrations and use of experts both for routine and for emergency operations. The Group is constantly preparing for assimilating and customizing its systems in keeping with regulatory and technological changes in cyber and data security. In this context, the Company has strict rules governing the extraction of data and automated processes for surveillance and physical blocking to prevent data leakage.

There are also detailed work procedures put in place to regulate management of cyber risks, management of users of the Company's systems and cyber and data security procedures for outsourced services. The entire procedures are reviewed and reapproved annually.

The Group takes various steps to enhance the awareness and alertness of its employees and teach them about phishing, delivery of sensitive information and cyberattacks through its web-based learning programs, podcasts and sample testing conducted throughout the year.

The Group invests considerable efforts and resources in continuing to meet the highest data security standards and regulations that apply to it by law. It has appointed a CISO who is in charge of cyber risk policy and management with the help of an exert team in charge of policy compliance control.

As part of the Group's proactive preparations for cyberattacks, the Company simulates mock cyberattacks which require management and tactical response appointed teams to practice cyber events based on the cyber risk management policy. The Group practices process and technological means for improving the ability to detect, prevent and control cyber risks through an SOC team that monitors irregular activity 24/7. The Group has certifications of compliance with the strict ISO 27001 regarding cyber and data security, ISO 27770 regarding privacy protection and ISO 27032 regarding cyber management.

4.11.3.6 Legal risks and class actions

These risks mainly pertain to compliance with applicable laws and legislations as well as risks arising from class and other legal actions involving fund members which are likely to have a material impact on the Company and its results. The Group operates under ongoing legal counsel which governs the engagements and agreements of the Group companies and their activities.

The Group manages these risks through its internal enforcement program, and by holding code of ethics seminars and using an anonymous email platform for reporting irregular events and a public complaints unit.

4.11.4 Insurance risks

4.11.4.1 Actuarial risks involving 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.

Altshuler Provident monitors and controls all risks in collaboration between the actuary and the CISO. It has also contracted a reinsurer to insure member activity in the comprehensive pension fund and in the general pension fund against death and/or disability claims.

4.11.5 Table of risk factors

The following table summarizes the Group's risk factors based on the degree of their effect on its business if they materialize:

Risk	Large effect	Medium effect	Small effect
Macro and market risks			
Dependence on the capital market	X		
Inflation and interest risks		X	
Exchange rate risks		X	
Credit risks		X	
Counterparty risks			X
Liquidity risks		X	
Sectoral risks			
Competition risks	X		
Regulatory risks (compliance and enforcement)		X	
Company specific risks			
Human capital	X		
Damage to reputation	X		
Fraud and embezzlement		X	
Operational and IT risks	X		
Cyber and data security risks	X		
Legal risks and class actions		X	
Insurance risks			
Actuarial risks of pension funds			X

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

See additional information in Note 11 to the financial statements hereby attached as Chapter C.

ALTSHULER SHAHAM FINANCE LTD.

Board of Directors' Report on the State of Corporate Affairs

For the Year ended December 31, 2022

Board of Directors' Report for the Year ended December 31, 2022

Altshuler Shaham Finance Ltd. ("**the Company**") is pleased to present the Report of the Board of Directors for the year ended December 31, 2022 ("**the Reporting Period**"). The Board of Directors' Report is an integral part of the periodic report for 2022 which should be read as a whole.

1. The Board's explanations for the state of the Company's business

1.1 Overview

The Company was incorporated in Israel as a private company limited in shares on December 9, 2001 by the name of A.S. Matrat Hanpaka Ltd. and on March 17, 2022 changed its name to the current name – Altshuler Shaham Finance Ltd.

On March 31, 2022, the Company obtained a merger certificate from the Registrar of Companies, according to which Altshuler Provident Funds and Pension Ltd. ("**Altshuler Provident**"), whose shares had been traded on the Tel-Aviv Stock Exchange Ltd. ("**the TASE**") until that date, became a wholly owned subsidiary of the Company ("**the Business Restructuring**"). On April 4, 2022, the Company's shares began trading on the TASE and were allocated to Altshuler Provident's shareholders in return for Altshuler Provident's shares held by them before the Business Restructuring. Accordingly, the Company became a public company, as this term is defined in the Companies Law, 1999 ("**the Companies Law**") and a reporting entity, as this term is defined in the Securities Law, 1968 ("**the Securities Law**").

The disclosures provided in this report cover the period of 12 months ended December 31, 2022. However, when required by applicable laws, disclosure is provided for longer periods that precede the closing date of the Business Restructuring (as explained below). For such periods, the disclosure addresses the activity of Altshuler Provident even when the term "Company" is used. See more information of the Business Restructuring in paragraph 1.3 to Chapter A to this report.

As of the report publication date, the Company is held by Yair Lowenstein Holdings Ltd. (14.14%) ("**Yair Holdings**") and Altshuler Shaham Ltd. (55.72%) ("**Altshuler Ltd.**" and collectively with Yair Holdings – "**the Controlling Shareholders**"). The ultimate Controlling Shareholders in the Company are Messrs. Yair Lowenstein, Gilad Altshuler and Kalman Shaham. See information of the holdings of the Company's shares and control therein and of the shareholders' agreement signed between the Controlling Shareholders in Regulation 21A to Chapter D to this report.

See a description of the Company's business environment and its effect on the Company's operations in Chapter A to this report.

1.2 Financial position

Following are the main items from the Company's consolidated statements of financial position (NIS in thousands):

	December		Company's explanations
	2022	2021	
Assets	1,059,329	1,082,039	The decrease in assets compared to 2021 mainly stems from the decrease in intangible assets, deferred acquisition costs, assets held for sale and accounts receivable against an increase in right-of-use assets, leased asset receivable, property, plant and equipment and current tax assets. The change in DAC in the Reporting Period arises from the payment of agent commissions totaling approx. NIS 19,698 thousand less amortizations of approx. NIS 83,511 thousand.
Financial investments	172,229	245,077	The decrease in financial investments in the Reporting Period compared to 2021 mainly arises from a decrease in quoted debt assets arising from the decrease in minimum mandatory liquidity applicable to Altshuler Provident.
Cash and cash equivalents	96,521	296,570	The decrease in cash and cash equivalents in the Reporting Period compared to 2021 arises from net cash used in financing and investing activities of approx. NIS 406.6 million and approx. NIS 23.2 million, respectively, against an increase in net cash provided by operating activities of approx. NIS 229.8 million.
Total assets	**1,328,079**	**1,623,686**	---
Equity	493,133	551,521	The decrease in equity in the Reporting Period derives from the distribution of a dividend of NIS 278 million in the period against an increase in comprehensive income of approx. NIS 215.6 million and an increase of approx. NIS 4 million in capital reserve for share-based payment transactions.
Liabilities	834,946	1,072,165	The decrease in the balance of liabilities compared to 2021 mainly arises from a decrease in financial liabilities (see Note 18 to the annual consolidated financial statements hereby attached as Chapter C), current tax liabilities, liabilities attributable to assets held for sale, employee benefit liabilities, net and other accounts payable mainly arising from a decrease in agent commissions payable, a decrease in the provision for contingent liabilities (see Note 27 to the annual consolidated financial statements hereby attached as Chapter C) and a decrease in liabilities for the Psagot transaction (see Note 13 to the annual consolidated financial statements hereby attached as Chapter C) against an increase in deferred tax liabilities and lease liability.
Total liabilities and equity	**1,328,079**	**1,623,686**	---

1.3 Operating results

Main items from the Company's consolidated statements of profit or loss and other comprehensive income (NIS in thousands):

	2022	2021	2020	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
Revenues:								
From management fees of provident and pension funds, net	1,282,992	1,423,712	897170	276,256	300,894	334,018	371,824	389,982
Revenues from commissions	2,507	-	-	26	2,481	-	-	-
Net investment gains (losses) and finance income	(5,361)	(1,912)	4,331	549	)1,390)	(1,842)	(2,678)	(771)
Other income	1,862	2,008	1,879	627	373	412	450	545
Total revenues	**1,282,000**	**1,423,808**	**903,380**	**277,458**	**302,358**	**332,588**	**369,596**	**389,756**
Expenses:								
Commissions, marketing expenses and other acquisition costs	454,246	514,407	352,293	98,350	106,670	118,975	130,251	136,355
General and administrative expenses	456,564	500,051	320,509	107,050	106,224	117,637	125,653	130,398
Other expenses	27,512	28,617	6,274	7,401	7,075	6,601	6,435	8,765
Finance expenses	15,513	23,196	7,712	2,939	4,692	3,944	3,938	4,626
Total expenses	**953,835**	**1,066,271**	**686,788**	**215,740**	**224,661**	**247,157**	**266,277**	**280,144**
Income before taxes on income	**328,165**	**357,537**	**216,592**	**61,718**	**77,697**	**85,431**	**103,319**	**109,612**
Taxes on income	115,306	138,000	78,335	19,121	27,501	31,681	37,003	38,341
Income from continuing operations	**212,859**	**219,537**	**138,257**	**42,597**	**50,196**	**53,750**	**66,316**	**71,271**
Income from discontinued operations (net of taxes)	-	38,726	-	-	-	-	-	-
Net income	**212,859**	**258,263**	**138,257**	**42,597**	**50,196**	**53,750**	**66,316**	**71,271**
Other comprehensive income (loss)	2,718	(4,306)	232	524	314	18	1,862	(1,557)
Comprehensive income	**215,577**	**253,957**	**138,489**	**43,121**	**50,510**	**53,768**	**68,178**	**69,714**
Net income attributable to:								
Equity holders of the Company	213,121	258,263	138,257	42,887	50,168	53,750	66,316	71,271
Non-controlling interests	(262)	-	-	(290)	28	-	-	-
	212,859	**258,263**	**138,257**	**42,597**	**50,196**	**53,750**	**66,316**	**71,271**
Comprehensive income attributable to:								
Equity holders of the Company	215,839	253,957	138,489	43,411	50,482	53,768	68,178	69,714
Non-controlling interests	(262)	-	-	(290)	28	-	-	-
	215,577	**253,957**	**138,489**	**43,121**	**50,510**	**53,768**	**68,178**	**69,714**

Revenues

Revenues from management fees of provident and pension funds, net – the decrease in revenues from management fees in the Reporting Period compared with 2021 mainly arises from a decrease in assets managed by Altshuler Provident and a decrease in the rate of management fees charged by it.

Revenues from commissions – revenues from commissions in the Reporting Period derive from the initiation of the real estate alternative investment management and development operation through Altshuler Real Estate.

Net gains (losses) from investments and finance income – the decrease in finance income in the Reporting Period compared to 2021 mainly arises from losses from financial investments recognized in the Reporting Period.

Other income – the decrease in other income in the Reporting Period compared to 2021 is mainly a result of the decrease in Altshuler Provident's revenues from marketing the products of Altshuler Shaham Ltd.

Expenses

Commissions, marketing expenses and other acquisition costs – the decrease in commissions, marketing expenses and other acquisition costs in 2022 compared with 2021is mainly a result of a decrease in current commissions due to the decrease in assets managed by Altshuler Provident.

G&A expenses – the decrease in G&A expenses in 2022 compared to 2021 is mainly due to the decrease in wages and related expenses, operating, advertising and marketing expenses, commissions and other general and administrative expenses against an increase in related party expenses, depreciation and amortization and office maintenance expenses.

Other expenses – the decrease in other expenses in 2022 compared with 2021 mainly stems from a decrease in capital loss on lease as a result of the Psagot consolidation against an increase in amortization of intangible assets. Moreover, from April 1, 2022, Altshuler Provident changed the estimated life of customer relations which increased expenses by approximately NIS 5.1 million (see also Note 5 to the annual consolidated financial statements in Chapter C to this report).

Finance expenses – the decrease in finance expenses in 2022 compared with 2021 mainly stems from a decrease in finance expenses in respect of banks due to the decrease in outstanding bank loans in 2022 and the repayment of loans in 2021 (see also Note 18 to the annual consolidated financial statements in Chapter C to this report).

1.4 Liquidity

Main items from the Company's consolidated statements of cash flows (NIS in thousands):

	2022	2021	2020
Cash flows from operating activities:			
Net income in the period	212,859	258,263	138,257
Adjustments to income	16,891	(51,330)	(18,437)
Net cash provided by operating activities	**229,750**	**206,933**	**119,820**
Net cash used in investing activities	**(23,207)**	**(654,739)**	**(21,680)**
Net cash used in financing activities	**(406,592)**	**(159,417)**	**(37,137)**
Increase (decrease) in cash and cash equivalents	**(200,049)**	**(607,223)**	**61,003**
Cash flows between continuing operations and discontinued operations	**-**	**763,746**	**-**
Cash and cash equivalents at beginning of year	**296,570**	**140,047**	**79,044**
Cash and cash equivalents at end of year	**96,521**	**296,570**	**140,047**

Cash flows provided by operating activities – the increase in cash flows provided by operating activities in 2022 compared with 2021 is mainly a result of the decrease in the Company's net income against the increase in other balance sheet items and items that do not involve cash flows.

Cash flows used in investing activities – the decrease in cash flows used in investing activities in 2022 compared with 2021 is mainly a result of the acquisition of Psagot in 2021 and the increased sales of financial investments against payment of a contingent consideration for the Psagot acquisition in the Reporting Period.

Cash flows used in financing activities – the increase in cash flows used in financing activities in 2022 compared with 2021 is mainly a result of the increase in dividend paid in the Reporting Period against issue of shares in 2021.

1.5 Financing resources

As of the report publication date, the Group finances its operations using its own resources and loans and borrowings provided to Altshuler Provident by banks. The average scope of long-term and short-term loans (including current maturities) from banks approximated NIS 513.6 million and NIS 88.8 million, respectively.

See more information of the Group's financing resources, including loan agreements entered into by the Company, in Note 18 to the Company's annual consolidated financial statements hereby attached in Chapter C.

2. Material events during and after the Reporting Period

2.1 Completion of merger transaction and trading of the Company's shares on the TASE

See details of the Business Restructuring in the Company following the completion of the merger between the Company and Altshuler Provident in paragraph 1.3.2 to Chapter A to this report and in Note 1b to the Company's annual consolidated financial statements hereby attached in Chapter C.

2.2 Service agreement with Altshuler Provident

On July 31, 2022, the Company's Board approved the Company's engagement in a service agreement with Altshuler Provident ("**the service agreement**"). See details of the service agreement and its amendment of December 27, 2022 in paragraph 4.5.3.1 to Chapter A to this report and in Note 25e(2)(b) to the Company's annual consolidated financial statements hereby attached in Chapter C.

2.3 Remuneration policy indemnity and quittance and insurance

In the Reporting Period, the approvals of those charged with corporate governance in the Company, including the general meeting of shareholders, were obtained for amending the Company's remuneration policy in effect from the date of the general meeting's approval for a period of three years. Approval was also obtained for granting the Company's officers an amended letter of indemnity and quittance (including officers who are Controlling Shareholders). See more information in the Company's immediate reports of September 22, 2022 and October 27, 2022 (TASE references: 2022-01-121105 and 2022-01-130789, respectively) whose information is hereby included by reference.

2.4 Corporate opportunity waivers

In the Reporting Period, the approvals of those charged with corporate governance in the Company, including the general meeting of shareholders, were obtained for updating the agreement between the Company and the Controlling Shareholders regarding corporate opportunity waivers in excess of NIS 10 million only. See more information of the agreement and its amendment as approved by the general meeting of shareholders in paragraph 1.6 to the Company's meeting notice report of September 22, 2022, as amended on October 19, 2022 (TASE references: 2022-01-121105 and 2022-01-127945, respectively) whose information is hereby included by reference.

2.5 Shareholders' agreement

In keeping with the matters discussed in paragraph 3.4.1 to Chapter 3 to the Prospectus, on November 21, 2022, the Company's Controlling Shareholders signed a new shareholders' agreement that supersedes and cancels every previous agreement, arrangement or undertaking between the Controlling Shareholders. See details of the main provisions of the new shareholders' agreement in Regulation 21A to Chapter D to this report.

2.6 Changes in Yair Holding's interests

After the Reporting Period, changes occurred in Yair Holdings' interests in the Company. See more information of the changes in holdings of interested parties and senior officers in the Company in the Company's reports of October 3, 2022 and October 6, 2022 (TASE references: 2022-01-123994 and 2022-01-124618, respectively) whose information is hereby included by reference.

2.7 Developments in the Company's economic environment and their effect on the Company's operations

See information of developments in the Company's economic environment and their effect on its operations in paragraph 2.2 to Chapter A to this report and in Note 1c to the Company's annual consolidated financial statements hereby attached in Chapter C.

See more information of events after the Reporting Period in Note 28 to the Company's annual consolidated financial statements hereby attached in Chapter C.

3. Donations

On March 21, 2023, the Company's Board approved the Company's annual donation budget and reaffirmed the adoption of a donation policy according to which each year, the Company will be able to donate a maximum amount of NIS 5 million to one or several causes, whether they qualify as deductible donations as per the Israeli Income Tax Ordinance or not, all at the sole discretion of the Donation Committee that is appointed by the Board. Total donations that do not qualify as deductible donations will not exceed 20% of the overall annual donation budget.

The Company's donations in the year ended December 31, 2022

In 2022, the Company used the entire donation budget for 2022 and donated NIS 7.2 million to various causes, of which more than NIS 50 thousand per donation to certain organizations. No donations were made to organizations related to the Company, the directors, the CEO, the Controlling Shareholders or any of their relatives.

As of the Report Date, the Company has no material donation obligations.

4. Exposure to market risks

The Group's financial operations, which are mainly performed by Altshuler Provident, expose it various market risks. Market risks include interest rate risk, stock price risk, CPI risk and foreign currency risk. Market risk is the risk that the fair value or future cash flows of financial assets and liabilities will fluctuate as a result of changes in market prices, exchange rates, returns, margins and other market parameters.

4.1 The Group's CISO

From May 2022, CPA Yuval Dror has been serving as the Group's CISO. He has a BA in Business Administration and Accounting from the Tel-Aviv College of Management Academic Studies, is a graduate of the CRM financial risk management program and is a CISA of IT systems. In his former position, he served as risk controller of Meitav Trade Stock Exchange Member and of Meitav Brokerage and as a member of Meitav Provident and Pension's internal credit committee. He has more than 15 years of experience in local and global capital market investments and risk management.

4.2 Description of market risks

The Company's asset management operations, which include Altshuler Provident's management of provident and pension funds, are exposed to the various market risks. See details of the Group's entire risk factors in paragraph 4.11 to Chapter A to this report.

4.3 The Group's market risk management policy

Market risks including at the nostro portfolio level are supervised by the Board and reported in the financial statements.

Altshuler Provident has a nostro portfolio whose main purpose is to retain the monetary value of its investments and enable it to meet the liquid asset requirement in the Supervision of Financial Services Regulations (Provident Fund) (Investment Rules Applicable to Institutional Investors), 2012 ("**the Investment Rules Regulations**"). According to the Investment Rules Regulations, Altshuler Provident must hold liquid assets, as this term is defined in the Regulations, against 50% of its mandatory minimum shareholders' equity as required by the Supervision of Financial Services Regulations (Provident Fund) (Minimum Shareholders' Equity of Provident Fund or Pension Fund Management Company), 2012. Moreover, any amount in the Group's nostro portfolio in excess of the mandatory liquid assets is invested in quoted or unquoted assets at the discretion of its finance managers and with the approval of the qualified functions.

According to this policy, the changes in the nostro portfolio have little effect on the Company's profits and financial strength.

4.4 The supervision and implementation of the Group's market risk management policy

See information of the supervision and implementation of the market risk management policy in paragraph 4.11 to Chapter A to this report and in Note 11 to the Company's annual consolidated financial statements hereby attached in Chapter C.

4.5 Linkage bases report

See information of the linkage bases report in respect of the Group's financial assets and liabilities as of December 31, 2022 and 2021 in Note 11 to the Company's annual consolidated financial statements hereby attached in Chapter C.

4.6 Sensitivity tests

Following are sensitivity tests to changes in market factors that apply to the Group:

Test of sensitivity to changes in interest rates as of December 31, 2022 (NIS in thousands)

Sensitive instrument	Gain (loss) from change 10% increase	Gain (loss) from change 5% increase	Fair value of asset (liability)	Gain (loss) from change 5% decrease	Gain (loss) from change 10% decrease
Quoted government debt assets	16,238	8,119	162,383	(8,119)	(16,238)
Unquoted corporate debt assets	354	177	3,542	(177).	(354)
Financial liability	(2,876)	(1,438)	(28,765)	1,438.	2,876
Total instruments not held for hedging	13,716	6,858	137,160	(6,858).	(13,716)

Test of sensitivity to changes in interest rates as of December 31, 2021 (NIS in thousands)

Sensitive instrument	Gain (loss) from change 10% increase	Gain (loss) from change 5% increase	Fair value of asset (liability)	Gain (loss) from change 5% decrease	Gain (loss) from change 10% decrease
Quoted government debt assets	23,593	11,796	235,927	(11,796)	(23,593)
Unquoted corporate debt assets	210	105	2,100	(105)	(210)
Financial liability	(7,011)	(3,505)	(70,106)	3,505	7,011
Total instruments not held for hedging	16,792	8,396	167,921	(8,396)	(16,792)

4.7 Use of the Value at Risk ("VaR") model

Following are details of the adoption of the VaR model by the Company in accordance with the Reporting Regulations.

The VaR model

VaR is a standard model used for measuring exposure to market risks in companies in the financial services industry. VaR estimates the maximum loss in a certain investment or investment portfolio within a given timeframe and given probability of occurrence. As any statistical tool, VaR provides an estimate within reasonable ranges by measuring the potential loss for an investor due to the materialization of market risks (interest, inflation, exchange rates, commodity prices and security prices). To use the metric, the investment mix, holding period and predetermined statistical significance must all be taken into consideration.

Model description

The Company uses the analytical VaR which relies on actual yields of the investment portfolio with the standard deviation on the weighted portfolio yields. The Company uses daily quoted market prices for quoted securities.

Model assumptions

The measurement metric uses the following assumptions:

(a) The measurement outlook is one day.

(b) the probability is 95%, which means the VaR used is the value that represents the 5% loss probability (a historic timeframe of three years which translates into 750 observations and therefore the VaR represents the 37-38 worst observation).

(c) The portfolio yield distribution is normal.

(d) The model contains the entire assets in the investment portfolio.

VaR method of calculation of assets

The Company measures the VaR using a designated risk management system by Hedge-Tech Financial Engineering Ltd. If available, daily data are used for all quoted assets and if not, the assets are attributed to the proper benchmarks for which daily data are used. For unquoted assets with monthly quotes, the yields are normalized to daily levels.

Bonds – the fair value of bonds is calculated based on the expected discounted cash flows generated to their holders (interest + principal) at discount rates derived from the relevant interest curve with the addition of the credit margin as of the calculation date. For distressed debts, quotes are obtained based on the research department's analysis.

Model limitations

The VaR relies on a sensitivity analysis of categories of assets held by the Group as of the model adoption date but attributes values for periods during which these assets are not necessarily held by the Group or were held by the Group at different rates (sometimes materially different from the holding rates on the calculation date). For example, a specific share in constant decline, whose trend changes after it is purchased by the Company and is now on the rise could result in a negative VaR which would be misleading.

The VaR model calculates future theoretical change based on past data even when there is no direct connection between the two. Since the simulation is performed based on the behavior of financial instruments one year back, the data may be affected by unusual events that occurred and do not represent similar future prognosis and are not reflected by the model.

The model may also be limited when measuring new risk factors in the absence of historic data.

VaR results as of the Report Date

As of the Report Date, the fair value of the Company's short-term investments is NIS 165,925 thousand. The VaR of these assets is NIS 1,876 thousand, representing 1.1% of the fair value of the short-term investments.

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

Identity of valuation subject	Valuation date (validity date)	Value of the valuation subject shortly 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
Testing the impairment of deferred acquisition costs (DAC)	December 31, 2022	DAC in respect of provident funds and pension funds amounted to NIS 196,646 thousand and NIS 93,112 thousand, respectively	No impairment needs to be recognized for DAC in respect of provident funds and pension funds	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	Discounted cash flow (DCF)	• Altshuler Provident pays its sales agents commissions for new customers enrolling the provident funds and pension savings plans. The costs are capitalized to an asset in Altshuler Provident's books to maintain the income-expense matching principle. The asset is depreciated over a period of 6 years for provident funds and 10 years for pension funds. • The impairment testing was performed for each quarter individually based on two scenarios: o Scenario 1: in 2023, portfolio yield of 3% based on the budget received from Altshuler Provident's Management and from 2024 average yield in the segment. For outbound transfers, continuing withdrawals were assumed based on the historical average of each portfolio tier. o Scenario2: in 2023-2024, portfolio yield of 3% based on the budget received from Altshuler Provident's Management and in the next years average yield in the segment. For outbound transfers, continuing withdrawals were assumed based on the

						rate in the last four quarters of 2023-2024 and in 2025 return to the historical average of each portfolio tier (including 2023-2024). • The carrying amount of each tier is the DAC received from Altshuler Provident's management. • The impairment testing of DAC relied on the outstanding amount of each portfolio tier which the entity expects to receive for the services of the underlying asset less the costs directly attributable to the provision of the services. • The amount was measured based on a valuation of the cash flows of each portfolio tier for a period of 15 years from January 1, 2023 to the end of 2037 ("**the forecast period**") using the DCF method as of the valuation date. The WACC used to discount the free cash flow reflecting the corporate business risk level was set at 10.5% (after taxes).

6. Mandatory reporting of directors with accounting and financial expertise and independent directors in the Company

The Company's Board has resolved that the minimum number of directors with accounting and financial expertise on the Company's Board will be two (2) in conformity with the provisions of Article 92(a)(12) to the Companies Law based on the Company's type, size, operating scope and complexity of operation.

As of the Report Date, the Company's Board decided that the following directors - Mr. Ran Shaham, Mr. Yair Lowenstein, Mr. Reuven Elkes, Mr. Tomer Cohen, Ms. Adi Blumenfeld-Pinchas and Ms. Meirav Segal - have such expertise.

See details of the above directors' professional expertise, education, experience and knowledge in Regulation 26 to Chapter D to this report.

7. Disclosure of Internal Auditor

Name – Shai Aharoni.

Start of term in office – March 31, 2022.

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 Article 146(b) of the Companies Law and with provisions of Articles 3(a) and 8 of the Internal Audit Law, 1992 ("**Internal Audit Law**").

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 in the Company was approved on February 27, 2022 by the Board after in-depth review of his education and vast experience.

Identity of the corporate function in charge of the Internal Auditor – the Internal Auditor reports to the Chairman of the Company's Board.

Internal Auditor's work plan – the audit plan is a multiyear 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 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 coordination with the Committee.

Scope of work of Internal Auditor – in 2022, a total of 407 internal audit hours were performed at the Company with respect to its operations. The total audit hours were determined by the Audit Committee and approved by the Board.

Moreover, in 2022, a total of 7,206 internal audit hours were performed at Altshuler Provident in connection with its operations. The scope of internal audit hours increased by 678 hours compared with 2021 due to the multitude of audit issues whose audit was scheduled this year as per the multiyear audit plan. The total audit hours were determined by the Audit Committee and approved by the Board based on a risk survey conducted in the Company for designing an annual and multiannual audit plan.

Conducting the audit – the Internal Auditor and his team 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's Board 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 the audit, based on certification by the Internal Auditor.

