ALTSHULER SHAHAM FINANCE LTD
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Altshuler Shaham Finance Ltd.

2023 Annual Report

ALTSHULER SHAHAM FINANCE LTD.

("the Company" or "the Corporation")

Periodic Report for 2023

This is an English translation of a Hebrew report that was published on March 21, 2024 in "Magna" – ISA official website (reference no.: 2024-01-029646) (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, 2023

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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.

1.1 Definitions

"Altshuler Alternative"	–	Altshuler Shaham Alternative Ltd.
"Altshuler Ltd."	–	Altshuler Shaham Ltd.
"Altshuler Provident"	–	Altshuler Shaham Provident and Pension Ltd.
"Altshuler Shaham Real Estate"	–	Altshuler Shaham Real Estate Ltd.
"Altshuler Investment Funds"	–	Altshuler Shaham Alternative Investment Funds 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, 2023.
"Ordinary Shares"	–	Registered Ordinary Shares of NIS 0.01 par value each of the Company.
"The Income Tax Ordinance"	–	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 Charging Regulations"	–	Supervision of Financial Services Regulations (Provident Funds) (Charging Returns to New Comprehensive Pension Fund), 2017.
"The Reporting Period"	–	The period of 12 months ended December 31, 2023.

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 below.

As of the Report Date, the control over the Company is held by Yair Holdings (14.13%) and Altshuler Ltd. (55.65%) (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, 2024 (TASE reference: 2024-01-002361), 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.

The Company is engaged in providing financial services. As of the Report Date, the Company's core activity, which is performed by Altshuler Provident, is managing provident and pension funds. The Company is also engaged in managing alternative real estate and other investments ("**the Alternative Investment Management Operation**"). The activities in this operation do not aggregate to a reportable segment in the Company's financial statements.

On February 12, 2024, the Company completed the indirect purchase of about 40% of the issued and outstanding share capital of iFunds Capital Ltd. ("**iFunds**") which is mainly engaged in marketing and providing access to alternative investments ("**the Alternative Investment Marketing Operation**"). As of the Report Date, the Company is acting to promote this operation.

See more information of the Alternative Investment Management Operation and the Alternative Investment Marketing Operation in paragraph 3.2 below.

In addition, the Company is looking into entering new markets of operation (subject to obtaining the legally necessary approvals), whether organically and inorganically by itself or through founding or purchasing subsidiaries, focusing on operations that are synergetic to the Group's operations.

See also paragraphs 1.5 and 3.2 below for more information of the Company's operating segments.

1.3 Major developments in the Company's operations

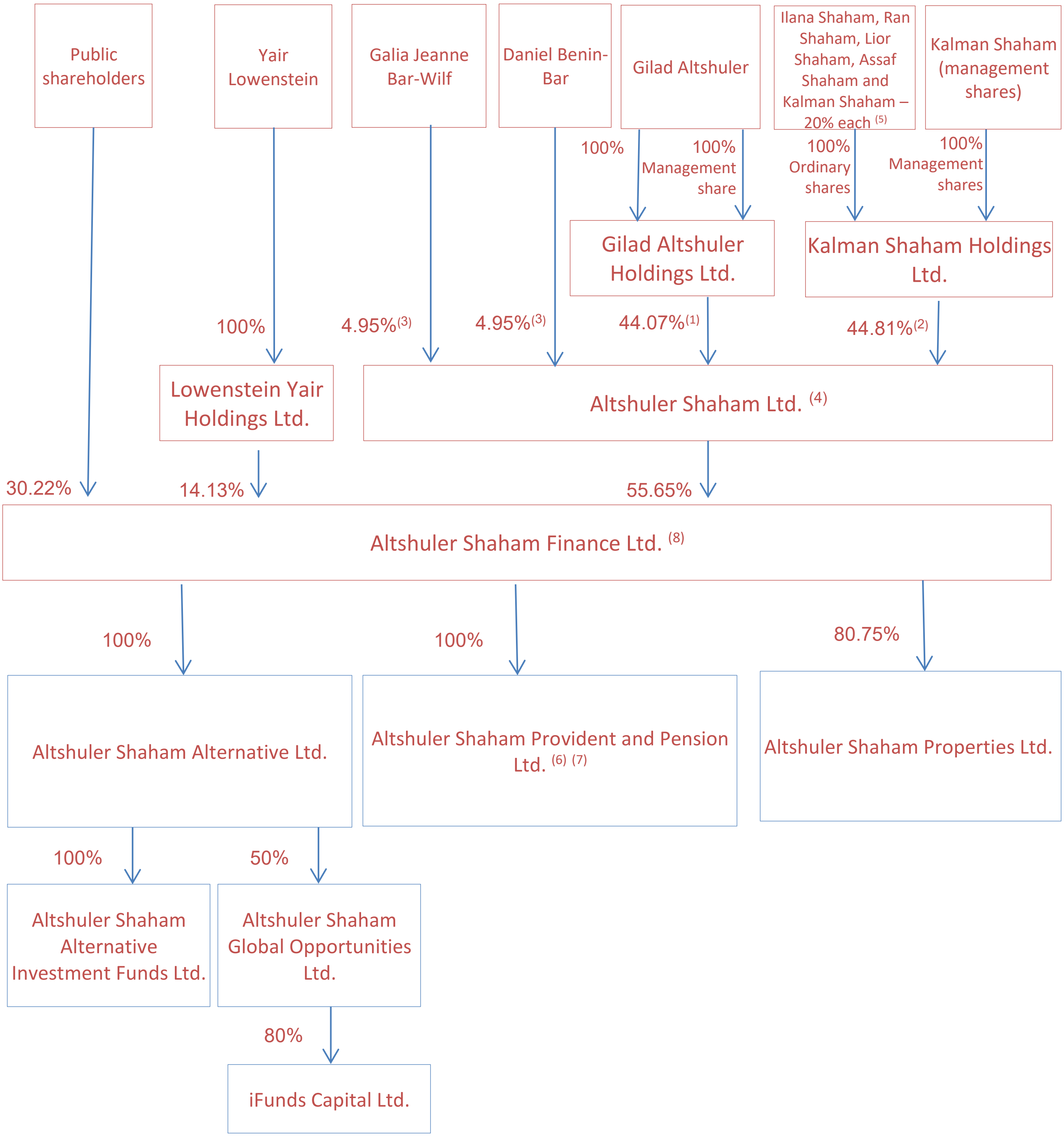
Business restructuring

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 ("**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 24 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. (as amended on February 5, 2024 with the approval of the General Meeting (see immediate reports of January 1, 2024 and February 6, 2024 (TASE references: 2024-01-000744 and 2024-01-013725, respectively)) and other agreements signed between Altshuler Provident and other related third parties in Regulation 22 to Chapter D to this report and Note 24 to the financial statements attached in Chapter C to this report.

1.4 The Company's holding structure



(1) Of which 26.06% held in trust by Altshuler Shaham Trusts Ltd. (11.49% of Altshuler Ltd.'s shares).
(2) Of which 27.28% held in trust by Altshuler Shaham Trusts Ltd. (12.2% of Altshuler Ltd.'s shares).
(3) Of which 26.84% held in trust by Altshuler Shaham Trusts Ltd. (1.33% of Altshuler Ltd.'s shares).
(4) Note that the remaining interests in Altshuler Ltd. (about 1.22%) are held by Altshuler Shaham Trusts Ltd. (in trust for employees).
(5) The entire Ordinary Shares are held in trust by Shenkar Lax Trust Company Ltd.
(6) Altshuler Provident holds the entire shares of these companies for investment for members of the provident and pension funds managed by it.
(7) Altshuler Provident holds several private companies of the Psagot Group that are in voluntary liquidation proceedings.
(8) The Company fully owns Psagot (P.B.L.) Ltd. and Psagot Business Opportunity Fund Ltd. which are inactive.

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.

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. See more information of the provident and pension fund management operation in paragraph 3.1 below.

Moreover, as explained in paragraph 1.2 above, the Company has two other operations – the Alternative Investment Management Operation through Altshuler Real Estate and the Alternative Investment Marketing Operation through iFunds – neither of which aggregates to a reportable operating segment in the financial statements. See details of these operations in paragraph 3.2 below.

1.6 Investments in the Company's equity and share transactions

From January 1, 2022 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
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 qualified shareholders as per the Company's Prospectus. See also paragraph 1.3 above.

