



# **Altshuler Shaham Finance Ltd.**

**Interim Report for the Period ended June 30, 2023**

# **ALTSHULER SHAHAM FINANCE LTD.**

## **Interim Report as of June 30, 2023**

### **Index:**

- **Report of the Board of Directors on the State of Affairs of the Corporation**
- **Consolidated Financial Statements**

**This is an English translation of a Hebrew report that was published on August 22, 2023 in "Magna" – ISA official website (reference no.: 2023-01-096579) ("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.**

**ALTSHULER SHAHAM FINANCE LTD.**

**Report of the Board of Directors on the State of Affairs  
of the Corporation**

**For the Periods of Six and Three Months ended  
June 30, 2023**

**Report of the Board of Directors on the State of Affairs of the Corporation**

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**INDEX**

<b>1.</b>	<b>The Board's explanations for the state of the Company's business affairs.....</b>	<b>2</b>
1.1	Condensed description of the Company and its business environment .....	2
1.2	The Company's holding structure as of the Report Approval Date.....	3
1.3	Significant developments and changes in the Company's business environment .....	4
1.4	Developments in the operating segments .....	7
1.5	Financial position .....	12
1.6	Operating results .....	13
1.7	Liquidity .....	15
1.8	Financing resources.....	16
<b>2.</b>	<b>Material Events during and after the Reporting Period and Updates to Chapter A to the Periodic Report for 2022 – Description of Corporate Affairs.....</b>	<b>17</b>
<b>3.</b>	<b>Exposure to market risks.....</b>	<b>19</b>
<b>4.</b>	<b>Effectiveness of internal control over financial reporting and disclosure (ISOX) .....</b>	<b>20</b>

Report of the Board of Directors on the State of Affairs of the Corporation

**Report of the Board of Directors on the State of Affairs of the Corporation  
for the Periods of Six and Three Months ended June 30, 2023**

The Board of Directors of Altshuler Shaham Finance Ltd. ("**the Company**") is pleased to present the Report of the Board of Directors for the periods of six and three months ended June 30, 2023 ("**H1 2023**" and "**Q2 2023**", respectively) in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970 ("**the Reporting Regulations**"), which reviews the main changes in the Company's operations and results in the reporting periods.

The review is limited in scope and solely addresses events and changes in the Company's business affairs in the reporting period whose effect is material. This report should be read in conjunction with the Company's periodic report for 2022, including the Company's financial statements and report of the board of directors as of December 31, 2022, as published on March 22, 2023 (TASE reference: 2023-01-029922) ("**the Periodic Report**"), whose information is hereby included by reference.

Glossary of terms used in this report:

"**Report Date**" – June 30, 2023.

"**Report Approval Date**" – August 21, 2023.

"**The Group**" – the Company and the corporations controlled by it, as they will be from time to time.

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

**1.1 Condensed description of the Company and its business environment**

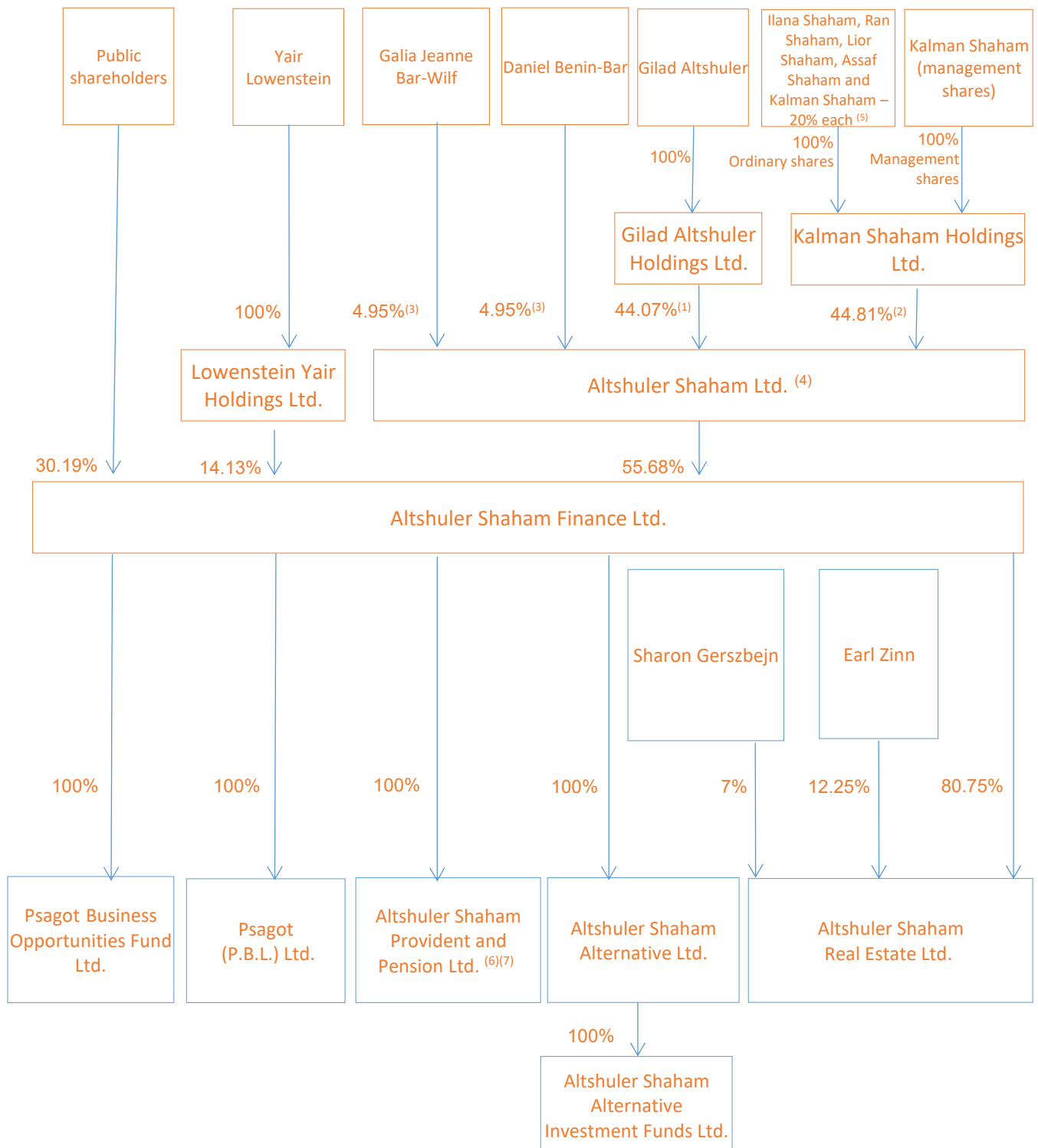
The Company was incorporated in Israel as a private company limited in shares on December 9, 2001. On April 4, 2022, the Company's shares began trading on the Tel-Aviv Stock Exchange Ltd. ("**the TASE**") and were allocated to the shareholders of Altshuler Provident Funds and Pension Ltd. ("**Altshuler Provident**") in return for Altshuler Provident's shares held by them ("**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**"). As of the Report Approval Date, the Company is held by Yair Lowenstein Holdings Ltd. (14.13%) ("**Yair Holdings**") and Altshuler Shaham Ltd. (55.68%) ("**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.

The Company provides financial services. As of the Report Approval Date, the Company mainly operates through Altshuler Provident in managing provident and pension funds. The Company also operates in other industries, but these operations cannot be aggregated into a reportable segment in its financial statements. Those include managing real estate investments ("**the Real Estate Investment Management Operation**") through Altshuler Shaham Real Estate Ltd. ("**Altshuler Real Estate**"), managing alternative investments ("**the Alternative Operation**") through Altshuler Shaham Alternative Ltd. ("**Altshuler Alternative**") and through Altshuler Shaham Alternative Investment Funds, which is a wholly owned subsidiary of Altshuler Alternative ("**Altshuler Investment Funds**")

The Company is promoting the possible branching out (subject to applicable laws) into other operating segments, whether on its own or through other subsidiaries that will be founded or purchased by it, including those which are synergetic to Altshuler Provident's operations.

Report of the Board of Directors on the State of Affairs of the Corporation

1.2 The Company's holding structure as of the Report Approval Date



(1) Of which 26.06% are held in trust by Altshuler Shaham Trustees Ltd. (or 11.49% of shares of Altshuler Ltd.); (2) Of which 27.28% are held in trust by Altshuler Shaham Trustees Ltd. (or 12.2% of shares of Altshuler Ltd.); (3) Of which 26.84% are held in trust by Altshuler Shaham Trustees Ltd. (or 1.33% of shares of Altshuler Ltd.); (4) Note that the remaining holdings in Altshuler Shaham Ltd. (about 1.22%) are held by Altshuler Shaham Trustees Ltd. (in trust for employees); (5) All ordinary shares are held in trust by Shenkar Laks Trustees Ltd.; (6) Altshuler Shaham Provident and Pension Ltd. wholly owns investment firms for the members of the provident and pension funds managed by it; (7) Altshuler Shaham Provident and Pension Ltd. holds several private companies of the Psagot Group that are in voluntary liquidation process.

## Report of the Board of Directors on the State of Affairs of the Corporation

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### **1.3 Significant developments and changes in the Company's business environment**

Following is a description of the significant changes in the Company's business environment in the provident and pension fund management segment that is performed by Altshuler Provident as a managing company as per the Provident Fund Law and a licensed insurer as per the Insurance Control Law.