Access to information and documents – the Internal Auditor has free access, as set forth in Article 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 in writing to the Chairman of the Audit Committee and discussed by the Audit Committee. In November 2022, the meeting of the Company's Audit Committee received and discussed the internal audit report's findings for the audit year.

Board' assessment of the Internal Auditor's function – the Company's Board believes that the scope, nature and continuous operation of the Internal Auditor and his work plan are reasonable and are adequate for achieving the internal audit objectives at the Company.

Remuneration of the Internal Auditor – the remuneration of the Internal Auditor is determined in a personal employment contract and approved by the Remuneration Committee and by the Board. The remuneration is both fixed and equity-based (Company stock options) and also variable in conformity with the Company's remuneration policy. The Company's Board believes that this remuneration does not influence or impair the Internal Auditor's professional judgment.

Holding of Company securities – the Company's Internal Auditor holds unquoted stock options of the Company. The Company's Board believes that this holding does not impair the quality of the Internal Auditor's work.

8. Disclosure of independent auditors

8.1 The Company's independent auditors

The independent auditors of the Company and its subsidiaries are Kost Forer Gabbay & Kasierer, CPAs.

8.2 The independent auditors' professional fees

The following table presents the professional fees paid to the independent auditors for audit, audit-related, tax and other services provided to the entire Group companies in 2022 and 2021 (NIS in thousand):

Year	For audit services	For special tax services	For other services
2022	811,600	233,040	342,720
2021	799,400	362,757	1,426,390

8.3 The principles underlying the independent auditors' professional fees and required approvals

The independent auditors' professional fees are determined in negotiations between the independent auditors and the Company's Management and are deemed by Management to be reasonable and appropriate in accordance with the nature and scope of the Company's operations. The independent auditors' professional fees are approved by the Company's Board in keeping with its authorization in the Company's articles of association. The principles underlying the independent auditors' professional fees rely on actual labor hours based on the scope and complexity of each audited entity.

9. Effectiveness of internal control over financial reporting and disclosure (ISOX)

Given the date of the IPO of the Company's shares by virtue of the Prospectus of March 2022, the Company is not legally required to attach a report of the Board's and Management's evaluation of the effectiveness of internal control over financial reporting and disclosure or letters of representations by its senior officers. This mandate will apply to the Company from the annual financial statements as of December 31, 2023.

Moreover, as per Regulation 9B(c1) to the Securities Regulations (Periodic and Immediate Reports), 1970, the provisions of Regulation 9B(c) to the regulations whereby the annual report of internal control must include the independent auditor's report expressing an opinion on the effectiveness of the company's internal control over financial reporting and of material weaknesses identified in the control evaluation do not apply to the Company since it has not been five years since it became a reporting entity, unless otherwise stated in this regulation.

Ran Shaham
Chairman of the Board of Directors

Yair Lowenstein
CEO

Report Approval Date: March 21, 2023,

ALTSHULER SHAHAM FINANCE LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2022

INDEX

	Page
Auditors' Report	**2**
Consolidated Statements of Financial Position	**3**
Consolidated Statements of Profit or Loss and Other Comprehensive Income	**4**
Consolidated Statements of Changes in Equity	**5**
Consolidated Statements of Cash Flows	**6 – 8**
Notes to Consolidated Financial Statements	**9 - 95**

- - - - - - - - - - - - - -

Kost Forer Gabbay & Kasierer
144A Menachem Begin Road
Tel-Aviv 6492102, Israel

Tel: +972-3-6232525
Fax: +972-3-5622555
ey.com

AUDITORS' REPORT

To the Shareholders of

ALTSHULER SHAHAM FINANCE LTD.

We have audited the accompanying consolidated statements of financial position of Altshuler Shaham Finance Ltd. ("**the Company**") as of December 31, 2022 and 2021 and the related consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2022. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Israel, including those prescribed by the Auditors' Regulations (Auditor's Mode of Performance), 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the board of directors and management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2022 and 2021 and their results of operations, changes in equity and their cash flows for each of the three years in the period ended December 31, 2022, in conformity with International Financial Reporting Standards (IFRS) and with the provisions of the Israeli Securities Regulations (Annual Financial Statements), 2010.

Tel-Aviv, Israel
March 21, 2023

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31, 2022	December 31, 2021
		NIS in thousands	
Assets:			
Intangible assets	5	562,797	570,195
Right-of-use assets	6	48,229	36,532
Investment in lease, net	6	56,481	24,756
Deferred acquisition costs	7	289,758	353,571
Property, plant and equipment	9	33,357	19,919
Assets held for sale	8	-	5,368
Accounts receivable	10	51,081	71,698
Current tax assets	15	13,339	-
Deferred tax assets	15	4,287	-
Financial investments:	11		
Quoted debt assets		162,383	235,927
Other debt assets		9,846	9,150
Total financial investments		172,229	245,077
Cash and cash equivalents	12	96,521	296,570
Total assets		1,328,079	1,623,686
Equity:	14		
Share capital		2,018	2,013
Share premium		238,622	235,669
Capital reserve from transaction with related party		(3,668)	(1,805)
Capital reserve from share-based payment transactions		32,807	29,867
Capital reserve from financial assets measured at fair value through other comprehensive income		1,895	550
Retained earnings		221,721	285,227
Total equity attributable to equity holders of the Company		493,395	551,521
Non-controlling interests	13b	(262)	-
Total equity		493,133	551,521
Liabilities:			
Deferred tax liabilities	15	26,762	8,644
Employee benefit liabilities, net	16	3,870	6,004
Current tax liabilities	15	819	46,737
Accounts payable	17	147,157	270,724
Lease liability	6	109,123	71,897
Liabilities attributable to assets held for sale	8	-	10,507
Financial liabilities	18	547,215	657,652
Total liabilities		834,946	1,072,165
Total equity and liabilities		1,328,079	1,623,686

The accompanying notes are an integral part of the consolidated financial statements.

March 21, 2023			
Date of approval of the financial statements	Ran Shaham Chairman of the Board of Directors	Yair Lowenstein CEO	Sharon Gerszbejn Deputy CEO, CFO

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Year ended December 31, 2022	2021	2020
		NIS in thousands (except per share data)		
Revenues from management fees from provident funds and pension funds, net	19	1,282,992	1,423,712	897,170
Revenues from commissions	13b	2,507	-	-
Net investment gains (losses) and finance income	20	(5,361)	(1,912)	4,331
Other income	2a,13b,25e	1,862	2,008	1,879
Total revenues		1,282,000	1,423,808	903,380
Commissions, marketing expenses and other acquisition costs	21	454,246	514,407	352,293
General and administrative expenses	22	456,564	500,051	320,509
Other expenses	23	27,512	28,617	6,274
Finance expenses	24	15,513	23,196	7,712
Total expenses		953,835	1,066,271	686,788
Income before taxes on income		328,165	357,537	216,592
Taxes on income	15	115,306	138,000	78,335
Income from continuing operations		212,859	219,537	138,257
Income from discontinued operations (net of taxes)	13c	-	38,726	-
Net income		212,859	258,263	138,257
Other comprehensive income (loss) (net of taxes):				
Gain (loss) from remeasurement of defined benefit plans	16	1,373	(4,856)	232
Gain from investments in financial instruments measured at fair value through other comprehensive income		1,345	550	-
Total other comprehensive income (loss) (net of taxes)		2,718	(4,306)	232
Total comprehensive income		215,577	253,957	138,489
Net income attributable to:				
Equity holders of the Company		213,121	258,263	138,257
Non-controlling interests	13b	(262)	-	-
		212,859	258,263	138,257
Comprehensive income attributable to:				
Equity holders of the Company		215,839	253,957	138,489
Non-controlling interests	13b	(262)	-	-
		215,577	253,957	138,489
Basic net earnings per share attributable to equity holders of the Company (NIS):				
Earnings from continuing operations		1.08	1.14	0.72
Earnings from discontinued operations		-	0.20	-
Basic net earnings per share		1.08	1.34	0.72
Diluted net earnings per share attributable to equity holders of the Company:				
Earnings from continuing operations		1.07	1.11	0.70
Earnings from discontinued operations		-	0.20	-
Diluted net earnings per share		1.07	1.31	0.70

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company							
	Share capital	Share premium	Capital reserve from transaction with related party	Capital reserve from share-based payment transactions	Capital reserve from financial assets measured at fair value through other comprehensive income	Retained earnings	Non-controlling interests	Total equity
	NIS in thousands							
Balance at January 1, 2020	1,961	156,919	3,577	4,271	-	59,331	-	226,059
Net income	-	-	-	-	-	138,257	-	138,257
Other comprehensive income (loss), net of taxes:								
Actuarial gains from employee defined benefit plan	-	-	-	-	-	232	-	232
Total comprehensive income	-	-	-	-	-	138,489	-	138,489
Transactions with owners carried directly to equity:								
Cost of share-based payment	-	-	(2,237)	14,169	-	-	-	11,932
Exercise of employee options	1	446	-	(447)	-	-	-	-
Dividend to equity holders of the Company	-	-	-	-	-	(93,000)	-	(93,000)
Balance at December 31, 2020	1,962	157,365	1,340	17,993	-	104,820	-	283,480
Net income	-	-	-	-	-	258,263	-	258,263
Other comprehensive income (loss), net of taxes:								
Actuarial losses from employee defined benefit plan	-	-	-	-	-	(4,856)	-	(4,856)
Gain from investments in financial instruments measured at FVOCI	-	-	-	-	550	-	-	550
Total comprehensive income	-	-	-	-	550	253,407	-	253,957
Transactions with owners carried directly to equity:								
Cost of share-based payment	-	-	(3,145)	14,550	-	-	-	11,405
Exercise of employee options	6	2,670	-	(2,676)	-	-	-	-
Issue of shares, net	45	75,634	-	-	-	-	-	75,679
Dividend to equity holders of the Company	-	-	-	-	-	(73,000)	-	(73,000)
Balance at December 31, 2021	2,013	235,669	(1,805)	29,867	550	285,227	-	551,521
Net income (loss)	-	-	-	-	-	213,121	(262)	212,859
Other comprehensive income, net of taxes:								
Actuarial gains from employee defined benefit plan	-	-	-	-	-	1,373	-	1,373
Gain from investments in financial instruments measured at FVOCI	-	-	-	-	1,345	-	-	1,345
Total comprehensive income (loss)	-	-	-	-	1,345	214,494	(262)	215,577
Transactions with owners carried directly to equity:								
Cost of share-based payment	-	-	(1,863)	5,898	-	-	-	4,035
Exercise of employee options	5	2,953	-	(2,958)	-	-	-	-
Dividend to equity holders of the Company	-	-	-	-	-	(278,000)	-	(278,000)
Balance at December 31, 2022	2,018	238,622	(3,668)	32,807	1,895	221,721	(262)	493,133

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2022	2021	2020
	NIS in thousands		
Cash flows from operating activities:			
Net income	212,859	258,263	138,257
Items not involving cash flows:			
Net losses (gains) from financial investments:			
Quoted debt assets	5,971	974	(1,664)
Other investments	646	760	(2,436)
Finance expenses on financial liabilities	11,478	18,673	5,488
Finance expenses, net	2,518	1,058	948
Loss from disposal of property, plant and equipment and right-of-use asset	749	7,705	61
Finance expenses on lease liability	1,579	2,041	743
Cost of share-based payment	4,035	11,404	11,931
Depreciation and amortization:			
Right-of-use assets	9,797	10,809	4,566
Property, plant and equipment	7,872	8,379	7,689
Intangible assets	52,696	30,086	12,785
Income from discontinued operations	-	(38,726)	-
Taxes on income	115,306	138,000	78,335
	212,647	191,163	118,446
Changes in other balance sheet items:			
Change in deferred acquisition costs, net	63,813	(39,134)	(109,419)
Change in accounts receivable	20,095	13,377	(6,910)
Change in accounts payable	(122,698)	(62,174)	57,040
Change in employee benefit liabilities, net	(301)	(6,652)	231
	(39,091)	(94,583)	(59,058)
Cash paid and received during the period for:			
Interest paid	(12,823)	(20,490)	(6,215)
Interest received	213	1,910	236
Taxes paid	(144,055)	(129,330)	(71,846)
	(156,665)	(147,910)	(77,825)
Net cash provided by operating activities	229,750	206,933	119,820

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2022	2021	2020
	NIS in thousands		
Cash flows from investing activities:			
Receipts from lease	9,164	-	-
Payment of contingent consideration for acquisition of investees	(37,348)	-	-
Repayment of capital note	-	-	290
Investment in and purchase of property, plant and equipment	(21,619)	(7,707)	(5,604)
Investment in intangible assets	(39,762)	(32,602)	(18,020)
Acquisition of investees	-	(514,578)	-
Purchase of financial investments, net	66,358	(99,852)	1,654
Net cash used in investing activities	(23,207)	(654,739)	(21,680)
Cash flows from financing activities:			
Receipt of bank loans	75,650	1,240,000	164,275
Receipt of loans from others	-	-	1,500
Repayment of lease liability	(18,155)	(12,589)	(4,559)
Repayment of loans from banks and others	(186,087)	(1,360,507)	(134,353)
Issue of shares, net	-	75,679	-
Divided paid to equity holders of the Company	(278,000)	(102,000)	(64,000)
Net cash used in financing activities	(406,592)	(159,417)	(37,137)
Increase (decrease) in cash and cash equivalents	(200,049)	(607,223)	61,003
Cash transferred between continuing operations and discontinued operations *)	-	763,746	-
Cash and cash equivalents at the beginning of the year	296,570	140,047	79,044
Cash and cash equivalents at the end of the year	96,521	296,570	140,047
Material non-cash transactions:			
Right-of-use asset recognized against lease liability	43,871	14,304	998
Dividend declared	-	-	29,000
Purchase of intangible assets	5,538	2,820	2,062
Repayment of loan to related party including interest payable against capital note	-	-	51,871
Issue of shares	2,958	2,676	447

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

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2022	2021	2020
	NIS in thousands		
(a) Acquisition of newly consolidated subsidiaries:			
The subsidiaries' assets and liabilities on date of acquisition:			
Working capital (excluding cash and cash equivalents)	-	9,576	-
Intangible assets	-	(228,797)	-
Right-of-use assets	-	(56,118)	-
Goodwill	-	(211,251)	-
Deferred taxes	-	(2,057)	-
Available-for-sale assets	-	(722,451)	-
Lease liabilities	-	70,941	-
Other non-current liabilities	-	625,579	-
	-	(514,578)	-

The accompanying notes are an integral part of the consolidated financial statements.

NOTE 1:- GENERAL

a. General description of the Company and its operations:

Altshuler Shaham Finance Ltd. ("**the Company**") was incorporated in Israel as a private company limited in shares on December 9, 2001 by the name of A.S. Matrat Hanpaka Ltd. and on March 17, 2022 changed its name to the current name – Altshuler Shaham Finance Ltd. The Company operates out of its offices on 19a HaBarzel Street, Ramat HaChayal, Tel Aviv.

As of the date of publication of the financial statements, the Company manages provident and pension funds through Altshuler Provident and Pension Ltd. ("**Altshuler Provident**"), whose entire issued and outstanding share capital (100%) is held by the Company, and also manages alternative real estate investments through Altshuler Shaham Real Estate Ltd. ("**Altshuler Real Estate**") (the Company, Altshuler Provident and Altshuler Real Estate collectively – "**the Group**").

b. Business restructuring and business combinations:

On January 17, 2022, the Company entered into a merger agreement with Altshuler Provident and A.S. Yaad Hanpaka Ltd., a wholly owned subsidiary of the Company ("**the target company**"), whereby, upon closing of the merger transaction, the target company will be merged with and into Altshuler Provident by way of statutory merger pursuant to provisions of Chapter 1 of Part VIII of the Companies Law, 1999 ("**the merger transaction**" and "**the Companies Law**", respectively). On March 31, 2022, the merger transaction was closed according to which the Company acquired the entire ownership in Altshuler Provident in a reverse acquisition. On the eve of the merger transaction, a merger certificate was obtained from the Registrar of Companies, according to which Altshuler Provident became a wholly owned subsidiary of the Company and the Company ceased being a reporting entity, as this term is defined in the Securities Law, 1968 ("**the Securities Law**").

Although from a legal standpoint the Company acquired the shares of Altshuler Provident, since on the share purchase transaction closing date, Altshuler Provident's shareholders became holders of voting rights in the Company, the share purchase transaction was accounted for in the financial statements as a reverse acquisition. Accordingly, these financial statements have been issued in the name of the Company, but the accounting treatment herein serves as a continuation of the financial statements of Altshuler Provident, the buyer in the transaction for accounting purposes. These consolidated financial statements therefore reflect the continued financial position, operating results and cash flows of Altshuler Provident and the Group's other operations.

Immediately following the merger transaction completion, on April 3, 2022, 196,979,413 Ordinary shares of NIS 0.01 par value each of the Company were allocated to holders of Altshuler Provident shares at the end of the trading day of March 31, 2022 ("**the allocated shares**", "**the qualifying shareholders**" and "**the merger date**", respectively). The allocated shares were allotted to the qualifying shareholders for no additional consideration other than the share swap prescribed in the merger transaction whereby on the merger date, each shareholder of Altshuler Provident was entitled to one share of the Company against one share of Altshuler Provident held by them.

NOTE 1:- GENERAL (Cont.)

It should be noted that as a result of the merger transaction completion and the allocation of the shares as above, on March 31, 2022, the trading of Altshuler Provident's shares on the Tel-Aviv Securities Exchange Ltd. ("**the TASE**") was discontinued and the shares were delisted. On April 4, 2022, the Company's shares began trading on the TASE and the Company became a public company as defined in the Companies Law and a reporting entity as defined in the Securities Law.

Moreover, in the reporting period, service agreements were signed between the Company, Altshuler Provident and Altshuler Shaham Ltd., see information in Note 25 below.

See details of the purchase of the shares of Psagot Investment House Ltd., a member of the Psagot Group ("**Psagot**" and "**the Psagot Group**", respectively), in 2021 in Notes 3 and 13c below.

c. Effects of inflation and interest rate rise:

As a result of global macroeconomic developments in the reporting period, inflation rates rose in Israel and worldwide. As part of the measures taken to mitigate the price markups, central banks around the world, including the Bank of Israel, began raising their benchmark interest rates.

Consequently, in the reporting period, there was an increase in the rate of return on high quality indexed corporate debentures that are used to determine the discount rate of the defined benefit plan liabilities and other long-term employee benefits denominated in NIS.

The effects of the change in discount rate are as follows:

A decrease in the defined benefit plan liabilities and a decrease in deferred taxes as of December 31, 2022 in the amount of NIS 2,022 thousand and NIS 649 thousand, respectively compared with December 31, 2021, which were carried to other comprehensive income in the reporting period.

d. Definitions:

In these financial statements:

The Company	- Altshuler Shaham Finance Ltd.
The Group	- The Company and the companies controlled by it.
Holders of significant influence	- Altshuler Shaham Ltd., Lowenstein Yair Holdings Ltd.
Investees	- Subsidiaries.
Related parties	- As defined in IAS 24.
Interested parties	- As defined in the Securities Regulations (Annual Financial Statements), 2010.
Income Tax Regulations	- Income Tax Regulations (Rules for Approval and Management of Provident Funds), 1964.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently in the financial statements for all periods presented, unless otherwise stated.

a. Basis of presentation of the financial statements:

1. Measurement basis:

The Company's financial statements have been prepared on a cost basis, except for certain financial instruments that are measured at fair value through profit or loss ("**FVPL**") or at fair value through other comprehensive income ("**FVOCI**").

2. Preparation format of the financial statements:

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

Furthermore, the financial statements have been prepared in conformity with the provisions of the Israeli Securities Regulations (Annual Financial Statements), 2010.

3. Consistent accounting policies and initial adoption of IFRSs:

The accounting policies presented in these financial statements have been applied consistently for all periods presented, unless otherwise stated.

4. Current reporting format:

The statements of financial position, which comprise the Company's assets and liabilities, have been presented in the order of liquidity without distinguishing between current and non-current. This presentation offers more reliable and relevant information as required by IAS 1.

The Company has elected to present the profit or loss items using the nature of expense method.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

b. Consolidated financial statements:

The consolidated financial statements comprise the financial statements of companies that are controlled by the Company (subsidiaries). Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Potential voting rights are considered when assessing whether an entity has control. The consolidation of the financial statements commences on the date on which control is obtained and ends when such control ceases.

The financial statements of the Company and of the subsidiaries are prepared as of the same dates and periods. The consolidated financial statements are prepared using uniform accounting policies by all companies in the Group. Significant intragroup balances and transactions and gains or losses resulting from intragroup transactions are eliminated in full in the consolidated financial statements.

Non-controlling interests in subsidiaries represent the equity in subsidiaries not attributable, directly or indirectly, to a parent. Non-controlling interests are presented in equity separately from the equity attributable to the equity holders of the Company. Profit or loss and components of other comprehensive income are attributed to the Company and to non-controlling interests. Losses are attributed to non-controlling interests even if they result in a negative balance of non-controlling interests in the consolidated statement of financial position.

c. Business combinations and goodwill:

Business combinations are accounted for by applying the acquisition method. The cost of the acquisition is measured at the fair value of the consideration transferred on the acquisition date with the addition of non-controlling interests in the acquiree.

Direct acquisition costs are carried to the statement of profit or loss as incurred.

Goodwill is initially measured at cost which represents the excess of the acquisition consideration and the amount of non-controlling interests over the net identifiable assets acquired and liabilities assumed.

d. Functional currency, presentation currency and foreign currency:

The presentation currency of the financial statements is the New Israeli Shekel ("**NIS**"), which is the Company's functional currency.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

e. Significant accounting judgments, estimates and assumptions used in the preparation of the financial statements:

Judgments:

In the process of applying the significant accounting policies, the Company has made the following judgments which have the most significant effect on the amounts recognized in the financial statements:

1. Discount rate for a lease liability:

When the Company is unable to readily determine the discount rate implicit in a lease in order to measure the lease liability, the Company uses an incremental borrowing rate. That rate represents the rate of interest that the Company would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. When there are no financing transactions that can serve as a basis, the Company determines the incremental borrowing rate based on its credit risk, the lease term and other economic variables deriving from the lease contract's conditions and restrictions. In certain situations, the Company is assisted by an external valuation expert in determining the incremental borrowing rate.

2. Determining the fair value of share-based payment transactions:

The fair value of share-based payment transactions is determined upon initial recognition by an acceptable option pricing model. The inputs to the model include share price, exercise price and assumptions regarding expected volatility, expected life of share option and expected dividend yield.

3. Development costs:

The Company reviews the criteria for recognition of costs in respect of development projects as intangible assets.

The Company capitalizes costs for development projects. Initial capitalization of costs is based, among others, on management's judgement that technological and economic feasibility are confirmed, usually when a development project has achieved the milestone defined by management. In determining the amount to be capitalized, management makes assumptions regarding the future cash flows expected from the project, the discount rate and the expected period of the benefits from the project.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Estimates and assumptions

The preparation of the financial statements requires management to make estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities, revenues and expenses. In determining its accounting estimates, management relies on past experience, various underlying facts, external factors and reasonable assumptions, based on the relevant circumstances. Changes in accounting estimates are reported in the period of the change in estimate.

The key assumptions made in the financial statements concerning uncertainties at the reporting date and the critical estimates computed by the Company that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

1. Lawsuits:

   There are various lawsuits and class action certification motions pending against the Group. In estimating the likelihood of outcome of legal claims filed against the Group companies, the Group relies on the opinion of its legal counsel. These estimates are based on the legal counsel's best professional judgment, taking into account the stage of proceedings and legal precedents in respect of the different issues. Since the outcome of the claims will be determined in courts, the results could differ from these estimates. See Note 27 below.

   Other than the aforementioned lawsuits, the Company is exposed to complaints/claims that have yet to be asserted/filed due, inter alia, to doubts with regard to interpretation of agreements and/or statutory provisions and/or their application. The Group is made aware of such exposure in multiple ways, including through clients who contact the Group, and in particular the Group's Ombudsman, by way of customer complaints addressed to the Public Inquiries Unit of the Capital Market Authority, and through lawsuits (other than class action lawsuits) filed with the courts. These matters are brought before the Group's management whenever the handling party identifies that such claims may have wider implications. In assessing the risk associated with unasserted claims, the Group relies on internal assessment by the handling entities and by Management, which weigh the estimated probability of a claim being made and the chances of such claim, if made.

   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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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 Group 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. See Note 7 below.

3. Deferred tax assets:

   Deferred tax assets are recognized for unused carryforward tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the timing and level of future taxable profits against which carryforward losses can be offset, their source and the tax planning strategy.

4. Determining the lease term in leases with extension and termination options:

   In evaluating whether it is reasonably certain that the Group will exercise an option to extend a lease or will not exercise an option to terminate a lease, the Group considers all relevant facts and circumstances that create an economic incentive for the Group to exercise the option to extend or not exercise the option to terminate such as: significant amounts invested in leasehold improvements, the significance of the underlying asset to the Group's operation and whether it is a specialized asset, the Group's past experience with similar leases, etc.

   After the commencement date, the Group reassesses the term of the lease upon the occurrence of a significant event or a significant change in circumstances that affects whether the Group is reasonably certain to exercise an option to extend or not exercise an option to terminate previously included in the determination of the lease term, such as significant leasehold improvements that had not been anticipated on the lease commencement date, sublease of the underlying asset for a period that exceeds the end of the previously determined lease period, etc.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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 measured upon initial recognition at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets, except for financial assets measured at fair value through profit or loss in respect of which transaction costs are recorded in profit or loss.

The Company classifies and measures debt instruments in the financial statements based on: (i) the Company's business model for managing financial assets; and (ii) the contractual cash flow terms of the financial asset.

a) Debt instruments are measured at amortized cost when:

The Company's business model is to hold the financial assets in order to collect their contractual cash flows, and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. After initial recognition, the instruments in this category are measured according to their terms at amortized cost using the effective interest rate method, less any provision for impairment.

On the date of initial recognition, the Company may irrevocably designate a debt instrument as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency, such as when a related financial liability is also measured at fair value through profit or loss.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

b) Debt instruments are measured at fair value through other comprehensive income when:

The Company's business model is to hold the financial assets in order to both collect their contractual cash flows and to sell the financial assets, and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, the instruments in this category are measured at fair value. Gains or losses from fair value adjustments, excluding interest and exchange rate differences, are recognized in other comprehensive income.

c) Debt instruments are measured at fair value through profit or loss when:

A financial asset which is a debt instrument does not meet the criteria for measurement at amortized cost or at fair value through other comprehensive income. After initial recognition, the financial asset is measured at fair value and gains or losses from fair value adjustments are recognized in profit or loss.

2. Impairment of financial assets:

The Company evaluates at the end of each reporting period the loss allowance for financial debt instruments which are not measured at fair value through profit or loss. The Company distinguishes between two types of loss allowances:

a) Debt instruments whose credit risk has not increased significantly since initial recognition, or whose credit risk is low - the loss allowance recognized in respect of this debt instrument is measured at an amount equal to the expected credit losses within 12 months from the reporting date (12-month ECLs); or

b) Debt instruments whose credit risk has increased significantly since initial recognition, and whose credit risk is not low - the loss allowance recognized is measured at an amount equal to the expected credit losses over the instrument's remaining term (lifetime ECLs).

The Company applies the low credit risk simplification in the Standard, according to which the Company assumes the debt instrument's credit risk has not increased significantly since initial recognition if on the reporting date it is determined that the instrument has a low credit risk, for example when the instrument has an external rating of "investment grade".