1.7 Dividend distributions

1.7.1 Dividends distributed by the Company and distributable profits

From January 1, 2022 to the Report Date, the Company did not distribute any dividends other than as described in the following table:

Date	Amount of distributed dividend
May 30, 2022	NIS 200 million
August 30, 2022	NIS 40 million
November 28, 2022	NIS 38 million
March 21, 2023	NIS 32 million
May 23, 2023	NIS 29 million
August 21, 2023	NIS 23 million
November 22, 2023	NIS 28 million

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

Moreover, on March 20, 2024, 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 23 million, after having decided that the Company meets the distributable profits test in the Companies Law.

See details of the dividend distributions in Note 13 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, 2023, 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 248,831 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 17e 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, 2023 (NIS in thousands)

	Provident and pension fund management	Other	Unallocated to operating segments	Total
Revenues from external parties	984,353	6,007	** 24,258	1,014,643
Cost of operations with external parties	777,385	13,917	16,203	807,505
Fixed costs *	394,711	12,379	16,203	422,293
Variable costs *	382,674	1,538	-	384,212
Segment results	206,968	(7,910)	8,055	207,113
Attributable to equity holders of the Company	206,968	(6,387)	8,055	208,636
Attributable to non-controlling interests	-	(1,523)	-	(1,523)
Segment assets	997,800	7,687	187,458	1,192,945
Segment liabilities	648,821	5,430	19,057	673,308

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	2,690	** (3,682)	1,282,000
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

* 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

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 the first half of 2023, central banks around the world – in the United States, Europe and in Israel – pursued their efforts to mitigate the inflation. Moving forward on the annual time axis, the various economic data attested that the recession scenario is not likely to occur and inflation rates began dropping. This trend, coupled by the less drastic forecasts adopted by central banks, led to increases in stock and bond markets, supported by soft landing of the economy and continued decline in inflation. In 2023, the Israeli economy faced uncertainties due to the government's attempted implementation of the judicial reform and the widespread protests arising in its wake. Moreover, the fourth quarter of the year saw the outbreak of the Israel-Hamas war which began on October 7, 2023 and gave rise to major uncertainty in the local markets. Accordingly, the leading TA indices on the TASE sustained losses but later showed recovery and returned to recording profits. In 2023 taken as a whole, most of the investment channels in which the Company operates in Israel and overseas showed positive yields.

See details of investment management in the provident and pension fund market in paragraph 3.1.14 below. See information of the Israel-Hamas war and its potential effects on the capital market and the business environment in which Altshuler Provident operates in paragraph 2.2.4 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 3.1.1.3 below. See details of the Alternative Investment Management Operation, which is not a reportable segment in the Company's financial statements, in paragraph 3.2.1 below. See details of the Alternative Investment Marketing Operation in paragraph 3.2.2 below.

2.2.4 Developments in the Company's macroeconomic environment

USA

In the first three quarters of 2023, the Fed continued the process of raising the interest rate in an attempt to restrain the inflation. The Fed's interest rate peaked at 5.5% and remained unchanged in September and November 2023. The Fed managed to create a soft landing for the economy as inflation rates in 2023 and mainly in the fourth quarter of the year began returning to normal and the recession scenario did not materialize. Inflation in December of the year increased to 3.4% against a forecasted increase of 3.2% in annual terms. As per the U.S. employment report for December, 216 thousand jobs were added to the U.S. job market as opposed to the expected 170 thousand jobs. Unemployment rate remained at 3.7%, below the projected 3.8%.

The leading stock indices in the U.S. closed the fourth quarter of 2023 with increased rates. The S&P500 rose by 11.2%, the NASDAQ added 14.3% and the Dow Jones increased by 12.5%. In annual terms for 2023, the S&P500 increased by 24.3%, the NASDAQ by 53.8% and the Dow Jones by 13.7%.

Europe

In the past year, Europe has faced several challenges, beginning with soaring inflation and disappointing growth and ending with the consequences of the continuing war between Russia and Ukraine. The ECB pursued the interest hikes throughout 2023 with the latest hike being in September to 4%, the tenth consecutive rise in interest in the Eurozone. The ECB, however, did signal that the interest hike cycle was over and that the interest had reached its peak. Following the consecutive interest hikes in the past year, the Eurozone inflation rates began showing signs of restraint. Nevertheless, inflation in December as per the Consumer Price Index for December 2023 dropped to 3.4% in annual terms compared with 3.6% in November and as anticipated.

In the UK, the annual inflation rate remained high in the first three quarters of the year but demonstrated a certain stability in the last quarter of 2023. The core inflation rates in annual terms remained at 5.1% in December, similarly to November. The early forecast was 4.9%.

The fourth quarter of the year noted a positive trend in the European stock markets – the Euro Stoxx 50 rose by 8.3% and the Euro Stoxx 600 by 6.4%. In annual terms, the Euro Stoxx 50 gained about 19% and the Euro Stoxx 600 rose by about 13%.

Asia

The tensions between the U.S. and China continued to escalate in 2023. In October 2023, the U.S. levied new limitations on the import of semiconductors used for AI and although these limitations were only supposed to become effective in November, the U.S. Administration decided to impose them effective immediately. The Biden Administration informed Nvidia, a multinational supplier of AI solutions, of new restrictions applicable to the export of AI semiconductors to China in an aim to prevent Chinese companies from developing advanced AI capabilities.

In Japan, the BOJ adhered to its expansionary monetary policy throughout 2023 and did not raise the interest to battle inflation as other central banks around the world. The short-term interest remained at a negative 0.1% and the 10-year ceiling on government bonds is zero. In response to the BOJ's policy, the Japanese Yen lost its value against the USD, yet the BOJ retains its yield curve control targets to 0.5% upwards or downwards.

Israel

The Israel-Hamas war

On October 7, 2023, the Hamas terror organization launched a massive attack against Israel by breaking the fences across the border between Israel and the Gaza strip, firing hundreds of rockets on Israel and sending thousands of armed terrorists to infiltrate Israeli settlements across the border and commit heinous crimes against innocent civilians, butchering and killing more than 1,200 Israelis at a nature party held near the border and in their homes. In response, the IDF declared war on Hamas (known in Hebrew as Swords of Iron War), which is ongoing as of the date of issuing this report. From the start of the war, the IDF has been launching widespread air attacks and extensive ground maneuvering across the Gaza strip. Simultaneously, the Hizballah terror organization in Lebanon has been attacking IDF posts and bases and firing hostile UAVs and anti-tank guided missiles. The IDF has also been dealing with other fronts such as in Judea and Samaria and the Houthi movement, a Shia Islamist political and military organization that emerged from Yemen and is sponsored by Iran, which has been firing rockets and UAVs to the south of Israel and attacking ships in the Red Sea. In the days following the deadly terrorist attack, the TASE responded with sharp declines in stocks and bonds. The war has led to an increase in debt mainly in the backdrop of the reduced economic activity and reduced income from taxes coupled by a major increase in government spending. The war involves sustaining significant costs for purchasing military supplies in large scopes and granting compensation to evacuees and businesses but also incurring losses from the market's inactivity. After the war began and the USD-NIS exchange rate reached NIS 4, the Bank of Israel announced a plan for selling up to $ 30 billion. In October 2023, the BoI sold about $ 8.2 billion and reduced its foreign exchange reserves to about $ 191 billion. In December 2023, the Israeli Parliament approved the State's updated budget for 2023 with a majority of 59 MPs against 45 MPs who opposed. In the past year, similarly to other central banks around the world, the BoI faced the challenge of restraining the inflation through aggressive interest rate hikes. Later in the year, after achieving a mitigation of the inflation rates, the BoI announced the lowering of the benchmark interest by about 0.25% for the first time in nearly four years. The lowering of the interest, as opposed to earlier forecasts, was affected by the economic deterioration of numerous households and businesses as a result of the war.

The Israeli CPI in December 2023 decreased by 0.1% compared with November of that year. The annual inflation rate dropped to 3% in 2023, below the BoI's top tier. In the backdrop of the tight security situation, the market uncertainty trend continued into the fourth quarter of 2023 with worsened slowdown in investments and capital raising. Trade on the TASE in Q4 2023 ended in a mixed trend leaning towards increased rates. The TA-35 index rose by 0.5% and the TA-125 increased by 0.07%. The Tel-Bond 60 increased by 1.84% in the fourth quarter of 2023. In contrast, the banks index lost 5.2% in the quarter. In 2023 on the whole, the stock and bond indices in Israel noted increased rates. For example, the TA-125 added 3.4%, the TA-35 rose by 3.1% and the TA 90 gained 3.6%. The Tel-Bond 60 rose by 4.9%.