#### Capital market trends

In H1 2023, central banks around the world - in the U.S., Europe and Israel – pursued their efforts to mitigate the high inflation rates which began soaring in 2022. In the backdrop of growing demands and the war in Ukraine, central banks around the world adopted a contractionary monetary policy headed by sharp benchmark interest rate hikes. The banks continued to raise the interest rates in H1 2023 despite a certain moderation of the inflation rates (mainly in the U.S.), concurrently with the recovery in the risk asset, stock and bond markets.

The local market was also affected by the constant increases in market interest rates and inflation rates began subsiding. However, the Israeli commerce activity in H1 2023 fell short compared to the U.S. and European markets as a result of another devaluation of the NIS in relation to the USD and Euro, an environment of uncertainty and a considerable slowdown in investments in view of the continuing political and social debate in Israel involving the planned judicial reform led by the government. As a result of these circumstances, in H1 2023, Altshuler Provident experienced mixed returns in all its operating segments in Israel and overseas.

#### Index overview

Owing to the recovery in the markets of risk assets, stocks and bonds in H1 2023, U.S. stock indices rose with the S&P 500 gaining about 15.9% and the NASDAQ growing by about 31.7%. The STOXX Europe 600 increased by about 8.7% and the German DAX rose by about 15.9%. The MSCI WORLD Index also grew by about 14%. The global bond market also experienced a positive trend. In the U.S., the United States 10Y Government Bond yields were 3.84% at the end of H1 2023 compared with a yield of 3.87% at the beginning of the year.

The performances of the Israeli stock market in H1 2023 were short compared to foreign markets with the TA 35 Index falling by about 2.7%, the TA 125 Index losing about 2.1% and the TA 90 Index dropping by about 0.6%.

#### Israel

In keeping with the global trend, the local economy and market trade were affected in H1 2023 by continued interest rate hikes and growing inflation. These market conditions were aggravated by a growing social-political conflict amid the government's judicial reform bill and continuing protests against the reform across the country. In Q2 2023, following the government's efforts, the Israeli Knesset (Parliament) passed legislation that would limit the High Court of Israel's ability to review the "reasonableness" of government decisions. In July 2023, the law to abolish the reasonableness standard passed the second and third reading despite widespread disputes and protests as well as international criticism regarding potential prejudice to democratic values and the Court's independence.



**Report of the Board of Directors on the State of Affairs of the Corporation**

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Accordingly, in Q2 2023, the social-political turmoil contributed to the trend of uncertainty in the markets and to considerable slowdown in investments and capital raising. The trade on the TASE sustained fluctuations and demonstrated weak trading of stocks and bonds compared with U.S. and European stock markets whose recovery benefited from double-digit growth in leading indices. For example, in the six months ended June 30, 2023, the TA 125 Index lost 2.1% as opposed to S&P 500 which grew by 15.9%. Moreover, the economy was affected by the continuing devaluation of the NIS against the USD and the Euro in H1 2023, closing at NIS 3.71 per 1 USD and NIS 4.04 per 1 Euro, representing a cumulative devaluation of 5.4% against the USD and 7.4% against the Euro.

The Bank of Israel's persistence in fighting the local inflation led to its decision to continue the interest rate hikes, causing the market interest rate to reach 4.75% at the end of H1 2023 following ten consecutive hikes. In early July 2023, owing to improved market data, the BOI finally decided to keep the market interest rate unchanged.

Inflation in Israel showed signs of cooling down in June 2023 following the publication of the Israeli CPI for May 2023 which increased by 0.2% compared with April 2023. Inflation therefore slowed down in May 2023 to 4.6% as opposed to 5% in former months. In June 2023, the CPI was also lower than anticipated and even unchanged (0%), drastically lowering the annual inflation rate in June 2023 to 4.2%.

The decline in inflation was also achieved by a drop of 0.3% in housing prices (which are not included in the CPI) in June 2023. The annual rate of housing price growth was mitigated to 7.6% as opposed to in excess of 20% at the beginning of the year.

U.S.

In keeping with the increasing inflation rates in the U.S. and worldwide, in 2022, the Fed began raising the interest rate following years of low interest rates. Within 18 months, amidst a wave of consecutive interest rate hikes, the U.S. interest rate rose from 0.25% to 5.25% at the end of Q2 2023.

In June 2023, the Fed paused the interest hikes and left the interest rate unchanged (at 5.25%), but in July 2023 raised it again by 0.25% to 5.5% - the highest in 22 years. The core component of the consumer price index which relies on Personal Consumption Expenditures (PCE), a central index for estimating inflation, rose in June 2023 at an annual rate of 4.1% compared with 4.6% in May 2023.

Thus, despite reduced consumption and real estate market slowdown caused by the soaring interest rates, the U.S. economy proved its strength with continued high employment rates, low unemployment rates and better performances than anticipated. On an annual basis, the U.S. economy grew in Q2 2023 by 2.4%, exceeding early expectations of a 2% growth.

This positive trend in the markets persisted in Q2 2023 and was especially noted in the tech stock indices as a result of improved performances and growth in the revenues and core businesses of large hi-tech groups, most of which recording unexpectedly positive results in the second quarter of 2023. From the beginning of the year, the NASDAQ rose by a cumulative rate of 31.7% and the S&P 500 by a cumulative rate of 15.9%.

**Report of the Board of Directors on the State of Affairs of the Corporation**

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Europe

The European economy experienced deep turmoil in 2022 in view of rising inflation and the Russia-Ukraine war which persisted in the first half of 2023. Following a series of interest hikes, the inflation in the EU is finally showing signs of mitigation. The CPI in June 2023 decreased to 5.5% compared with 6.1% in May 2023, the lowest rate in the past 18 months. However, this encouraging trend did not stop the ECB from raising the Euro interest rate by 0.25% to 4% in June 2023 and again to 4.25% in July this year.

In the UK, the annual inflation rate in June 2023 was 7.9%, which is significantly lower than the 8.7% recorded in May this year, with a moderation also in the core inflation (6.9%). Nevertheless, the high inflation, alongside stable demands and increased employment rates, closed Q2 2023 with a sharp rise of 0.5% in the interest to 5%.

At the end of H1 2023, the European stock exchanges showed positive results with the Euro Stoxx 50 increasing by 16% and the Euro Stoxx 600 gaining 8.7%.

## Report of the Board of Directors on the State of Affairs of the Corporation

### 1.4 Developments in the operating segments

#### 1.4.1 General data of the assets managed by Altshuler Provident

#### As of June 30, 2023 and for the period of six months then ended (NIS in thousands)

	New pension funds		Personal provident funds for benefits and severance pay	Study funds	Investment provident funds	Long-term Savings for Every Child Plan	Central funds *	Total
	Comprehensive	General						
Number of members**	368,532	22,149	944,829	807,373	181,726	983,084	6,339	<b>3,314,032</b>
Managed assets, net	26,049,832	699,504	59,837,296	58,148,327	10,583,015	7,047,589	917,365	<b>163,282,928</b>
Receipts from fees	2,038,766	90,965	397,081	2,469,348	556,409	518,190	3,112	<b>6,073,871</b>
Of which, nonrecurring fees	-	-	60,129	23,140	218,188	22,631	-	<b>324,088</b>
Annualized fees for newly enrolled members	317,633	13,508	18,162	276,689	44,418	19,340	-	<b>689,750</b>
Annualized fees for all members	4,076,702	183,389	664,885	4,867,166	677,454	990,170	6,337	<b>11,466,103</b>
Accruals transferred to the fund	504,209	13,870	294,721	90,978	16,090	799	322	<b>920,989</b>
Accruals transferred from the fund	(3,918,191)	(107,349)	(5,260,309)	(7,223,172)	(917,710)	(41,429)	(33,094)	<b>(17,501,254)</b>
Payments	(201,966)	(896)	(1,780,941)	(2,519,984)	(783,642)	(61,907)	(40,593)	<b>(5,389,929)</b>
Surplus revenues (losses) over expenses in the period	2,074,163	45,961	2,629,483	2,922,097	682,861	518,953	35,912	<b>8,909,430</b>
Revenues from accrual management fees	16,896	668	198,345	214,141	35,003	7,558	2,799	<b>475,410</b>
Revenues from deposit management fees	28,610	1,382	1,807	-	-	-	-	<b>31,799</b>
Average annual rate of management fees from active assets (%)	0.12	0.17	0.67	0.74	0.66	0.23	0.21	
Average annual rate of management fees from inactive assets (%)	0.13	0.24	0.64	0.69	0.64	0.23	0.64	
Average annual rate of management fees from assets – annuities (%)	0.36	0.34	-	-	-	-	-	
Average annual rate of management fees from deposits (%)	1.38	1.45	0.42	-	-	-	-	

\* Central funds include Altshuler Shaham Severance – Central Severance Pay Fund, Altshuler Shaham Sick Pay – Central Sick Pay Fund and Altshuler Shaham Central Provident Fund for Participation in Budgetary Pension which were transferred to the Company's management in a voluntary management transfer process from October 1, 2021.

\*\* Refers to the number of provident fund member and pension fund member accounts.