An impairment loss on debt instruments measured at amortized cost is recognized in profit or loss with a corresponding loss allowance that is offset from the carrying amount of the financial asset, whereas the impairment loss on debt instruments measured at fair value through other comprehensive income is recognized in profit or loss with a corresponding loss allowance that is recorded in other comprehensive income and not as a reduction of the carrying amount of the financial asset in the statement of financial position.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Company has short-term financial assets such as trade receivables in respect of which the Company applies the simplified approach in IFRS 9 and measures the loss allowance in an amount equal to the lifetime expected credit losses.

3. Derecognition of financial assets:

   A financial asset is derecognized only when:

   a) The contractual rights to the cash flows from the financial asset has expired; or

   b) The Company has transferred substantially all the risks and rewards deriving from the contractual rights to receive cash flows from the financial asset or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset; or

   c) The Company has retained its contractual rights to receive cash flows from the financial asset but has assumed a contractual obligation to pay the cash flows in full without material delay to a third party.

4. Financial liabilities:

   Financial liabilities measured at amortized cost

   Financial liabilities are initially recognized at fair value less transaction costs that are directly attributable to the issue of the financial liability. After initial recognition, the Company measures all financial liabilities at amortized cost using the effective interest rate method. The amortization of the effective interest is carried to profit or loss in financing.

5. Derecognition of financial liabilities:

   A financial liability is derecognized only when it is extinguished, that is when the obligation specified in the contract is discharged or canceled or expires. A financial liability is extinguished when the debtor discharges the liability by paying in cash, other financial assets, goods or services; or is legally released from the liability.

   When there is a modification in the terms of an existing financial liability, the Company evaluates whether the modification is substantial, taking into account qualitative and quantitative information.

   If the terms of an existing financial liability are substantially modified or a liability is exchanged for another liability from the same lender with substantially different terms, the modification or exchange is accounted for as an extinguishment of the original liability and the recognition of a new liability. The difference between the carrying amounts of the above liabilities is recognized in profit or loss.

   If the modification in the terms of an existing liability is not substantial or if a liability is exchanged for another liability from the same lender whose terms are not substantially different, the Company recalculates the carrying amount of the liability by discounting the revised cash flows at the original effective interest rate and any resulting difference is recognized in profit or loss.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

6. Offsetting financial instruments:

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position if there is a legally enforceable right to set off the recognized amounts and there is an intention either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The right of set-off must be legally enforceable not only during the ordinary course of business of the parties to the contract but also in the event of bankruptcy or insolvency of one of the parties. In order for the right of set-off to be currently available, it must not be contingent on a future event, there may not be periods during which the right is not available, or there may not be any events that will cause the right to expire.

h. Property, plant and equipment:

Property, plant and equipment are measured at cost, including directly attributable costs, less accumulated depreciation and less accumulated impairment losses and excluding day-to-day servicing expenses.

Depreciation is calculated at constant annual rates on a straight-line basis over the useful life of the assets as follows:

	%
Motor vehicles	15
Office furniture and equipment	7
Computers and peripheral equipment	33
Leasehold improvements	see below

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term (including the extension option held by the Group and intended to be exercised) and the expected life of the improvement.

The useful life, depreciation method and residual value of an asset are reviewed at least each year-end and any changes are accounted for prospectively as a change in accounting estimate. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

i. Intangible assets:

Separately acquired intangible assets are measured on initial recognition at cost including directly attributable costs. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Expenditures relating to internally generated intangible assets, excluding capitalized development costs, are recognized in profit or loss when incurred.

Intangible assets with a finite useful life are amortized over their useful life and reviewed for impairment whenever there is an indication that the asset may be impaired. The amortization period and the amortization method for an intangible asset are reviewed at least at each year end.

Intangible assets with indefinite useful lives are not systematically amortized and are tested for impairment annually or whenever there is an indication that the intangible asset may be impaired. The useful life of these assets is reviewed annually to determine whether their indefinite life assessment continues to be supportable. If the events and circumstances do not continue to support the assessment, the change in the useful life assessment from indefinite to finite is accounted for prospectively as a change in accounting estimate and on that date the asset is tested for impairment. Commencing from that date, the asset is amortized systematically over its useful life.

1. Software development costs:

Software development costs are capitalized only if the development costs can be measured reliably, the technical and commercial feasibility of the software can be demonstrated; future economic benefits are expected from the development, and the Company has the intention and resources to complete the development and use the software. Capitalized costs include cost of materials, direct labor costs and overheads that can be directly attributable to preparing the asset for its intended use. Other development expenses are carried to profit or loss as incurred.

When an internally developed intangible asset cannot be recognized, the development costs are recognized as an expense in profit or loss as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

2. Software:

The Group's assets include computer systems comprising hardware and software. Software forming an integral part of the hardware to the extent that the hardware cannot function without the programs installed on it is classified as property, plant and equipment. In contrast, stand-alone software that adds functionality to the hardware is classified as an intangible asset.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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. See details of change in estimate of the amortization period of customer relations purchased in the Psagot transaction in Note 5 below.

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 reporting year.

j. Impairment of non-financial assets:

The Company evaluates the need to record an impairment of non-financial assets whenever events or changes in circumstances indicate that the 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 fair value less costs of sale and value in use. In measuring value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset and the time value of money. 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. Impairment losses are recognized in profit or loss.

An impairment loss of an asset, other than goodwill, is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Reversal of an impairment loss, as above, shall not be increased above the lower of the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the asset in prior years and its recoverable amount. The reversal of impairment loss of an asset presented at cost is recognized in profit or loss.

A reversal of an impairment loss for a cash-generating unit is allocated to the unit's assets, other than goodwill, pro rata to the carrying amount of each asset in the scope of IAS 36 as regards to measurement, only if the carrying amount of the asset after the reversal does not exceed the depreciated cost of the asset that would have been determined had no impairment loss been recognized for the asset.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

Testing the impairment of goodwill in respect of subsidiaries:

The Company reviews goodwill for impairment once a year, on December 31, or more frequently if events or changes in circumstances indicate that there is an impairment.

Goodwill is tested for impairment by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill has been allocated. Each cash-generating unit to which goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes and which cannot be larger than an operating segment. An impairment loss is recognized if the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is less than the carrying amount of the cash-generating unit (or group of cash-generating units). Any impairment loss is allocated first to goodwill. Impairment losses recognized for goodwill cannot be reversed in subsequent periods.

k. Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement is based on the assumption that the transaction will take place in the asset's or the liability's principal market, or in the absence of a principal market, in the most advantageous market.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities measured at fair value or for which fair value is disclosed are categorized into levels within the fair value hierarchy based on the lowest level input that is significant to the entire fair value measurement:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted prices included within Level 1 that are observable directly or indirectly.

Level 3 - inputs that are not based on observable market data (valuation techniques which use inputs that are not based on observable market data).

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

l. Non-current assets or disposal group held for sale:

Non-current assets or a disposal group are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the assets must be available for immediate sale in their present condition, the Company must be committed to a sale plan, there must be a program to locate a buyer and it is highly probable that a sale will be completed within one year from the date of classification. Before these assets are classified as available for sale, they are measured in accordance with the Group's accounting policy. After classification as held for sale, these assets are measured at the lower of their carrying amount and fair value less costs to sell and presented separately in the statement of financial position. From the date of their initial classification, these assets are not depreciated. Other comprehensive income (loss) in respect of an assets or a group of non-current assets that are classified as held for sale is presented separately in equity. When the Company no longer plans to sell an asset in a sale transaction, it ceases the classification of the asset as held for sale and measures it at the lower of its carrying amount had it not been classified as held for sale or the recoverable amount of the asset on the date of the decision not to sell the asset.

m. Employee benefit liabilities:

The Group has several employee benefit plans:

1. Short-term employee benefits:

Short-term employee benefits are benefits that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services. These benefits include salaries, paid annual leave, paid sick leave, recreation and social security contributions and are recognized as expenses as the services are rendered. A liability in respect of a cash bonus or a profit-sharing plan is recognized when the Group has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.

2. Post-employment benefits:

The plans are normally financed by contributions to investment houses and insurance companies and classified as defined contribution plans or as defined benefit plans.

Defined contribution plans

The Group has defined contribution plans pursuant to section 14 to the Severance Pay Law under which the Group pays fixed contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Defined benefit plans

The Group operates a defined benefit plan in respect of severance pay pursuant to the Severance Pay Law. According to the Law, employees are entitled to severance pay upon dismissal or retirement. The liability for termination of employment is measured using the projected unit credit method. The actuarial assumptions include expected salary increases and rates of employee turnover based on the estimated timing of payment. The amounts are presented based on discounted expected future cash flows using a discount rate determined by reference to market yields at the reporting date on high quality corporate bonds that are linked to the Consumer Price Index with a term that is consistent with the estimated term of the severance pay obligation.

In respect of its severance pay obligation to certain of its employees, the Company makes current deposits in pension funds and insurance companies ("the plan assets"). Plan assets comprise assets held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the Group's own creditors and cannot be returned directly to the Group.

The liability for employee benefits shown in the statement of financial position reflects the present value of the defined benefit obligation less the fair value of the plan assets. Remeasurements of the net liability are recognized in other comprehensive income in the period in which they occur.

n. Share-based payment transactions:

The Group's employees are entitled to remuneration in the form of equity-settled share-based payment transactions.

The cost of equity-settled transactions with employees is measured at the fair value of the equity instruments granted at grant date. The fair value is determined using an acceptable option pricing model.

The cost of equity-settled transactions is recognized in profit or loss together with a corresponding increase in equity during the period which the performance and/or service conditions are to be satisfied ending on the date on which the relevant employees become entitled to the award ("the vesting period"). The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether the market condition is satisfied, provided that all other vesting conditions (service) are satisfied.

If the Company modifies the conditions on which equity-instruments were granted, an additional expense is recognized for any modification that increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee/other service provider at the modification date.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

If a grant of an equity instrument is canceled, it is accounted for as if it had vested on the cancelation date and any expense not yet recognized for the grant is recognized immediately. However, if a new grant replaces the canceled grant and is identified as a replacement grant on the grant date, the canceled and new grants are accounted for as a modification of the original grant, as described above.

o. Provisions:

A provision in accordance with IAS 37 is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, 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 Group expects part or all of the expense to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense is recognized in the statement of profit or loss net of any reimbursement.

Following are the types of provisions included in the financial statements:

Legal claims

A provision for legal claims is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources embodying economic benefits will be required by the Group to settle the obligation and a reliable estimate can be made of the amount of the obligation.

p. Revenue recognition:

Revenue from contracts with customers is recognized when the control over the goods or services is transferred to the customer. The transaction price is the amount of the consideration that is expected to be received based on the contract terms, excluding amounts collected on behalf of third parties (such as taxes).

Revenue from rendering of services

Revenue from rendering of services is recognized over time, during the period the customer simultaneously receives and consumes the benefits provided by the Company's performance. Revenues are recognized in the reporting periods in which the services are rendered.

Costs of obtaining a contract

In order to obtain certain contracts with customers, the Company incurs incremental costs in obtaining the contract (such as sales commissions which are contingent on making binding sales). Costs incurred in obtaining the contract with the customer which would not have been incurred if the contract had not been obtained and which the Company expects to recover are recognized as an asset and amortized on a systematic basis that is consistent with the provision of the services under the specific contract.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

q. Net investment gains, finance income and finance expenses:

Net investment gains and finance income include interest income and linkage differences with respect to debt assets, as well as changes to fair value of financial assets presented at FVPL. Realized investment gains are calculated as the difference between net proceeds and original cost or depreciated cost and recognized upon sale.

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

Finance 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 in profit or loss using the effective interest method.

r. Taxes on income:

Current or deferred taxes are recognized in profit or loss, except to the extent that they relate to items which are recognized in other comprehensive income or equity.

1. Current taxes:

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date as well as adjustments required in connection with the tax liability in respect of previous years.

2. Deferred taxes:

Deferred taxes are computed in respect of temporary differences between the carrying amounts in the financial statements and the amounts attributed for tax purposes.

Deferred taxes are measured at the tax rate that is expected to apply when the asset is realized or the liability is settled, based on tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is not probable that they will be utilized. Deductible carryforward losses and temporary differences for which deferred tax assets had not been recognized are reviewed at each reporting date and a respective deferred tax asset is recognized to the extent that their utilization is probable.

Deferred taxes are offset if there is a legally enforceable right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxpayer and the same taxation authority.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

s. Leases:

The Company accounts for a contract as a lease when the contract terms convey the right to control the use of an identified asset for a period of time in exchange for consideration.

1. The Group as lessee:

For leases in which the Company is the lessee, the Company recognizes on the commencement date of the lease a right-of-use asset and a lease liability, excluding leases whose term is up to 12 months and leases for which the underlying asset is of low value. For these excluded leases, the Company has elected to recognize the lease payments as an expense in profit or loss on a straight-line basis over the lease term. In measuring the lease liability, the Company has elected to apply the practical expedient in IFRS 16 and does not separate the lease components from the non-lease components (such as management and maintenance services, etc.) included in a single contract.

Leases which entitle employees to a company car as part of their employment terms are accounted for as employee benefits in accordance with the provisions of IAS 19 and not as subleases.

On the commencement date, the lease liability includes all unpaid lease payments (excluding variable lease payments) discounted at the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the Company's incremental borrowing rate. After the commencement date, the Company measures the lease liability using the effective interest rate method.

On the commencement date, the right-of-use asset is recognized in an amount equal to the lease liability plus lease payments already made on or before the commencement date and initial direct costs incurred. The right-of-use asset is measured applying the cost model and depreciated over the shorter of its useful life and the lease term.

The Company tests for impairment of the right-of-use asset whenever there are indications of impairment pursuant to the provisions of IAS 36.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

2. Variable lease payments that depend on an index:

   On the commencement date, the Company uses the index rate prevailing on the commencement date to calculate the future lease payments.

   For leases in which the Company is the lessee, the aggregate changes in future lease payments resulting from a change in the index are discounted (without a change in the discount rate applicable to the lease liability) and recorded as an adjustment of the lease liability and the right-of-use asset, only when there is a change in the cash flows resulting from the change in the index (that is, when the adjustment to the lease payments takes effect).

3. Lease extension and termination options:

   A non-cancelable lease term includes both the periods covered by an option to extend the lease when it is reasonably certain that the extension option will be exercised and the periods covered by a lease termination option when it is reasonably certain that the termination option will not be exercised.

   In the event of any change in the expected exercise of the lease extension option or in the expected non-exercise of the lease termination option, the Company remeasures the lease liability based on the revised lease term using a revised discount rate as of the date of the change in expectations. The total change is recognized in the carrying amount of the right-of-use asset until it is reduced to zero, and any further reductions are recognized in profit or loss.

4. Lease modifications:

   If a lease modification does not reduce the scope of the lease and does not result in a separate lease, the Company remeasures the lease liability based on the modified lease terms using a revised discount rate as of the modification date and records the change in the lease liability as an adjustment to the right-of-use asset.

   If a lease modification reduces the scope of the lease, the Company recognizes a gain or loss arising from the partial or full reduction of the carrying amount of the right-of-use asset and the lease liability. The Company subsequently remeasures the carrying amount of the lease liability according to the revised lease terms, at the revised discount rate as of the modification date and records the change in the lease liability as an adjustment to the right-of-use asset.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

5. Subleases:

In a transaction in which the Company is a lessee of an underlying asset (head lease) and the asset is subleased to a third party, the Company assesses whether the risks and rewards incidental to ownership of the right-of-use asset have been transferred to the sub-lessee, among others, by evaluating the sublease term by reference to the useful life of the right-of-use asset arising from the head lease.

When substantially all the risks and rewards incidental to ownership of the right-of-use asset have been transferred to the sub-lessee, the Company accounts for the sublease as a finance lease, otherwise it is accounted for as an operating lease.

If the sublease is classified as a finance lease, the leased asset is derecognized on the commencement date and a new asset, "finance lease receivable" is recognized at an amount equivalent to the present value of the lease payments, discounted at the interest rate implicit in the lease. Any difference between the carrying amount of the leased asset before the derecognition and the carrying amount of the finance lease receivable is recognized in profit or loss.

t. Earnings per share:

Earnings per share are calculated by dividing the net income attributable to equity holders of the Company by the weighted number of Ordinary shares outstanding during the period.

Potential Ordinary shares are included in the computation of diluted earnings per share when their conversion decreases earnings per share from continuing 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. The Company's share of earnings of investees is included based on its share of earnings per share of the investees multiplied by the number of shares held by the Company.

u. Changes in the Israeli Consumer Price Index (CPI) and in the USD exchange rates:

	Israeli CPI		Representative exchange rate of USD
	Known CPI	CPI for %	
Year ended December 31, 2022	5.2	5.3	13.2
Year ended December 31, 2021	2.8	2.4	(3.3)
Year ended December 31, 2020	(0.7)	(0.6)	(7.0)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

v. Disclosure of new IFRSs in the period before their adoption:

1. Amendment to IAS 1, "Presentation of Financial Statements":

In January 2020, the IASB issued an amendment to IAS 1, "Presentation of Financial Statements" regarding the criteria for determining the classification of liabilities as current or non-current ("the Original Amendment"). In October 2022, the IASB issued a subsequent amendment ("the Subsequent Amendment").

According to the Subsequent Amendment:

- Only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current.

- An entity should provide disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months from the reporting date. This disclosure is required to include information about the covenants and the related liabilities. The disclosures must include information about the nature of the future covenants and when compliance is applicable, as well as the carrying amount of the related liabilities. The purpose of this information is to allow users to understand the nature of the future covenants and to assess the risk that a liability classified as non-current could become repayable within twelve months. Furthermore, if facts and circumstances indicate that an entity may have difficulty in complying with such covenants, those facts and circumstances should be disclosed.

According to the Original Amendment, the conversion option of a liability affects the classification of the entire liability as current or non-current unless the conversion component is an equity instrument.

The Original Amendment and Subsequent Amendment are both effective for annual periods beginning on or after January 1, 2024 and must be applied retrospectively. Early application is permitted.

2. Amendment to IAS 8, "Accounting Policies, Changes to Accounting Estimates and Errors":

In February 2021, the IASB issued an amendment to IAS 8, "Accounting Policies, Changes to Accounting Estimates and Errors" ("the Amendment"), in which it introduces a new definition of "accounting estimates".

Accounting estimates are defined as "monetary amounts in financial statements that are subject to measurement uncertainty". The Amendment clarifies the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Amendment is to be applied prospectively for annual reporting periods beginning on or after January 1, 2023 and is applicable to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Early application is permitted.

The Company estimates that the initial application of the Amendment is not expected to have a material impact on its financial statements.

3. Amendment to IAS 12, "Income Taxes":

In May 2021, the IASB issued an amendment to IAS 12, "Income Taxes" ("IAS 12"), which narrows the scope of the initial recognition exception under IAS 12.15 and IAS 12.24 ("the Amendment").

According to the recognition guidelines of deferred tax assets and liabilities, IAS 12 excludes recognition of deferred tax assets and liabilities in respect of certain temporary differences arising from the initial recognition of certain transactions. This exception is referred to as the "initial recognition exception". The Amendment narrows the scope of the initial recognition exception and clarifies that it does not apply to the recognition of deferred tax assets and liabilities arising from transactions that are not a business combination and that give rise to equal taxable and deductible temporary differences, even if they meet the other criteria of the initial recognition exception.

The Amendment applies for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. In relation to leases and decommissioning obligations, the Amendment is to be applied commencing from the earliest reporting period presented in the financial statements in which the Amendment is initially applied. The cumulative effect of the initial application of the Amendment should be recognized as an adjustment to the opening balance of retained earnings (or another component of equity, as appropriate) at that date.

The Company estimates that the initial application of the Amendment is not expected to have a material impact on its financial statements.

4. Amendment to IAS 1 - Disclosure of Accounting Policies:

In February 2021, the IASB issued an amendment to IAS 1, "Presentation of Financial Statements" ("the Amendment"), which replaces the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. One of the main reasons for the Amendment is the absence of a definition of the term 'significant' in IFRS whereas the term 'material' is defined in several standards and particularly in IAS 1.

The Amendment is applicable for annual periods beginning on or after January 1, 2023. Early application is permitted.

The Company is evaluating the effects of the Amendment on its financial statements.

NOTE 3:- BUSINESS COMBINATIONS

On May 12, 2021, the Company completed the acquisition of the entire issued and outstanding share capital of Psagot. As of December 31, 2021, a final valuation was obtained from an external valuation expert for the fair value of the identifiable assets acquired and liabilities assumed.

The fair value of the identifiable assets and liabilities of Psagot on the acquisition date:

	Fair value May 12, 2021 NIS in thousands
Cash and cash equivalents	91,921
Deferred tax assets, net	2,057
Receivables	62,473
Current tax assets, net	4,179
Quoted debt assets	56,694
Unquoted debt assets	1,731
Right-of-use assets	56,118
Payables	(134,653)
Lease liabilities	(70,941)
Employee benefit liabilities, net	(2,644)
Financial liabilities	(622,935)
Discontinued operation (see Note 13)	722,451
Customer relations	228,797
Goodwill arising on acquisition	211,251
Total purchase cost	606,499

The overall cost of the business combination was NIS 606,499 thousand and was paid entirely in cash.

DAC attributable to the transaction in a total of approximately NIS 2,899 thousand were carried as an expense to other expenses.

The goodwill created in the acquisition is allocated to the expected benefits from the synergy of the operations of the Company and Psagot. The recognized goodwill is not expected to be deductible for income tax purposes.

Contingent liabilities with a fair value of NIS 24,792 thousand were identified on the acquisition date. This amount relies on the expected outcome as assessed by the Company with the help of its legal counsel. See also Note 13c below.

From the acquisition date through the merger date on September 30, 2021, Psagot contributed approximately NIS 14,395 thousand to consolidated comprehensive income and approximately NIS 116,872 thousand to the consolidated revenue turnover.

NOTE 4:- OPERATING SEGMENTS

a. General:

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. Provident fund and pension fund management

   Provident funds - management of provident funds, including study funds. Provident fund products include provident and severance pay funds, study funds, central severance pay funds, central sick pay provident fund, central provident fund for budgetary pension participation, investment provident funds and investment provident funds – Savings for Every Child.

   Pension funds - management of pension funds. Pension fund products include New Comprehensive Pension Fund and New General Pension Fund.

   In the provident fund and pension fund segments, revenues from management fees, 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 CODM does not attribute these expenses to a specific segment during decision making at the Company.

2. Other – management and initiation of alternative real estate investments.

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

NOTE 4:- OPERATING SEGMENTS (Cont.)

b. Operating segment reporting:

	Year ended December 31, 2022				
	Pension	Provident	Other	Unallocated to operating segment	Total
	NIS in thousands				
Revenues from management fees, net	106,793	1,176,199	-	-	1,282,992
Revenues from commissions	-	-	2,507	-	2,507
Net losses from investments and finance income	-	-	78	(5,439)	(5,361)
Other income	-	-	105	1,757	1,862
Total revenues	106,793	1,176,199	2,690	(3,682)	1,282,000
Commissions, marketing expenses and other acquisition expenses	18,284	435,523	439	-	454,246
Operating fees	4,820	25,007	-	-	29,827
Total joint expenses	23,104	460,530	439	-	484,073
Segment income (loss)	83,689	715,669	2,251	(3,682)	797,927
G&A, finance and other expenses allocated to the segment	449,332		3,736	16,694	469,762
Income (loss) after expense allocation	350,026		(1,485)	(20,376)	328,165

NOTE 4:- OPERATING SEGMENTS (Cont.)

	Year ended December 31, 2021			
	Pension	Provident	Unallocated to operating segment	Total
	NIS in thousands			
Revenues from management fees, net	91,875	1,331,837	-	1,423,712
Net losses from investments and finance income	-	-	(1,912)	(1,912)
Other income	-	-	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
G&A, finance and other expenses allocated to the segment	477,570		38,980	516,550
Income (loss) after expense allocation	396,421		(38,884)	357,537

NOTE 4:- OPERATING SEGMENTS (Cont.)

	Year ended December 31, 2020			
	Pension	Provident	Unallocated to operating segment	Total
	NIS in thousands			
Revenues from management fees, net	53,039	844,131	-	897,170
Net gains from investments and finance income	-	-	4,331	4,331
Other income	-	-	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
G&A, finance and other expenses allocated to the segment	302,520		8,359	310,879
Income (loss) after expense allocation	218,741		(2,149)	216,592

NOTE 5:- INTANGIBLE ASSETS

	Future management fees	Goodwill	Computer software	Total
	NIS in thousands			
Cost:				
Balance as of January 1, 2021	49,713	86,039	66,683	202,435
Initial consolidation	**) 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
Additions	-	-	*) 45,299	45,299
Balance as of December 31, 2022	278,510	297,290	147,404	723,204
Accumulated amortization and accumulated impairment losses:				
Balance as of January 1, 2021	(45,742)	(934)	(30,948)	(77,624)
Amortization in the year	(11,294)	-	(18,792)	(30,086)
Balance as of December 31, 2021	(57,036)	(934)	(49,740)	(107,710)
Amortization in the year	(21,142)	-	(31,555)	(52,697)
Balance as of December 31, 2022	(78,178)	(934)	(81,295)	(160,407)
Net book value:				
As of December 31, 2021	200,332	296,356	66,109	562,797
As of December 31, 2022	221,474	296,356	52,365	570,195

*) Additions for computer software include additions for internally developed software in the amount of NIS 14,983 thousand and NIS 11,077 thousand in 2022 and 2021, respectively.

**) See details in Note 3 above.

According to IAS 36, in order to test impairment of goodwill acquired in a business combination, the goodwill is allocated to each of the acquirer's cash-generating units whether or not other assets or liabilities of the acquiree are allocated to these units. Each unit to which goodwill is allocated:

(a) will represent the lowest level in the entity which monitors goodwill for internal management purposes; and

(b) will not be larger than an operating segment before segment aggregation.

NOTE 5:- INTANGIBLE ASSETS (Cont.)

Impairment of goodwill and intangible assets with an indefinite useful life

In order to test the impairment of goodwill and intangible assets, the Company examines whether the recoverable amount of the ash-generating unit exceeds its carrying amount. If so, the unit and assets allocated to it will be considered as unimpaired. If the carrying amount of the unit exceeds its recoverable amount, the Company recognizes an impairment loss.

On December 31, 2022, the Company measured the fair value of the provident and pension operation (including goodwill and future management fees) based on the Company's market price.

The estimated recoverable amount of the unit is higher than the carrying amount and therefore no provision for impairment is needed. The fair value measurement is classified as Level 2 in the fair value hierarchy (see Note 2k regarding fair value measurement for the definition of the various levels in the fair value hierarchy).

It should be noted that as of December 31, 2022, the Company's market value was approximately NIS 1,636 million, compared with equity of approximately NIS 447.9 million (December 31, 2021 – approximately NIS 3,305 million and NIS 551.5 million, respectively).

Change in estimate of future management fees

As per Altshuler Provident's estimate, until March 31, 2022, the period of amortization of customer relations acquired in the Psagot transaction was 16 years for members of the Psagot Gadish Provident Fund merged into the Altshuler Shaham Provident Fund and 11 years for members of the Psagot Si Study Fund merged into the Altshuler Shaham Study Fund.