In February 2024, the international rating agency Moody's announced the lowering of Israel's credit rating from A1 to A2 for the first time in the country's history. Moody's also changed the outlook to negative, with another potential rating reduction. In its announcement, Moody's stated the local government's vulnerability as one of the main causes for lowering the rating and expressed its concern from the continued fighting in Gaza and the risk of escalation in the north of Israel.

In view of the aforesaid, there is a risk that a downturn in the capital market and the business environment in which Altshuler Provident operates will lead to decreases in the scope and value of assets managed by it. Notwithstanding the aforementioned, at present, the war as an independent event has not had a material impact on the scope or value of the assets managed by Altshuler Provident or any such effect on the Company, mainly owing to the investment policy and diversity of its investment portfolio whereby in practice, more than 60% of the managed assets are in global capital markets. It should also be noted that the war and its prolongation presently do not have any effect on the Company's financial stability or on Altshuler Provident's compliance with the financial covenants governing finance agreements. See details of financial covenants in Note 17e to the financial statements attached as Chapter C to this report. However, as of the date of approval of the financial statements, the Company is unable to fully and reliably quantify the future effects of the war on the Group's operations among other things due to the current market volatility and uncertainty caused by the duration, intensity and impact of the war on the Group's operating segments or other measures that may be adopted by the Israeli Government.

The judicial reform

From early 2023, the Israeli Government began promoting several bills that introduce radical changes to the local judicial system ("**the judicial reform**"). In this context, on July 26, 2023, amendment no. 4 to the basic law on the justice system became effective and minimized the reasonableness standard in administrative law which exercises judicial criticism on administrative authorities. The amendment aims to abolish the reasonableness cause that allows the Supreme Court to exercise judicial criticism of decisions made by the government, the prime minister and other ministers. The attempts to pass the judicial reform encountered fierce disputes and objections and led to a series of protests among large parts of the Israeli public. On January 1, 2024, the High Court of Justice ruled that the Israeli Parliament had transgressed its constitutive authority and declared the amendment as null and void. As of the Report Date, due to the war and the above ruling, the judicial reform has been taken off the government's agenda followed by the protests against the reform.

Effect of inflation and market interest rise

As discussed in paragraph 2.2.1 above, in the fourth quarter of 2023, inflation rates in the local and global markets were mitigated. In Israel, the CPI for November 2023 decreased and annual inflation was at 3.3%. The interest rate hikes and inflation affect business activity in the market which is also expressed by increased costs of operation, raw materials, manpower, financing etc. and by the conditions in the capital market. On January 1, 2024, the BoI lowered the market interest rate by 0.25% to 4.5%, the first decrease in interest since March 2020 when the Covid-19 crisis erupted. The interest was reduced after 10 consecutive hikes between April 2022 and May 2023.

Due to the nature of its operations, Altshuler Provident is exposed to capital market fluctuations. It should be noted that the bulk of the Company's debt which was assumed by Altshuler Provident bears unlinked fixed interest and therefore there was no material effect on its finance expenses. 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, the Company estimates that Altshuler Provident's 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.

General

In the fourth quarter and in 2023 as a whole, most world indices showed positive yields. In annual terms, in the U.S., the S&P 500 gained about 24.2% and the NASDAQ grew by about 53.8%. The European Stoxx 600 increased by about 13% and the German DAX rose by about 8.9% in the course of 2023. The MSCI WORLD Index grew by about 21.7%. The global bond market recorded negative yields. In the U.S., the United States 10Y Government Bond yield was 4.9% at the beginning of Q4 2023 but ended up dropping to 3.9% at the end of the quarter. In the past year, bonds were traded with fluctuations with the yield passing 5% but then dropping below 4%. The performances of the Israeli stock market in 2023 were short compared to foreign markets with the TA 35 rising by about 3.1%, the TA 125 gaining about 3.4% and the TA 90 climbing by about 3.6%. The Banks Index added 10.7% in the past year. The Tel-Bond 60 rose by about 4.9% in 2023.

Investments in provident and pension funds managed by Altshuler Provident

In 2023, Altshuler Provident increased the exposure of the assets managed by it to the quoted and unquoted stock component by about 54% in the general channels (from about 50% at the beginning of the year). The main exposure of the stock channel in Israel remains to the banks and income-producing real estate stocks and the main exposure overseas remains to the leading U.S. indices and underlying stocks. In 2023, the Company increased its exposure to U.S. government bonds.

The Company's evaluations as presented in paragraph 2.2.4 above 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.

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

In the Reporting Period, there was a decrease in Altshuler Provident's business volume and market share. The decrease mainly arises from the transfer of savings to the management of Altshuler Provident's business rivals and surplus withdrawals over 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 and the expansion of the variety of investment channels offered by it in the context of the different pension saving products. 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, 2023, 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 722.14 billion compared with approximately NIS 648.11 billion at the end of 2022, an increase of about 11.42%. In 2023, provident fund assets managed by Altshuler Provident decreased from NIS 144.06 billion at the end of 2022 to total assets of NIS 129.22 billion as of December 31, 2023, representing a decrease of about 10.3% in total fund assets managed by Altshuler Provident. Total outward transfers in 2023 decreased by 52.26% compared with 2022.

As of December 31, 2023, total pension fund assets in Israel (new comprehensive and general funds) amounted to approximately NIS 751.42 billion compared with total assets of approximately NIS 621.45 billion at the end of 2022, an increase of about 20.91%.

In the Reporting Period, pension fund assets increased from approximately NIS 26.32 billion at the end of 2022 to approximately NIS 27.44 billion at the end of 2023, an increase of about 4.26%. 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

Over the years, Altshuler Provident has been investing significant financial resources in improving customer experience by automating work processes, upgrading digital processes, creating computer interfaces and so forth.

In the Reporting Period, Altshuler Provident launched several new systems at the core of its business including a new pension system for managing members' rights, a system for managing human resources and a system for managing agent commissions.

Moreover, during the Reporting Period, Altshuler Provident invested resources to bolster information security, including for safeguarding client data from cyberattacks.

3.1.1.6 Critical success factors in the operating segment and changes therein

The Company 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 service agreements signed during and after 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. The Company 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. The Company believes that the required positive reputation for investment managers and for the management company form another barrier to entry into this segment.

3.1.1.8.2 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.

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

The Company believes that investment provident funds have 4 major alternatives: Mutual funds and index funds, managed investment portfolios, savings insurance policy and 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 3.1.9 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 156.7 billion. Below are the key product types offered by the Company through Altshuler Provident in the operating segment:

<u>Provident and pension fund management</u>

a. <u>Savings provident funds, provident funds and personal severance pay provident funds</u>

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 2 provident funds: Altshuler Shaham Gemel and Altshuler Shaham Gemel LeAmitey Hever, with a total of 18 investment tracks, allowing the saver to invest their money at the appropriate risk level for them.

b. <u>Study funds</u>

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.

<u>Study fund for salaried employees</u> – 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 11 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. As of the report approval date, 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. As of the report approval date, 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 NIS 79,005.

As of the report approval date, the investment provident fund managed by Altshuler Provident offers 8 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 2023, 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 55, so the savings amount per month could be up to NIS 110 and total bonuses amounted to NIS 568.

The management fee is payable by the National Insurance Institute through age 21. Upon withdrawal, 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 and the pension fund's regulations.

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 Charging 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 2024, 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 a ceiling of 85% of total track assets.

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 issued by the Capital Market Authority 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

A 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 7 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%.

3.1.3 Changes in products in 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.

c. S&P500 index tracker investment track – as part of expanding the variety of investment options for savers, in November 2023 the pension funds and in December 2023 Altshuler Shaham Provident, Altshuler Shaham Study Fund and Altshuler Shaham Saving Plus founded a new investment track known as S&P500 index tracker whose assets track the S&P500 Index with a 100% exposure rate. The tracking assets include all the assets under this track other than a certain percentage of assets that will be invested in cash for handling deposits, withdrawals and transfers.

d. Passive stock index investment track – in December 2023, Altshuler Shaham Study Fund and Altshuler Shaham Saving Plus founded a new investment track by the name of passive stock index in which more than 75% but not more than 100% of the assets will be invested in stock indices [that meet the terms stipulated in article 6 to the Institutional Investor Circular 2013-9-13 regarding investment rules that apply to institutional investors]. The remaining assets, other than a certain percentage of assets that will be invested in cash for handling deposits, withdrawals and transfers, will be invested in different indices [that meet the terms stipulated in article 6 to the Institutional Investor Circular 2013-9-13 regarding investment rules that apply to institutional investors], subject to applicable law and at the Investment Committee's discretion.