**Report of the Board of Directors on the State of Affairs of the Corporation**
**As of June 30, 2022 and for the period of six months then ended (NIS in thousands)**

	New pension funds		Personal provident funds for benefits and severance pay	Study funds	Investment provident funds	Long-term Savings for Every Child Plan	Central funds *	Total
	Comprehensive	General						
Number of members**	356,919	26,672	1,111,890	1,038,991	223,504	975,447	6,813	<b>3,740,236</b>
Managed assets, net	27,454,479	622,933	75,021,593	72,981,256	12,697,986	5,716,564	1,031,035	<b>195,525,846</b>
Receipts from fees	2,360,770	136,662	679,916	3,731,539	1,616,394	487,659	3,501	<b>9,016,441</b>
Of which, nonrecurring fees	-	-	246,219	206,181	1,071,444	19,923	-	<b>1,543,767</b>
Annualized fees for newly enrolled members	441,279	72,896	30,299	435,776	106,931	22,217	6	<b>1,109,404</b>
Annualized fees for all members	4,434,795	346,525	843,075	7,317,461	1,080,569	935,490	6,894	<b>14,964,809</b>
Accruals transferred to the fund	1,269,932	26,785	404,942	190,488	17,807	3,813	2,380	<b>1,916,147</b>
Accruals transferred from the fund	(2,835,597)	(60,365)	(12,048,833)	(12,027,460)	(1,972,385)	(30,980)	(54,804)	<b>(29,030,424)</b>
Payments	(120,692)	1,156	(1,503,714)	(1,819,593)	(860,678)	(38,827)	(31,645)	<b>(4,373,993)</b>
Surplus revenues (losses) over expenses in the period	(3,373,464)	(97,221)	(9,295,603)	(9,908,430)	(2,176,163)	(1,014,569)	(95,949)	<b>(25,961,399)</b>
Revenues from accrual management fees	17,751	675	285,352	303,530	49,665	6,940	3,351	<b>667,264</b>
Revenues from deposit management fees	34,815	2,062	2,312	-	-	-	-	<b>39,189</b>
Average annual rate of management fees from active assets (%)	0.11	0.18	0.68	0.75	0.67	0.23	0.24	
Average annual rate of management fees from inactive assets (%)	0.12	0.29	0.66	0.71	0.66	0.23	0.63	
Average annual rate of management fees from assets – annuities (%)	0.35	0.32	-	-	-	-	-	
Average annual rate of management fees from deposits (%)	1.47	1.48	0.31	-	-	-	-	

\* Central funds include Altshuler Shaham Severance – Central Severance Pay Fund, Altshuler Shaham Sick Pay – Central Sick Pay Fund and Altshuler Shaham Central Provident Fund for Participation in Budgetary Pension which were transferred to the Company's management in a voluntary management transfer process from October 1, 2021.

\*\* Refers to the number of provident fund member and pension fund member accounts.

**Report of the Board of Directors on the State of Affairs of the Corporation**
**As of December 31, 2022 and for the year then ended (NIS in thousands)**

	New pension funds		Personal provident funds for benefits and severance pay	Study funds	Investment provident funds	Long-term Savings for Every Child Plan	Central funds *	Total
	Comprehensive	General						
Number of members**	358,617	24,969	1,009,413	906,628	198,421	980,874	6,449	<b>3,485,371</b>
Managed assets, net	25,657,541	662,068	63,577,265	62,409,112	11,029,007	6,112,983	951,724	<b>170,379,700</b>
Receipts from fees	4,613,290	272,914	1,172,043	6,931,138	2,367,630	977,946	7,317	<b>16,342,278</b>
Of which, nonrecurring fees	-	-	332,721	218,692	1,394,299	41,739	20	<b>1,987,471</b>
Annualized fees for newly enrolled members	702,483	98,947	38,052	566,791	112,755	43,088	14	<b>1,562,130</b>
Annualized fees for all members	4,229,116	363,437	778,977	6,050,310	804,841	934,933	6,635	<b>13,168,249</b>
Accruals transferred to the fund	1,810,817	40,390	614,515	257,500	31,267	4,906	2,402	<b>2,761,797</b>
Accruals transferred from the fund	(7,648,040)	(165,376)	(22,237,971)	(23,673,116)	(3,585,997)	(71,386)	(103,239)	<b>(57,485,125)</b>
Payments	(188,677)	6,815	(2,971,441)	(3,665,567)	(1,646,676)	(83,912)	(60,890)	<b>(8,610,348)</b>
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)	<b>(26,471,580)</b>
Revenues from accrual management fees	34,798	1,343	514,046	549,872	89,390	13,835	6,350	<b>1,209,634</b>
Revenues from deposit management fees	67,273	4,061	4,450	-	-	-	-	<b>75,784</b>
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	-	-	-	-	

\* Central funds include Altshuler Shaham Severance – Central Severance Pay Fund, Altshuler Shaham Sick Pay – Central Sick Pay Fund and Altshuler Shaham Central Provident Fund for Participation in Budgetary Pension which were transferred to the Company's management in a voluntary management transfer process from October 1, 2021.

\*\* Refers to the number of provident fund member and pension fund member accounts.

**Report of the Board of Directors on the State of Affairs of the Corporation**

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1.4.2 Developments and major changes in the provident and pension fund segment in the reporting period

1.4.2.1 The provident and pension fund management operation

In the reporting period, Altshuler Provident continued marketing activities for retention, sale and distribution of products approved by State legislation and initiatives such as the investment provident fund and in promoting and enhancing its private pension fund and positioning it among the Israeli public. These initiatives and the products developed as a result thereof have placed the financial debate on the public agenda and contributed to increasing saver awareness and involvement. In the period, there was a decrease in the balance of members' assets due to the switching of members to competitors and surplus withdrawals over deposits. However, the balance of members' assets at the end of Q2 2023 remained similar to Q1 2023, mainly owing to deposits and positive returns yielded by the funds, which nearly fully offset the net transfers to competitors and withdrawals by customers.

See more information of the global capital market trend in paragraph 1.3 above.

Provident fund assets

As of June 30, 2023, total local provident fund assets (compensation and severance pay, study funds, central severance pay funds, investment provident funds and the Savings for Every Child long-term investment provident fund) totaled approximately NIS 685.94 billion compared with approximately NIS 648.11 billion at the end of 2022, representing an increase of about 5.84%.

In the reporting period, the scope of provident fund assets managed by Altshuler Provident decreased from NIS 144.06 billion at the end of 2022 to NIS 136.53 billion as of June 30, 2023, representing a decrease of about 5.22% in total provident fund assets managed by Altshuler Provident.

Pension fund assets

As of June 30, 2023, total local pension fund assets (new, comprehensive and general) totaled NIS 691.08 billion compared with NIS 621.45 billion at the end of 2022, representing an increase of about 11.20%.

In the reporting period, the scope of pension fund assets managed by Altshuler Provident grew from approximately NIS 26.32 billion at the end of 2022 to approximately NIS 26.75 billion as of June 30, 2023, representing a decrease of about 1.63%.

**Report of the Board of Directors on the State of Affairs of the Corporation**

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Investments in provident fund and pension fund assets

In Q2 2023, the exposure of Altshuler Provident's managed assets to the stock component in the quoted and unquoted investment channels remained at about 50% in the general tracks. The main stock exposure in Israel remains to local bank and investment property stocks and the main stock exposure abroad remains to the leading U.S. indices and underlying stocks. In H1 2023, Altshuler Provident increased its exposure to U.S. government bonds.

1.4.2.2 The real estate investment management operation

In the reporting period, Altshuler Real Estate completed two investment rounds in the U.S. in a total of approximately US\$ 28,000 thousand.

1.4.2.3 The alternative operation

See details of the foundation of the operation and the signing of a business partnership term sheet in the reporting period in paragraph 2.3 below.

**Report of the Board of Directors on the State of Affairs of the Corporation**

**1.5 Financial position**

Following are data from the Company's interim consolidated financial statements for the periods of six and three months ended June 30, 2023.

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

	June 30,		December 31, 2022	Company's explanations
	2023	2022		
Assets	1,004,398	1,100,774	1,059,329	The decrease in assets in the reporting period stems from a decrease in intangible assets, right-of-use assets, DAC, net lease investment and receivables against an increase in current tax assets and property, plant and equipment. The change in DAC in the reporting period arises from the payment of agent commissions totaling approx. NIS 8,249 thousand less amortizations of approx. NIS 41,698 thousand.
Financial investments	170,508	196,834	172,229	The decrease in financial investments in the reporting period compared to the corresponding period of 2022 mainly arises from a decrease in quoted debt assets in view of the alleviation of the minimum capital requirements applicable to Altshuler Provident against an increase in other financial investments.
Cash and cash equivalents	84,904	79,543	96,521	The decrease in cash and cash equivalents in the reporting period arises from net cash used in investing and financing activities of approx. NIS 4.9 million and approx. NIS 121.3 million, respectively, offset by an increase in net cash provided by financing activities of approx. NIS 114.7 million.
<b>Total assets</b>	<b>1,259,810</b>	<b>1,377,151</b>	<b>1,328,079</b>	---
Equity	500,897	476,202	493,133	The increase in equity in the reporting period derives from comprehensive income of approx. NIS 67.9 million in the reporting period and approx. NIS 0.8 million in capital reserve for share-based payment transactions, offset by a decrease of approx. NIS 61 million in equity due to dividend declared and paid.
Liabilities	758,913	900,949	834,946	The decrease in liabilities in the reporting period mainly arises from a decrease in financial liabilities, lease liabilities, employee benefit liabilities, net, current tax liabilities and payables, against an increase in deferred taxes.
<b>Total liabilities and equity</b>	<b>1,259,810</b>	<b>1,377,151</b>	<b>1,328,079</b>	---