From April 1, 2022, based on an examination of the estimated period for generating income from management fees conducted by it, Altshuler Provident updated the estimated amortization period of customer relations for members of the Psagot Gadish Provident Fund and for members of the Psagot Si Study Fund to 11 and 10 years, respectively.

The cumulative effect of the change in estimate as above in 2022 amounted to an increase of approximately NIS 5.1 million in amortization expenses.

NOTE 6:- LEASES

Disclosures for leases in which the Company acts as lessee

The Company has entered into leases of buildings and motor vehicles which are used for the Group's current operations.

Leases of buildings have lease terms of between 4 and 9 years whereas leases of motor vehicles have lease terms of 3 years.

Some of the leases entered into by the Company include extension options.

a. Information on leases:

	Year ended December 31,	
	2022	2021
	NIS in thousands	
Interest expense on lease liabilities	3,282	1,951
Finance income from subleasing right-of-use assets	1,754	171
Total cash outflow for leases, net of subleases	8,991	12,589

b. Lease extension options:

Lease of building on HaBarzel Street in Tel-Aviv

The Company has entered into multiple leases with respect to right-to-use assets on HaBarzel Street in Tel-Aviv that include extension options. These options afford the Company flexibility in managing the lease transactions and adapting them to the Company's business needs.

The Company exercises significant judgement in deciding whether it is reasonably certain that the extension and termination options will be exercised.

In 2020, a lease extension agreement was signed with regard to right-to-use assets on HaBarzel Street in Tel-Aviv ("**the 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 another optional lease extension for 5 years, from January 1, 2026 through December 31, 2030. In February 2022, another lease extension agreement was signed ("**the New Lease**"), confirming exercise of the option included in the First Lease Extension Agreement. The New Lease set the rent for the term of the option period.

NOTE 6:- LEASES (Cont.)

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 will 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 will provide a budget to the lessee, as contribution towards refurbishment and adaptation work in the leasehold areas, as set forth in the lease.

Lease of building on Yohanan HaSandlar Street in Haifa

Pursuant to an agreement from December 2014 and revisions thereof, the Company leases a building from a company controlled by Ms. Galia Bar Wilf (a shareholder in the parent company) for operating the Company's service center in Haifa. The Company vacated the building in August 2022.

Lease of building on Sapir Street in Haifa

In March 2022, the Company entered into lease of an office building on Sapir Street in Haifa instead of the building on Yohanan HaSandlar Street in Haifa described above for performing some of its current operations. The lease is for a period of 5 years with an option for extension by another 5 years.

c. Net lease investment:

On August 26, 2021, the Company entered into a sublease with Value Capital One Management Ltd. ("**the Sublessee**") for some of the floors in Beit Psagot, 3 Rothschild Street, Tel Aviv. The lease stipulates the term of the sublease 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 ("**the Original Lease**"). See also Note 13c below. In consideration for the sublease, the Sublessee shall pay the Company monthly rent linked to the CPI, as well as additional payments as stipulated in the Original Lease. On May 9, 2022, the Company signed an addendum to the sublease with Value Capital One Management Ltd., Psagot Securities Ld. and Psagot Funds Ltd. for leasing additional floors in Beit Psagot. Also, on September 1, 2022, the Company signed another addendum to the sublease with Rani Zim Shopping Centers Ltd. for subleasing the other floors in Beit Psagot to the latter.

d. As of December 31, 2021, 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. In the reporting period, the remaining floors were returned to the owners of Beit Psagot. For more information see Notes 8 and 13c below.

NOTE 6:- LEASES (Cont.)

e. Disclosures in respect of right-of-use assets:

2022

	Buildings	Vehicles	Total
	NIS in thousands		
Cost:			
Balance as of January 1, 2022	42,372	9,046	51,418
Additions during the year:			
Additions to right-of-use assets for new leases in the period	33,251	5,584	38,835
Reclassification from assets held for sale	5,098	-	5,098
Adjustments for indexation	2,291	208	2,499
Disposals during the year:			
Reclassification to assets held for sale	(1,521)	-	(1,521)
Adjustments for changes in lease terms *)	(30,361)	(2,178)	(32,539)
Balance as of December 31, 2022	51,130	12,660	63,790
Accumulated depreciation:			
Balance as of January 1, 2022	9,260	5,626	14,886
Additions during the year:			
Depreciation	6,256	3,142	9,398
Reclassification to assets held for sale	(442)	-	(442)
Provision for impairment	850	-	850
Disposals during the year *)	(7,928)	(1,203)	(9,131)
Balance as of December 31, 2022	7,996	7,565	15,561
Depreciated cost at December 31, 2022	43,134	5,095	48,229

*) Includes derecognition for sublease of certain floors in Beit Psagot totaling NIS 19.9 million (see also paragraph c above) and termination of lease of building on Yohanan HaSandlar Street in Haifa totaling NIS 2.5 million.

See the maturity profile of lease liabilities in Note 11e below.

NOTE 6:- LEASES (Cont.)

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-of-use assets for new leases in the period	10,083	2,918	13,001
Initially consolidated company *)	52,974	3,144	56,118
Adjustments for indexation	1,443	79	1,522
Disposals during the year:			
Reclassification to assets held for sale ****)	(9,294)	-	(9,294)
Adjustments for changes in lease terms **)	(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
Reclassification to assets held for sale ****)	(3,925)	-	(3,925)
Provision for impairment **)	5,193	-	5,193
Disposals during the year **)	(1,418)	(1,362)	(2,780)
Balance as of December 31, 2021	9,260	5,626	14,886
Depreciated cost at December 31, 2021	33,112	3,420	36,532

*) See also Notes 3 above and 13c below.

**) Includes derecognition for return of certain floors in Beit Psagot and in the Company's offices. The return of the floors in Beit Psagot and in the Company's offices resulted in a decrease of NIS 22.2 million and NIS 4.4 million in the Company's right-of-use assets, respectively. Also, in 2021, the Company recognized a provision of NIS 5,193 thousand for vacating some of the floors in Beit Psagot which were expected to be replaced by other lessees within a year. The provision was paid in the reporting period.

***) See the maturity profile of lease liabilities in Note 11e below.

****) See also Note 8 below.

NOTE 7:- DEFERRED ACQUISITION COSTS

a. Composition:

	December 31,	
	2022	2021
	NIS in thousands	
Pension	93,112	99,225
Provident	196,646	254,346
	289,758	353,571

b. Movement in DAC:

	Pension	Provident	Total
	NIS in thousands		
Balance as of January 1, 2021	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
Additions	6,953	12,745	19,698
Current amortization	(13,066)	(70,445)	(83,511)
Balance as of December 31, 2022	93,112	196,646	289,758

As of the reporting date, the Company estimated the expected useful life of the asset, see details in Note 2f above.

Moreover, as required in IFRS 15, "Revenue from Contracts with Customers", the Company conducted a test of impairment for the asset as of December 31, 2022. As of the valuation date, the amount of the outstanding consideration which the Company expects to receive is higher than the carrying amount of the DAC and therefore no impairment loss was recorded. The calculation of the consideration relied on the value in use of each portfolio tier which reflects its recoverable amount. The value in use is determined in a valuation of the cash flows of each portfolio tier for a period of 15 years from January 1, 2023 through the end of 2037 using the DCF method based on forecasts obtained from the Company's Management as of the valuation date using a WACC of 10.5% (after taxes).

Regarding the assumptions underlying the calculation of the consideration which the Company expects to receive, Management believes that there are no potential changes in the key assumptions underlying the calculation which are likely to cause the carrying amount of the unit to significantly exceed the value of the consideration which the Company expects to receive.

NOTE 8:- ASSETS HELD FOR SALE

Further to Note 13c 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 will 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. In the reporting period, these floors were returned to the owner. For more information see Note 6d above.

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

	December 31,	
	2022	2021
	NIS in thousands	
Assets:		
Right-of-use asset	-	5,368
Right-of-use assets	-	5,368
Liabilities:		
Lease liability	-	(10,507)
Liabilities attributable to assets held for sale	-	(10,507)
Liabilities attributable to assets held for sale, net	-	(5,139)

NOTE 9:- PROPERTY, PLANT AND EQUIPMENT

2022

	Motor vehicles	Office furniture and equipment	Computers and peripheral equipment	Leasehold improvements	Total
	NIS in thousands				
Cost:					
Balance at January 1, 2022	154	6,281	28,479	21,950	56,864
Additions during the year	-	803	8,246	12,783	21,832
Disposals during the year	-	-	(49)	(1,152)	(1,201)
Balance at December 31, 2022	154	7,084	36,676	33,581	77,495
Accumulated depreciation:					
Balance at January 1, 2022	154	2,435	24,212	10,144	36,945
Additions during the year	-	457	4,347	3,038	7,842
Disposals during the year	-	-	(24)	(625)	(649)
Balance at December 31, 2022	154	2,892	28,535	12,557	44,138
Depreciated cost at December 31, 2022	-	4,192	8,141	21,024	33,357

2021

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

NOTE 10:- OTHER ACCOUNTS RECEIVABLE

	December 31,	
	2022	2021
	NIS in thousands	
Income receivable *)	12,015	13,911
Payroll tax receivable	4,799	9,310
Indemnification asset receivable for Psagot transaction **)	15,795	16,491
Insurance asset receivable ***)	-	14,600
Prepaid expenses	11,899	13,527
Prepaid agent commissions (1)	4,109	1,353
Related parties	521	875
Loans to employees	178	216
Other receivables	1,926	1,886
(1) Less allowance for doubtful accounts	(161)	(471)
	51,081	71,698

*) Supplementing income from management fees from provident and pension funds for December 2022 and 2021.
**) See also Note 13c below.
***) See also Note 27c(2) below.

See information of linkage bases of assets and liabilities in Note 11d(3) below.

NOTE 11:- FINANCIAL INSTRUMENTS

a. General:

The Group's core operation, which is performed by Altshuler Provident, is managing provident and pension funds. The Group's activities expose it to the following risks: market risks, credit risks (counterparty risk), liquidity risks and operational risks.

b. Description of risk management procedures and methods:

Risk management is an inherent part of the Group's day-to-day operations in making investments. In risk management, the Group strives to identify, measure and analyze the risk facing the Group, 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 Group operations. The Group, through training, procedures and controls, strives to develop an efficient control environment, where all employees understand their role and commitment.

c. Legal requirements

The Group has appointed a Financial Risk Officer for provident funds managed by Altshuler Provident, 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.

NOTE 11:- FINANCIAL INSTRUMENTS (Cont.)

d. Market risks:

1. Market risk is the risk that the future fair value or cash flows of financial assets and financial liabilities will change due to changes to market prices. Market risks include, inter alia, risk due to changes to interest rates, share prices and financial instruments, the Consumer Price Index and currency exchange rates, other price risk and fair value in respect of interest rate risk.

2. Sensitivity tests regarding market risks:

Below is the assessment of sensitivity and changes to carrying amount of financial assets, representing the various categories of debt assets, 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.

December 31, 2022

	Interest rate (a)	
	+1%	-1%
	NIS in thousands	
Gain (loss)	(6,611)	6,610
Comprehensive income (equity)	(6,611)	6,610

December 31, 2021

	Interest rate (a)	
	+1%	-1%
	NIS in thousands	
Gain (loss)	(3,899)	3,864
Comprehensive income (equity)	(3,899)	3,864

(a) Sensitivity analysis to change in interest rate applies to instruments bearing both fixed interest and variable interest. As for instruments bearing fixed interest, the exposure relates to the carrying amount of such instrument, whereas for instruments bearing variable interest, the exposure is with regard to cash flow. To calculate sensitivity, the Company accounts for a change in interest rate since the start of the year, even for assets acquired during the year.

(b) The sensitivity analysis of comprehensive income accounts for the effect on pretax income (loss) in the period.

(c) The sensitivity analyses are based on the carrying amount and not the economic value.

NOTE 11:- FINANCIAL INSTRUMENTS (Cont.)

3. The linkage bases of the Group's assets and liabilities:

	December 31, 2022			
	Unlinked	Linked to CPI	Non-financial and other items	Total
	NIS in thousands			
Assets:				
Intangible assets	-	-	562,797	562,797
Right-of-use assets	-	-	48,229	48,229
Net investment in lease	-	56,481	-	56,481
Deferred acquisition costs	-	-	289,758	289,758
Property, plant and equipment	-	-	33,357	33,357
Other accounts receivable	34,383	4,799	11,899	51,081
Current tax assets	-	13,339	-	13,339
Deferred tax assets	-	-	4,287	4,287
Financial investments:				
Quoted debt assets	162,383	-	-	162,383
Other debt assets	9,846	-	-	9,846
Total financial investments	172,229	-	-	172,229
Cash and cash equivalents	96,521	-	-	96,521
Total assets	303,133	74,619	950,327	1,328,079
Total equity	-	-	493,133	493,133
Liabilities:				
Deferred tax liabilities	-	-	26,762	26,762
Employee benefit liabilities	-	-	3,870	3,870
Current tax liabilities	-	819	-	819
Other accounts payable	140,354	6,803	-	147,157
Lease liabilities	-	109,123	-	109,123
Financial liabilities	547,215	-	-	547,215
Total liabilities	687,569	116,745	30,632	834,946
Total equity and liabilities	687,569	116,745	523,765	1,328,079
Total balance sheet exposure	(384,436)	(42,126)	426,562	-

NOTE 11:- FINANCIAL INSTRUMENTS (Cont.)

	December 31, 2021			
	Unlinked	Linked to CPI	Non-financial and other items	Total
	NIS in thousands			
Assets:				
Intangible assets	-	-	570,195	570,195
Right-of-use assets	-	-	36,532	36,532
Net investment in lease	-	24,756	-	24,756
Deferred acquisition costs	-	-	353,571	353,571
Property, plant and equipment	-	-	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:				
Quoted debt assets	235,927	-	-	235,927
Other debt assets	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
Employee benefit liabilities	-	-	6,004	6,004
Current tax liabilities	-	46,737	-	46,737
Other accounts payable	270,724	-	-	270,724
Lease liabilities	-	71,897	-	71,897
Liabilities attributable 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 balance sheet exposure	(337,868)	(95,075)	432,943	-

NOTE 11:- FINANCIAL INSTRUMENTS (Cont.)

e. Liquidity risk:

Liquidity risk is the risk that the Group will be required to sell assets at a lower price, in order to meet its obligations. For example, a potential need to raise resources unexpectedly and within a short period of time, may require rapid disposal of assets at prices below the market value for such assets.

As of December 31, 2022, the Group has positive working capital of NIS 28.5 million (December 31, 2021 – positive working capital of NIS 224.4 million). The Group does not anticipate any liquidity risk with respect to meeting any of its obligations.

Future maturities

The table below provides a summary of anticipated maturities of the Company's financial liabilities. As these amounts include future interest payments, they do not match the carrying amount of the financial liabilities in the statement of financial position.

Maturities of financial liabilities were included based on contractual maturities. In contracts where the counterparty 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			
December 31, 2022				
Financial liabilities	128,343	227,561	191,311	547,215
Lease liabilities	16,548	63,944	28,631	109,123
December 31, 2021				
Financial liabilities	49,390	367,561	240,701	657,652
Lease liabilities	13,202	46,102	12,592	71,897

f. Credit risks:

The Group's debt assets consist of government bonds traded in Israel and carried at fair value. The bonds are rated AA or higher.

The Group's off-balance sheet instruments consist of the Company's guarantee to secure office leases. This guarantee is not rated. See also Note 27e below.

NOTE 11:- FINANCIAL INSTRUMENTS (Cont.)

Details of exposure of investments in quoted and unquoted financial debt assets to economic sectors:

	December 31, 2022	
	Balance sheet credit risk	
	Amount in NIS in thousands	% of total
Market sector		
State bonds	162,383	94.28
Unquoted debt assets	9,846	5.72
Total	172,229	100

	December 31, 2021	
	Balance sheet credit risk	
	Amount in NIS in thousands	% of total
Market sector		
State bonds	235,927	96.3
Unquoted debt assets	9,150	3.7
Total	245,077	100

g. Information of financial investments:

1. Composition:

	December 31,	
	2022	2021
	NIS in thousands	
Quoted debt assets at FVPL *)	162,383	235,927
Unquoted debt assets at FVOCI **)	3,541	2,100
Unquoted debt asset at FVPL (see 3 below)	6,305	7,050
	172,229	245,077

*) Government bonds and short-term government loans bearing unlinked fixed interest which are presented at fair value through profit or loss.

**) Corporate debentures which are presented at fair value through other comprehensive income.

NOTE 11:- FINANCIAL INSTRUMENTS (Cont.)

2. Classification of financial instruments as per the fair value hierarchy:

The carrying amount of cash and receivables approximates their fair value.

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
	NIS in thousands			
Quoted debt assets at FVPL	162,383	-	-	162,383
Unquoted debt asset at FVOCI	-	3,541	-	3,541
Unquoted debt assets at FVPL	-	-	*) 6,305	6,305
Total	162,383	3,541	6,305	172,229

*) See paragraph 3 below.

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
	NIS in thousands			
Quoted debt assets at FVPL	235,927	-	-	235,927
Unquoted debt asset at FVOCI	-	2,100	-	2,100
Unquoted debt assets at FVPL	-	-	7,050	7,050
Total	235,927	2,100	7,050	245,077

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

The fair value of expected future gains plus income receivable as of December 31, 2022 and 2021 was estimated at approximately NIS 6.3 million and NIS 7.1 million, respectively. In 2022 and 2021, expected future gains plus income receivable were discounted using a 7% discount rate.

In 2022 and 2021, the Company recognized a loss from revaluation of another debt asset, amounting to NIS 646 thousand and NIS 446 thousand, respectively, which was charged to finance income.

Major assumptions used to calculate expected future gains as of December 31, 2022

Real discount rate: 7%.
Annual cancellation rate between 8.5%-17.6% and annual redemption rate between 9.6%-15.25%.
Premiums and reinsurer premiums were determined based on tariff tables for different insurance coverages.
Reinsurance rate of 90% and claims at 75% of reinsurance premium.
Commissions and expenses based on various agreements with insurance agents and insurance portfolio operator.

NOTE 12:- CASH AND CASH EQUIVALENTS

	December 31,	
	2022	2021
	NIS in thousands	
Cash and deposits for immediate withdrawal	96,521	296,570

As of the statement of financial position date, cash in banks earns current interest based on the interest rate on daily bank deposits of 2.95%-3.00% (December 31, 2021 – 0.01%-0.07%).

As for linkage terms of cash and deposits for immediate withdrawal, see Note 13d(3) below.

NOTE 13:- INVESTMENTS IN INVESTEES

a. Provident and pension operation:

See information of the business restructuring and merger transaction with Altshuler Provident in Note 1b above.

b. Altshuler Real Estate's operation:

On May 30, 2022, the Company's Board decided to establish an alternative real estate investment development and management operation ("**the alternative real estate investment operation**") in the context of which the Company will initiate alternative real estate investments and, through a special purpose subsidiary will serve as general partner and/or manager in special purpose partnerships and/or funds to be founded for the purpose of the alternative real estate investment operation. The planned business outline for making real estate investments by Altshuler Real Estate consists of several steps: (1) identifying potential investments independently and through third parties; (2) conducting a preliminary analysis of potential investments through due diligence studies and term sheets; (3) studying the business plan, visiting the property, analyzing the real estate developer and the material underlying risks; (4) raising capital and/or debt from private investors by incorporating them in a specific or several investment funds; (5) preparing and signing transaction documents, including legal agreements of capital and/or debt investments by the incorporating entity.

Consequently, on June 28, 2022, Altshuler Real Estate was founded as a private company limited in shares which is 80.75% owned by the Company, 7% owned by Ms. Sharon Gerszbejn who serves as Deputy CEO and CFO, and 12.25% owned by Mr. Earl Zinn. On August 1, 2022, Altshuler Real Estate's shareholders entered into an agreement which settles their business relationship, including the management of Altshuler Real Estate, share dispositions and Buy Me Buy You mechanisms.

For the purpose of developing the alternative real estate investment segment, the Company entered into service agreements with Altshuler Real Estate (directly) and with Altshuler Properties (indirectly through Altshuler Real Estate) according to which the Company and Altshuler Real Estate will mutually provide various real estate management and development services, as applicable.

NOTE 13:- INVESTMENTS IN INVESTEES (Cont.)

In the reporting period, the approvals of those charged with corporate governance in the Company, including the general meeting of shareholders, were obtained. It should be noted that in the reporting period, Altshuler Real Estate began operating in the alternative real estate investment market by completing an initial investment round through a European fund operating in this market. The investment raised in the reporting period amounted to approximately € 24,000 thousand.

In 2022, the Company recognized NIS 2,507 thousand and NIS 105 thousand in revenues from project development commissions and current project management commissions, respectively.

See more information of the service agreement signed between the Company and Altshuler Real Estate and the service agreement signed between Altshuler Real Estate and Altshuler Properties in Notes 25e(3)(b) and 25e(2)(h) below.

c. Agreement for acquisition of Psagot:

On February 12, 2021, Altshuler Provident entered into an agreement for the acquisition of the entire issued and outstanding share capital of Psagot Investment House Ltd. ("**Psagot**" and "**the Acquisition Agreement**", respectively) from Himalaya F.S. Ltd. ("**the Seller**").

On May 12, 2021, Altshuler Provident closed the acquisition of the entire issued and outstanding share capital of Psagot from the Seller ("**the Closing Date**"), in return for 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 mechanisms for adjustment of the Consideration in the year following the 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 Altshuler Provident and the Seller with regard, inter alia, to the Consideration adjustment mechanisms. These disputes have been brought before an agreed arbiter, in conformity with provisions of the agreement. In the reporting period through the report publication date, two of the disputes between the parties have been resolved by the arbiter in immaterial amounts whose cumulative effect on the Company's results is immaterial. As of the report dare, there certain disputes pending resolution. See information of the purchase price in the Acquisition Agreement in Note 3 above.

On December 21, 2021, a statutory merger was completed whereby Psagot and Psagot Provident and Pension Funds Ltd. ("**Psagot Provident**") were merged with and into the Company ("**the Merger**"). Upon closing of the Merger, the merging companies' entire business operations, assets and liabilities were transferred to Altshuler Provident. In the context of the Psagot transaction, Altshuler Provident entered into transactions to sell parts of Psagot operations, including a transaction to sell Psagot Mutual Funds Ltd. and Psagot Securities Ltd. and including a transaction signed by Psagot Provident with Harel Pension and Provident Funds Ltd. for the sale of the operation of the new pension fund and several provident funds, including investment provident fund, Savings for Every Child, personally managed provident and study fund and the veteran H.A.L pension fund. The Company did not recognize any material gain or loss from the closing of these transactions.

NOTE 13:- INVESTMENTS IN INVESTEES (Cont.)

In addition, Altshuler Provident was awarded certain reliefs for the minimum shareholders' equity requirements regarding the period from the Closing Date to the date of completion of the Merger of Psagot Provident into Altshuler Provident, as per Article 323 to the Companies Law, and for a 12-month period from the date of completion of the Merger as long as Altshuler Provident does not distribute the relief amounts as dividends. The minimum shareholders' equity requirements in respect of the acquisition of Psagot and the above reliefs granted to Altshuler Provident as per the control permit ended in the reporting period.

NOTE 14:- EQUITY

a. Composition of share capital:

	December 31,			
	2022		2021	
	Authorized	Issued and outstanding	Authorized	Issued and outstanding
	Number of shares			
Ordinary shares of NIS 0.01 par value each	400,000,000	197,290,963	400,000,000	196,745,378

b. Movement in share capital:

Issued and outstanding share capital:

	Number of shares	NIS par value
Balance at January 1, 2021	191,659,108	0.01
Exercise of employee stock options	586,270	0.01
Issue of shares *)	4,500,000	0.01
Balance at December 31, 2021	196,745,378	0.01
Exercise of employee stock options	545,585	0.01
Balance at December 31, 2022	197,290,963	0.01

*) On December 15, 2021, the Company issued 4,500,000 Ordinary shares of NIS 0.01 par value each for net proceeds of approximately NIS 76 million. Issue expenses amounted to approximately NIS 1.3 million.

c. Rights attached to shares:

1. Voting rights at the general meeting, right to dividend, rights upon deemed liquidation of the Company.

2. Quoted on the TASE.

NOTE 14:- EQUITY (Cont.)

d. Dividend distribution policy:

On May 30, 2022, the Company's Board adopted a dividend distribution policy according to which, subject to the provisions of applicable undisputable laws, including the provisions of Article 302 to the Companies Law and at the Company's sole discretion, the Company will annually distribute to its shareholders at least 75% of its distributable profits in the relevant year as a dividend.

e. Dividends:

1. On May 30, 2022, the Company declared a dividend of NIS 200,000 thousand to be paid to its shareholders. The dividend per share amounts to NIS 1.01.

2. On August 30, 2022, the Company declared a dividend of NIS 40,000 thousand to be paid to its shareholders. The dividend per share amounts to NIS 0.20.

3. On November 28, 2022, the Company declared a dividend of NIS 38,000 thousand to be paid to its shareholders. The dividend per share amounts to NIS 0.19.

4. On March 21, 2023, after the reporting date, the Company declared a dividend of NIS 32,000 thousand to be paid to its shareholders. The dividend per share amounts to NIS 0.16.

f. Capital reserves:

Capital reserve for transaction with related party

1. With respect to share-based payment to employees of Altshuler Provident for exercise at Altshuler Shaham Ltd. - in 2021, the Company recognized expenses with respect to share-based payment amounting to NIS 397 thousand which were charged to equity. See also Note 26b.

2. With respect to share-based payment to employees of Altshuler Shaham Ltd. for exercise at the Group - in 2022 and 2021, the Group recognized expenses with respect to share-based payment with regard to stock options of employees of Altshuler Shaham Ltd. amounting to NIS 1,863 thousand and NIS 3,542 thousand, respectively, which were charged to a capital reserve.

NOTE 15:- TAXES ON INCOME

a. Details of the tax environment in which the Group operates:

1. Corporate tax rate:

The Israeli corporate tax rate is 23%. A company is taxable on its real capital gains at the corporate tax rate in the year of sale.

2. Profit tax:

Some of the Group companies are financial institutions, as this term is defined in the Value Added Tax Law, 1975. According to this law, in addition to corporate tax (23%), financial institutions are also subject to profit tax.

The profit tax rate is 17% and the statutory tax rate applicable to financial institutions is 34.19%.

b. The Company and Altshuler Real Estate have not been issued final tax assessments since inception date. Altshuler Provident has been issued final tax assessments through the 2017 tax year.

c. Carryforward tax losses:

The Group has capital losses for tax purposes that are carried forward to future years totaling approximately NIS 18,327 thousand as of December 31, 2022. Deferred tax assets of approximately NIS 4,215 thousand were recorded in the financial statements in respect of these losses.

As of December 31, 2022, the Group has carryforward business losses of approximately NIS 259 million arising from current business losses of Altshuler Real Estate in a total of approximately NIS 1.7 million and carryforward business losses of approximately NIS 257.3 million due to the merger of Psagot, as explained in Note 13c above.

The Group's carryforward losses from the Psagot merger are subject to offset limitations in view of the business restructuring which was conducted under a tax exemption as per Section 103 to the Income Tax Ordinance.

Deferred tax assets of approximately NIS 25 million were recorded in the financial statements in respect of carryforward business losses totaling approximately NIS 108.8 million. No deferred taxes were recognized in respect of business losses totaling approximately NIS 148.5 million.

NOTE 15:- TAXES ON INCOME (Cont.)