3.1.4 Changes in products after the Reporting Period

After the Reporting Period, in February 2024, Altshuler Shaham Study Fund founded a general passive investment track whose assets are invested in different indices [that meet the terms stipulated in article 6 to the Institutional Investor Circular 2013-9-13 regarding investment rules that apply to institutional investors], subject to applicable law and at the Investment Committee's discretion.

3.1.5 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, 2023 (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	26,692,817	749,586	56,380,942	54,031,360	10,141,913	7,777,852	891,354	**156,665,824**
Receipts from fees	3,991,508	194,025	852,359	4,835,302	1,228,548	1,033,342	6,733	**12,141,817**
Of which, nonrecurring fees	-	-	135,271	31,169	583,475	46,533	-	**796,448**
Annualized fees for newly enrolled members	503,457	11,724	28,284	418,606	55,647	36,117	14	**1,053,849**
Annualized fees for all members	3,725,718	162,174	697,420	4,525,162	581,459	976,656	6,517	**10,675,106**
Accruals transferred to the fund	1,113,958	22,322	849,581	232,786	51,565	1,481	1,980	**2,273,673**
Accruals transferred from the fund	(6,825,304)	(187,621)	(10,101,323)	(13,882,023)	(1,824,613)	(95,367)	(54,928)	**(32,971,179)**
Payments	(57,120)	(7)	(3,130,625)	(4,234,404)	(1,403,403)	(135,618)	(75,834)	**(9,037,011)**
Surplus revenues (losses) over expenses in the period	3,039,330	69,391	4,353,685	4,670,587	1,060,809	861,031	61,679	**14,116,512**
Revenues from accrual management fees	34,532	1,353	382,751	410,336	67,688	16,014	5,471	**918,145**
Revenues from deposit management fees	55,320	2,598	3,414	-	-	-	-	**61,332**
Average annual rate of management fees from active assets (%)	0.12	0.17	0.67	0.74	0.65	0.23	0.21	
Average annual rate of management fees from inactive assets (%)	0.13	0.23	0.64	0.69	0.63	0.23	0.64	
Average annual rate of management fees from assets – annuities (%)	0.37	0.35	-	-	-	-	-	
Average annual rate of management fees from deposits (%)	1.37	1.43	0.42	-	-	-	-	

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	-	-	-	-	

3.1.6 New products

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

3.1.7 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 2.2 million clients. See information of balances and movements of managed assets in paragraph 3.1.3 above.

Below is information about the number of member accounts in Altshuler Provident by product:

	December 31, 2023	December 31, 2022
Comprehensive pension	376,930	358,617
General pension	21,248	24,969
Rewards and severance	886,535	1,009,413
Study fund	730,272	906,628
Central severance pay fund	2,024	2,112
Investment provident funds	168,538	198,421
Investment provident fund – Savings for Every Child	981,581	980,874
Central provident fund for budgetary pension participation	4,042	4,259
Central sick pay fund	77	78
Total	**3,171,247**	**3,485,371**

3.1.8 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 24 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

2023

	Repaid commissions (2)		Target commissions (1)		Total	
	Provident	**Pension**	**Provident**	**Pension**	**Provident**	**Pension**
Agent/agency	212,323	4,244	11,926	2,850	224,249	7,095
Party affiliated to and/or controlled by the Company (3)	3,494	1	116	3	3,610	4
Banks	51,451	-	-	-	51,451	-
Non-bank pensionary advisors	441	-	-	-	441	-
Total	267,709	4,245	12,042	2,853	279,751	7,098

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

(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 24 to the financial statements in chapter C to this report.

3.1.9 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, 2023, despite the decrease in its market share, the Company is the largest player in the provident fund market, with a market share of 17.89% of total assets under management in provident funds and study funds, compared to 22.23% as of December 31, 2022.

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, 2023, of nine local pension fund managers, Altshuler Provident is ranked 7th, with a market share of 3.62% 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 Reporting Period, Altshuler Provident faced negative net accruals of assets in the provident and pension funds managed by it. Consequently, in order to preserve and expand the current client portfolio, Altshuler Provident is continuing to take steps 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.

3.1.10 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 (for more information about the cap as of the report approval 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.

3.1.11 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 3.1.14.2 below.

3.1.12 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 attached in Chapter C to this report.

3.1.13 Human capital

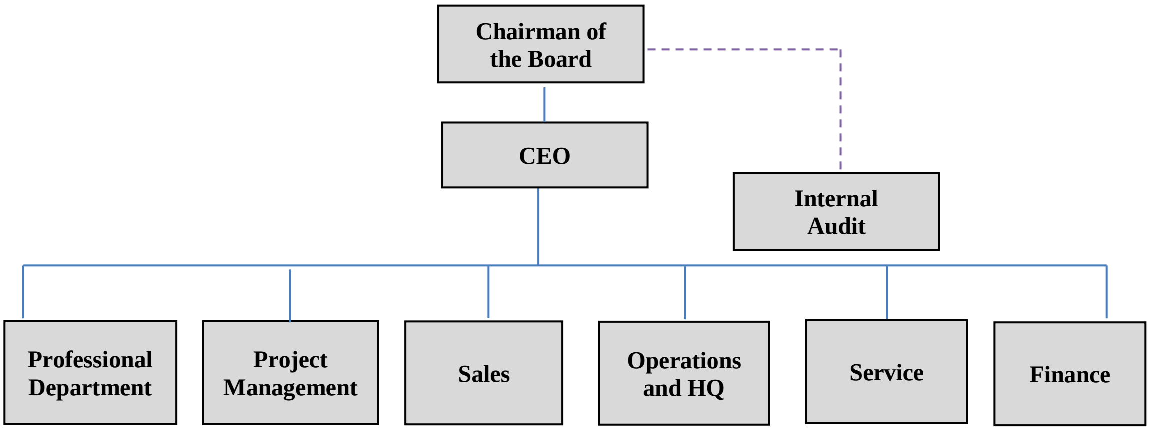
3.1.13.1 Overview

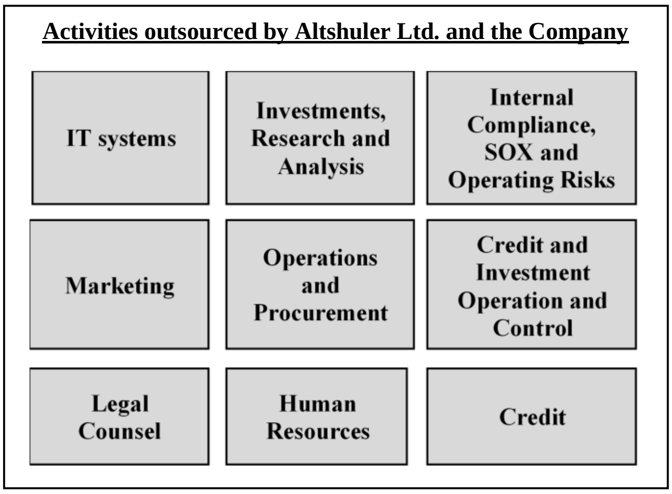
As of the Report Date, total employees in this operating segment employed by the Company and Altshuler Provident and outsourced by subcontractors, including by related parties which provide services to Altshuler Provident, consist of 7 officers and 789 employees (based on position scope). As of December 31, 2023, this segment employed 8 senior officers and 870 employees in total (based on position scope).

Following is the breakdown of employees in the segment as of December 31, 2023 and 2022 by department:

Department	December 2023	December 2022
Operations	192	216
Service	277	303
Sales and marketing	89	107
IT systems	89	97
Investments	62	65
HQ	80	82
Total	**789**	**870**

3.1.13.2 Chart of Altshuler Provident's organizational structure





3.1.13.3 Material changes in employee headcount during the Reporting Period

As described above, in 2022, 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.

Moreover, after the Reporting Period, Ms. Lilach Hirschhorn was appointed as VP Sales instead of Mr. Ronen Golan whose service as VP Sales, Agents and Advisors in Altshuler Provident was terminated.

3.1.14 Suppliers and service providers

3.1.14.1 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.

3.1.14.2 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 is 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. After the Reporting Period, Altshuler Provident was notified that Sapiens has been statutorily merged into Sapiens Technologies (1982) Ltd. Altshuler Provident is dependent on this provider, as transition to an alternative provider will involve a significant additional cost.

3.1.14.3 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.

See details of service agreements entered into by the Company and Altshuler Provident with related companies in Regulation 22 tot Chapter D to this report.

3.1.15 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.