## Report of the Board of Directors on the State of Affairs of the Corporation

### 1.6 Operating results

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

	Six months ended June 30,		Three months ended June 30,		Year ended December 31, 2022
	2023	2022	2023	2022	
<b>Revenues:</b>					
From management fees, net	513,763	705,842	248,554	334,018	1,282,992
From commissions	3,499	-	1,688	-	2,507
Net investment gains (losses) and finance income	3,592	(4,520)	2,476	(1,842)	(5,361)
Other income	1,933	862	333	412	1,862
<b>Total revenues</b>	<b>522,787</b>	<b>702,184</b>	<b>253,051</b>	<b>332,588</b>	<b>1,282,000</b>
<b>Expenses:</b>					
Commissions, marketing expenses and other acquisition costs	184,797	249,226	91,359	118,975	454,246
General and administrative expenses	211,311	243,290	104,854	117,637	456,564
Other expenses	13,083	13,036	6,526	6,601	27,512
Finance expenses	6,916	7,882	2,963	3,944	15,513
<b>Total expenses</b>	<b>416,107</b>	<b>513,434</b>	<b>205,702</b>	<b>247,157</b>	<b>953,835</b>
<b>Income before taxes on income</b>	<b>106,680</b>	<b>188,750</b>	<b>47,349</b>	<b>85,431</b>	<b>328,165</b>
Taxes on income	36,970	68,684	16,810	31,681	115,306
<b>Net income</b>	<b>69,710</b>	<b>120,066</b>	<b>30,539</b>	<b>53,750</b>	<b>212,859</b>
Other comprehensive income (loss) (net of tax)	(1,829)	1,880	(1)	18	2,718
<b>Total comprehensive income</b>	<b>67,881</b>	<b>121,946</b>	<b>30,538</b>	<b>53,768</b>	<b>215,577</b>
<b>Net income for the period attributable to:</b>					
Equity holders of the Company	69,677	120,066	30,532	53,750	213,121
Non-controlling interests	33	-	7	-	(262)
	<b>69,710</b>	<b>120,066</b>	<b>30,539</b>	<b>53,750</b>	<b>212,859</b>
<b>Comprehensive income attributable to:</b>					
Equity holders of the Company	67,848	121,946	30,531	53,768	215,839
Non-controlling interests	33	-	7	-	(262)
	<b>67,881</b>	<b>121,946</b>	<b>30,538</b>	<b>53,768</b>	<b>215,577</b>

**Report of the Board of Directors on the State of Affairs of the Corporation**

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**Revenues**

Revenues from management fees, net – the decrease in revenues from management fees in the reporting period compared with the corresponding reporting period of 2022 mainly arises from a decrease in assets managed by Altshuler Provident and a decrease in the average rate of management fees charged by it. Moreover, in the reporting period, Altshuler Provident received approximately NIS 8.5 million as refund of member fees in 2020.

Revenues from commissions – revenues from commissions 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 increase in finance income in the reporting period compared to the corresponding reporting period of 2022 mainly arises from losses from financial investments recognized in the reporting period against an increase in interest income on deposits and gains from financial investments in the reporting period.

Other income – the increase in other income in the reporting period compared to the corresponding reporting period of 2022 is mainly a result of income from a settlement agreement reached in a mediation proceeding to which Altshuler Provident was a party (see more information in Note 27d to the Company's annual financial statements for 2022).

**Expenses**

Commissions, marketing expenses and other acquisition costs – the decrease in commissions, marketing expenses and other acquisition costs in H1 2023 compared with H1 2022 is 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 H1 2023 compared to H1 2022 is mainly due to the decrease in salary expenses, related party expenses, advertising and marketing expenses, IT and communication expenses and other general and administrative expenses.

Other expenses – the increase in other expenses in H1 2023 compared with H1 2022 mainly stems from an increase in amortization of intangible assets against a decrease in payment settlement fees and a capital loss on lease recognized in H1 2022.

Finance expenses – the decrease in finance expenses in H1 2023 compared with H1 2022 mainly stems from a decrease in finance expenses on lease and a decrease in bank interest expenses.

## Report of the Board of Directors on the State of Affairs of the Corporation

### 1.7 Liquidity

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

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2023	2022	2023	2022	2022
<b>Cash flows from operating activities:</b>					
Net income in the period	69,710	120,066	30,539	53,750	212,859
Adjustments to income	44,920	(38,849)	25,255	(17,018)	16,891
<b>Net cash provided by operating activities</b>	<b>114,630</b>	<b>81,217</b>	<b>55,794</b>	<b>36,732</b>	<b>229,750</b>
<b>Net cash provided by (used in) investing activities</b>	<b>(4,922)</b>	<b>11,262</b>	<b>(21,879)</b>	<b>479</b>	<b>(23,207)</b>
<b>Net cash used in financing activities</b>	<b>(121,325)</b>	<b>(309,506)</b>	<b>(74,749)</b>	<b>(240,638)</b>	<b>(406,592)</b>
<b>Decrease in cash and cash equivalents</b>	<b>(11,617)</b>	<b>(217,027)</b>	<b>(40,834)</b>	<b>(203,427)</b>	<b>(200,049)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>96,521</b>	<b>296,570</b>	<b>125,738</b>	<b>282,970</b>	<b>296,570</b>
<b>Cash and cash equivalents at end of period</b>	<b>84,904</b>	<b>79,543</b>	<b>84,904</b>	<b>79,543</b>	<b>96,521</b>

Cash flows provided by operating activities – the increase in cash flows provided by operating activities in H1 2023 compared with H1 2022 is mainly a result of an increase in other balance sheet items and cash paid and received in the period against a decrease in the Company's net income and items not involving cash flows.

Cash flows provided by (used in) investing activities – the decrease in cash flows provided by investing activities in H1 2023 compared with H1 2022 is mainly a result of a decrease in net sales and in financial investments against a decrease in investment in intangible assets, in the purchase of property, plant and equipment, payment of contingent consideration for acquisition of investees in the corresponding period of last year and an increase in lease receipts.

Cash flows used in financing activities – the decrease in cash flows used in financing activities in H1 2023 compared with H1 2022 is mainly a result of a decrease in repayment of loans from banks and a decrease in a dividend paid to the Company's shareholders.

**Report of the Board of Directors on the State of Affairs of the Corporation**

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**1.8 Financing resources**

As of the Report Approval Date, the Company finances its operations and the operations of the Group companies using its own resources and loans and borrowings provided to the Group companies by banks.

As of June 30, 2023 and the Report Approval Date, the average scope of long-term and short-term loans (including current maturities) from banks approximates NIS 406.5 million and NIS 115.2 million, respectively.

Moreover, to secure its entire credit facilities from banks, Altshuler Provident has undertaken to meet the following financial covenants towards the banks:

- a) Altshuler Provident's revenues from management fees will not be lower than NIS 200 million a quarter. In Q2 2023, Altshuler Provident's revenues from management fees totaled NIS 248 million.
- b) Altshuler Provident's shareholders' equity less capital reserves will not be lower than NIS 245 million. As of the Report Date, Altshuler Provident's shareholders' equity less capital reserves approximated NIS 444 million.
- c) Altshuler Provident's bank debt coverage ratio divided by its EBITDA in the latest four calendar quarters will not exceed 2.8. As of the Report Date, the ratio is 2.
- d) The debt service coverage ratio (DSCR) – the result of dividing the EBITDA less investments in PP&E and in software and less tax in the latest relevant calendar quarters (accumulated interest expenses and linkage differences with the addition of current maturities – principal and interest, excluding principal on credit provided to finance compliance with minimum capital requirements of provident fund manager and repayment of any credit principal for a period not exceeding 12 months but rather only interest on such credit, which Altshuler Provident will have to pay the banks in the four consecutive calendar quarters as of the Report Date, other than borrowings repayable in a lump sum at period end will not be lower than 1.5. As of the Report Date, the ratio is 3.1.

See more information of the Group's financing resources, including financing agreements entered into by the Group, in Note 4 to the Company's interim financial statements as of June 30, 2023 hereby attached and Note 18 to the Company's annual financial statements as of December 31, 2022.

**Report of the Board of Directors on the State of Affairs of the Corporation**

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**2. Material Events during and after the Reporting Period and Updates to Chapter A to the Periodic Report for 2022 – Description of Corporate Affairs**

As per Regulation 39A to the Reporting Regulations, following is a description of the material developments in the Company's business in the periods of six and three months ended June 30, 2023 through the Report Approval Date which have not yet been disclosed in the Periodic Report. The updates address the relevant items in the Periodic Report based on their order therein. Please note that the terms used in this chapter are ascribed the same meaning as in the Periodic Report, unless explicitly stated otherwise.

**2.1 Dividend distributions**

2.1.1 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 in the amount of NIS 32 million. See also the Company's immediate reports of March 22, 2023 and April 2, 2023 (TASE references: 2023-01-029934 and 2023-01-037458, respectively), whose information is hereby included by reference. See more information in Note 6c to the Company's interim financial statements as of June 30, 2023 hereby attached.

2.1.2 On May 23, 2023, the Company's Board approved the distribution of a dividend of NIS 29 million based on the Company's interim financial statements as of March 31, 2023. See more information in the Company's immediate reports of May 24, 2023 and June 7, 2023 (TASE references: 2023-01-055539 and 2023-01-062625, respectively), whose information is hereby included by reference. See also Note 6e to the Company's interim financial statements hereby attached.

2.1.3 On August 21, 2023, after having established that the Company meets the distribution tests in the Companies Law, the Company's Board approved the distribution of a dividend of NIS 23 million based on the Company's interim financial statements attached to this report. See also Note 7a to the Company's interim financial statements hereby attached.