On December 19, 2021, a pre-ruling was obtained from the Israel Tax Authority ("**the ITA**") with regard to the merger of Psagot Provident with and into Psagot and into Altshuler Provident. The pre-ruling stipulated the following key conditions:

1. No new rights shall be allocated with respect to the mergers in Psagot and Altshuler Provident to shareholders thereof.

2. Upon sale of shares of Altshuler Provident, the cost of investment in shares of Psagot Provident and Psagot will not be added to the original price of such shares.

3. The mergers will not result in creation of any intangible assets, balances and/or capitalized amounts.

4. The original price of the shares transferred to Psagot and to Altshuler Provident upon the merger and the balance of the original price, the acquisition value and the acquisition date will be as they were in Psagot Provident as if the shares had not been transferred, pursuant to Section 103E to the Ordinance.

5. No changes will be made to ownership of assets owned by the companies taking part in this restructuring.

6. Any expenses accrued by Psagot or Psagot Provident and/or Altshuler Provident through the merger date (which are tax deductible) will be subject to provisions of Section 103H of the Ordinance with regard to offset of the transferred losses.

    6.1 Losses transferred from Psagot - offset of losses transferred from Psagot against taxable income of Altshuler Provident as from the tax year following the merger, which may be carried forward pursuant to Sections 28, 29 or 92 of the Ordinance, shall be made at 10% of the transferred loss amount or 25% of Psagot's taxable income, whichever is lower.

    6.2 Losses transferred from Psagot Provident - offset of losses transferred from Psagot Provident against taxable income of Altshuler Provident as from the tax year following the merger, which may be carried forward pursuant to Sections 28, 29 or 92 of the Ordinance, shall be made at 20% of the transferred loss amount or 50% of Psagot Provident's taxable income, whichever is lower.

    6.3 It is clarified that total offset of cumulative loss, as set forth in subparagraphs 6.1 and 6.2 above, may not exceed 25% of Altshuler Provident's taxable income in the same tax year before offsetting losses from years preceding the merger.

7. Offset of prepayments for surplus expenses - may be offset against tax or appreciation tax at 10% or 20% annually, respectively.

NOTE 15:- TAXES ON INCOME (Cont.)

d. Taxes on income included in profit or loss:

	Year ended December 31,		
	2022	2021	2020
	NIS in thousands		
Current taxes	85,159	131,950	79,021
Taxes in respect of previous years	(352)	925	(1,530)
Deferred taxes	13,248	5,125	844
VAT on intragroup management fees	17,251	-	-
	115,306	138,000	78,335

e. Taxes on income relating to other comprehensive income (loss) items:

	Year ended December 31,		
	2022	2021	2020
	NIS in thousands		
Tax (benefit) expense for actuarial loss on defined benefit plans	(649)	(2,119)	121

NOTE 15:- TAXES ON INCOME (Cont.)

f. Deferred taxes:

	DAC	Employee benefits	Goodwill and intangible assets	Right-of-use assets	Lease liabilities	Property plant and equipment	Investment in securities	Employee options	Financial liabilities	Carry-forward capital loss	Carry-forward business loss	Payables	Asset held for sale, net	Lease asset receivable	Total
	NIS in thousands														
Balance of deferred tax assets (liabilities) at January 1, 2021	(3,037)	2,859	(7,742)	(5,180)	5,252	(1,891)	(551)	2,722	(198)	924	-	-	-	-	(6,842)
Initial consolidation	19,401	2,125	(78,023)	(19,187)	24,255	22,378	-	-	2,009	-	22,285	6,814	-	-	2,057
Changes carried to profit or loss	(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 carried to discontinued operation	(812)	(216)	175	-	-	-	-	-	-	-	-	-	-	-	(853)
Changes carried to other comprehensive income	-	2,119	-	-	-	-	-	-	-	-	-	-	-	-	2,119
Balance of deferred tax assets (liabilities) at 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)
Changes carried to profit or loss	(2,065)	(1,267)	6,788	830	6,935	(7,147)	1,984	(1,580)	-	3,303	(3,874)	(4,552)	(1,757)	(10,847)	(13,249)
Changes carried to other comprehensive income	-	(649)	-	-	-	-	-	-	-	-	-	-	-	-	(649)
Transfer of employees with continuation of rights	-	67	-	-	-	-	-	-	-	-	-	-	-	-	67
Balance of deferred tax assets (liabilities) at December 31, 2022	12,264	2,699	(75,334)	(11,660)	31,517	2,835	2,144	1,700	-	4,215	25,419	1,037	-	(19,311)	(22,475)

NOTE 15:- TAXES ON INCOME (Cont.)

g. Theoretical tax:

The reconciliation between the tax amount that would have applied, assuming that all the income and expenses, gains and losses in profit or loss were taxed at the statutory tax rate, and the taxes on income recorded in profit or loss as follows:

	Year ended December 31,		
	2022	2021	2020
	NIS in thousands		
Income before taxes on income	328,165	357,537	216,592
Statutory tax rate	23%	34.19%	34.19%
Tax computed at the statutory tax rate	75,478	122,235	74,052
Increase (decrease) in taxes on income arising from the following factors:			
Cost of share-based payment	2,028	3,236	2,604
Effect of creation of deferred taxes at different rate than statutory rate	353	3,409	-
Taxes in respect of previous year	(352)	925	1,162
Interest and income tax linkage expenses	262	96	391
Nondeductible expenses	3,316	1,758	1,426
Utilization of carryforward losses for which deferred taxes were not recorded in the past	(3,303)	-	-
Gain for tax purposes for which no deferred tax was recognized	-	(136)	(1,320)
Increase in carryforward losses for which deferred taxes were not recorded in the period	(1,596)	6,568	-
Differences in respect of different tax rate applicable to Group companies (financial institutions)	38,100	-	-
Other	1,020	(91)	20
Taxes on income	115,306	138,000	78,335
Effective tax rate	35.14%	38.60%	36.17%

NOTE 16:- EMPLOYEE BENEFIT ASSETS AND LIABILITIES

Employee benefits consist of short-term benefits, post-employment benefits, other long-term benefits and termination benefits.

a. Post-employment benefits:

According to the labor laws and Severance Pay Law in Israel, the Company 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 liability is accounted for as a post-employment benefit. The computation of the Company's employee benefit liability is made in accordance with a valid employment contract based on the employee's salary and employment term which establish the entitlement to receive the compensation.

The post-employment employee benefits are normally financed by contributions classified as defined benefit plans or as defined contribution plans, as detailed below.

1. Defined contribution plans:

Section 14 to the Severance Pay Law, 1963 applies to part of the compensation payments, pursuant to which the fixed contributions paid by the Group 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.

	Year ended December 31,		
	2022	2021	2020
	NIS in thousands		
Expenses in respect of defined contribution plans	7,980	9,182	5,566

2. Defined benefit plans:

The Group 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 Group deposits amounts in central severance pay funds and in qualifying insurance policies.

NOTE 16:- EMPLOYEE BENEFIT ASSETS AND LIABILITIES (Cont.)

a) Changes in the defined benefit obligation and fair value of plan assets:

2022:

		Expenses carried to profit or loss					Loss from remeasurement in OCI					
	Balance as of January 1, 2022	Current service cost	Net interest expense	Total expense recognized in profit or loss for the period	Payments from the plan	Relocation of employees	Actuarial loss arising from changes in financial assumptions	Actuarial loss arising from experience adjustments	Total effect on other comprehensive income for the period	Payroll tax of financial institution	Contributions by employer	Balance as of December 31, 2022
	NIS in thousands											
Defined benefit obligation	19,610	1,115	528	1643	(1,975)	341	(2,637)	(420)	(3,057)	(2,463)	-	14,099
Fair value of plan assets	13,606	-	371	371	(1,752)	147	(9)	(1,265)	(1,274)	(1,740)	871	10,228
Net defined benefit liability (asset)	6,004	1,115	157	1,272	(223)	194	(2,628)	845	(1,783)	(723)	871))	3,871

2021:

		Expenses carried to profit or loss					Loss from remeasurement in OCI					
	Balance as of January 1, 2021	Current service cost	Net interest expense	Total expense recognized in profit or loss for the period	Payments from the plan	Initial consolidation	Actuarial loss arising from changes in financial assumptions	Actuarial loss arising from experience adjustments	Total effect on other comprehensive income for the period	Payroll tax of financial institution	Contributions by employer	Balance as of December 31, 2021
	NIS in thousands											
Defined benefit obligation	12,954	1,514	478	1,992	(39,327)	35,491	529	7,004	7,533	967	-	19,610
Fair value of plan assets	9,917	-	413	413	(33,084)	32,847	2	900	902	535	2,076	13,606
Net defined benefit liability (asset)	3,037	1,514	65	1,579	(6,243)	2,644	527	6,104	6,631	432	(2,076)	6,004

NOTE 16:- EMPLOYEE BENEFIT ASSETS AND LIABILITIES (Cont.)

b) The plan assets:

The plan assets consist of assets held by a long-term employee benefit fund (provident fund for employees and pension funds) and the appropriate insurance policies.

c) The principal assumptions underlying the defined benefit plan:

	2022	2021
	%	
Discount rate (1)	5.56	3.27
Expected rate of salary increase	5.81	5.65

(1) The discount rate is based on high-quality CPI-linked corporate debentures.

NOTE 17:- OTHER ACCOUNTS PAYABLE

	December 31,	
	2022	2021
	NIS in thousands	
Employees and payroll accruals	27,422	34,350
Accrued vacation and recreation pay	6,835	7,298
Agent commissions payable	51,931	100,055
Accrued expenses	14,758	18,232
Related parties	13,202	9,635
Trade payables	10,630	19,502
Interest payable	512	341
Legal claims	3,030	18,899
Liability for Psagot transaction *)	6,696	43,180
Government institutions	6,803	-
Other	5,338	19,232
	147,157	270,724

*) See details in Note 13 above.

As for linkage terms of assets and liabilities, see Note 13d(3) above.

NOTE 18:- FINANCIAL LIABILITIES

This Note provides information concerning the contractual terms of financial liabilities. For additional information about the Company's exposure to interest rate, foreign currency and liquidity risks, see Note 11 with regard to financial instruments.

a. Information of financial liabilities:

	December 31,			
	Carrying amount		Fair value	
	2022	2021	2022	2021
	NIS in thousands			
Financial liabilities presented at amortized cost:				
Loans from banks	*)547,728	*)657,993	**)470,684	**)646,025
Total financial liabilities	*)547,728	*)657,993	**)470,684	**)646,025

*) Includes accrued interest.

**) The fair value relies on future discounted cash flows (principal and interest) of each loan with the proper market interest in accordance with the Company's credit rating and the life of the relevant loan.

b1. Financial liabilities presented at amortized cost – interest and linkage:

	Effective interest	
	2022	2021
	%	
Linkage basis:		
NIS	1.4-4.8	1.4-2.0

b2. Maturity dates:

	December 31,	
	2022	2021
	NIS in thousands	
First year	128,344	49,390
Second year	79,390	219,390
Third year	49,390	49,390
Fourth year	49,390	49,390
Fifth year and thereafter	240,701	290,092
Total	547,215	657,652

NOTE 18:- FINANCIAL LIABILITIES (Cont.)

c. Additional information:

1. Credit facilities:

The Company has a bank credit facility of NIS 1,500 thousand bearing annual interest of Prime. As of December 31, 2022, this credit facility has not yet been utilized.

2. Bank loans:

See below	Date of loan receipt	Original loan amount	Interest rate	Balance at December 31, 2022 *)	Balance at December 31, 2021 *)	Original maturity date
		NIS in thousands		NIS in thousands		
A	September 14, 2021	250,000	2%	219,536	243,984	September 14, 2031
B	November 2, 2021	70,000	P-0.24%	-	70,011	November 1, 2023
C(1)	September 14, 2021	250,000	1.95%	218,960	243,929	September 14, 2031
C(2)	September 14, 2021	100,000	1.4%	50,338	100,069	September 14, 2031
C(3)	November 28, 2022	26,000	P-0.24%	26,109	-	March 28, 2023
C(3)	November 28, 2022	30,000	4.8%	30,135	-	November 28, 2024
C(4)	November 7, 2022	2,650	P+1%	2,650	-	August 31, 2023
				547,728	657,993	

*) Includes accrued interest.

(a) Loan agreement with Bank Leumi LeIsrael Ltd.:

Altshuler Provident received a loan of NIS 250 million on September 14, 2021 bearing fixed NIS interest of 2%. The loan principal is repayable in equal quarterly instalments over an amortization schedule of 10 years from the loan grant date and the interest is payable quarterly.

In 2022, 2021 and 2020, finance expenses incurred on this loan and on credit facilities repaid in 2021 and 2020 amounted to NIS 4,695 thousand, NIS 5,576 thousand and NIS 2,931 thousand, respectively.

NOTE 18:- FINANCIAL LIABILITIES (Cont.)

(b) Credit agreements with Bank Mizrahi Tefahot Ltd.:

On November 2, 2021, Altshuler Provident received a credit facility of NIS 100 million bearing annual interest of Prime less 0.24% which is paid on a monthly basis and replaces the credit facility of NIS 80 million received on August 16, 2020. As of December 31, 2021, Altshuler Provident had utilized NIS 70 million of this credit facility. On November 28, 2022, Altshuler Provident repaid the entire utilized credit from the bank.

In 2022, 2021 and 2020, finance expenses incurred on this credit facility amounted to NIS 1,187 thousand, NIS 2,533 thousand and NIS 1,052 thousand, respectively.

(c) Credit agreements with Bank HaPoalim Ltd.:

(1) Altshuler Provident received a loan of NIS 250 million on September 14, 2021 bearing fixed NIS interest of 1.95%. The loan principal is repayable in equal quarterly instalments over an amortization schedule of 10 years from the loan grant date and the interest is payable quarterly.

(2) Altshuler Provident received a loan of NIS 100 million on September 14, 2021 bearing fixed NIS interest of 1.4%. The loan is repayable in a lump sum at the end of two years from the loan grant date and the interest on the loan is payable quarterly. On March 3, 2022, Altshuler Provident repaid NIS 50 million of this loan.

(3) On March 29, 2022, the board of Altshuler Provident approved receiving another credit facility of NIS 100 million. On November 28, 2022. Altshuler Provident utilized NIS 56 million from the credit facility, of which an amount of NIS 26 million bears variable NIS interest of Prime less 0.24% in effect until March 28, 2023 and an amount of NIS 30 million bears fixed interest of 4.8% for a period of two years. See details of the extension of this credit facility after the reporting date in Note 28d below.

(4) On November 7, 2022, Altshuler Real Estate received a credit facility of NIS 4.5 million bearing interest of Prime + % in effect until August 31, 2023. As of December 31, 2022, Altshuler Real Estate has utilized NIS 2,650 thousand of the credit facility.

In 2022 and 2021, finance expenses incurred on the above loans and credit facilities from Bank HaPoalim amounted to NIS 5,425 thousand and NIS 3,587 thousand, respectively.

NOTE 18:- FINANCIAL LIABILITIES (Cont.)

(d) Bank loans received by Psagot:

See details of the fair value of bank loans received by Psagot before the merger completion date in Note 3 above. On September 9, 2021, Psagot repaid the entire outstanding bank loans. Finance expenses incurred in respect of this loan in the reporting period amounted to NIS 6,946 thousand.

(e) Financial covenants:

To secure the entire credit facilities received by Altshuler Provident from banks as above, it undertook to meet the following financial covenants:

(1) Altshuler Provident's revenues from management fees per quarter shall be at least NIS 200 million (*). Altshuler Provident's revenues from management fees in Q4 2022 approximated NIS 276 million.

(2) Altshuler Provident's shareholders' equity net of capital reserves shall be at least NIS 245 million. As of the report date, Altshuler Provident's shareholders' equity net of capital reserves amounted to approximately NIS 417 million.

(3) Debt coverage ratio - the balance of Altshuler Provident's debt and obligations towards banks, divided by EBITDA as recognized for the four most recent quarters, shall not exceed 2.8 (*). As of the report date, the debt coverage ratio is 1.5.

(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 4.

As of December 31, 2022, Altshuler Provident is in compliance with these financial covenants.

NOTE 18:- FINANCIAL LIABILITIES (Cont.)

(*) On November 28, 2022, the board of Altshuler Provident approved an update to the financial covenants in connection with existing credit facilities provided to it by banks as follows:

(1) Altshuler Provident's revenues from management fees per quarter shall be at least NIS 200 million (instead of NIS 250 million).

(2) The DSCR recorded in the four latest calendar quarters shall not exceed 2.8 (instead of 3.5 from September 30, 2022 to June 30, 2023, 3.3 from September 30, 2023 to June 30, 2024 and 3 from September 30, 2024 and thereafter).

The other financial covenants remained unchanged.

3. Loan from related party:

On July 26, 2017, the Company's Board approved entering into an agreement with a related party, including provision of a credit facility of 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. The amount borrowed, plus interest, will 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. Finance expenses charged with respect to this loan facility in 2020 amounted to NIS 1,365 thousand.

NOTE 19:- REVENUES FROM MANAGEMENT FEES FROM PROVIDENT AND PENSION FUNDS, NET

	Year ended December 31,		
	2022	2021	2020
	NIS in thousands		
Revenues from management fees from provident funds	1,177,943	1,338,595	856,722
Revenues from management fees from pension funds	107,475	96,326	54,420
Less – reimbursement of management fees to members	(2,426)	(11,209)	(13,972)
	1,282,992	1,423,712	897,170

NOTE 20:- NET GAINS (LOSSES) FROM INVESTMENTS AND FINANCE INCOME

	Year ended December 31,		
	2022	2021	2020
	NIS in thousands		
Changes in net fair value of assets held for sale	(7,089)	(1,973)	1,664
Gain from appreciation of capital note	-	-	2,436
Changes in net fair value of unquoted assets	(646)	(835)	-
Income from income tax interest	765	-	-
Income from interest and linkage differences on financial assets at FVPL	1,118	999	210
Other	491	(103)	21
	(5,361)	(1,912)	4,331

NOTE 21:- COMMISSIONS, MARKETING EXPENSES AND OTHER ACQUISITION COSTS

	Year ended December 31,		
	2022	2021	2020
	NIS in thousands		
Current commissions	376,000	444,078	302,839
Amortization of deferred acquisition costs	83,511	76,791	54,407
Less – payment settlement fees	(5,265)	(6,462)	(4,953)
	454,246	514,407	352,293

NOTE 22:- GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31,		
	2022	2021	2020
	NIS in thousands		
Wages and related expenses	213,279	257,170	176,151
Expenses to related parties, net	72,598	58,901	49,547
Depreciation and amortization	49,188	37,732	23,709
Operating fees (1)	29,827	35,314	23,616
Professional fees	12,010	15,034	5,456
Advertising and marketing including commissions	486,727	555,761	374,734
IT and communications	22,271	25,216	10,164
Office maintenance	16,183	13,477	4,601
Donations	7,194	7,190	5,403
Other	16,378	19,886	8,839
Total	925,655	1,025,681	682,220
Less – amounts classified in commissions, marketing expenses and other acquisition costs	(454,246)	(514,407)	(352,293)
Participation in Company expenses by:			
Altshuler Shaham Ltd. (2)	(12,372)	(8,553)	(9,418)
Others (3)	(2,473)	(2,670)	-
	456,564	500,051	320,509

(1) Altshuler Provident entered into an agreement with several operating companies for the ongoing operation of the provident and pension funds.

(2) See Note 25e(2) below.

(3) On August 26, 2021, the Company signed a mutual service agreement with Psagot Mutual Funds Ltd., Psagot Securities Ltd. and Value Capital One Management Ltd. which stipulates the various services to be provided by each party to the other, and the consideration. The services include staff, joint IT systems, information databases and other current settlements, if any.

NOTE 23:- OTHER EXPENSES

	Year ended December 31,		
	2022	2021	2020
	NIS in thousands		
Amortization of intangible assets	21,142	11,294	1,321
Other expenses relating to payment settlement fees	5,554	6,719	4,953
Capital loss on lease	816	7,705	-
Transaction costs *)	-	2,899	-
	27,512	28,617	6,274

*) See Notes 3 and 13c above.

NOTE 24:- FINANCE EXPENSES

	Year ended December 31,		
	2022	2021	2020
	NIS in thousands		
Liabilities to banks and others	11,478	18,639	5,378
Commissions and other finance expenses	2,456	2,228	448
Income tax interest	-	288	1,143
Finance expenses on lease	1,579	2,041	743
	15,513	23,196	7,712

NOTE 25:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES

a. Balances with interested and related parties:

December 31, 2022

	For terms see Note	Holder of material influence	Interested party and other related parties
		NIS in thousands	
Receivables (1) (2)		-	521
Payables (2)	25e	11,354	1,848

December 31, 2021

	For terms see Note	Holder of material influence	Interested party and other related parties
		NIS in thousands	
Receivables (1) (2)		-	822
Payables (1) (2)	25e	7,892	1,680
Lease liability (3)		-	2,368

(1) The highest balance of receivables in respect of interested party and other related parties in 2022 and 2021 amounted to NIS 12,000 thousand and NIS 1,500 thousand, respectively.

(2) Current balances arising from regular settlement of accounts between the Company and the Group companies.

(3) Pursuant to an agreement from December 2014 and revisions thereof, the Company leased a building from a company controlled by Ms. Galia Bar Wilf (a shareholder in the parent company) for operating the Company's service center in Haifa. The Company vacated the building in 2022 and leased a new building. See also Note 6b above.

NOTE 25:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (Cont).

b. Transactions with interested and related parties:

Year ended December 31, 2022

	For terms see Note	Holder of material influence	Interested party and other related parties
		NIS in thousands	
Other income	25e	(1,583)	-
General and administrative expenses	25e	67,966	10,962
Commissions, marketing expenses and acquisition costs	25e	-	4,121
Receipts from Altshuler Shaham Ltd.	25e	(12,372)	-
Capitalization of development costs to intangible assets	25e	-	5,738
Capitalization of DAC	25e	-	113
Cost of share-based payment to employees of Altshuler Shaham Ltd. for exercise at the Company	26c	1,863	-
		55,874	20,833

Year ended December 31, 2021

	For terms see Note	Holder of material influence	Interested party and other related parties
		NIS in thousands	
Other income	25e	(2,008)	-
General and administrative expenses	25e	51,785	14,456
Commissions, marketing expenses and acquisition costs	25e	-	5,115
Receipts from Altshuler Shaham Ltd.	25e	(8,553)	-
Capitalization of development costs to intangible assets	25e	-	6,396
Capitalization of DAC	25e	-	299
Cost of share-based payment to Company employees for exercise at Altshuler Shaham Ltd.	26b	397	-
Cost of share-based payment to employees of Altshuler Shaham Ltd. for exercise at the Company	26c	3,542	-
		45,163	26,266

NOTE 25:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (Cont).

Year ended December 31, 2020

	For terms see Note	Holder of material influence	Interested party and other related parties
		NIS in thousands	
Other income	25e	(1,879)	-
General and administrative expenses	25e	40,873	17,016
Commissions, marketing expenses and acquisition costs	25e	-	3,422
Receipts from Altshuler Shaham Ltd.	25e	(9,418)	-
Capitalization of development costs to intangible assets	25e	-	7,437
Capitalization of DAC	25e	-	439
Finance expenses	18c(3)	-	1,365
Cost of share-based payment to Company employees for exercise at Altshuler Shaham Ltd.	26c	2,432	-
Cost of share-based payment to employees of Altshuler Shaham Ltd. for exercise at the Company	26c	4,670	-
		36,678	29,679

c. Benefits to related and other interested parties:

	Year ended December 31,					
	2022		2021		2020	
	Number of people	Amount	Number of people	Amount	Number of people	Amount
		NIS in thousands		NIS in thousands		NIS in thousands
CEO's salary *)	1	1,933	1	1,928	1	1,927

*) The remuneration does not include payroll tax.

NOTE 25:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (Cont).

d. Benefits to related and other interested parties not employed by the Company:

	Year ended December 31,					
	2022		2021		2020	
	Number of people	Amount NIS in thousands	Number of people	Amount NIS in thousands	Number of people	Amount NIS in thousands
Directors not employed by the Company *)	10	1,681	7	1,629	7	1,418

*) The remuneration does not include VAT.

e. Income 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 are to be settled in cash. No guarantees were received nor provided with respect to amounts receivable or payable.

2. Agreements for settling accounts with related parties:

As of the date of this report, the Company has cooperation agreements with related parties, as follows:

a) Agreements with the parent company ("**Altshuler Shaham**"):

(1) On February 27, 2022, the service agreement between Altshuler Provident and Altshuler Shaham (the controlling shareholder in the Company) was revised, as were other agreements between Altshuler Provident and third parties in whose approval the controlling shareholders have a personal interest (Altshuler Shaham and said third parties jointly: "**the related parties**"), such that the Company will become party to these agreements, such that the services provided by the related parties to Altshuler Provident will be provided to the Company and to Altshuler Provident, as the case may be, and such that the services provided by Altshuler Provident will be provided by the Company to the related parties.

NOTE 25:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (Cont).

In this regard, the following agreements were revised: (1) service and expense allocation agreement between Altshuler Provident and Altshuler Shaham dated May 15, 2019; (2) unilateral commitment letter provided by Altshuler Shaham to Altshuler Provident on December 23, 2021, whereby Altshuler Shaham committed to provide the services pursuant to the service agreement, in conformity with statutory provisions and specific regulation applicable to Altshuler Provident, for no additional consideration; (3) service agreement between Altshuler Provident and Altshuler Shaham Properties Ltd. ("**Altshuler Properties**") dated May 15, 2019, which governs the relations between the parties and purchase of various services by Altshuler Properties; (4) agreement between Altshuler Provident and Altshuler Shaham Mutual Fund Management Ltd. ("**Altshuler Mutual Funds**") dated March 20, 2013, whereby Altshuler Provident will pay Altshuler Mutual Funds 50% of any expense incurred by Altshuler Mutual Funds with respect to participation in sports sponsorship to which Altshuler Provident has consented, on behalf of Altshuler Shaham Group; (5) service agreement between Altshuler Provident and Altshuler Shaham Trustees Ltd. dated August 20, 2019, for providing trustee service for share option plans for employees and officers; (6) service agreement between Altshuler Provident 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.

The consideration for services provided to the Group by Altshuler Shaham in 2022, 2021 and 2020 amounted to NIS 12,372 thousand, NIS 8,553 thousand and NIS 9,418 thousand, respectively. The payment for the services received by the Group from Altshuler Shaham in 2022, 2021 and 2020 amounted to NIS 67,966 thousand, NIS 51,785 thousand and NIS 40,873 thousand, respectively. The services provided to the Group by Altshuler Shaham include, inter alia, investment managers, human resources, IT, marketing communications and other services.

(2) Agreement between Altshuler Provident and Altshuler Shaham for marketing Altshuler Shaham's products by Altshuler Provident. This agreement was terminated with regard to future referrals, but Altshuler Provident continues to be entitled to commissions with respect to prior referrals, as agreed by the parties. On July 19, 2021, Altshuler Provident entered into a new agreement which settles the referral services with Altshuler Shaham according to which Altshuler Provident is entitled to commissions per referral for receiving portfolio management services. The consideration for these services in 2022, 2021 and 2020 amounted to NIS 1,583 thousand, NIS 2,008 thousand and NIS 1,879 thousand, respectively.