3.1.16 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:

3.1.16.1 The Investment Committee and 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.

3.1.16.2 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 24e(2)(a) to the financial statements hereby attached in Chapter C.

3.1.16.3 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.

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.

3.1.16.4 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.

3.1.17 Financing

See more information of Altshuler Provident's financing agreements, loans and borrowings in Note 17 to the financial statements hereby attached as Chapter C.

3.1.18 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 14 to the financial statements hereby attached as Chapter C.

3.1.19 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. The Company believes that this amendment increased and will continue to increase total contributions to provident and pension funds managed by Altshuler Provident.

(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. The Company believes that in the 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.

3.1.20 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 – Alternative Investments

3.2.1 The Alternative Investment Management Operation

As discussed in paragraph 1.5 above, as of the Report Date, the Company has an alternative investment management operation which is performed by Altshuler Real Estate and Altshuler Investment Funds.

3.2.1.1 Structure of the operating segment and changes therein

3.2.1.1.1 Alternative real estate investment management

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 the alternative real estate investment management and development operation, Altshuler Real Estate identifies potential real estate 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. 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, development fees, carried interest and reimbursement of expenses in connection with Altshuler Real Estate's activities. The Company or Altshuler Real Estate may also invest and participate in investments at their sole discretion and as permitted by law.

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 also monitors and assists the investment by the local real estate developer.

As of the Report Date, Altshuler Real Estate has also begun promoting other operations in the investment property market by analyzing prospective investments and foundation of other SPVs including public funds.

On February 5, 2024, the General Meeting of Shareholders approved an amendment to the service agreement with Altshuler Real Estate according to which the Company and Altshuler Real Estate interchange services. See also paragraph 3.2.1.6 below.

In the Reporting Period, Altshuler Real Estate completed raising three investments in the United States in an aggregate of approximately $ 38 million and completed an investment transaction in Europe totaling approximately € 8 million. As of the Report Date, total assets managed by Altshuler Real Estate approximate $ 74 million compared with $ 28 million in 2022. After the Report Date, Altshuler Real Estate closed another investment in the U.S. in a total of approximately $ 8.8 million in which Altshuler Real Estate's share is approximately $ 440 thousand, representing about 5% of the investment.

3.2.1.1.2 Alternative investment management in other markets

On January 26, 2023, Altshuler Investment Funds was incorporated as a private company limited in shares. It is wholly owned by Altshuler Alternative, which is a wholly owned subsidiary of the Company. Altshuler Investment Funds serves as GP in limited partnerships and/or special purpose funds for which it raises capital privately and from the public. This operation is performed concurrently with the alternative real estate investment management operation as detailed in paragraph 3.2.1.1 above.

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 equity 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 serve as the fund's manager and general partner. Pantheon provides the fund investment management services in return for management fees and carried interest as agreed between the parties. See more information of the business partnership between the parties in the Company's immediate report of May 17, 2023 (TASE references: 2023-01-052749), whose information is hereby included by reference.

In the Reporting Period, an initial investment of approximately $ 25 million was raised. After the report Date and as of the report publication date, the capital raised for the investment closed at approximately $ 36 million.

3.2.1.2 Marketing and distribution

The alternative investments are marketed internally by the sales department and insurance agencies of the investment house and externally through outside insurance agencies and distributors based on predetermined distribution agreements. See details of distribution agreements signed with the insurance agencies of the investment house in paragraphs 7.9 and 7.10 to Chapter D to this report.

3.2.1.3 Breakdown of revenues and profits of products and services

In return for managing some of the partnerships, the Company is entitled to development fees and is entitled to annual management fees and carried interest for managing the entire partnerships subject to obtaining a minimum ROI for the investors. The development fees are paid on the transaction closing date, the management fees are paid on a regular basis and the carried interest is paid on the property divestiture date.

In 2023 and 2022, the Company recognized current management fees of NIS 1,646 thousand and NIS 105 thousand and development fees of NIS 4,300 thousand and NIS 2,507 thousand, respectively.

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

The operation of the limited partnerships and special purpose funds in which Altshuler Real Estate and Altshuler Investment Funds serve as GP is governed by certain restrictions as set forth in the partnership foundation agreements. There are other restrictions that apply to the operation of the limited partnerships and special purpose funds as prescribed by various regulations such as the Partnership Ordinance that regulates the activity and taxation of Israeli investment partnerships. Moreover, some of the investments are managed outside of Israel, including through SPCs that are incorporated in the countries of the investments but not just in those countries and are exposed to foreign regulations and laws.

A major limitation that applies to the operation of the limited partnerships and special purpose funds derives from the Securities Law and ISA guidelines (or corresponding provisions in the Mutual Trust Investments Law). The distribution of a participation unit of limited partnerships without a prospectus may be construed as a public offering of securities and therefore, in the absence of a prospectus, is only permitted to qualified entities as listed in the First Addendum to the Securities Law or to a limited number of unqualified optionees. On July 17, 2019, the ISA issued a Staff Position on the respective application of both the Mutual Trust Investments Law and the Securities Law according to which a limited partnership that invests in securities and has more than 50 unqualified investors as partners is governed by the Mutual Trust Investments Law as per Article 2 to this law. This means that limited partnerships and/or special purpose funds that invest in securities may be disallowed to utilize the exemption in Article 15D to the Securities Law which permits making an offering to up to 35 unqualified optionees over a period of 12 months more than once (unless as a result of the offering/sale to another group of 35 investors the number of unqualified investors in the fund reaches 50). In addition, the distribution of participation units of limited partnerships and/or special purpose funds incorporated outside of Israel that invest in non-real assets (such as securities) may be governed by the Law for Regulating the Engagement in Investment Counseling, Investment Marketing and Investment Portfolio Management, 1995 and the ISA's guidelines by virtue thereof.

3.2.1.5 Success factors

(a) As members of the Altshuler Group and owing to the Group's track record, Altshuler Real Estate and Altshuler Investment Funds are often privy to valuable investment opportunities under the corporate opportunity arrangement with Altshuler Provident.

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

(c) Using the 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 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.

3.2.1.6 Human capital

See information of the human capital in this operation in paragraph 4.3 below.

3.2.1.7 Financing

As of the Report Date, Altshuler Real Estate and Altshuler Investment Funds have not received any external credit for financing their operations. See details of a credit facility received by Altshuler Real Estate which was repaid by it on August 30, 2023 in Note 17b(3) to the financial statements attached to Chapter C to this report.

See details of a credit facility extended by the Company to Altshuler Real Estate in paragraph 16.3.1 to Chapter D to this report.

3.2.1.8 Risk factors

See details of the risk factors that apply to the entire Group and the extent of their effect in paragraph 4.11 below. Following are risk factors that are specific to the Alternative Investment Management Operation:

Macro risks – market growth, local economy, inflation rates and monetary and fiscal policies of central banks are all factors that affect the macroeconomic climate in the territory in which the Company operates and are likely to lead to changes in demands for investments and in availability of investments thereby adversely affecting the Company's profits.

Foreign currency – the majority of the Company's revenues are in foreign currency which exposes the Company's income to fluctuations in exchange rates.

Regulatory and tax regime changes – the Company manages investments in different tax regimes around the world and is exposed to changes in regulation that are likely to affect the profits from investments and the resulting carried interest for the Company.

Interest risks – interest hikes in Israel and worldwide might affect the finance expenses of the investments managed by the Company, reduce cash inflows from investments and create negative revaluation of assets (real estate properties). A reduction in the cash inflow of the investments managed by the Company will reduce the Company's profits.

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

The Company believes the main barriers to entry in the Alternative Investment Management Operation are as follows:

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

(b) Experience and knowledge in the alternative investment market.

(c) Experience and knowledge in analyzing transactions and in managing a diversified investment portfolio.

(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 projects simultaneously and managing teams of experienced professionals and outside advisors with vast professional background.

The Company believes the main barriers to exit in the Alternative Investment Management Operation are 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, resale potential, credit terms in the financing market etc.

(b) Alternative investments are by nature not for the short term. Selling the investment 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.

3.2.1.10 Competition

The main competition for the operations of Altshuler Real Estate and Altshuler Investment Funds is experienced from real estate and other alternative investment groups of investors 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.

When raising capital from investors, Altshuler Real Estate and Altshuler Investment Funds are also exposed to competitors who offer a diversity of investment funds that invest both locally and internationally. The alternative investment funds offer a substitute for the traditional investments in the capital market such as mutual funds, portfolio management, foreign currency despots and more.