**2.2 Effects of inflation and market interest rises**

As described in paragraph 1.3 above, in Q2 2023, inflation rates in the local and global markets began showing restraint. The increase in the Israeli CPI for June 2023 reflected an annual growth of about 4.2%. Accordingly, in an attempt to mitigate the soaring inflation, Israel, the UK and the U.S. raised their interest rates to 4.75%, 5% and 5.5%, respectively. The rising inflation and interest rate hikes have impacted business activity in the market, which is also expressed in an increase in various costs such as operation, raw materials, labor, finance and more and affects the conditions in the capital markets.

Due to the nature of its operations, the Group is exposed to capital market fluctuations. It should be noted that the bulk of the Group's financial debt, which was assumed by Altshuler Provident, bears unindexed fixed interest and therefore the Group's finance expenses have not been materially affected. In general, rises in inflation and interest rates are liable to have a negative impact on the capital markets and the business environment in which Altshuler Provident operates, thereby also causing a decrease in the scope and value of assets managed by it, whether due to changes in the number of active members of the various saving channels or due to market slowdown and price decline trends. Nevertheless, the Company believes that Altshuler Provident's financial stability, asset portfolio, debt structure, composition of financial investments, free cash flow and high cash flow generated by operating activities will all allow it to continue to finance its operations and meet its obligations.

**Report of the Board of Directors on the State of Affairs of the Corporation**

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*Disclaimer - the Company's evaluations of the future effects of the inflation acceleration and interest increase trends on Altshuler Provident's operating results represent forward-looking information, as this term is defined in the Securities Law, whose materialization is uncertain and not controlled by the Company. Such evaluations rely on the assessments of the Company's and Altshuler Provident's managements and may not materialize or materialize differently than expected due to factors which are not under the Company's control such as continued inflation acceleration and market interest rises and other macroeconomic changes, as well as the materialization of any of the other risk factors detailed in paragraph 4.11 to Chapter A to the periodic Report.*

2.3 The alternative investment management operation

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 reporting period, the Company founded Altshuler Alternative and Altshuler Investment Funds, which is a wholly owned subsidiary of Altshuler Alternative.

On May 16, 2023, the Company, through Altshuler Alternative and Altshuler Investment Funds and the fund managers (as defined below) signed a term sheet for partnering with Pantheon Ventures (US) LP ("**the term sheet**" and "**Pantheon**", respectively) to cofound private alternative investment funds that will be managed by entities held by Altshuler Investment Funds ("**the fund managers**"). The fund managers also signed an agreement with Pantheon according to which the latter will provide investment management services to the first private alternative investment fund that will be founded by them ("**the service agreement**" and "**the fund**", respectively).

The term sheet consists of various commercial terms regarding the parties' business partnership, the foundation and management of the fund and future funds, the services provided by Pantheon, the marketing of the funds and mutual exclusivity conditions which may be eliminated as per the agreement between the parties.

According to the service agreement, the fund managers will serve as the fund's manager and general partner. Pantheon will provide the fund investment management services in return for management fees and carried interest as agreed between the parties.

*Disclaimer - the above information and assessments made by the Company in connection with the business partnership and the effect of the term sheet on implementing the Company's business strategy represent forward-looking information, as this term is defined in the Securities Law, which may not materialize or may materialize differently than anticipated and whose materialization depends on factors which are not under the Company's control.*

**Report of the Board of Directors on the State of Affairs of the Corporation**

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2.4 Litigation

See details of a class action certification motion filed against Altshuler Provident after the Report Date in Note 5a(2) to the Company's interim financial statements hereby attached.

2.5 Master credit agreements with subsidiaries

See details of master credit agreements approved by the Company for Altshuler Real Estate and Altshuler Investment Funds after the Report Date in Notes 7b and 7c to the Company's interim financial statements hereby attached.

See details of significant events in and after the reporting period in Notes 6 and 7 to the Company's interim financial statements hereby attached.

**3. 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.

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 Group's qualified functions.

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

In the reporting period, there were no material changes in the market risks to which the Company is exposed. See also the Report of the Board of Directors attached to the Periodic Report.

**Report of the Board of Directors on the State of Affairs of the Corporation**

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The Value at Risk ("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.

As of the Report Date, the fair value of the Group's short-term investments is NIS 164,314 thousand whereas the VaR of these assets is NIS 51 thousand, accounting for 0.03% of the fair value of short-term investments.

**4. 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.

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**Ran Shaham**  
**Chairman of the Board of Directors**

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**Yair Lowenstein**  
**CEO**

Report Approval Date: August 21, 2023



**ALTSHULER SHAHAM FINANCE LTD.**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF JUNE 30, 2023**

**UNAUDITED**

**INDEX**

	<u>Page</u>
<b>Review of Interim Consolidated Financial Statements</b>	<b>2</b>
<b>Consolidated Statements of Financial Position</b>	<b>3</b>
<b>Consolidated Statements of Profit or Loss and Other Comprehensive Income</b>	<b>4</b>
<b>Consolidated Statements of Changes in Equity</b>	<b>5 – 9</b>
<b>Consolidated Statements of Cash Flows</b>	<b>10 – 11</b>
<b>Notes to Interim Consolidated Financial Statements</b>	<b>12 - 25</b>

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## **Auditors' review report to the shareholders of Altshuler Shaham Finance Ltd.**

### **Introduction**

We have reviewed the accompanying financial information of Altshuler Shaham Finance Ltd. and its subsidiaries ("**the Company**"), which comprises the consolidated statement of financial position as of June 30, 2023 and the related consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the periods of six and three months then ended. The Company's board of directors and management are responsible for the preparation and presentation of interim financial information for these periods in accordance with IAS 34, "Interim Financial Reporting", and are responsible for the preparation of this interim financial information in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

### **Scope of review**

We conducted our review in accordance with Review Standard (Israel) 2410 of the Institute of Certified Public Accountants in Israel, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

In addition to the abovementioned, based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not comply, in all material respects, with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Tel-Aviv, Israel  
August 21, 2023

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<u>June 30,</u>		<u>December 31,</u>
	<u>2023</u>	<u>2022</u>	<u>2022</u>
	<u>Unaudited</u>		<u>Audited</u>
	<u>NIS in thousands</u>		
<b>Assets:</b>			
Intangible assets	548,005	566,593	562,797
Right-of-use assets	46,495	50,863	48,229
Investment in lease, net	53,433	60,952	56,481
Deferred acquisition costs	256,309	325,812	289,758
Deferred tax assets	5,389	4,119	4,287
Property, plant and equipment	30,655	21,514	33,357
Accounts receivable	49,269	61,413	51,081
Current tax assets	14,843	9,508	13,339
<b>Financial investments:</b>			
Quoted debt assets	159,851	186,541	162,383
Unquoted debt assets	125	2,896	3,541
Other	10,532	7,397	6,305
<b>Total financial investments</b>	170,508	196,834	172,229
Cash and cash equivalents	84,904	79,543	96,521
<b>Total assets</b>	<u>1,259,810</u>	<u>1,377,151</u>	<u>1,328,079</u>
<b>Equity:</b>			
Share capital	2,020	2,016	2,018
Share premium	239,623	237,568	238,622
Capital reserve from transaction with controlling shareholder	(4,046)	(2,970)	(3,668)
Capital reserve from share-based payment transactions	33,065	31,865	32,807
Capital reserve from financial assets measured at fair value through other comprehensive income	66	1,346	1,895
Retained earnings	230,398	206,377	221,721
<b>Equity attributable to equity holders of the Company</b>	501,126	476,202	493,395
<b>Non-controlling interests</b>	(229)	-	(262)
<b>Total equity</b>	<u>500,897</u>	<u>476,202</u>	<u>493,133</u>
<b>Liabilities:</b>			
Deferred tax liabilities	29,046	23,113	26,762
Employee benefit liabilities, net	4,009	4,102	3,870
Current tax liabilities	4,449	7,672	819
Accounts payable	119,975	193,951	147,157
Lease liability	105,140	113,850	109,123
Financial liabilities	496,294	558,261	547,215
<b>Total liabilities</b>	<u>758,913</u>	<u>900,949</u>	<u>834,946</u>
<b>Total equity and liabilities</b>	<u>1,259,810</u>	<u>1,377,151</u>	<u>1,328,079</u>