NOTE 25:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (Cont).

b) Agreement between Altshuler Provident and Altshuler Shaham Insurance Agency Ltd. ("**the Insurance Agency**"), specifying the services provided by the Insurance Agency to Altshuler Provident. For these services, Altshuler Provident paid in 2022, 2021 and 2020 NIS 6,295 thousand, NIS 6,497 thousand and NIS 8,137 thousand, respectively.

c) Agreement between the Group and Altshuler Shaham Mutual Fund Management Ltd., specifying the settlement of accounts between the companies with respect to services provided to the Group by Altshuler Shaham Mutual Fund Management Ltd. and vice versa. For these services, the Company paid in 2022, 2021 and 2020 NIS 1,707 thousand, NIS 1,545 thousand and NIS 1,472 thousand, respectively. See details of the addition of the Company as a party to the agreements in paragraph (a)(1) above.

d) IT expenses to Generics Software Ltd. (a company wholly owned by Perfect (Y.N.A) Capital Markets Ltd., "**Generics**") with respect to software, maintenance and IT system operation services. On March 3, 2019, Altshuler Provident's board approved an amendment to the agreement with Generics, revising the service tariff. For these services, Altshuler Provident paid in 2022, 2021 and 2020 NIS 10,713 thousand, NIS 12,375 thousand and NIS 14,873 thousand, respectively (out of these amounts, NIS 5,783 thousand, NIS 6,396 thousand and NIS 7,437 thousand, respectively, were capitalized to an intangible asset. From January 1, 2023, Generics discontinued its operation. See details of the addition of the Company as a party to the agreements in paragraph (a)(1) above.

e) In May 2019, Altshuler Provident entered into an agreement with Altshuler Properties, which governs the relationship between the parties and purchase of various services from the Group by Altshuler Properties, as from January 2019. The consideration for these services in 2022, 2021 and 2020 amounted to NIS 582 thousand, NIS 407 thousand and NIS 235 thousand, respectively. See details of the addition of the Company as a party to the agreements in paragraph (a)(1) above.

f) Agreements between Altshuler Provident and Altshuler Shaham Retirement Guidance Insurance Agency Ltd., governing retirement planning services for members of Altshuler Provident and marketing of its products to clients of Altshuler Shaham Retirement Guidance Insurance Agency Ltd. For these services, Altshuler Provident paid in 2022, 2021 and 2020 current commissions amounting to NIS 1,821 thousand, NIS 2,102 thousand and NIS 1,508 thousand, respectively and target commissions amounting to NIS 113 thousand, NIS 299 thousand and NIS 439 thousand, respectively.

NOTE 25:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (Cont).

g) Agreement between Altshuler Provident and Altshuler Shaham Finance Retirement Insurance Agency Ltd., governing their relationships with regard to marketing Altshuler Provident's pension products to clients of Altshuler Shaham Finance Retirement Insurance Agency Ltd. For these services, Altshuler Provident paid in 2022, 2021 and 2020 NIS 2,198 thousand, NIS 2,897 thousand and NIS 1,775 thousand, respectively.

h) Service agreement between Altshuler Real Estate and Altshuler Properties dated August 1, 2022 according to which the former will provide the latter some of the services granted to it by the Company back-to-back during a transition period until Altshuler Properties terminates its operation and Altshuler Properties will provide Altshuler Real Estate various services as well as a license to use its IP. See also paragraph 3(b) below. The consideration for the services rendered by Altshuler Real Estate from July 1, 2022 to December 31, 2022 amounted to approximately NIS 1,471 thousand.

3. Agreements with subsidiaries:

a) Agreement with Altshuler Provident:

On July 20, 2022, the board of Altshuler Provident approved its engagement in a service agreement with the Company according to which the Company has undertaken to provide Altshuler Provident, through its own employees and/or service providers, from April 1, 2022, various services needed for Altshuler Provident's ongoing operations such as marketing, legal and compliance, finances, HR, internal audit and risk management, investment control and operation, credit operation and service and other services as will be needed on a nonrecurring basis or for certain types of contracts as agreed between the parties.

In return for the services, Altshuler Provident will pay the Company annual management fees accounting for 43% of the management fees which it receives from its members less G&A expenses (excluding depreciation and amortization expenses), as recorded in Altshuler Provident's books, with the addition of VAT. The management fees payable by Altshuler Provident will include, at the minimum, the cost of the relative share of the services rendered to Altshuler Provident of the remuneration payable to senior officers in Altshuler Provident that render the services to Altshuler Provident, all as approved by Altshuler Provident's Remuneration Committee and Board. Moreover, in return for marketing/customer retention services for which Altshuler Provident's employees are entitled to receive commissions (recorded as DAC by the Company), Altshuler Provident will reimburse the Company for cost only.

NOTE 25:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (Cont).

On December 27, 2022, the service agreement was amended retroactively whereby from October 1, 2022, the management fees payable to the Company for the services will be in a sum that allows Altshuler Provident to retain an EBITDA (earnings before depreciation and amortization, financing, taxes and income/expenses not from operating activities) of 20% of its revenues from management fees in the relevant period. The consideration for the services rendered by Altshuler Provident from April 1, 2022 to December 31, 2022 amounted to approximately NIS 284,826 thousand.

b) Agreement with Altshuler Real Estate:

On September 15, 2022, the general meeting of the Company's shareholders approved the Company's engagement in a service agreement with Altshuler Real Estate in effect indefinitely from July 1, 2022, as long as the Company is the sole shareholder in Altshuler Real Estate. As per the service agreement, the Company will pay Altshuler Real Estate management fees and a 6% margin (cost+6%) in return for management and CEO services and professional services such as IT, finance, legal counsel and marketing. The consideration for the services rendered by Altshuler Real Estate from July 1, 2022 to December 31, 2022 amounted to approximately NIS 5,312 thousand.

NOTE 26:- SHARE-BASED PAYMENT TRANSACTIONS

a. Expenses recognized in the financial statements:

The expense recognized in the financial statements for employee services received is shown in the following table:

	Year ended December 31,		
	2022	2021	2020
	NIS in thousands		
Equity-settled share-based payment plans in Altshuler Shaham (b)	-	398	2,433
Equity-settled share-based payment plans in the Company (c)	4,035	11,007	9,499
Total expense arising from share-based payment transactions	4,035	11,405	11,932

The share-based payment transactions entered into between the Company and its employees are described below. There have been no modifications or cancelations to any of the employee benefit plans during 2022, 2021 or 2020.

b. Share-based payment plan for executives and staff for exercise at Altshuler Shaham:

On July 18, 2017, the board of Altshuler Shaham 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 Altshuler Shaham approved allocation of registered nonmarketable stock options, for no consideration, to select executives and staff of the Company, in a total of 6,514 and 22,562 stock options, respectively, which are exercisable (assuming full exercise) into up to 6,514 and 22,562 ordinary shares of NIS 0.01 par value each of Altshuler Shaham, respectively, subject to adjustments, including adjustment of the exercise price for dividend distribution. The exercise price of each stock option as of the award date was NIS 844 and NIS 616, respectively.

The options vest in lots, over 3 years from the award date, and contingent on the continued employment by the Company and on achievement of KPIs, 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 (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.

NOTE 26:- SHARE-BASED PAYMENT TRANSACTIONS (Cont.)

c. Share-based payment plans for exercise at the Company:

1. Share-based payment plan for non-officer key personnel:

Further to the Board's resolution dated July 9, 2019, whereby the Board adopted an outline for allocation of 12,226,334 stock options pursuant to the Company's stock option plan, in March 2020, a non-officer key personnel was allocated 27,168 and 54,335 nonmarketable options in the Company and in Altshuler Shaham, respectively.

Eligibility for the stock options to be allocated to offerees who are key personnel other than officers, is contingent on meeting all pre-conditions, as defined by the Company's Remuneration Committee and Board. Eligibility conditions involve achievement of minimum shareholder equity and targets for revenues and net income for the year ended December 31, 2020.

The options vest in lots, over 3 years from the award date, and contingent on the continued employment by the Company and on achievement of KPIs, as set forth in the award letters.

The exercise price of the options 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 TASE on the 30 trading days prior to approval of the award by the Board. 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. cashless exercise based on the intrinsic 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 26:- SHARE-BASED PAYMENT TRANSACTIONS (Cont.)

2. Share-based payment plan for officer:

Further to the Board's resolution dated July 9, 2019, whereby the Board adopted an outline for allocation of 12,226,334 stock options pursuant to the Company's stock option plan, in March 2021, an officer was allocated 63,385 and 27,165 nonmarketable options in the Company and in Altshuler Shaham, respectively.

Eligibility for the stock options to be allocated to offerees who are officers, is contingent on meeting all pre-conditions, as defined by the Company's Remuneration Committee and Board. Eligibility conditions involve achievement of minimum shareholder equity and targets for revenues and net income for the year ended December 31, 2021.

The options vest in lots, over 3 years from the award date, and contingent on the continued employment by the Company and on achievement of KPIs, as set forth in the award letters.

The exercise price of the options 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 TASE on the 30 trading days prior to approval of the award by the Board. 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. cashless exercise based on the intrinsic 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 26:- SHARE-BASED PAYMENT TRANSACTIONS (Cont.)

3. Share-based payment plan for general staff:

Further to the Board's resolution dated July 9, 2019, whereby the Board adopted an outline for allocation of 12,226,334 stock options which are exercisable into ordinary shares of NIS 0.01 par value each pursuant to the Company's stock option plan, in 2021, the Board approved the allocation of 907,047 and 324,902 nonmarketable options to general staff in the Company and in Althsuler Shaham, respectively. In 2020, the Board approved the allocation of 2,314,010 and 286,158 nonmarketable options to general staff in the Company and in Althsuler Shaham, respectively.

The options vest in lots, over 3 years from the award date, and contingent on the continued employment by the Company and on achievement of KPIs, as set forth in the award letters.

The exercise price of the options as of the award date, before adjustment for dividend distributions, was determined based on the average closing price per Company share on the TASE on the 30 trading days prior to approval of the award by the Board. 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. cashless exercise based on the intrinsic 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:

	2022	2021
Share dividend yield (%)	0	0
Expected share price volatility (%)	33.7-34	32.73-34.3
Risk-free interest rate (%)	1.19-1.36	1.13-0.69
Expected contractual term of the options from the award date (years)	10	10
Share price (NIS)	16.25-21.53	12.62 -18.01
Other data:		
Fair value on the award date (NIS in thousands)	9,633	17,194
Exercise price (NIS)	17.79-20.96	11.25-16.4

NOTE 26:- SHARE-BASED PAYMENT TRANSACTIONS (Cont.)

4. Movement in the year:

The following table presents the changes in the number of share options and the weighted average exercise prices of share options:

	2022	
	Number of options	Weighted average exercise price *)
		NIS
Share options outstanding at beginning of year	10,231,969	8.74
Share options forfeited during the year	(742,268)	13.32
Share options exercised during the year	(962,383)	4.89
Share options outstanding at end of year	8,527,318	7.14

	2021	
	Number of options	Weighted average exercise price *)
		NIS
Share options outstanding at beginning of year	10,499,815	7.72
Share options granted during the year	1,322,499	19.68
Share options forfeited during the year	(713,764)	12.23
Share options exercised during the year	(876,581)	6.11
Share options outstanding at end of year	10,231,969	8.74

*) Adjusted for dividend distribution.

The weighted average remaining contractual life for the share options outstanding as of December 31, 2022 and 2021 was 7.1 years and 8.1 years, respectively.

The range of exercise prices for share options outstanding as of December 31, 2022 was NIS 3.66- NIS 19.17.

The range of exercise prices for share options outstanding as of December 31, 2021 was NIS 5.07- NIS 20.58.

NOTE 27:- CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS

a. Legal and other proceedings against Altshuler Provident:

The table below shows a summary of amounts claimed in pending class action certification motions filed against Altshuler Provident, 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 Altshuler Provident, since these are assessments by the plaintiffs which will be elaborated in the legal proceeding. Note, also, that the table below does not show concluded proceedings, including proceedings concluded after a settlement agreement has been approved.

Class action certification motions filed against Altshuler Provident:

	Number of claims	Amount of claim in NIS in millions
Pending class action certification motions:		
Claim amount specified	2	117
Claim amount unspecified	3	-

1. Motion for approval of class action filed on July 11, 2019 with the District Labor Court in Jerusalem, concerning allegations of investment management expenses charged to Altshuler Provident's clients, in addition to management fee charged in the study fund managed by Altshuler Provident, which were not explicitly allowed in the fund Bylaws. The plaintiff, a member of a study fund managed by Altshuler Provident, quantified the claim amount at NIS 59 million. Altshuler Provident filed a motion for stay of proceedings, pending resolution of other proceedings that raise similar questions, which are being heard by the Court. The Court accepted Altshuler Provident's motion and ordered for stay of proceedings for the time being until the other proceedings are resolved. Based on the opinion of legal counsel provided to Altshuler Provident, due to the preliminary stage of this motion and claim, its outcome cannot be assessed yet.

2. Motion for approval of class action filed on July 22, 2019 with the District Labor Court in Jerusalem, concerning allegations of investment management expenses charged to Altshuler Provident's clients, in addition to management fee charged in provident funds managed by Altshuler Provident, 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 Altshuler Provident, quantified the claim amount at NIS 58 million. Altshuler Provident filed a motion for stay of proceedings, pending resolution of other proceedings that raise similar questions, which are being heard by the Court. The Court accepted Altshuler Provident's motion and ordered for stay of proceedings for the time being until the other proceedings are resolved. Based on the opinion of legal counsel provided to Altshuler Provident, due to the preliminary stage of this motion and claim, its outcome cannot be assessed yet.

NOTE 27:- CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (Cont.)

3. Motion for approval of class action filed on May 12, 2020 with the Tel-Aviv District Court against 14 respondents. Briefly, the motion concerns the calculation of tax liability with respect to contributions by members to study funds managed by the respondents 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 it amounts to hundreds of millions of NIS for all of the respondents. The remedies sought in the motion include, inter alia, a request for the respondents to be ordered to cease this unlawful denial of the tax benefit, and to order restitution and/or compensation to be paid to all class members, as will be instructed by the Court. Altshuler Provident and the other respondents in this proceeding filed their responses to the motion, and also filed motions for permission to file third party notice by Altshuler Provident and by the other respondents against the Israel Tax Authority.

   On February 4, 2022, the Court ruled that the Israel Tax Authority should be added as respondent in this proceeding, and that at this stage the motion for permission to file third party notice against the ITA will not be heard. After the reporting period, the parties filed a notice according to which they reached an understanding to apply to mediation. Based on the opinion of legal counsel obtained by Altshuler Provident, noting all of the arguments, including the ITA's position, whereby the cap should be calculated on a monthly basis and that any tax withheld was transferred to the ITA but, on the contrary, the new allegation included in the response with regard to "cumulative monthly" which, if elaborated, may cloud the likelihood of denying this motion, it is more likely than not that the class action will be denied.

4. Motion for approval of class action filed on April 12, 2021 with the Tel-Aviv District Court. The motion was filed against 14 other respondents (banks, insurance companies, credit companies and investment houses) (jointly: "**the respondents**"). The motion alleges that Altshuler Provident and the other respondents provided personal information of users of the personal zone on their website, without their consent, to Google in conjunction with Altshuler Provident's use of the Google Analytics service; Thus, the plaintiffs allege, Altshuler Provident and the other respondents 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 the respondents 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. On June 23, 2022, Altshuler Provident submitted a response to the motion. The parties agreed to refer to mediation. Based on the opinion of legal counsel obtained by Altshuler Provident, due to the preliminary stage of this motion, it is currently not possible to assess the likelihood of its approval as class action.

NOTE 27:- CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (Cont.)

5. Motion for approval of class action filed with the District Labor Court in Tel-Aviv on August 4, 2021, against Altshuler Provident, alleging that it is not in compliance with statutory provisions that stipulate the timeframe 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 Altshuler Provident does not proactively compensate its members for any delay in conducting transactions in their funds accumulated in provident funds, in violation of statutory provisions. The plaintiff also alleges that Altshuler Provident 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 Altshuler Provident 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, Altshuler Provident 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, Altshuler Provident filed its response to the motion for class action status. After the reporting period, a proof hearing was held in which additional documents were requested from the parties, including from the regulator. Based on the opinion of legal counsel obtained by Altshuler Provident, due to the preliminary stage of this motion, it is not possible to assess the likelihood of its approval as class action.

b. Legal and other proceedings against Psagot Provident which was merged into Altshuler Provident:

Class action certification motions filed against Psagot Provident:

	Number of claims	Amount of claim in NIS in millions
Pending class action certification motions:		
Claim amount specified	2	431
Claim amount unspecified	3	-

NOTE 27:- CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (Cont.)

1. Motion for approval of class action filed on October 10, 2016 with the District Labor Court in Jerusalem against Psagot Provident. The plaintiff alleges that Psagot Provident 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 of plaintiffs 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 filed a hearing arrangement, where a decision was made to postpone the date for filing the plaintiffs' response summaries and to allow the respondents 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 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.

   Based on the opinion of legal counsel at this stage, Altshuler Provident 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 will be approved.

2. Motion for approval of class action filed on October 6, 2016 with the District Labor Court in Jerusalem against Psagot Provident. The plaintiff alleges that Psagot Provident 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 of plaintiffs 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. The parties filed a hearing arrangement, where a decision was made to postpone the date for filing the plaintiffs' response summaries and to allow the respondents 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 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.

   Based on the opinion of legal counsel at this stage, Altshuler Provident 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 will be approved.

NOTE 27:- CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (Cont.)

3. Motion for approval of class action status, filed on January 26, 2017 with the District Labor Court in Jerusalem against Psagot Provident. The plaintiff alleges that Psagot Provident was not entitled to deduct from member assets direct expenses with respect to transactions in pension fund assets managed by Psagot Provident. 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. According to the Court's decision of November 1, 2022, and at the parties' request, the continued hearing of the proceeding has been suspended until the Supreme Court issues a decision in a concurrent proceeding to which Psagot Provident 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). Based on the opinion of legal counsel at this stage, Altshuler Provident 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 filed on May 12, 2020 with the Tel-Aviv Yafo District Court against Altshuler Provident, Psagot Provident and other management companies. For more information about this lawsuit, see paragraph a(3) above on pending lawsuits against Altshuler Provident. In addition to filing Psagot Provident's response to the motion for approval of class action and motion to request permission to file a third-party notice against the ITA, as set forth in paragraph a(3) above, Psagot Provident also filed a motion to dismiss the motion for approval in limine due, inter alia, to material information not disclosed 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 to dismiss the motion for approval in limine should be decided, if need be, later on based on the written material. Based on the opinion of Altshuler Provident's 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 and the likelihood of the actual lawsuit to prevail (should class action status be granted).

NOTE 27:- CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (Cont.)

5. On November 16, 2020, a motion for approval of class action was filed with the District Labor Court in Tel-Aviv Yafo, in a lawsuit brought against Psagot Provident, alleging Psagot Provident is liable for a fraud case in which the previous Chief Investment Manager of Gadish provident fund, which eventually was managed by Psagot Provident, was convicted. The plaintiff is a former member of Psagot Gadish provident fund, alleging that when the Investment Manager worked at Psagot Provident, he purchased for Psagot Provident members securities that were artificially inflated and sold securities at artificially reduced prices, and even stole from member accounts. The plaintiff alleges that Psagot Provident 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 filed its response to the motion for approval. Based on the opinion of Altshuler Provident's 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.

c. During the reporting period, the following legal proceedings brought against Psagot Provident were concluded:

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 and Psagot, by a member of the Gadish provident fund managed by Psagot Provident ("**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, which acquired the Fund's 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 without their consent, or without giving them 60 days' advance notice of such increase. The plaintiff estimated the damage incurred by the group of plaintiffs 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, members will receive compensation equal to the excess fees charged in the 60 days following the increase.

NOTE 27:- CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (Cont.)

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 with the Tel-Aviv Yafo District Court, against Psagot Provident and Psagot, estimated at NIS 140 million ("**the Previous Lawsuit**" and "**the New Lawsuit**", respectively). The plaintiff alleged that the settlement reached by the parties in the Previous Lawsuit was based on a statement by Psagot Provident, 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.

After the parties had filed various statements and 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 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. 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.

On July 5, 2022, the Supreme Court rendered its judgment in the appeal filed by Psagot Provident, accepting the appeal in full, reversing the District Court's judgment from June 24, 2019 and ordering to dismiss the new class action certification motion and reaffirm the settlement agreement reached in the previous proceeding as a binding agreement to the parties and represented group. The Court also ordered the respondent to pay Psagot's legal expenses in the amount of NIS 50,000. Moreover, on August 15, 2022, the class action plaintiff filed a petition requesting another hearing. Altshuler Provident submitted its response. After the reporting period, the Supreme Court rendered its decision which denied the class action plaintiff's request for another hearing and ordered the latter to pay Psagot's expenses in an amount of NIS 25,000. The proceeding has been concluded.

NOTE 27:- CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (Cont.)

2. Motion for approval of class action status for a lawsuit amounting to NIS 1 billion, filed on October 27, 2016 against Psagot Provident 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. The plaintiffs allege that Psagot Provident, which 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 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 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.

   On November 28, 2021, Psagot Provident 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. On the same date, the aforementioned settlement agreement was approved as a Court verdict. The insurers contributed to the settlement amount and indemnified Psagot Provident for litigation expenses and legal fees.

NOTE 27:- CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (Cont.)

d. During the reporting period, the following legal proceedings brought against Psagot were concluded:

On October 18, 2020, Psagot filed its opening arguments against Blender P2P Israel Ltd. And Blender Financial Technologies Ltd. (formerly: V-Finance Technologies Ltd.) ("**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 filed its statement of defense, and the plaintiff filed their response statement. The parties referred to mediation and reached a settlement agreement according to which Altshuler Provident was compensated for its shares. On January 31, 2023, after the reporting period, the settlement agreement was validated by the Court as a judgment.

The total provision with respect to lawsuits brought against Psagot and Psagot Provident, as set forth above, amounted to NIS 3,030 thousand as of December 31, 2022.

Owing to its field of operation, in the ordinary course of business, Altshuler Provident becomes exposed to various complaints from customers, some of which may result in litigation against it. As of the report approval date, there are no material claims pending against Altshuler Provident other than as described above.

NOTE 27:- CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (Cont.)

e. Guarantees provided:

Bank Leumi LeIsrael Ltd.

Guarantee amounting to NIS 1,088 thousand with respect to Altshuler Provident's management of the long-term fund, Savings for Every Child.

Bank HaPoalim Ltd.

1. Guarantee of NIS 1,480 thousand to secure the lease of the Company's headquarters.

2. Guarantee of NIS 1,033 thousand to secure the lease of the Company's offices on Sapir Street in Haifa.

3. Guarantee of NIS 4,118 thousand to secure a credit facility granted to Altshuler Real Estate.

f. Commitments:

1. Altshuler Provident has entered into agreements with multiple operators, for current operation of provident and pension funds.

2. See details of agreements with related parties in Note 25 above.

NOTE 28:- EVENT AFTER THE REPORTING DATE

a. See details of a settlement agreement signed after the reporting period in the context of a mediation proceeding involving Altshuler Provident in Note 27d above.

b. On January 26, 2023, the Company's Board approved the Company's go-to-market strategy for launching the alternative investment management operation through Altshuler Shaham Alternative Investments Ltd., a private company incorporated in Israel on February 8, 2023, which is wholly owned by the Company.

c. On March 21, 2023, the Company declared a dividend of NIS 32,000 thousand to be distributed to its shareholders, see also Note 14e above.

d. In keeping with the matter discussed in Note 18c(2)(c)(3) above, on March 21, 2023, Altshuler Provident's board approved extending the credit facility from Bank HaPoalim by NIS 70 million for a period of three months in effect until March 28, 2023. The credit facility bears variable NIS interest or Prime less 0.5%.

- - - - - - - - - - - - - -

ALTSHULER SHAHAM FINANCE LTD.

("the Company" or "the Corporation")

Chapter D

Additional Information regarding the Corporation

As of December 31, 2022

Contents

1. Regulation 10A – Summary of the Company's Comprehensive Income for each of the Quarters 1
2. Regulation 10C – Use of Proceeds from Securities 1
3. Regulation 11 – List of Investments in Material Subsidiaries and Associates..... 1
4. Regulation 13 – Earnings of Material Subsidiaries and Associates and the Company's Share therein 1
5. Regulation 20 – Trading on the Stock Exchange 2
6. Regulation 21 – Remuneration of Interested Parties and Senior Officers..... 2
6.1 The Company's remuneration policy 2
6.2 Allocation of options to officers in the Company 4
6.3 Remuneration of interested parties in the Company 4
7. Regulation 21A – the Control in the Company 6
8. Regulation 22 – Transactions with Controlling Shareholders and/or Transactions which the Controlling Shareholders have a Personal Interest in Approving 7
8.1 Service and cost allocation agreement 7
8.2 Real estate service agreement 10
8.3 Employee option plan 11
8.4 Quittance, indemnity and insurance 12
8.5 Corporate opportunity waiver 12
8.6 Agreements for marketing Altshuler Real Estate's products 12
8.7 Lead generation agreement 13
8.8 Sports sponsorship agreement 14
8.9 Provident marketing agreement 14
8.10 Trust service agreement 15
8.11 Agreements with Altshuler Shaham Retirement Guidance Insurance Agency Ltd. ("Altshuler Retirement Guidance") 15
8.12 Pension marketing agreement 16
8.13 IT service agreement 16
8.14 Provident fund investments along with the controlling shareholders 17
8.15 Provident fund investments in Altshuler Group products 17
8.16 Lease signed by the Company and a former controlling shareholder of the Company 18
8.17 Immaterial transactions 18
9. Regulation 24 – Holdings of Interested Parties and Senior Officers 19
10. Regulation 24A – Authorized Share Capital, Issued Share Capital and Convertible Securities..19
11. Regulation 24B – Registry of the Company's Shareholders 19
12. Regulation 25A – Registered Domicile 19
13. Regulation 26 – Directors of the Company 20
13.1 External directors in the Company 20
13.2 Directors in the Company 22
14. Regulation 26A – Senior Officers in the Company 25
15. Regulation 26B – Independent Authorized Signatories 27
16. Regulation 27 – Independent Auditor of the Company 27
17. Regulation 28 – Change in Memorandum or Articles of Association 27
18. Regulation 29 – Recommendations and Resolutions of Directors 27
18.1 Recommendations and resolutions of directors 27
18.2 Resolutions of the Special General Meeting 28
19. Regulation 29A – Resolutions of the Company 29
19.1 D&O liability insurance policy 29
19.2 Letters of quittance and indemnity to officers 30

Chapter D - Additional Information about the Corporation

1. **Regulation 10A – Summary of the Company's Comprehensive Income for each of the Quarters ended March 31, 2022, June 30, 2022, September 30, 2022 and December 31, 2022**

For condensed statements of comprehensive income for 2022 on a quarterly basis, see paragraph 1.3 to the Board of Directors' Report in Chapter B to this report.

2. **Regulation 10C – Use of Proceeds from Securities**

According to the Company's prospectus for listing for trade and IPO to a specific public and shelf prospectus of February 28, 2022, as amended on March 30, 2022 ("**the Prospectus**"), the Company listed for trade on the Tel-Aviv Stock Exchange Ltd. ("**the TASE**") and allocated its entire securities to the entire holders of the securities of Altshuler Shaham Provident and Pension Ltd. ("**Altshuler Provident**") at the end of the reading day of March 31, 2022 against the securities of Altshuler Provident held by them on that date for no additional charge.