Major ways to address the competition

The Company benefits from the track record, experience and expertise of its managers that enable identifying, analyzing and purchasing high-yield business opportunities and maintaining and utilizing extensive business relations with developers and other important market players. During the transaction management stage, the companies' managers 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 are harnessed into optimal property divestiture terms and improved investor profits.

3.2.1.11 Material agreements

3.2.1.11.1 Real estate service agreement

See details of a service agreement in this field of operation in paragraph 8.2 to Chapter D to this report.

3.2.1.11.2 Alternative service agreement

On May 23, 2023, the Company, Altshuler Alternative and Altshuler Investment Funds entered into service agreements according to which the Company provides various services to Altshuler Investment Funds and Altshuler Alternative and the latter provides various services to Altshuler Investment Funds. The services consist of IT, finance, legal counseling and marketing in return for the payment of management fees at cost + 6% as set forth in the service agreements. On February 6, 2024, the transfer pricing arrangement in the agreements was revised.

3.2.1.11.3 Distribution agreements

See details of distribution agreements with insurance agencies of the investment house in paragraphs 7.9 and 7.10 to Chapter D to this report.

3.2.1.11.4 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 Marketing Operation

3.2.2.1 Structure of the operating segment and changes therein

On February 12, 2024, after the Report Date, after obtaining the approvals of the Company's Audit Committee, Board and General Meeting, the Company, through a wholly owned subsidiary, Althsuler Alternative, completed the acquisition of the shares of Althsuler Shaham Global Opportunities Ltd. ("**A.S. Global**"), which had been held by Altshuler Ltd. and account for 50% of the issued and outstanding share capital of A.S. Global ("**the acquisition agreement**"). As of the report approval date, A.S. Global holds 80% of the issued and outstanding share capital of iFunds. A.S. Global is 50%/50% held by MWI Investments and Communication Ltd. (which is indirectly wholly owned by Mr. Moshe Weingarten, "**MWI**") and Altshuler Alternative. As a result, Altshuler Alternative indirectly holds about 40% of the issued and outstanding share capital of iFunds. iFunds plans to allocate its officers shares or options that are convertible into shares accounting for up to 5% of its issued share capital.[2]

As of the transaction closing date, A.S. Global has no business activity other than holding the shares of iFunds.

In addition to the acquisition of the shares, Altshuler Alternative also purchased the shareholders' loan provided by Altshuler Ltd. to iFunds whose balance as of February 12, 2024 was approximately NIS 6,372 thousand and has yet to be repaid by iFunds. The shareholders' loan bears annual interest at the minimum rate prescribed in the Income Tax Ordinance.

iFunds is a private company founded in 2021 and incorporated in Israel which offers easy access to qualified investors using an alternative investment platform targeting private equity funds and hedge funds whose access is normally limited and challenging for the private qualified investor. iFunds provides services to Israeli banks, Family Office, private and public companies through iCapitalNetwork, a U.S. financial technology company that operates in the global alternative investment market. iFunds is its exclusive agent in Israel. The platform provides access to a large variety of curated alternative investment funds of the world's leading management groups with varying risk levels and investment terms at relatively low entry fees. The platform also affords investment advisors easy access to available information about the investment throughout the investment cycle. In October 2022, iFunds signed an agreement with Bank Leumi following which the Bank began offering alternative investment advice through the platform.

iFunds may also distribute the Company's products and/or initiate and distribute alternative products by raising investments for feeder partnerships of alternative funds that are not on the platform on the date of foundation and adding them to the platform.

As of the closing date, the total alternative products distributed by iFunds approximate $ 60 million.

[2] See more information in the Company's immediate report of January 1, 2024 (TASE reference: 2024-01-000744).

After closing, the Company, Altshuler Alternative and iFunds signed an agreement according to which the Company and/or Altshuler Alternative (themselves or through employees or service providers on their behalf) will provide iFunds various services for its current operations such as accounting and bookkeeping, legal counseling, payroll, rent and office maintenance, business development (through the Company) and sales (collectively in this paragraph – "**the services**").

In return for the services, iFunds will pay the Company monthly management fees plus VAT (if any) based on the transfer pricing arrangement set forth in the agreement.

3.2.2.2 Material agreements

As part of the acquisition agreement, as per the approval of the General Meeting, Altshuer Alternative entered into the following agreements (collectively with the acquisition agreement in this paragraph – "**the transaction**"):

3.2.2.2.1 Shareholders' agreement between A.S. Global shareholders

According to the shareholders' agreement which settles the relationship between Altshuler Alternative and the other shareholder of A.S. Global regarding the ownership of A.S. Global's shares (including the control of iFunds) and in connection with each party's role in managing A.S. Global and iFunds, Altshuler Alternative is the controlling shareholder in A.S. Global and iFunds (indirectly). As per the shareholders' agreement, the Company (through Altshuler Alternative) undertook to provide iFunds shareholders' loans in addition to the shareholders' loan which Altshuler Alternative purchased from Altshuler Ltd. in the acquisition agreement.

See details of the main terms of the shareholders' agreement in paragraph 7.2.1 to a meeting notice report of January 1, 2024 (TASE reference: 2024-01-000744) hereby mentioned for reference only.

3.2.2.2.2 Service agreement between the Company and/or Altshuler Alternative and iFunds

Upon closing of the transaction, the Company, Altshuler Alternative and iFunds entered into an agreement according to which the Company and/or Altshuler Alternative (themselves or through employees or service providers on their behalf) will provide iFunds various services for its current operations such as accounting and bookkeeping, legal counseling, payroll, rent and office maintenance, business development (through the Company) and sales (collectively in this paragraph – "**the services**").

The agreement is effective from the transaction closing date for an indefinite period and cannot be canceled as long as Altshuler Alternative is a shareholder in A.S. Global, unless iFunds terminates the agreement effective immediately due to the occurrence of any of the grounds specified in the agreement such as temporary or permanent foreclosure levied on iFunds' assets, petition for stay of proceedings, receivership order (which is not settled within 30 days), material change in corporate structure, breach of confidentiality duty as per the agreement etc.

In return for the services, iFunds will pay the Company monthly management fees plus VAT (if any) based on the transfer pricing arrangement set forth in the agreement.

See details of the transfer pricing mechanism applicable to some of the services provided to iFunds as per the agreement in paragraph 7.2.2 to a meeting notice report of January 1, 2024 (TASE reference: 2024-01-000744) hereby mentioned for reference only.

3.2.2.2.3 Financing agreement

As per the shareholders' agreement entered into between Altshuler Alternative and MWI (as detailed in paragraph 3.2.2.2 above), Altshuler Alternative undertook to provide iFunds during 2024-2026 (inclusive) shareholders' loans in addition to the shareholders' loan purchased in the acquisition agreement as required by iFunds from time to time to meet the annual budget targets in the business plan approved by the board of A.S. Global and under the terms stipulated in the shareholders' agreement. The Company estimates the maximum aggregate scope of loans to be provided to iFunds (through Altshuler Alternative) during 2024, 2025 and 2026 at NIS 4,000 thousand each year. The shareholders' loans bear annual interest at the minimum rate prescribed in the Income Tax Ordinance.

See details of the additional loans and their terms in paragraph 7.2.1.3(a) to a meeting notice report of January 1, 2024 (TASE reference: 2024-01-000744) hereby mentioned for reference only.

The parties also determined certain mechanisms for additional financing to be provided by Altshuler Alternative, as needed, based on the shareholders' agreement it signed with MWI. The shareholders' agreement also includes guidelines regarding the prioritization of use of any cash generated to iFunds. See details in paragraphs 7.2.1.3(b) and 7.2.1.3(c) to a meeting notice report of January 1, 2024 (TASE reference: 2024-01-000744) hereby mentioned for reference only.

The above information regarding the Company's evaluations of the scope of additional shareholders' loans represents forward-looking information, as this term is defined in the Securities Law, which relies on the information currently available to the Company and which may not materialize or materialize differently than described above for reasons that are not under the Company's sole control such as the financial results of iFunds or the realization of any of the risk factors detailed in paragraph 4.11 below.

3.2.2.2.4 Lead generation agreements between iFunds and Altshuler Investment Funds and iFunds and Altshuler Real Estate

As part of their operations, Altshuler Investment Funds serves as manager of alternative investment funds and Altshuler Real Estate serves as manager of real estate investment funds. Both companies raise capital by private placement of rights to funds or assets (collectively – "**the investment funds**"). After closing the acquisition agreement, Altshuler Investment Funds and Altshuler Real Estate each entered into a lead generation agreement with iFunds according to which based on decisions that will be made from time to time by parties, iFunds may license to its resellers, through its system, rights in the investment funds for the resellers to market to their customers.