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

August 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**

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2023	2022	2023	2022	2022
	Unaudited				Audited
	NIS in thousands (except per share data)				
Revenues from management fees, net	513,763	705,842	248,554	334,018	1,282,992
Revenues from commissions	3,499	-	1,688	-	2,507
Net investment gains (losses) and finance income	3,592	(4,520)	2,476	(1,842)	(5,361)
Other income	1,933	862	333	412	1,862
<b>Total revenues</b>	<b>522,787</b>	<b>702,184</b>	<b>253,051</b>	<b>332,588</b>	<b>1,282,000</b>
Commissions, marketing expenses and other acquisition costs	184,797	249,226	91,359	118,975	454,246
General and administrative expenses	211,311	243,290	104,854	117,637	456,564
Other expenses	13,083	13,036	6,526	6,601	27,512
Finance expenses	6,916	7,882	2,963	3,944	15,513
<b>Total expenses</b>	<b>416,107</b>	<b>513,434</b>	<b>205,702</b>	<b>247,157</b>	<b>953,835</b>
<b>Income before taxes on income</b>	<b>106,680</b>	<b>188,750</b>	<b>47,349</b>	<b>85,431</b>	<b>328,165</b>
Taxes on income	36,970	68,684	16,810	31,681	115,306
<b>Net income</b>	<b>69,710</b>	<b>120,066</b>	<b>30,539</b>	<b>53,750</b>	<b>212,859</b>
Other comprehensive income (loss) (net of taxes):					
Amounts that will be or have been reclassified to profit or loss when specific conditions are met:					
Gain (loss) from investments in financial instruments measured at fair value through other comprehensive income	11	796	(1)	(4)	1,345
Amounts carried to profit or loss from sale of investments in debt instruments at fair value through profit or loss	(1,840)	-	-	-	-
Total components of other comprehensive income (loss), net that will be subsequently reclassified to profit or loss	(1,829)	796	(1)	(4)	1,345
Amounts that will not be subsequently reclassified to profit or loss:					
Gain from remeasurement of defined benefit plan	-	1,084	-	22	1,373
Total components of other comprehensive income, net that will not be subsequently reclassified to profit or loss	-	1,084	-	22	1,373
<b>Total other comprehensive income (loss) (net of taxes)</b>	<b>(1,829)</b>	<b>1,880</b>	<b>(1)</b>	<b>18</b>	<b>2,718</b>
<b>Total comprehensive income</b>	<b>67,881</b>	<b>121,946</b>	<b>30,538</b>	<b>53,768</b>	<b>215,577</b>
<b>Net income attributable to:</b>					
Equity holders of the Company	69,677	120,066	30,532	53,750	213,121
Non-controlling interests	33	-	7	-	(262)
	<b>69,710</b>	<b>120,066</b>	<b>30,539</b>	<b>53,750</b>	<b>212,859</b>
<b>Comprehensive income attributable to:</b>					
Equity holders of the Company	67,848	121,946	30,531	53,768	215,839
Non-controlling interests	33	-	7	-	(262)
	<b>67,881</b>	<b>121,946</b>	<b>30,538</b>	<b>53,768</b>	<b>215,577</b>
<b>Basic net earnings per share attributable to equity holders of the Company (in NIS)</b>	<b>0.35</b>	<b>0.61</b>	<b>0.15</b>	<b>0.27</b>	<b>1.08</b>
<b>Diluted net earnings per share attributable to equity holders of the Company (in NIS)</b>	<b>0.35</b>	<b>0.60</b>	<b>0.15</b>	<b>0.27</b>	<b>1.07</b>

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Attributable to equity holders of the Company							Total equity
	Share capital	Share premium	Capital reserve from transaction with controlling shareholder	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	
	Unaudited							
	NIS in thousands							
Balance at January 1, 2023 (audited)	2,018	238,622	(3,668)	32,807	1,895	221,721	(262)	493,133
<b>Net income</b>	-	-	-	-	-	69,677	33	69,710
<b>Other comprehensive income (loss), net of taxes:</b>								
Gain from investments in financial instruments measured at FVOCI	-	-	-	-	11	-	-	11
Amount reclassified to profit or loss for sale of investments in debts assets at FVOCI	-	-	-	-	(1,840)	-	-	(1,840)
<b>Total comprehensive income (loss)</b>	-	-	-	-	(1,829)	69,677	33	67,881
<b>Transactions with owners carried directly to equity:</b>								
Cost of share-based payment	-	-	(378)	1,261	-	-	-	883
Exercise of employee options	2	1,001	-	(1,003)	-	-	-	-
Dividend to equity holders of the Company	-	-	-	-	-	(61,000)	-	(61,000)
Balance at June 30, 2023	<u>2,020</u>	<u>239,623</u>	<u>(4,046)</u>	<u>33,065</u>	<u>66</u>	<u>230,398</u>	<u>(229)</u>	<u>500,897</u>

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Share capital	Share premium	Capital reserve from transaction with controlling shareholder	Capital reserve from share-based payment transactions	Capital reserve from financial assets measured at fair value through other comprehensive income	Retained earnings	Total equity
	Unaudited NIS in thousands						
Balance at January 1, 2022 (audited)	2,013	235,669	(1,805)	29,867	550	285,227	551,521
<b>Net income</b>	-	-	-	-	-	120,066	120,066
<b>Other comprehensive income, net of taxes:</b>							
Actuarial gains from employee defined benefit plan	-	-	-	-	-	1,084	1,084
Gain from investments in financial instruments measured at FVOCI	-	-	-	-	796	-	796
<b>Total comprehensive income</b>	-	-	-	-	796	121,150	121,946
<b>Transactions with owners carried directly to equity:</b>							
Cost of share-based payment	-	-	(1,165)	3,900	-	-	2,735
Exercise of employee options	3	1,899	-	(1,902)	-	-	-
Dividend to equity holders of the Company	-	-	-	-	-	(200,000)	(200,000)
Balance at June 30, 2022	<u>2,016</u>	<u>237,568</u>	<u>(2,970)</u>	<u>31,865</u>	<u>1,346</u>	<u>206,377</u>	<u>476,202</u>

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Attributable to equity holders of the Company							Total equity
	Share capital	Share premium	Capital reserve from transaction with controlling shareholder	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	
	Unaudited							
	NIS in thousands							
Balance at April 1, 2023	2,019	239,174	(3,991)	33,022	67	228,866	(236)	498,921
<b>Net income</b>	-	-	-	-	-	30,532	7	30,539
<b>Other comprehensive loss, net of taxes:</b>								
Loss from investments in financial instruments measured at FVOCI	-	-	-	-	(1)	-	-	(1)
<b>Total comprehensive income (loss)</b>	-	-	-	-	(1)	30,532	7	30,538
<b>Transactions with owners carried directly to equity:</b>								
Cost of share-based payment	-	-	(55)	493	-	-	-	438
Exercise of employee options	1	449	-	(450)	-	-	-	-
Dividend to equity holders of the Company	-	-	-	-	-	(29,000)	-	(29,000)
Balance at June 30, 2023	2,020	239,623	(4,046)	33,065	66	230,398	(229)	500,897

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Share capital	Share premium	Capital reserve from transaction with controlling shareholder	Capital reserve from share-based payment transactions	Capital reserve from financial assets measured at fair value through other comprehensive income	Retained earnings	Total equity
	Unaudited NIS in thousands						
Balance at April 1, 2022	2,015	236,679	(2,447)	31,166	1,350	352,605	621,368
<b>Net income</b>	-	-	-	-	-	53,750	53,750
<b>Other comprehensive income (loss), net of taxes:</b>							
Actuarial gains from employee defined benefit plan	-	-	-	-	-	22	22
Loss from investments in financial instruments measured at FVOCI	-	-	-	-	(4)	-	(4)
<b>Total comprehensive income (loss)</b>	-	-	-	-	(4)	53,772	53,768
<b>Transactions with owners carried directly to equity:</b>							
Cost of share-based payment	-	-	(523)	1,589	-	-	1,066
Exercise of employee options	1	889	-	(890)	-	-	-
Dividend to equity holders of the Company	-	-	-	-	-	(200,000)	(200,000)
Balance at June 30, 2022	<u>2,016</u>	<u>237,568</u>	<u>(2,970)</u>	<u>31,865</u>	<u>1,346</u>	<u>206,377</u>	<u>476,202</u>

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



**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Attributable to equity holders of the Company							Total equity
	Share capital	Share premium	Capital reserve from transaction with controlling shareholder	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	
	Audited							
	NIS in thousands							
Balance at January 1, 2022	2,013	235,669	(1,805)	29,867	550	285,227	-	551,521
<b>Net income (loss)</b>	-	-	-	-	-	213,121	(262)	212,859
<b>Other comprehensive income, net of taxes:</b>								
Actuarial gains from employee defined benefit plan	-	-	-	-	-	1,373	-	1,373
Gain from investments in financial instruments measured at FVOCI	-	-	-	-	1,345	-	-	1,345
<b>Total comprehensive income (loss)</b>	-	-	-	-	1,345	214,494	(262)	215,577
<b>Transactions with owners carried directly to equity:</b>								
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 interim consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2023	2022	2023	2022	2022
	Unaudited				Audited
	NIS in thousands				
<b>Cash flows from operating activities:</b>					
<b>Net income for the period</b>	69,710	120,066	30,539	53,750	212,859
<b>Items not involving cash flows:</b>					
Net losses (gains) from financial investments:					
Quoted debt assets	(260)	5,015	(1,626)	1,943	5,971
Unquoted debt assets	(1,382)	-	-	-	-
Other	(209)	(250)	(107)	(126)	646
Finance expenses, net	4,762	7,236	2,307	3,601	15,575
Impairment and loss (gain) from disposal of property, plant and equipment and right-of-use asset	8	247	39	(668)	749
Cost of share-based payment	883	2,736	438	1,066	4,035
Change in deferred acquisition costs	33,449	27,759	16,801	15,214	63,813
Depreciation and amortization:					
Right-of-use assets	4,106	5,355	2,030	2,176	9,797
Property, plant and equipment	4,213	3,524	2,079	1,752	7,872
Intangible assets	26,044	25,426	13,175	14,492	52,696
Taxes on income	36,970	68,684	16,810	31,681	115,306
	108,584	145,732	51,946	71,131	276,460
<b>Changes in other balance sheet items:</b>					
Change in accounts receivable	1,812	10,089	10,654	16,357	20,095
Change in accounts payable	(39,481)	(86,111)	(21,512)	(60,555)	(122,698)
Change in employee benefit liabilities, net	139	(455)	51	(416)	(301)
	(37,530)	(76,477)	(10,807)	(44,614)	(102,904)
<b>Cash paid and received during the period for:</b>					
Interest paid	(5,794)	(6,485)	(2,697)	(3,418)	(12,823)
Interest received	1,676	906	776	14	213
Taxes paid	(22,016)	(102,525)	(13,963)	(40,131)	(144,055)
	(26,134)	(108,104)	(15,884)	(43,535)	(156,665)
<b>Net cash provided by operating activities</b>	114,630	81,217	55,794	36,732	229,750