3. **Regulation 11 – List of Investments in Material Subsidiaries and Associates**

	Share class and par value	Number of shares	Carrying amount in the separate financial information as of December 31, 2022 in NIS in millions	Equity and voting rights	Rights to appoint directors	Loan balance in NIS in millions	Loan terms and maturity date
Altshuler Provident	Ordinary, NIS 0.01	1	446	100%	100%	545	See Note 28 to the financial statements in Chapter C to this report

4. **Regulation 13 – Earnings of Material Subsidiaries and Associates and the Company's Share therein**

	Comprehensive income (NIS in millions)		Dividend (NIS in millions)		Management fees (NIS in millions)		Interest income
	Net income	Other comprehensive income	Received in 2022	Received or receivable after the reporting period for 2022	Received in 2022	Received or receivable after the reporting period for 2022	
Altshuler Provident	142.2	2.5	250	-	245.5	38.5	-

5. Regulation 20 – Trading on the Stock Exchange

In 2022 and through the financial statement approval date, the following Ordinary shares of NIS 0.01 par value each of the Company were listed for trade on the TASE:

5.1 As per the Prospectus, 196,979,413 shares were allocated to the entire holders of Altshuler Provident's shares against the shares held by them at the end of the trading day of March 31, 2022. See more information on the share allocation in the Company's immediate report of April 3, 2022 (TASE reference: 2022-01-041880), hereby mentioned for reference only.

5.2 607,543 shares from the exercise of options allocated by the Company to employees, officers and service providers in the Group pursuant to shelf offering reports issued by Altshuler Provident.

6. Regulation 21 – Remuneration of Interested Parties and Senior Officers

6.1 The Company's remuneration policy

The remuneration paid to the senior officers in the Company is in keeping with the Company's officer remuneration policy. See details of the Company's officer remuneration policy in the Company's general meeting notice report of October 18, 2022 (TASE reference: 2022-01-127845), hereby mentioned for reference only.

Chapter D - Additional Information about the Corporation

Following are details of the remuneration paid to each of the five highest paid officers in the Company or in a company controlled by it who include the three highest paid officers in the Company whose remuneration was paid in connection with their service in the Company or in a company controlled by it in the period of 12 months ended December 31, 2022, as recognized in the financial statements for 2022 in terms of the Company's cost (NIS in thousands):

Details of remuneration recipient				Remuneration for services							Other remuneration			Total	Part allocated to the Company out of the control group (%)
Name	Position	Position scope	Equity interests	Salary cost [1]	Bonus [2]	Share-based payment [3]	Management fees	Consulting fees	Commission	Other	Interest	Rent	Other		
Yair Lowenstein [4]	CEO and Director	100%	14.14%	1,934	-	-	-	-	-	-	-	-	-	1,934	100%
Tzafrir Zanzuri	Deputy CEO, Head of Sales and Business Development	100%	-	1,532	56	31	-	-	-	-	-	-	-	1,619	100%
Osnat Antebi	VP, Legal Counsel	100%	-	1,515	56	28	-	-	-	-	-	-	-	1,599	100%
Sharon Gerszbejn	Deputy CEO, CFO	100%	-	1,501	56	31	-	-	-	-	-	-	-	1,588	100%
Anat Knafo-Tavor	CEO of Altshuler Provident	100%	-	1,448	56	34	-	-	-	-	-	-	-	1,538	100%

The data in the table above do not include VAT and/or payroll tax.

(1) The salary cost of officers 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 nondisclosure commitment.

(2) In conformity with the remuneration policy, the threshold conditions for payment of annual bonuses for 2022 to officers were fulfilled. According to individual bonus plans for 2022, 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.

(3) Pursuant to paragraph 6.2 below, on September 16, 2019 the Company allocated options to purchase shares in Altshuler Provident, which vested in three lots and were converted into share options in the Company upon completion of the merger transaction. 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 share options as of December 31, 2022 was 6.7 years and the exercise price as of December 31, 2022 was NIS 3.66. For more information on the conversion of the share options of Altshuler Provident into share options of the Company in the context of the merger, see paragraph 8.3 below.

(4) For more information about the employment contract of Mr. Yair Lowenstein, Company CEO and a controlling shareholder therein, see paragraph 6.3.2 below.

6.2 Allocation of options to officers in the Company

See details of the accounting treatment of share options in the context of the merger transaction in paragraph 8.3 below.

6.3 Remuneration of interested parties in the Company

Following are details of remuneration paid to an interested party in the Company who is not included in the officers listed in paragraph 6.1 above, in connection with services rendered by the interested party as key personnel in the Company or in a company controlled by him, regardless of the existence of employer-employee relations and although the interested party is not a senior officer:

6.3.1 Directors' remuneration

The overall amount paid in 2022 to directors in the Company for their service was NIS 262 thousand, of which NIS 230 thousand was paid to external directors in the Company and NIS 32 thousand was paid to regular directors as follows:

a) Directors whose office on the Company Board is in addition to being officers or managers in Group companies or in the control group, some of whom receive no additional remuneration for their office on the Company Board, and some of whom are entitled only to remuneration for attending meetings, at the maximum amount allowed by Addendum III to the Companies Regulations (Rules for Remuneration and Expense Reimbursement for Independent Directors), 2000 ("**the Remuneration Regulations**"). Note that some of the aforementioned directors were eligible for allocation of stock options of the Company with respect to their office as officers of the parent company, as set forth in Note 26 to the financial statements.

b) Directors other than external directors who do not serve as officers or managers in Group companies or I the control group, who are entitled only to remuneration for attending meetings at the maximum amount allowed by Addendum III to the Remuneration Regulations.

c) External directors – remuneration paid to external directors is in conformity with the Company's remuneration policy at the maximum amount allowed by Addendums II and III to the Remuneration Regulations, based on the Company's classification from time to time, linked to the CPI and in conformity with provisions of the Remuneration Regulations.

d) Members of the Company's Board are included in letters of quittance and indemnity and D&O liability insurance policies, as customary in the Company. For more information about these arrangements, which also apply to certain controlling shareholders in the Company, see paragraph 20 below.

6.3.2 The employment agreement with the Company's CEO

Mr. Yair Lowenstein, a controlling shareholder in the Company, serves as CEO of the Company pursuant to an employment agreement signed on January 1, 2017 (as revised on April 15, 2019, effective retroactively from January 1, 2019). Note that Mr. Lowenstein has informed the Company of his 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. It should be noted that in addition to serving as the Company's CEO, Mr. Lowenstein also serves as director in the Company and as Chairman of Altshuler Provident's board for no additional remuneration other than the terms to which he is entitled for his service as CEO.

In consideration for his service as the Company's CEO, Mr. Lowenstein is entitled to a monthly salary, reimbursement of cell phone maintenance and daily newspaper cost and to contributions to retirement savings and to a study fund. He is also entitled to annual leave, recreation days and an early notice period. The employment agreement also contains nondisclosure commitment by Mr. Lowenstein.

6.3.3 For details of service and cost allocation agreements between the Company and Altshuler Ltd. and other Group companies, see paragraph 8.1 below.

7. Regulation 21A – the Control in the Company

As of the report date, the ultimate controlling shareholders in the Company are Messrs. Gilad Altshuler, Kalman Shaham[1] and Yair Lowenstein. The Company's shareholders consist of Altshuler Ltd. (55.72%) and Lowenstein Yair Holdings Ltd. ("**Yair Holdings**") (14.14%).

See information of the shareholders' agreement in the Company in paragraph 3.4.3 to the Prospectus.

7.1 Shareholders' agreement

In keeping with the matters described in paragraph 3.4.1 to Chapter 3 to the Prospectus, on November 21, 2022, the Company's controlling shareholders signed a new shareholders' agreement that supersedes and eliminates any previous agreement, arrangement or undertaking between the parties with respect to their interests in the Company. The terms and conditions of the previous shareholders' agreement regarding the interest in Altshuler Provident prior to the IPO remained unchanged except for the following:

7.1.1 The new shareholders' agreement accounts for the fact unlike the Company, Altshuler Provident, as a subsidiary of the Company, is bound by the consolidated circular issued by the Capital Market, Insurance and Saving Commissioner and specifically by part 1(5) to chapter 5 to this circular. The new agreement also adds provisions that apply to exercising the Company's power as a parent company in the Group and the possible expansion of its holdings in other subsidiaries, as applicable.

7.1.2 The new agreement reduces the minimum holding rate which qualifies each controlling shareholder to recommend which directors will be appointed on the Company's Board.

7.1.3 The new agreement adds a provision whereby the controlling shareholders will exercise their power as shareholders in the Company to appoint directors in the Company's subsidiaries and to ascertain that decisions that require a special majority on the Company's Board are approved by the general meetings of the Company's subsidiaries, as they will be from time to time.

[1] See details of shareholders in Kalman Shaham Holdings Ltd. who are included in the control permit obtained by the Company from the Capital Market, Insurance and Saving Authority in paragraph 1.1 to Chapter A to this report.

7.1.4 The new agreement revises the parties' noncompete obligation to apply as per the provisions of the corporate opportunity waiver agreement signed between the controlling shareholders, as detailed in Chapter 6 to the Prospectus. See information of the corporate opportunity waiver agreement and its amendment as approved by the General Meeting of the Company in paragraph 1.6 to the Company's meeting notice report of September 22, 2022, as amended on October 18, 2022 (TASE references: 2022-01-121105 and 2022-01-127845, respectively), hereby mentioned for reference only.

8. Regulation 22 – Transactions with Controlling Shareholders and/or Transactions which the Controlling Shareholders have a Personal Interest in Approving

Following are details, to the best of the Company's knowledge, of transactions between the controlling shareholders in the Company and the Company or transactions of the Company with third parties which the controlling shareholders have a personal interest in approving as entered into by the Company in the reporting year through the date of publication of this report or which are still effective on the report publication date:

Transactions listed in Article 270(4) to the Companies Law, 1999 ("**the Companies Law**")

8.1 Service and cost allocation agreement

On May 15, 2019, Altshuler Provident entered into an agreement with Altshuler Ltd. for mutual provision of various operating and other services needed for the companies' ongoing operations ("**the service agreement**"). The service agreement was signed for a period of five years applicable retroactively from January 1, 2019 and will be renewed automatically for additional 12-month periods each subject to obtaining the legal approvals. The service agreement can be canceled by each of the parties by providing an advance notice of 180 days.

On December 23, 2021, Altshuler Provident obtained Altshuler Ltd.'s unilateral obligation to provide the services as per the service agreement and in accordance with applicable laws and regulations (including the regulatory provisions and guidelines applicable to Altshuler Provident), including regarding Altshuler Provident's obligations to its fund members in connection with the services for the duration of the service agreement without being entitled to any additional fee for this unilateral obligation, subject to the liability arrangements set forth in the obligation.

On February 27, 2022, the parties and the Company approved a revision to the service agreement whereby the Company will be added as a party thereto so that the services will be provided by Altshuler Ltd. to the Company and/or companies controlled by it, including Altshuler Provident, as required from time to time.

The service agreement settles the various services mutually provided by the parties and the allocation of service costs based on the ratio of services actually provided by Altshuler Ltd. to the Company and/or companies controlled by it.

The cost allocation mechanism is settled in the agreement based on one of the following mechanisms: (i) predetermined tariff as set forth in the agreement, reflecting the ratio of the services provided by employees of a certain department to each party (to total staff services); or (ii) the cost allocation mechanism set forth in the agreement for each type of service based on the ratio of employees[2], assets[3], areas[4]; or (iii) pro rata to the specific systems or services exclusively serving one party as stipulated in the agreement with the relevant costs allocated to that party.

Specifically, the service agreement sets forth the following service cost and expense allocation mechanisms:

- Labor – the parties shall bear the cost of employment of employees and officers providing services to both parties, at predetermined rates set forth in the agreement, which reflect their scope of work with respect to each party, as set forth in the agreement[5], 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 allocation rates will be as set forth in the agreement, unless otherwise agreed by the parties and approved by the organs as required by law.

- Joint external legal counsel – depending on the subject of advice (commercial agreements or opinions), the costs are allocated based on the relevant stipulations made in the agreement[6] or, if no relevant stipulation is found, are equally shared by the parties.

---

2 The consideration payable by one party to the other will be calculated pro rata to total transaction costs or expenses based on the ratio of employees employed by that party to total employees of the Altshuler Group.

3 The ratio of total assets managed by Altshuler Provident to total assets managed by the Altshuler Group.

4 Assuming the area used by the Company accounts for 70% of total areas leased by the Altshuler Group. This rate may change based on changes in the ratio of Group employees as specified in the agreement.

5 Note that the Company bears 50% of the employment cost of employees in the Innovation Department, headed by Ms. Chen Altshuler, spouse of Mr. Gilad Altshuler, a controlling shareholder in the Company; The Company also bears the employment cost of the brother-in-law of Ms. Galia Jean Bar Wilf, a shareholder in Altshuler Ltd. who serves as Provident Fund Investment Manager who was also granted share options of Altshuler Provident which were converted into share options of the Company post-merger, as discussed in paragraph 8.3 below. On November 14, 2022, Ms. Galia Jean Bar Wilf ceased serving as director in the Company and from December 27, 2022, she serves as observer on the Company's Board. She is the daughter of Roni Benin Bar, who from November 28, 2022 serves as director in the Company.

6 For example, the costs of counsel related to labor laws and applicable to all Group employees are attributed based on the employee ratio.

- Expenses for wellbeing, communications, current office supplies, office rent and maintenance, sales and marketing services – each party bears 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 is 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 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.

- D&O liability insurance and business insurance – the Company bears a relative portion of the cost, based on the asset ratio (for D&O liability insurance) (unless it is determined that the Company should independently purchase such insurance) and based on the staff ratio (for business insurance).

- Nonrecurring expenses – as agreed by the parties on a 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 are attributed as stipulated in the agreement. The appropriate attribution provisions are 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 service agreement.

The service agreement includes control provisions whereby, as part of the multiannual work plan of the Company's Internal Auditor, the Internal Auditor shall review implementation of the agreement, and 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 elapsed and changes to the scope of operations, and the conclusions will be presented to the Company's Audit Committee. Should the internal audit reveal discrepancies with respect to implementation of the agreement, calculation of payments based thereupon or the need to adjust the stipulated ratios or attribution provisions as aforesaid – the parties will 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 the 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.

In 2022, net payments jointly incurred by the Company and Altshuler Provident as per the service agreement was NIS 55,584 thousand, of which the Company paid NIS 46,858 thousand.

8.2 Real estate service agreement

For the purpose of founding Altshuler Shaham Real Estate Ltd. (a subsidiary controlled by the Company, "**Altshuler Real Estate**") which will manage alternative real estate investments and hire the relevant teams, on July 1, 2022, the Company entered into a service agreement with Altshuler Real Estate according to which the Company will provide the latter various services ("**the Real Estate Service Agreement**"). Concurrently with the Real Estate Service Agreement, on the same day, Altshuler Real Estate entered into a service agreement with Altshuler Shaham Properties Ltd. (which is owned by some of the controlling shareholders in the Company, "**Altshuler Properties**") according to which Altshuler Real Estate will provide some of the services rendered to it by the Company as per the Real Estate Service Agreement back-to-back to Altshuler Properties for a transition period until Altshuler Properties ceases to operate[7]. Moreover, during this period, Altshuler Properties will also provide certain services to Altshuler Real Estate including a universal irrevocable license to use the entire IP rights owned or controlled by Altshuler Properties free of charge other than the fee specified below ("**Service Agreement B**" and together with the Real Estate Service Agreement – "**the Service Agreements**").

On September 15, 2022, the Service Agreements were approved by the general meeting of shareholders. The Real Estate Service Agreement is in effect indefinitely from July 1, 2022, as long as the Company is the sole shareholder in Altshuler Real Estate. Service Agreement B is in effect for three years from July 1, 2022 and will be automatically renewed unless any of the parties decide to terminate it by providing an advance notice of 60 days, as required by applicable law. Each party to the Service Agreements may terminate them by providing an advance written notice of 180 days. Notwithstanding the aforesaid and without prejudicing any of the parties' rights as per the Service Agreements and/or applicable law, each party may terminate the agreements effective immediately without providing an advance notice upon the occurrence of any of the following events: default, material change in interests in a party to the agreements, legal impediment or fundamental breach (with a recovery period).

[7] See details of the Real Estate Service Agreement in paragraph 3.2.1.6 to Chapter A to this report.

As per the Real Estate Service Agreement, the Company will pay Altshuler Real Estate management fees and a 6% margin (cost+6%) in return for management and CEO services and professional services such as IT, finance, legal counsel and marketing. Moreover, according to Service Agreement B, Altshuler Real Estate will provide Altshuler Properties the same services granted to it by the Company back-to-back for management fees at cost only based on an objective cost allocation mechanism whereby Altshuler Real Estate and Altshuler Properties will bear their relative portion of the fees for the services received from the Company. In addition to the services granted by Altshuler Real Estate (through the Company), Altshuler Real Estate and Altshuler Properties will provide mutual services at cost based on the cost sharing mechanism in Service Agreement B. See more information of the Service Agreements and underlying fees in paragraph 1 to the Company's shareholders' meeting notice report of August 11, 2022 and meeting summary report of September 15, 2022 (TASE references: 2022-01-102046 and 2022-01-118096, respectively), hereby mentioned for reference only.

In 2022, the Company received NIS 5,312 thousand in respect of the Real Estate Service Agreement and paid through Altshuler Real Estate net fees of NIS 1,020 thousand as per Service Agreement B.

8.3 Employee option plan

On the merger completion date and shortly before their listing for trade as per the Prospectus, 6,850,552 nonmarketable stock options granted to employees and service providers of Altshuler Provident were swapped with 8,650,552 nonmarketable stock options of the Company that are exercisable into 8,650,552 Ordinary shares of the Company ("**the options**"). The entire holders of Altshuler Provident options on the merger record date were entitled to swap the options held by them with Company options on a 1:1 ratio.

As part of the business restructuring conducted in the context of the merger transaction, Altshuler Provident's nonmarketable option plan was canceled and replaced by a plan for the allocation of nonmarketable options to employees, service providers, directors and officers of the Company and companies controlled by it ("**the option plan**"). The options granted under the option plan were superseded by the Company's options in the context of the business restructuring while retaining their basic terms such as vesting period.

The option plan was designed to promote the Company's corporate interests and targets by granting incentives to employees, officers and service providers in the Company and in related companies[8] to encourage them to contribute to the business development of the Company and related companies and enhance employee commitment to the Company by allowing them to share in the Company's long-term success. See information of the option plan and the options thereunder in paragraphs 3.2.2 and 3.5 to the Prospectus and in Note 27 to the financial statements hereby attached to this report as Chapter C.

[8] In this context, related companies refer to companies that are controlled by the Company or by a controlling shareholder in the Company or by a company that is controlled by the same controlling shareholder in the Company.

8.4 Quittance, indemnity and insurance

See details of letters of quittance and indemnity and D&O liability insurance policies which include certain controlling shareholders in the Company in paragraph 20 below.

8.5 Corporate opportunity waiver

In the Prospectus, the controlling shareholders undertake that if and when they, or any of the officers in the control group who simultaneously serves as officer in the Company or a company controlled by it ("**the control group**") are (directly or indirectly) faced with a business opportunity in the financial markets which is not excluded as per paragraph 6.4 to chapter 6 to the Prospectus, they will first offer this financial opportunity to the Company and will be allowed to capitalize on this opportunity subject to the Company's right of first refusal ("**the corporate opportunity waiver**").

On September 22, 2022 and October 27, 2022, the Company's Audit Committee, Board and General Meeting approved applying the corporate opportunity waiver to financial opportunities in excess of NIS 10 million (in this paragraph - "**the minimum amount**") given the Company's growth strategy and the objectives of the business restructuring for branching out the Company's services as a leading financial service firm into additional markets.

See details of the corporate opportunity waiver and the minimum amount stipulated therein in paragraph 1.6 to the Company's meeting notice report of September 22, 2022, as amended on October 18, 2022 (TASE references: 2022-01-121105 and 2022-01-127845, respectively), hereby mentioned for reference only.

Transactions which are not governed by Article 270(4) to the Companies Law

8.6 Agreements for marketing Altshuler Real Estate's products

On January 8, 2023, the Company, through Altshuler Real Estate, entered into agreements with Altshuler Shaham Finance Pension Insurance Agency Ltd. ("**Altshuler Pension Insurance**") and Altshuler Shaham Insurance Agency Ltd. (a company that is indirectly owned by the controlling shareholders in the Company, "**Altshuler Insurance Agency**") for settling the business relationship between the parties for the nonexclusive marketing of Altshuler Real Estate's products to their customers (in this paragraph - "**the marketing agreements**"). Altshuler Pension Insurance and Altshuler Insurance Agency are both held by the controlling shareholders in the Company (collectively – "**the Agencies**"). The marketing agreements are for an indefinite period and can be terminated by each party by providing an advance written notice of 30 days. According to the marketing agreements, the Agencies will market rights to properties sold by Altshuler Real Estate in return for a monthly commission in the amount of the cost of employment of the designated marketing employees of the Agencies with the addition of a nonrecurring commission of 0.2%-0.5% of the cumulative investment by the Agencies' customers based on predetermined investment grades. On November 23, 2022, the Company's Audit Committee classified and approved the marketing agreements as non-extraordinary transactions and on November 28, 2022, the Company's Board approved the marketing agreements.

Altshuler Real Estate's investment transaction

On December 27, 2022, the Company's Audit Committee classified Altshuler Real Estate's investment in real estate properties through joint ventures with a controlling shareholder in the Company, Mr. Earl Zinn (the CEO of Altshuler Real Estate and a director therein)[9], and other parties as a non-extraordinary transaction with a controlling shareholder. Altshuler Real Estate's investment will be performed through an SPV in the form of a limited partnership in which Altshuler Real Estate will serve as the general partner which will raise capital from outside investors (that will be limited partners in the partnership) for making the investment.

The personal interest of the controlling shareholders stems from their engagement with Altshuler Real Estate in the investment transaction as limited partners in the partnership in addition to the engagements that will be entered into with unrelated third parties that will also be limited partners in the partnership under identical terms. In addition, Mr. Earl Zinn, a shareholder and officer in Altshuler Real Estate, also has a personal interest in the engagement which was approved by Altshuler Real Estate's corporate governance policies and in conformity with the Companies Law.

8.7 Lead generation agreement

On July 18, 2021, Altshuler Provident entered into a lead generation agreement with Altshuler Ltd. according to which the former will generate leads for the latter. The agreement is for a period of three years and will be automatically renewed for additional periods of 12 months each, subject to mandatory approvals, unless terminated by one of the parties in an advance written notice of 14 days. According to the agreement, Altshuler Provident will receive lead commissions for referring customers to Altshuler Ltd.'s portfolio management services at a rate of 50% of the managed portfolio's annual management fees insofar as the lead is generated by Altshuler Provident's resellers or employees. On July 18, 2021, the Audit Committee classified and approved this agreement as a non-extraordinary transaction.

In 2022, total receipts earned by Altshuler Provident from the lead generation agreement amounted to NIS 1,538 thousand.

[9] Altshuler Real Estate is about 81% held by the Company, 12% held by Mr. Earl Zinn (the CEO and director therein) and 7% by Ms. Sharon Gerszbejn, who is an officer in the Company.

8.8 Sports sponsorship agreement

On March 20, 2013, Altshuler Provident entered into an agreement with Altshuler Shaham Mutual Fund Management Ltd. (a subsidiary of Altshuler Ltd., "**Altshuler Funds**"), as revised on May 15, 2019, whereby Altshuler Provident will pay Altshuler Funds 50% of any expense incurred by Altshuler Funds with respect to participation in sports sponsorships to which Altshuler Provident has consented, on behalf of Altshuler Shaham Group. Any amount paid by Altshuler Provident for sports sponsorships provided on behalf of Altshuler Shaham Group will be deducted from such cost[10]. The term of the agreement is five years from the revision date, after which it will be automatically renewed for additional terms of 12 months each, unless terminated by either party by 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 approved an amendment to the agreement whereby the Company will be added as a party to the agreement and the payment will be made to Altshuler Funds by either the Company or Altshuler Provident, at the Company's sole discretion.

In 2022, total payments jointly made by the Company and Altshuler Provident pursuant to the agreement amounted to NIS 1,512 thousand.

8.9 Provident marketing agreement

On June 12, 2019, Altshuler Provident entered into an agreement with Altshuler Insurance Agency which governs their relations with regard to retirement savings marketing of Altshuler Provident's products to clients of Altshuler Insurance Agency (in this paragraph - "**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 conducts retirement savings marketing to its clients, in order to enroll them as members in Altshuler Provident's products. In consideration, Altshuler Provident pays Altshuler Insurance Agency a commission for such clients actually enrolled as members in the amount of the 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 2022, total payments made by Altshuler Provident pursuant to the marketing agreement amounted to NIS 6,285 thousand.

10 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 Law, 1968.

8.10 Trust service agreement

In conjunction with the stock option plan for Company employees and officers (as set forth in paragraph 8.3 above), Altshuler Provident entered into an agreement with Altshuler Trustees to receive trustee services, 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 approved an amendment to the agreement whereby the trustee services will be provided to the Company instead.

8.11 Agreements with Altshuler Shaham Retirement Guidance Insurance Agency Ltd. ("**Altshuler Retirement Guidance**")

8.11.1 **Retirement planning agreement**

On November 26, 2013, Altshuler Provident 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 Altshuler Provident's members (in this paragraph - "**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, Altshuler Provident pays 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 2022, the consideration paid by Altshuler Provident to Altshuler Retirement Guidance with respect to the agreement was negligible.

8.11.2 **Product marketing agreement**

On September 2, 2014, Altshuler Provident entered into an agreement with Altshuler Retirement Guidance which governs their relations with regard to retirement marketing of Altshuler Provident's products to clients of Altshuler Retirement Guidance (in this paragraph - "**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 will conduct retirement savings marketing to its clients, in order to enroll them as members in Altshuler Provident's products. In consideration, Altshuler Provident will pay Altshuler Retirement Guidance for such clients who actually enroll as members 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 an immaterial update to the current commission rate payable to Altshuler Retirement Guidance (in this paragraph - "**the revised marketing agreement**"). On May 24, 2021, Altshuler Provident's audit committee classified and approved the revised marketing agreement as a non-extraordinary transaction.

In 2022, the commission paid by Altshuler Provident to Altshuler Retirement Guidance pursuant to the marketing agreement, for current commissions and volume commissions, amounted to NIS 1,821 thousand and NIS 113 thousand, respectively.

8.12 Pension marketing agreement

On September 10, 2017, Altshuler Provident entered into an agreement with Altshuler Retirement Insurance which governs their relations with regard to retirement marketing of Altshuler Provident's products to clients of Altshuler Retirement Insurance (in this paragraph - "**the marketing agreement**"). The marketing agreement is valid indefinitely and either party may terminate it by 30 days' advance written notice.

On November 23, 2022, Altshuler Provident's audit committee classified an amendment to the marketing agreement regarding the consideration mechanism as a non-extraordinary transaction and approved the amendment as per the Company's policies.

In 2022, the commission paid by Altshuler Provident to Altshuler Retirement Insurance pursuant to the marketing agreement amounted to NIS 2,188 thousand.