Each party to the lead generation agreement may terminate the agreement at any time by providing an advance written notice of 30 days. The agreement will be terminated immediately in the event of fundamental breach or insolvency of any of the parties.

In return for the marketing services, iFunds is entitled to a commission of up to 50% on each actual transaction closed by Altshuler Investment Funds or Altshuler Real Estate as a result of iFunds' lead.

3.2.2.2.5 Service agreement between iFunds and HTS Investments Ltd. ("HTS") through Mrs. Moshe Weingarten for providing active COB services to iFunds

See details in paragraph 7.3.1 - Regulation 22 to Chapter D to this report.

See details of the agreement and the approval of the transaction in which the controlling shareholder has a personal interest in paragraphs 7, 12.2 and 12.5 to a meeting notice report of January 1, 2024 (TASE reference: 2024-01-000744) hereby mentioned for reference only.

3.2.2.3 Restrictions and supervision in the operating segment

The Company's activities in the Alternative Investment Marketing Operation are subject to the restrictions in Article 15 to the Securities Law, the provisions of the Law for Regulating the Engagement in Investment Counseling, Investment Marketing and Investment Portfolio Management, 1995 and the ISA's guidelines issued under this law. See also paragraph 3.2.1.4 above.

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 8 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.

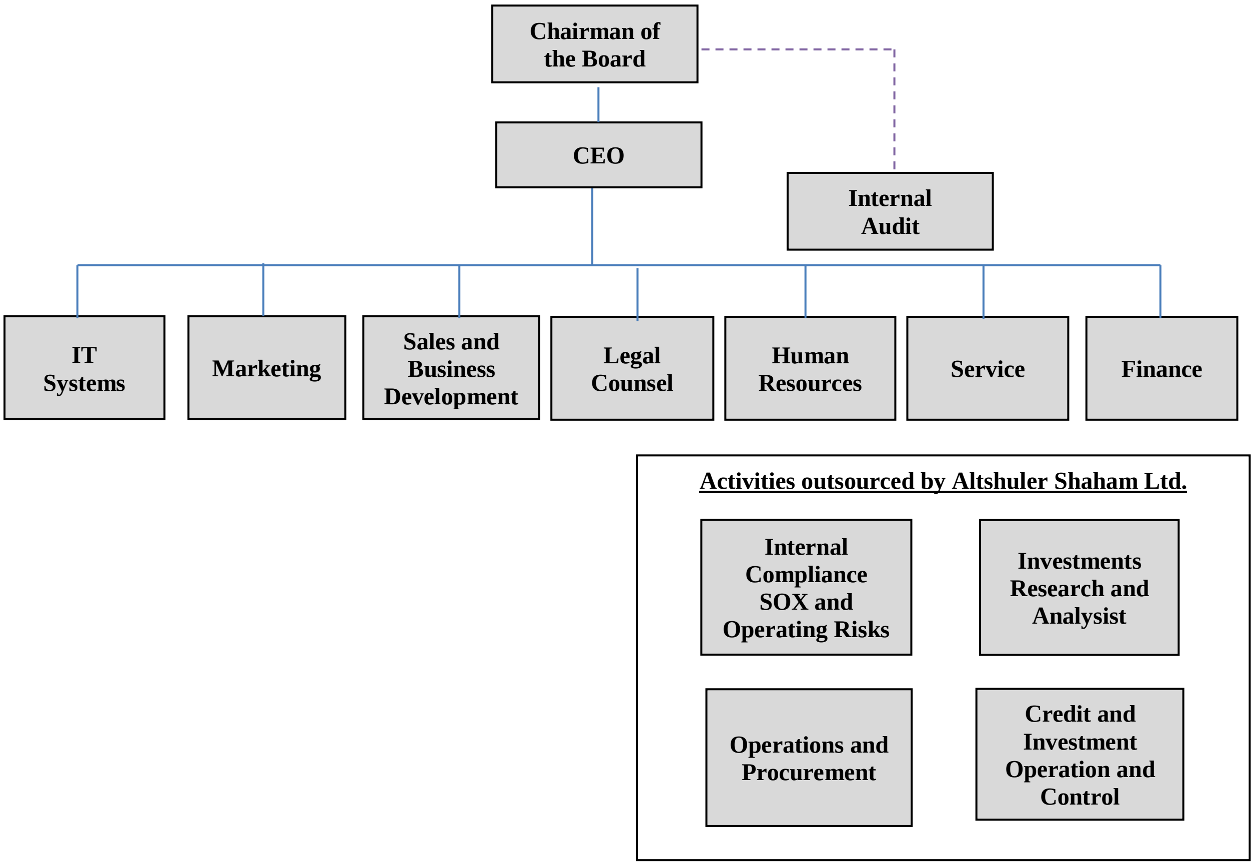
4.3 Human capital

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 11 senior officers (excluding directors) and 825 employees in total. As of December 31, 2022, Altshuler Provident had 11 senior officers and 903 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 in 2022, 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 Regulation 22 to Chapter D to this report and in paragraph 3.2.2.1 above, the Company provides Altshuler Real Estate, Altshuler Investment Funds and iFunds services for their 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, 2023 and 2022, the Group had a total of 825 and 903 employees, respectively.

Breakdown of employee headcount as of December 31, 2023:

Department/operation	Pension and Provident Fund Operation	Alternative Investment Management Operation	In the Company (HQ)	Total
Operations	192	-	-	192
Service	277	5	1	283
Sales and marketing	89	7	1	97
IT systems	89	1	1	91
Investments	62	-	-	62
HQ	80	10	10	100
Total	**789**	**23**	**13**	**825**

Breakdown of employee headcount as of December 31, 2022:

Department/operation	Pension and Provident Fund Operation	Alternative Investment Management Operation	In the Company (HQ)	Total
Operations	216	-	-	216
Service	303	-	1	304
Sales and marketing	107	5	2	114
IT systems	97	2	2	101
Investments	65	-	-	65
HQ	82	7	14	103
Total	**870**	**14**	**19**	**903**

4.3.4 Material changes in employee headcount during the Reporting Period

As described above, in 2022, 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. See also paragraph 4 to a meeting notice report of January 1, 2024 (TASE reference: 2024-01-000744) hereby mentioned for reference only.

4.4 Working capital

Composition of the Company's working capital as of December 31, 2023

Current assets – include cash and securities (including liquid assets for compliance with the minimum equity requirement) totaling NIS 256.5 million, unbilled receivables totaling NIS 12.1 million, current tax asset of NIS 16.9 million and other receivables totaling NIS 9.12 million – total current assets of NIS 294.6 million.

Current liabilities – include current maturities of loans from banks and others totaling NIS 49.4 million, trade payables totaling NIS 4.5 million, short-term payables totaling NIS 108.9 million, deferred tax liability of NIS 5.3 million and current maturities of lease liability totaling NIS 17.5 million – total current liabilities of NIS 185.6 million.

As of December 31, 2023, the Company has a positive working capital of NIS 109 million (including liquid assets for compliance with the minimum equity requirement).

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 assets 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, current tax liability totaling 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 had a positive working capital of NIS 28.5 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 in Note 17 to the financial statements hereby attached as Chapter C.

4.6 Taxation

See information in Note 14 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, amended on December 27, 2022, according to which the Company provides Altshuler Provident various services needed for Altshuler Provident's ongoing operations such as legal, finance, marketing and investment services ("**the provident services**") and Altshuler Provident provides 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 pays 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 receives 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.

On December 27, 2022, the service agreement was amended whereby in return for the services, from October 1, 2022, the Company receives management fees in an amount which leaves Altshuler Provident EBITDA (earnings before interest, taxes, depreciation, and amortization and income/expenses not from operating activities) equivalent to 20% of its income from management fees during the period.

On May 23, 2023, the service agreement was further amended whereby Altshuler Provident provides the Company various services as defined in the agreement for cost only.

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 7 to Chapter D to this report.

4.8 Litigation

See information of material litigations against the Company or other Group members in Note 26 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 operations in general 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, the Company operates in the alternative real estate and other alternative investment markets through Altshuler Real Estate and Altshuler Investment Funds, respectively (see paragraph 3.2.1 above) and in the alternative investment marketing field through iFunds (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, 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 alternative real estate investment management operation including the scope and type of investments managed by Altshuler Real Estate and the involvement of public funds and by managing other alternative investments including identifying business prospects for developing the operation and its investment channels and focusing on reinforcing the alternative investment marketing operation through iFunds.