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2023	2022	2023	2022	2022
	Unaudited				Audited
	NIS in thousands				
<b><u>Cash flows from investing activities:</u></b>					
Receipts from lease	5,278	3,888	442	141	9,164
Payment of contingent consideration for acquisition of investees	-	(12,816)	-	(12,816)	(37,348)
Purchase of property, plant and equipment	(1,435)	(4,969)	(221)	(1,837)	(21,619)
Investment in intangible assets	(10,509)	(18,223)	(5,688)	(9,026)	(39,762)
Sales (purchases) of financial investments, net	1,744	43,382	(16,412)	24,017	66,358
<b>Net cash provided by (used in) investing activities</b>	<b>(4,922)</b>	<b>11,262</b>	<b>(21,879)</b>	<b>479</b>	<b>(23,207)</b>
<b><u>Cash flows from financing activities:</u></b>					
Receipt of bank loans	-	-	-	-	75,650
Repayment of lease liability	(9,369)	(10,114)	(2,707)	(3,291)	(18,155)
Repayment of bank loans	(50,956)	(99,392)	(11,042)	(37,347)	(186,087)
Dividend paid to equity holders of the Company	(61,000)	(200,000)	(61,000)	(200,000)	(278,000)
<b>Net cash used in financing activities</b>	<b>(121,325)</b>	<b>(309,506)</b>	<b>(74,749)</b>	<b>(240,638)</b>	<b>(406,592)</b>
<b><u>Decrease in cash and cash equivalents</u></b>	<b>(11,617)</b>	<b>(217,027)</b>	<b>(40,834)</b>	<b>(203,427)</b>	<b>(200,049)</b>
<b><u>Cash and cash equivalents at the beginning of the period</u></b>	<b>96,521</b>	<b>296,570</b>	<b>125,738</b>	<b>282,970</b>	<b>296,570</b>
<b><u>Cash and cash equivalents at the end of the period</u></b>	<b>84,904</b>	<b>79,543</b>	<b>84,904</b>	<b>79,543</b>	<b>96,521</b>
<b><u>Material non-cash transactions:</u></b>					
Right-of-use asset recognized against lease liability	3,325	40,337	1,277	2,450	43,871
Purchase of intangible assets	742	3,602	742	2,819	5,538
Purchase of property, plant and equipment	77	149	77	149	-
Issue of shares	1,003	1,902	449	890	2,958

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

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 1:- GENERAL**

- a. 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.

On March 31, 2022, the Company obtained a merger certificate from the Registrar of Companies according to which Altshuler Provident and Pension Ltd. ("**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**"). The merger certificate was obtained on the eve of the merger transaction according to which Altshuler Provident became a wholly owned subsidiary of the Company and ceased being a reporting entity as this term is defined in the Securities Law, 1968 ("**the Securities Law**").

On April 4, 2022, the Company's shares began trading on the TASE and were allocated to the shareholders of Altshuler Provident in return for the shares the latter had granted to the Company prior to the Business Restructuring. As a result, the Company became a public company, as this term is defined in the Companies Law, 1999, and a reporting entity, as this term is defined in 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 interim consolidated financial statements therefore reflect the continued financial position, operating results and cash flows of Altshuler Provident and the Group's other operations.

As of the date of publication of these interim consolidated financial statements, the Company is mainly engaged in managing provident and pension funds through holding the entire (100%) issued and outstanding share capital of Altshuler Provident. The Company also has other operations, but these operations do not aggregate into reportable segments, such as managing alternative real estate investments through Altshuler Shaham Real Estate Ltd. ("**Altshuler Real Estate**") and managing other alternative investments through Altshuler Shaham Alternative Investment Funds Ltd., a wholly owned subsidiary of Altshuler Shaham Alternative Ltd. ("**Altshuler Investment Funds**" and "**Altshuler Alternative**", respectively). (The Company, Altshuler Provident, Altshuler Real Estate, Altshuler Alternative and Altshuler Investment Funds collectively – "**the Group**").

- b. These financial statements have been prepared in a condensed format as of June 30, 2023 and for the periods of six and three months then ended ("**interim consolidated financial statements**"). These financial statements should be read in conjunction with the Company's annual consolidated financial statements of as of December 31, 2022 and for the year then ended and accompanying notes ("**annual consolidated financial statements**").

The Company did not publish separate financial information as permitted by Amendment 2 to the Securities Regulations (Periodic and Immediate Reports), 2022.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES**

- a. Basis of preparation of the interim consolidated financial statements:

The interim consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" and in accordance with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

The significant accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements, excluding as stated in paragraph b below.

- b. Initial adoption of amendments to existing financial reporting and accounting standards:

1. 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.

The Amendment is 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.

The application of the Amendment did not have a material impact on the Company's interim consolidated financial statements.

2. 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.

The application of the Amendment did not have a material impact on the Company's interim consolidated financial statements. The Company is examining the potential effect of the Amendment on the accounting policy disclosures in the Company's annual consolidated financial statements.

- c. Reclassification:

The Company reclassified certain items in immaterial amounts in the comparative data for previous periods to conform them to the current period's presentation.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 3:- 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 fund management - 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 fund management - management of pension funds. Pension fund products include New Comprehensive Pension Fund and New General Pension Fund.

In the provident fund and pension fund management 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 and other alternative investments. This operation was initiated in July 2022.

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.

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 3:- OPERATING SEGMENTS (Cont.)

## b. Operating segment reporting:

	Six months ended June 30, 2023				
	Pension	Provident	Other	Unallocated	Total
				to operating	
	Unaudited				
NIS in thousands					
Revenues from management fees, net	47,076	466,163	524	-	*)513,763
Revenues from commissions	-	-	3,499	-	3,499
Net gains from investments and finance income	-	-	-	3,592	3,592
Other income	-	-	-	1,933	1,933
<b>Total revenues</b>	<b>47,076</b>	<b>466,163</b>	<b>4,023</b>	<b>5,525</b>	<b>522,787</b>
Commissions, marketing expenses and other acquisition expenses	8,930	175,123	744	-	184,797
Operating fees	3,310	11,303	-	-	14,613
<b>Total joint expenses</b>	<b>12,240</b>	<b>186,426</b>	<b>744</b>	<b>-</b>	<b>199,410</b>
<b>Segment income</b>	<b>34,836</b>	<b>279,737</b>	<b>3,279</b>	<b>5,525</b>	<b>323,377</b>
G&A, finance and other expenses allocated to the segment	200,825	5,248	10,624	-	216,697
<b>Income (loss) before taxes on income</b>	<b>113,748</b>	<b>(1,969)</b>	<b>(5,099)</b>	<b>-</b>	<b>106,680</b>

\*) Includes receipts of approximately NIS 8.5 million obtained by Altshuler Provident in the reporting period from refunds to fund members in 2020.

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 3:- OPERATING SEGMENTS (Cont.)

	Six months ended June 30, 2022				
	Pension	Provident	Other	Unallocated	Total
				to operating segment	
Unaudited					
NIS in thousands					
Revenues from management fees, net	55,006	650,836	-	-	705,842
Net gains from investments and finance income	-	-	-	(4,520)	(4,520)
Other income	-	-	-	862	862
Total revenues	<u>55,006</u>	<u>650,836</u>	<u>-</u>	<u>(3,658)</u>	<u>702,184</u>
Commissions, marketing expenses and other acquisition expenses	9,478	239,748	-	-	249,226
Operating fees	<u>2,348</u>	<u>12,284</u>	<u>-</u>	<u>-</u>	<u>14,632</u>
Total joint expenses	<u>11,826</u>	<u>252,032</u>	<u>-</u>	<u>-</u>	<u>263,858</u>
Segment income	<u>43,180</u>	<u>398,804</u>	<u>-</u>	<u>(3,658)</u>	<u>438,326</u>
G&A, finance and other expenses allocated to the segment	<u>241,772</u>	<u>-</u>	<u>-</u>	<u>7,804</u>	<u>249,576</u>
<b>Income (loss) before taxes on income</b>	<u>200,212</u>	<u>-</u>	<u>-</u>	<u>(11,462)</u>	<u>188,750</u>



## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 3:- OPERATING SEGMENTS (Cont.)

	Three months ended June 30, 2023				
	Pension	Provident	Other	Unallocated	Total
				to operating segment	
Unaudited NIS in thousands					
Revenues from management fees, net	23,514	224,756	284	-	248,554
Revenues from commissions	-	-	1,688	-	1,688
Net gains from investments and finance income	-	-	-	2,476	2,476
Other income	-	-	-	333	333
<b>Total revenues</b>	<b>23,514</b>	<b>224,756</b>	<b>1,972</b>	<b>2,809</b>	<b>253,051</b>
Commissions, marketing expenses and other acquisition expenses	4,287	86,693	379	-	91,359
Operating fees	1,634	5,396	-	-	7,030
<b>Total joint expenses</b>	<b>5,921</b>	<b>92,089</b>	<b>379</b>	<b>-</b>	<b>98,389</b>
<b>Segment income</b>	<b>17,593</b>	<b>132,667</b>	<b>1,593</b>	<b>2,809</b>	<b>154,662</b>
G&A, finance and other expenses allocated to the segment	98,973	-	2,938	5,402	107,313
<b>Income (loss) before taxes on income</b>	<b>51,287</b>	<b>-</b>	<b>(1,345)</b>	<b>(2,593)</b>	<b>47,349</b>

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 3:- OPERATING SEGMENTS (Cont.)