8.13 IT service agreement

On October 10, 2010, Altshuler Provident entered into an agreement with Generics Ltd. (a wholly owned subsidiary of Perfect (Y.N.A.) Capital Markets Ltd., of the Company's control group, "**Generics**"), 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 paragraph - "**the system**"), which Altshuler Provident acquired by perpetual license from Generics. The agreement term is three (3) years, after which it will 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. Altshuler Provident will retain the license to use the system even after termination of the agreement for any reason whatsoever. Generics will provide Altshuler Provident, 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 will provide regular employees who will provide the services to Altshuler Provident. In consideration for providing the services, Altshuler Provident will pay a fixed hourly rate as agreed by the parties.

On February 27, 2022, the parties and the Company signed an amendment to the agreement whereby the services as per the agreement are provided to the Company instead of to Altshuler Provident.

In 2022, the scope of the services between the parties amounted to approximately NIS 10.7 million.

8.14 Provident fund investments along with the controlling shareholders

8.14.1 Prior to the business restructuring, from December 2018 to July 2021, Altshuler Provident's audit committee classified investments by provident funds managed by it in joint ventures along with Altshuler Properties and others, designed as investment in real estate properties, as non-extraordinary transactions (in this paragraph – "**the joint ventures**"). Altshuler Provident's engagements in the joint ventures were approved by its board as non-extraordinary transactions in which an officer has a personal interest. The investment amount in the joint ventures was negligible compared to total provident fund assets.

The personal interest of controlling shareholders of the Company was due to their holdings in Altshuler Provident and in the General Partner of Altshuler Properties Partnership[11]; Moreover, Ran Shaham, Yair Lowenstein, Earl Zinn and Sharon Gerszbejn, who served as officers in Altshuler Provident, had a personal interest in these joint ventures[12]. Following the business restructuring, the personal interests continued to apply due to the holdings of the then controlling shareholders in the Company's shares and as a result of the service of Ran Shaham, Yair Lowenstein and Sharon Gerszbejn as officers in the Company (see details of the Company's officers in Regulation 26A below.

8.14.2 On July 18, 2021, the Audit Committee classified an investment by the provident funds in a private company then held by Altshuler Ltd., with a negligible holding stake, as a non-extraordinary transaction. The aforementioned investment amount was negligible compared to total provident fund assets. The personal interest of Altshuler Ltd. was 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 Chairman of the Company Board of Directors.

8.15 Provident fund investments in Altshuler 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 Altshuler Group products as well, subject to statutory provisions. This includes investment by the provident funds in Altshuler Group hedge funds, in amounts which are not material compared to total provident fund assets.

[11] 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 Yair Lowenstein, Earl Zinn and Sharon Gerszbejn.

[12] See footnote 5 above.

8.16 Lease signed by the Company and a former controlling shareholder of the Company

Pursuant to an agreement dated December 2014 and revisions thereof through August 31, 2022, Altshuler Provident leased a building from a company controlled by Ms. Galia Jean Bar Wilf[13], 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.

8.17 Immaterial transactions

On March 21, 2023, the Company's Board decided to adopt certain guidelines and rules for classifying transactions of the Company or its subsidiaries with interested parties as immaterial, as per Regulation 41 to the Securities Regulations (Annual Financial Statements), 2010 ("**the Financial Statement Regulations**"). The Company's Board ruled that these guidelines and rules will also serve for examining the required scope of disclosures in the periodic reports and prospectuses (including shelf offering reports) regarding transactions of the Company or its subsidiaries with the controlling shareholders or transactions which the controlling shareholders have a personal interest of approving, as per Regulation 22 to the Securities Regulations (Periodic and Immediate Reports), 1970 ("**the Report Regulations**") and in Regulation 54 to the Securities Regulations (Details of Prospectus and Draft Prospectus – Structure and Form), 1969 ("**the Prospectus Regulations**"). The different types of transactions stipulated in the Financial Statement Regulations, the Report Regulations and the Prospectus Regulations collectively – "**interested party transactions**"). On March 19, 2023, the Audit Committee adopted the guidelines and rules as an immaterial transaction policy.

In the ordinary course of business, the Company and its subsidiaries perform or may perform interested party transactions, mainly for receiving or providing services, marketing and distributing products, receiving and providing various management and consulting services etc. These transactions are immaterial to the Company both quantitatively and qualitatively and are normally conducted at arm's length and under similar terms to uncontrolled transactions with third parties. Accordingly, the Company's Board decided that a non-extraordinary interested party transaction (as defined in the Companies Law) will be viewed as an immaterial transaction if it meets the two-step test: a qualitative test which states that the nature, substance and effect of the transaction on the Company are immaterial and there are no special considerations arising from the entire relevant circumstances that are indicative of the materiality of the transaction; and a quantitative test according to which the Board rules that since there are no special qualitative considerations arising from the entire relevant circumstances, an interested party transaction will be classified as immaterial if its annual scope does not exceed NIS 250,000. It should be noted that meeting the quantitative test in itself is not sufficient for classifying a certain transaction as immaterial if there are qualitative considerations that indicate that the transaction is material with respect to its effect on the Company or due to the importance of its disclosure to the public of investors. Individual transactions that are co-dependent and essentially form part of the same engagement (such as holding consolidated negotiations for a series of transactions) will be evaluated as a single transaction.

[13] See footnote 5 above.

The Company's Board decided that each year, the Audit Committee will review the Company's compliance with this policy and conduct a sample test of transactions classified as immaterial as per this policy. The sample testing of these transactions will consist of the Audit Committee's examination of the pricing and other terms of the transaction, as applicable, and evaluation of the effect of the transaction on the Company's business position and operating results.

In the reporting period, the Company and its subsidiaries conducted transactions classified as immaterial in an overall scope of about NIS 20 thousand.

9. Regulation 24 – Holdings of Interested Parties and Senior Officers

See details of securities held by interested parties in the Company to the best of the Company's knowledge in its immediate report of January 4, 2023 (TASE reference: 2023-01-002535) hereby mentioned for reference only.

10. Regulation 24A – Authorized Share Capital, Issued Share Capital and Convertible Securities

See details of the status of the Company's securities in its immediate report of January 4, 2023 (TASE reference: 2023-01-002526) hereby mentioned for reference only.

11. Regulation 24B – Registry of the Company's Shareholders

See details of the Registry of the Company's shareholders in its immediate report of January 4, 2023 (TASE reference: 2023-01-002526) hereby mentioned for reference only.

12. Regulation 25A – Registered Domicile

The Company's registered domicile:	19A HaBarzel St. Tel-Aviv, 6781026
Email:	osnat@altshul.co.il
Tel:	073-2331500
Fax:	073-2462700

13. Regulation 26 – Directors of the Company

13.1 External directors in the Company

	Adi Blumenfeld Pinchas	Yael Naftaly	Meirav Segal
ID	037688314	036253441	028770285
Date of birth	December 26, 1975	June 11, 1978	September 12, 1971
Formal address	16 HaChashmal St., Kiryat Ono	10 Y.L. Gordon St., Tel-Aviv	P.O.B. 10486, Tel-Aviv 6883213
Citizenship	Israeli	Israeli	Israeli
Membership of Board Committee(s)	Audit Committee, Balance Sheet Committee, Remuneration Committee	Audit Committee, Balance Sheet Committee, Remuneration Committee	Audit Committee, Balance Sheet Committee, Remuneration Committee
Independent or external director	External Director	External Director	Independent Director
Has accounting and financial expertise or professional qualification	Yes	Yes	Yes
Employed by the Company, subsidiary, affiliate or interested party	No	No	No
Start date of office as director	July 4, 2022	September 15, 2022	July 4, 2022
Education, including the professions or fields of education, institution and the academic title or professional diploma held	Bachelor's degree in Business Management with specialty in Accounting, The College of Management Academic Studies, master's degree in Business Management with specialty in Financing, The College of Management Academic Studies	Bachelor's degree in Economics and Accounting, Hebrew University of Jerusalem	Bachelor's degree in Agricultural Economics, Hebrew University; Master's degree in Business Management, The College of Management Academic Studies

Chapter D - Additional Information about the Corporation

	Adi Blumenfeld Pinchas	Yael Naftaly	Meirav Segal
Occupation during past five years / other primary occupation	CEO of The Or Yehuda Development Company Ltd.; Deputy CEO, VP Finance and Operations of Mashbir 365 Holdings Ltd.; External Director of Mega Or Holdings Ltd.; External Director of Michlol Financing Ltd.	CFO of Novolog Logistics (of the Novolog Group); CFO of Elbit Imaging Ltd.; CEO of Elbit Medical Technologies Ltd.; Independent Director of Cannabotech Ltd.; External Director of Elbit Imaging Ltd.	VP Business Development of Valkyrie Investments Financial Consulting and Investment Banking Company Ltd.; VP Business Development of Obligo A.A.P. Advance Finance (2016) Ltd.; Deputy CEO and Director of Polar Investments Ltd.; Chairwoman of the Board of Libra Insurance Company Ltd.; External Director of Spencer Equity Group Limited; External Director of Strawberry Fields REIT Limited; External Director of Phinergy Ltd.; External Director of The Zarasai Group Ltd.
Corporations in which the director also serves as director	Altshuler Shaham Finance Ltd.; External Director of Mega Or Holdings Ltd.; External Director of Michlol Financing Ltd.	Altshuler Shaham Finance Ltd.; Cannabotech Ltd.; Elbit Imaging Ltd.	Altshuler Shaham Finance Ltd.; Polar Investments Ltd.; Libra Insurance Company Ltd.; Spencer Equity Group Limited; Strawberry Fields REIT Limited; Phinergy Ltd.; The Zarasai Group Ltd.
Relative of another interested party in the corporation	No	No	No
Regarded by the Company as having accounting and financial expertise for compliance with minimum quota set by the Board pursuant to Article 82(a)(12) of the Companies Law	Yes	Yes	Yes

13.2 Directors in the Company

	Ran Shaham, Chairman of the Board	Reuven Elkes	Tomer Cohen	Roni Benin Bar	Yair Lowenstein
ID	27700244	024433625	017716655	336288202	023106678
Date of birth	March 26, 1970	July 29, 1969	July 11, 1978	September 16, 1941	June 8, 1967
Formal address	19A HaBarzel Street, Ramat HaChayal, Tel Aviv	1 Nachal Kane Street, Hod HaSharon	51 Mevo HaKfar, Har Adar	30 Simtat HaGiva St., Savyon	HaHadarim Road, Sde Warburg
Citizenship	Israeli	Israeli	Israeli	Israeli	Israeli
Membership of Board Committee(s)	No	Member of the Risk Management Committee.	No	No	No
Independent or external director	No	No	No	No	No
Has accounting and financial expertise or professional qualification	Yes	Yes	Yes	Yes	Yes
Employed by the Company, subsidiary, affiliate or interested party	Yes – Co-CEO of Altshuler Ltd. and Altshuler Shaham Investment Portfolio Management Ltd.	No	Yes – CFO at Altshuler Ltd.	No	Chairman of the Board of Altshuler Provident[14]
Start date of office as director	December 30, 2021	February 27, 2022	March 28, 2022	November 28, 2022	December 19, 2021
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; bachelor's degree in Economics and Management from Tel Aviv Yafo Academic College. Holds a (suspended) portfolio management license from the Israel Securities Authority.	Bachelor's degree in Accounting, Business Administration and Education from the College of Management	Bachelor's degree in Accounting and Economics from the Hebrew University. Certified Public Accountant.	Bachelor's degree in Chemistry and Business Management, Bar Ilan University	CPA and bachelor's degree in Economics and Accounting, Haifa University

[14] Concurrently with serving as the Company's CEO, Mr. Lowenstein also serves as Chairman of the Board of Altshuler Provident for no additional remuneration other than the remuneration for his service as Company CEO as per his employment agreement. See also paragraph 6.3.2 above.

Chapter D - Additional Information about the Corporation

	Ran Shaham, Chairman of the Board	Reuven Elkes	Tomer Cohen	Roni Benin Bar	Yair Lowenstein
Occupation during past five years	Co-CEO of Altshuler Shaham Ltd. And Altshuler Shaham Investment Portfolio Management Ltd.	CEO of Fattal Hotels, Israel; Co-Manager of Canada Israel Hotels.	CFO of Altshuler Shaham Ltd.	Director of Deli-Tech Ltd.; Director of Galita Ltd.; Director of Matara Building Finishing Work (1985) Ltd.;	CEO of the Company; CEO and COB of Altshuler Provident; CEO of Altshuler Shaham Management Services Ltd.
Corporations in which the director also serves as director	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.	Altshuler Shaham Finance Ltd.; Deli-Tech Ltd.; Galita Ltd.	Altshuler Shaham Finance Ltd., Altshuler Shaham Provident and Pension Ltd.; Lowenstein Yair Holdings Ltd.; Onyx B.H.N.V. Real Estate Ltd.; G.L.Z. Foreign Property Investments Ltd.; Altshuler Shaham Properties Founder Ltd.; Altshuler Shaham Insurance Agency Ltd.; Perfect (Y.N.A.) Capital Markets Ltd.; Meniv Insurance Agency Ltd.; Generics Software Ltd.; Omega Savings and Finance Insurance Agency (2008) Ltd. (in voluntary liquidation); Psagot Market Making Ltd. (in voluntary liquidation); Psagot Platinum (in voluntary liquidation); Psagot Business Opportunity Fund Ltd.; Altshuler Shaham Alternative Investments Ltd.; Altshuler Shaham Alternative Investment Funds Ltd.

Chapter D - Additional Information about the Corporation

	Ran Shaham, Chairman of the Board	Reuven Elkes	Tomer Cohen	Roni Benin Bar	Yair Lowenstein
Occupation during past five years	Co-CEO of Altshuler Shaham Ltd. And Altshuler Shaham Investment Portfolio Management Ltd.	CEO of Fattal Hotels, Israel; Co-Manager of Canada Israel Hotels.	CFO of Altshuler Shaham Ltd.	Director of Deli-Tech Ltd.; Director of Galita Ltd.; Director of Matara Building Finishing Work (1985) Ltd.;	CEO of the Company; CEO and COB of Altshuler Provident; CEO of Altshuler Shaham Management Services Ltd.
Relative of another interested party in the corporation	Son of Kalman Shaham, a controlling shareholder of the Company.	No	No	To the best of the Company's knowledge, Altshuler Shaham Ltd., a controlling shareholder in the Company, is 4.94% held by Ms. Galia Bar Wilf (26.77% is held in trust by Altshuler Shaham Trustees Ltd.) and 4.94% held by Daniel Benin Bar (26.77% is held in trust by Altshuler Shaham Trustees Ltd.) who are Ms. Roni Benin Bar's children	No
Regarded by the Company as having accounting and financial expertise for compliance with minimum quota set by the Board pursuant to Article 82(a)(12) of the Companies Law	Yes	Yes	Yes	No	Yes

14. **Regulation 26A – Senior Officers in the Company**

See details of Mr. Yair Lowenstein who serves as the Company's CEO and a director therein in Regulation 26 above.

Following are details of senior officers in the Company:

	Sharon Gerszbejn	Osnat Antebi	Shai Aharoni	Anat Knafo-Tavor	Meital Barnea	Sigalit Raz	Keren Fuchs	Erez Yefet	Tzafrir Zanzuri Amiad	Ishay Mandil
ID	037827888	013234406	038308466	037568177	036391852	022843908	023715972	037966694	037408978	028843231
Date of birth	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	August 28, 1971
Position	Deputy CEO, CFO	VP, Legal Counsel	Internal Auditor	CEO of Altshuler Provident	VP, Services	VP, Human Resources	VP, IT	CFO	Deputy CEO; VP, Sales and Business Development	VP Marketing
Start date of office[15]	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	May 8, 2023
Position held in the Company, subsidiary, related company or interested party thereof	Deputy CEO, CFO	VP, Legal Counsel of the Company and Group companies	Internal Auditor of the Company and Group companies	CEO of Altshuler Provident	VP Services	VP, HR of the Altshuler Group[16]	IT Manager of Altshuler Group	CFO of the Company and of Altshuler Provident	Deputy CEO; VP, Sales and Business Development	VP Marketing of Altshuler Group[17]
Family member of another senior officer or interested party	No	No	No	No	No	No	No	No	No	No
Education, including the professions or fields of education,	CPA, bachelor's degree in Accounting,	Attorney, LLB, Hebrew University; LLM	Bachelor's degree in Economics and	Bachelor's degree in Business Management	Bachelor's degree in Management and	Bachelor's degree in Education and Sociology	Computer programming course, IDF; Bachelor's	CPA, Bachelor's degree in Economics	Bachelor's degree in Economics and	Bachelor's degree in Business Management

[15] Insofar as the start date of office is before the business restructuring date, the table shows the date of beginning of service of the senior officer in Altshuler Provident before the business restructuring.

[16] Employed by Altshuler Ltd. with salary partially allocated to the Company.

[17] Employed by Altshuler Ltd. with salary partially allocated to the Company.

Chapter D - Additional Information about the Corporation

institution and the academic title or professional diploma held	Economics and Management from Tel Aviv University; Master's degree in Business Management – Financial Management from Tel Aviv University	(commercial specialization) from Tel Aviv University	Accounting; Master's degree in Business Management (Finance) from Bar Ilan University, CPA	from Izrael College; Master's degree in Public Policy from Tel Aviv University; suspended pension marketing license; suspended pension advisory license	Communications from the Open University	from the Hebrew University; Master's degree in Organizational Behavior from Tel Aviv University	degree in Logistics and Computer Science from Bar Ilan University; Master's degree in Business Management from Harriott Watt University	and Accounting from Ben Gurion University; master's degree in Business Management – Financial Management from Tel Aviv University	Management (specialized in Finance) from Rupin Academic Center; Pension marketing license	and Communications from the College of Management
Business experience over past five years	Deputy CEO and CFO; CFO of the Company and Altshuler Provident; Director of Altshuler Shaham Real Estate Ltd.; Director of Altshuler Shaham Properties Ltd.; Director of Altshuler Shaham Properties Founder Ltd.; Director of B Center Harish Ltd.; Director of Bold Analytics Ltd.	Legal Counsel of the Company and Altshuler Provident	Internal Auditor of the Company and affiliated companies	CEO of Altshuler Provident; VP, Pension Fund and Operations of Altshuler Provident; 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	VP Services in the Company; VP Services and Distribution of Altshuler Provident; Head of Business Customer Division of Partner Communications Ltd.; Head of Business Customer Division of Hot Mobile Ltd.	VP, Human Resources of the Company and of Altshuler Provident	VP, IT of the Company and of Altshuler Provident; Development Manager of Isracard	CFO and Chief Comptroller of the Company and of Altshuler Provident	VP, Sales and Business Development of the Company; VP Sales and Marketing of Altshuler Provident; VO Pension Fund; Shareholder and Director of Kings Development and Investment Ltd.; Director of Altshuler Shaham Mutual Funds Ltd.	VP Marketing of Unilever Israel

15. **Regulation 26B – Independent Authorized Signatories**

As of the date of this report, the Company does not have any independent authorized signatories, as this term is defined in Article 37(d) to the Securities Law.

16. **Regulation 27 – Independent Auditor of the Company**

The Company's independent auditors are Kost Forer Gabbay & Kasierer, CPAs (EY) of 144A Menachem Begin Road, Tel-Aviv. See more information in paragraph 8 to the Board of Directors' Report hereby attached to this report as Chapter B.

17. **Regulation 28 – Change in Memorandum or Articles of Association**

From the date of publication of the Prospectus through the date of publication of this report, there have been no changes in the Company's articles of association, other than a change in the Company's name in English (see immediate report of May 8, 2022, TASE reference: 2022-01-054882).

18. **Regulation 29 – Recommendations and Resolutions of Directors**

18.1 Recommendations and resolutions 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:

a) Dividend payment or distribution (as defined in the Companies Law)

1) On May 30, 2022, the Company's Board approved the distribution of a dividend based on the Company's financial statements as of March 31, 2022 in a total of NIS 200 million. See also the Company's immediate reports of May 31, 2022 and June 8, 2022 (TASE references: 2022-01-067684 and 2022-01-070833, respectively), hereby mentioned for reference only.

2) On August 30, 2022, the Company's Board approved the distribution of a dividend based on the Company's financial statements as of June 30, 2022 in a total of NIS 40 million. See also the Company's immediate reports of August 31, 2022 and September 11, 2022 (TASE references: 2022-01-111352 and 2022-01-115845, respectively), hereby mentioned for reference only.

3) On November 28, 2022, the Company's Board approved the distribution of a dividend based on the Company's financial statements as of September 30, 2022 in a total of NIS 38 million. See also the Company's immediate reports of November 28, 2022 and December 8, 2022 (TASE references: 2022-01-143671 and 2022-01-148686, respectively), hereby mentioned for reference only.

4) On March 21, 2023, the Company's Board approved the distribution of a dividend based on the Company's financial statements as of December 31, 2022, hereby attached as Chapter C, in a total of NIS 32 million.

b) Changes to the Company's authorized or issued share capital

1) In the context of the business restructuring (as explained in paragraph 1.2 to Chapter A to this report), a share swap was completed whereby each holder of shares of Altshuler Provident on the merger date received ordinary shares of the Company on a 1:1 ratio. Accordingly, 196,979,413 Company shares were allocated as per the prospectus to holders of Altshuler Provident's shares at the end of the trading day of March 31, 2022 in return for the shares held by them on that date. See more information of the business restructuring and the allocation of shares in paragraph 1.3 to Chapter A to this report and in the Company's immediate report of April 3, 2022 (TASE reference: 2022-01-041880), hereby mentioned for reference only.

2) See details of share options of Altshuler Provident which were converted into share options of the Company as part of the business restructuring with retention of the existing tax arrangements as per Section 102 to the Income Tax Ordinance in paragraph 8.3 above and in paragraphs 3.5-3.6 to chapter 3 to the Prospectus, hereby mentioned for reference only.

3) Prior to the business restructuring, on March 21, 2021, May 26, 2021 and August 30, 2021, the board of Altshuler Provident decided to allocate 1,322,488 options to employees of the Company and the Altshuler Group.

4) Prior to the business restructuring, on December 13, 2021, the board of Altshuler Provident decided to issue 4,500,000 shares. See more information of the share issue in paragraph 1.6 to Chapter A to this report.

18.2 Resolutions of the Special General Meeting

a) On July 4, 2022, a Special General Meeting of the Company's shareholders approved the following resolutions: (i) appointment of Ms. Adi Blumenfeld Pinchas as external director on the Company's Board for an initial period of three years from the appointment date; (ii) appointment of Ms. Ira Rachel Szobel as external director on the Company's Board for an initial period of three years from the appointment date[18]; and (iii) appointment of Ms. Meirav Segal as independent director on the Company's Board for a period beginning on the appointment date until the date of the next annual general meeting of shareholders. See also the Company's immediate reports of May 30, 2022 and July 4, 2022 (TASE references: 2022-01-067438 and 2022-01-083431, respectively), hereby mentioned for reference only.

[18] Please note that on July 25, 2022, Ms. Szobel resigned from office as external director on the Company's Board shortly after becoming aware of a fact that was unknown to her before her appointment which raises a concern for being closely related to another corporation (as stipulated in Article 240(b) to the Companies Law). See also the Company's immediate report of July 26, 2022 (TASE reference: 2022-01-095194) hereby mentioned for reference only.

b) On September 15, 2022, a Special General Meeting of the Company's shareholders approved the following resolutions: (i) the Company's engagement in service agreements with Altshuler Real Estate (directly) and Altshuler Properties (indirectly) as a transaction which the controlling shareholders in the Company have a personal interest in approving. See also paragraph 8.2 above; (2) the appointment of Ms. Yael Naftaly as external director on the Company's Board for an initial period of three years from the appointment date. See also the Company's immediate reports of August 11, 2022 and September 15, 2022 (TASE references: 2022-01-102046 and 2022-01-118086, respectively), hereby mentioned for reference only.

c) On October 27, 2022, a Special Annual General Meeting of the Company's shareholders approved the following resolutions: (i) adopting a revised remuneration policy in the format attached to the meeting notice report in effect for a period of three years from the approval date; (ii) approval and grant of letters of quittance and indemnity to the Company's officers (including officers who are controlling shareholders therein); (iii) updating the corporate opportunity waiver between the Company and the control group in the Company to apply to financial opportunities in excess of NIS 10 million. See details in the Company's general meeting notice report of September 22, 2022, as amended on October 18, 2022, and as immediate report on the meeting results of October 27, 2022 (TASE references: 2022-01-121105, 2022-01-127845 and 2022-01-130788, respectively), hereby mentioned for reference only. See also paragraphs 8.5 above and 19.2 below regarding the corporate opportunity waiver and the letters of quittance and indemnity, respectively.

19. Regulation 29A – Resolutions of the Company

19.1 D&O liability insurance policy

After obtaining the approval of the Company's Remuneration Committee and Board, on December 1, 2022, the Company purchased a collective D&O liability insurance policy for the Group's directors and officers which is in effect for a period of one year beginning on December 1, 2022, in keeping with Regulation 1B(1) to the Companies Regulations (Reliefs in Interested Party Transactions), 2000. The insurance policy has a collective liability limit of US$ 50 million per event and cumulatively for the insurance period.

On November 28, 2022, the Company's Remuneration Committee and Board approved that the insurance policy offers identical terms to all directors and officers in the Company and in corporations controlled by it, including the controlling shareholders or their relatives and the Company's CEO but without granting preference thereto, and that the annual premium payable on the policy and the deductible amounts are at arm's length and at a cost which is immaterial to the Company.

19.2 Letters of quittance and indemnity to officers

On September 18, 2022, September 22, 2020 and October 27, 2022, the Company's Remuneration Committee and Board respectively approved the grant of letters of quittance and indemnity to officers in the Company, as they will be from time to time, including officers who are employed at the Company and/or officers in the Company's subsidiaries and/or related companies, as they will be from time to time, and/or officers as requested by the Company, and/or officers who are employed by another corporation in which the Company directly or indirectly holds securities, including officers who are controlling shareholders in the Company and/or their relatives (in this paragraph collectively – "**the officers**").

In the context of the letters of quittance and indemnity, the Company undertakes to indemnify the officers for any liability and/or expense and/or reasonable litigation expenses, as specified in the letters of quittance and indemnity, incurred by them in their capacity and/or for their actions as officers as long as the maximum amount of the indemnification for financial liabilities imposed on the officers in a court judgment (including a court settlement or arbitration award approved by the court) does not exceed (cumulatively for all officers per case and in the aggregate for all cases) an amount equivalent to 25% of the Company's equity as defined in the letters of quittance and indemnity ("**the maximum indemnification amount**")[19].

Moreover, in the letters of quittance and indemnity, the Company releases the officers from any accountability (within the boundaries permitted by applicable laws) for any damage caused to it by them due to their actions as officers as a result of breach of duty of care (other than damage due to breach of duty of care upon distribution, as defined in the Companies Law, and other damages as defined in the letters of quittance and indemnity). This quittance will not apply to a decision or transaction in which any controlling shareholder in the Company of any officer in the Company has a personal interest. See details of the liability for quittance and indemnity in paragraph 1.5 to the Company's general meeting notice report of September 22, 2022, as amended on October 18, 2022, (TASE references: 2022-01-121105 and 2022-01-127845, respectively), hereby mentioned for reference only.

[19] In this context, equity refers to the Company's equity as per its latest audited or reviewed consolidated financial statements (as applicable) as of the date of the indemnification event. Please note that the indemnification will apply incrementally in addition to any amount paid as per the D&O liability insurance policy that has been or will be purchased by the Company from time to time.