	Three months ended June 30, 2022				
	Pension	Provident	Other	Unallocated to operating segment	Total
	Unaudited				
NIS in thousands					
Revenues from management fees, net	26,734	307,284	-	-	334,018
Net losses from investments and finance income	-	-	-	(1,842)	(1,842)
Other income	-	-	-	412	412
<b>Total revenues</b>	<b>26,734</b>	<b>307,284</b>	<b>-</b>	<b>(1,430)</b>	<b>332,588</b>
Commissions, marketing expenses and other acquisition expenses	5,122	113,853	-	-	118,975
Operating fees	1,181	6,181	-	-	7,362
<b>Total joint expenses</b>	<b>6,303</b>	<b>120,034</b>	<b>-</b>	<b>-</b>	<b>126,337</b>
<b>Segment income</b>	<b>20,431</b>	<b>187,250</b>	<b>-</b>	<b>(1,430)</b>	<b>206,251</b>
G&A, finance and other expenses allocated to the segment	116,099	-	-	4,721	120,820
<b>Income (loss) before taxes on income</b>	<b>91,582</b>	<b>-</b>	<b>-</b>	<b>(6,151)</b>	<b>85,431</b>

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 3:- OPERATING SEGMENTS (Cont.)

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4:- FINANCIAL INSTRUMENTS

a. Fair value:

Financial liabilities

	June 30, 2023		June 30, 2022		December 31, 2022	
	Carrying amount *)	Fair value **)	Carrying amount *)	Fair value **)	Carrying amount *)	Fair value **)
			Unaudited		Audited	
	NIS in thousands					
Bank loans	496,648	433,826	558,521	505,165	547,728	470,684
Total financial liabilities	496,648	433,826	558,521	505,165	547,728	470,684

\*) Including accrued interest.

\*\*) The fair value relies on future discounted cash flows (principal and interest) of each loan at the relevant market interest based on the Company's credit rating and the relevant loan term.

b. Bank loans:

As of June 30, 2023, Altshuler Provident is in compliance with all the financial covenants determined with banks. See information of changes in credit facilities in Notes 6b and 6g below.

c. Classification of financial instruments by fair value hierarchy:

	June 30, 2023			Total
	Level 1	Level 2	Level 3	
	Unaudited			
	NIS in thousands			
Quoted debt assets	159,851	-	-	159,851
Unquoted debt assets	-	125	-	125
Other	**)4,338	-	*)6,194	10,532
Total	164,189	125	6,194	170,508

	June 30, 2022			Total
	Level 1	Level 2	Level 3	
	Unaudited			
	NIS in thousands			
Quoted debt assets	186,541	-	-	186,541
Unquoted debt assets	-	2,896	-	2,896
Other	-	-	*)7,397	7,397
Total	186,541	2,896	7,397	196,834

\*) See also paragraph d below.

\*\*) The balance represents participation certificates in mutual funds in which Altshuler Provident invested in the reporting period.

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 4:- FINANCIAL INSTRUMENTS (Cont.)

	December 31, 2022			Total
	Level 1	Level 2	Level 3	
	Audited			
NIS in thousands				
Quoted debt assets	162,383	-	-	162,383
Unquoted debt assets	-	3,541	-	3,541
Other	-	-	*)6,305	6,305
Total	<u>162,383</u>	<u>3,541</u>	<u>6,305</u>	<u>172,229</u>

\*) See also paragraph d below.

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

The fair value of expected future gains plus income receivable as of June 30, 2023, June 30, 2022 and December 31, 2022 was estimated at approximately NIS 6.2 million, NIS 7.4 million and NIS 6.3 million, respectively. The expected future gains plus income receivable were discounted using a 7% discount rate.

In the reporting period, the Company recognized a gain from revaluation of another debt asset, amounting to NIS 206 thousand, which was charged to finance income.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS****NOTE 5:- CONTINGENT LIABILITIES AND COMMITMENTS**

- a. Legal and other proceedings filed against Altshuler Provident:

The table below shows a summary of amounts claimed in pending motions for class action certification 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 tables below do not show concluded proceedings, including proceedings concluded after a settlement agreement has been approved.

Motions for approval of class actions filed against Altshuler Provident:

	<u>Number of claims</u>	<u>Claimed amount NIS in millions</u>
<u>Pending class action certification motions:</u>		
Claims whose amount is specified	2	117
Claims whose amount is not specified	4	-

- In keeping with the matters discussed in Notes 27a(1), 27a(2), 27b(1), 27b(2) and 27b(3) to the Company's annual consolidated financial statements, on June 22, 2023, the Supreme Court rendered a decision in the corresponding proceeding held in connection with the direct expenses in personal insurance. Following the Court's decision, the Court ordered the parties to submit their position on the future management of the proceedings in question. As per Altshuler Provident's legal counsel, given the Supreme Court's judgment in the appeal, Altshuler Provident has good defense arguments against the motion and therefore it is more likely than not that the Court will not grant the motions specified in said Notes.
- On August 1, 2023, Altshuler Provident was notified of a class action certification motion filed against it according to which it opens new provident funds for former members who had mobilized their provident funds from Altshuler Provident to other companies and continues to use the authorization granted to it in the past by those members to charge their bank accounts for management fees without their knowledge or consent. The petitioner argues the collective damage cannot be quantified but is in excess of NIS 2.5 million. The personal claim amounts to NIS 134.91 per petitioner. Based on legal counsel and due to the early stage of the proceeding, Altshuler Provident is presently unable to assess the chances of the claim or motion.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**


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**NOTE 5:- CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)**

- b. Legal and other proceedings filed against Psagot Provident and Pension Funds Ltd. ("**Psagot Provident**"), which was merged into Altshuler Provident:

Motions for approval of class actions filed against Psagot Provident:

	<u>Number of claims</u>	<u>Claimed amount NIS in millions</u>
<u>Pending class action certification motions:</u>		
Claims whose amount is specified	2	431
Claims whose amount is not specified	3	-

Other than as specified above, in the reporting period, no material developments occurred compared to the information disclosed in Note 27 to the Company's annual consolidated financial statements for 2022.

The overall provision recorded as of June 30, 2023 in respect of claims filed against Psagot Investment House Ltd. and Psagot Provident which had been merged into Altshuler Provident approximates NIS 2,878 thousand.

**NOTE 6:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD**

- a. On January 26, 2023, the Company's Board approved the Company's go-to-market strategy for launching the alternative investment management operation. For that purpose, in the reporting period, the Company founded Altshuler Alternative, a private company which is wholly owned by the Company, and Altshuler Investment Funds, which is wholly owned by Altshuler Alternative. See also paragraph d below.
- b. In keeping with the matter discussed in Note 18c(2)(c)(3) to the annual consolidated financial statements, 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 of Prime less 0.5%.

Moreover, on March 28, 2023, Altshuler Provident repaid the entire utilized credit facility of NIS 26 million. On May 23, 2023, the Board of Altshuler Provident approved the extension of the credit facility that had been received from Bank HaPoalim and expired on June 29, 2023 in the amount of an additional NIS 70 million for a period of one year under similar terms. Altshuler Provident signed the credit extension documents on June 22, 2023.

- c. On March 21, 2023, the Company declared a dividend of NIS 32,000 thousand to be distributed to its shareholders, representing NIS 0.16 per share.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 6:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (Cont.)**

- d. On May 16, 2023, the Company, through Altshuler Alternative and Altshuler Investment Funds and the fund managers (as defined below) signed a term sheet for partnering with Pantheon Ventures (US) LP ("**the term sheet**" and "**Pantheon**", respectively) to cofound private alternative investment funds that will be managed by entities held by Altshuler Investment Funds ("**the fund managers**"). The fund managers also signed an agreement with Pantheon according to which the latter will provide investment management services to the first private alternative investment fund that will be founded by them ("**the service agreement**" and "**the fund**", respectively).

The term sheet consists of various commercial terms regarding the parties' business partnership, the foundation and management of the fund and future funds, the services provided by Pantheon, the marketing of the funds and mutual exclusivity conditions which may be eliminated as per the agreement between the parties.

According to the service agreement, the fund managers will serve as the fund's manager and general partner. Pantheon will provide the fund investment management services in return for management fees and carried interest as agreed between the parties. The investment has not been completed as of June 30, 2023.

- e. On May 23, 2023, the Company declared the distribution of a dividend of NIS 29,000 thousand to the Company's shareholders, representing NIS 0.15 per share.
- f. On May 23, 2023, the service agreement signed between the Company and Altshuler Provident was revised whereby Altshuler Provident will be able to provide the Company various services, as defined in the revised agreement, for cost only.
- g. In keeping with the matter discussed in Note 18c(2)(c)(2) to the annual consolidated financial statements, on May 23, 2023, Altshuler Provident's board approved receiving a new credit facility from Bank HaPoalim in the amount of NIS 50 million to replace the credit facility in effect until September 14, 2023 under the same terms as the credit facility described in paragraph b above.



**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 7:- SIGNIFICANT EVENTS AFTER THE REPORTING DATE**

- a. On August 21, 2023, in keeping with the Company's dividend distribution policy, the Company's Board declared the distribution of a dividend of NIS 23,000 thousand to the Company's shareholders, representing NIS 0.12 per share.
- b. On August 21, 2023, the Company's Board approved entering into an agreement with Altshuler Real Estate for providing it a credit facility of NIS 8 million bearing annual interest of Prime+0.8% until the end of 2025.
- c. On August 21, 2023, the Company's Board approved entering into an agreement with Altshuler Investment Funds for providing it a credit facility of NIS 9 million bearing annual interest of Prime+0.8% until the end of 2025.
- d. See details of a class action certification motion filed after the reporting date in Note 5a(2) above.

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