The Company's management plans to continue exploring branching out into other operating segments through business opportunities and potential business partnerships such as providing loans and distributing financial and pension products.

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. See details of the risk factors associated with the Company's Alternative Investment Management Operation in paragraph 3.2.1.8 above.

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. They are also highly sensitive to factors such as economic instability and political unrest both locally and globally due to economic slowdown, rising inflation and interest rates. They are currently affected by the ongoing war in the south and north of Israel at the homeland security and economic levels, the social protest and geopolitical crises, the economic environment in which the Group operates, investor and customer preferences, capital and debt raising costs, Israel's credit rating and more. The slowdown in the Israeli economy is likely to impair the Group's operations as a result of stock market declines, withdrawals by customers, reduced deposits of Altshuler Provident's products and fewer business partnerships and transactions. As of the Report Date, the Group is unable to assess whether the above factors will materialize and if so how and to what extent.

The management of the capital market's sensitivity to the economic environment, capital market and 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, supervise high margin or distressed bonds and study 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 and at the level of liquid assets in relation to expected volatility and with respect to the scope and use of financial instruments such as 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, developing service systems such as digital channels and customer 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 practices 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 assists in preparing for them, to the extent possible, to allow the Group to meet operational, administrative and digital requirements arising from such changes and the regulations in the Company's fields of operation.

4.11.3 Company specific risks

4.11.3.1 <u>Human capital</u>

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 and in building a work environment that fosters innovation and creativity.

4.11.3.2 <u>Damage to reputation</u>

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 <u>Fraud and embezzlement risks</u>

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 <u>Operational and IT risks</u>

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.

Altshuler Provident periodically holds entity-wide risk surveys including fraud and embezzlement surveys aimed at mapping the main risks arising from its oepraitons and minimizing those risks using inhouse functions. The Company takes various measures to prevent physical operational risks to property consisting of theft, fire and flooding such as locking down the offices and installing fire and smoke detectors that undergo periodic checks and controls.

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.

4.11.3.5 Legal risks and class actions

The Group's operations are governed by numerous laws, regulations, orders and circulars and accordingly, the Group is exposed to litigation from members and various supervisory authorities and to binding case studies underlying its operations 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 strictly adheres to the laws applicable to its operations and invests considerable resources in maintaining enforcement, compliance and internal control systems. 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.

See details of material litigation against the Company or Group companies in Note 26 to the financial statements hereby attached to this report as Chapter C.

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 Company'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 Company 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 10 to the financial statements hereby attached as Chapter C.

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ALTSHULER SHAHAM FINANCE LTD.

Board of Directors' Report on the State of Corporate Affairs

For the Year ended December 31, 2023

Board of Directors' Report for the Year ended December 31, 2023

Altshuler Shaham Finance Ltd. ("**the Company**") is pleased to present the Report of the Board of Directors for the year ended December 31, 2023 ("**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. 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 31,		Company's explanations
	2023	2022	
Assets	936,433	1,059,329	The decrease in the balance of assets compared to 2022 mainly stems from the decrease in intangible assets, right-of-use assets, net investment in lease, deferred acquisition costs, property, plant and equipment and accounts receivable against an increase in current and deferred taxes. The change in DAC in the Reporting Period arises from the payment of agent commissions totaling approx. NIS 23,291 thousand less amortizations of approx. NIS 81,168 thousand.
Financial investments	140,656	172,229	The decrease in the balance of financial investments in the Reporting Period compared to 2022 mainly arises from a decrease in quoted debt assets against increase in other financial investments following an investment in mutual funds arising from the decrease in minimum mandatory liquidity applicable to Altshuler Provident and a decrease in unquoted debt assets.
Cash and cash equivalents	115,856	96,521	The increase in cash and cash equivalents in the Reporting Period compared to 2022 arises from net cash provided by operating and investing activities of approx. NIS 232.9 million and approx. NIS 46 million, respectively, against an increase in net cash used in financing activities of approx. NIS 259.7 million.
Total assets	**1,192,945**	**1,328,079**	---
Equity	519,637	493,133	The increase in equity in the Reporting Period derives from comprehensive income of NIS 137 million and capital reserve from share-based payment of approx. NIS 1.6 million against a dividend distribution of NIS 112 million.
Liabilities	673,308	834,946	The decrease in the balance of liabilities compared to 2022 mainly arises from a decrease in financial liabilities (see Note 17 to the Company's financial statements hereby attached to this report), other accounts payable, lease liability and employee benefit liabilities, net against an increase in current and deferred tax liabilities.
Total liabilities and equity	**1,192,945**	**1,328,079**	---

1.3 Operating results

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

	2023	2022	2021	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
Revenues:								
From management fees of provident and pension funds, net	985,999	1,283,097	1,423,712	229,727	242,509	248,554	265,209	276,256
Revenues from commissions	4,300	2,507	-	66	735	1,688	1,811	26
Net investment gains (losses) and finance income	8,920	(5,361)	(1,912)	2,531	2,797	2,476	1,116	549
Other income	15,399	1,757	2,008	270	13,196	333	1,600	627
Total revenues	**1,014,618**	**1,282,000**	**1,423,808**	**232,594**	**259,237**	**253,051**	**269,736**	**277,458**
Expenses:								
Commissions, marketing expenses and other acquisition costs	354,542	454,246	514,407	82,322	87,423	91,359	93,438	98,350
General and administrative expenses	414,724	456,564	500,051	97,506	105,907	104,854	106,457	107,050
Other expenses	25,611	27,512	28,617	5,987	6,541	6,526	6,557	7,401
Finance expenses	12,628	15,513	23,196	2,841	2,871	2,963	3,953	2,939
Total expenses	**807,505**	**953,835**	**1,066,271**	**188,656**	**202,742**	**205,702**	**210,405**	**215,740**
Income before taxes on income	**207,113**	**328,165**	**357,537**	**43,938**	**56,495**	**47,349**	**59,331**	**61,718**
Taxes on income	69,564	115,306	138,000	13,913	18,681	16,810	20,160	19,121
Income from continuing operations	**137,549**	**212,859**	**219,537**	**30,025**	**37,814**	**30,539**	**39,171**	**42,597**
Income from discontinued operations (net of taxes)	-	-	38,726	-	-	-	-	-
Net income	**137,549**	**212,859**	**258,263**	**30,025**	**37,814**	**30,539**	**39,171**	**42,597**
Other comprehensive income (loss)	(706)	2,718	(4,306)	1,187	(64)	(1)	(1,828)	524
Comprehensive income	**136,843**	**215,577**	**253,957**	**31,212**	**37,750**	**30,538**	**37,343**	**43,121**
Net income attributable to:								
Equity holders of the Company	137,930	213,121	258,263	30,353	37,900	30,532	39,145	42,887
Non-controlling interests	(381)	(262)	-	(328)	(86)	7	26	(290)
	137,549	**212,859**	**258,263**	**30,025**	**37,814**	**30,539**	**39,171**	**42,597**
Comprehensive income attributable to:								
Equity holders of the Company	137,224	215,839	253,957	31,540	37,836	30,531	37,317	43,411
Non-controlling interests	(381)	(262)	-	(328)	(86)	7	26	(290)
	136,843	**215,577**	**253,957**	**31,212**	**37,750**	**30,538**	**37,343**	**43,121**

Revenues

Revenues from management fees, net – the decrease in revenues from management fees in the Reporting Period compared with 2022 mainly arises from a decrease in assets managed by Altshuler Provident and a decrease in the rate of management fees charged by it. In addition, in the Reporting Period, Altshuler Provident received NIS 8.5 million from refunds to members in 2020. The decrease in revenues is also a result of a decrease in income from management fees in Q4 2023 compared with Q3 2023 due to a decrease in the amount of assets managed by Altshuler Provident.

Revenues from commissions – the increase in revenues from commissions in the Reporting Period against 2022 derives from the increase in capital raised for the alternative real estate investment management operation performed by Altshuler Real Estate.

Net gains (losses) from investments and finance income – the increase in finance income in the Reporting Period compared to 2022 mainly arises from recognizing losses from financial investments in 2022 compared with an increase in interest income on deposits and gains from other financial investments in the Reporting Period.

Other income – the increase in other income in the Reporting Period compared to 2022 is mainly a result of income of approximately NIS 12.9 million recognized as a result of a settlement agreement signed between Altshuler Provident and Himalaya FS Ltd. ("the seller") following disputes that arose between the parties in connection with the price adjustment mechanisms in the transaction for the purchase of the entire issued and outstanding share capital of Psagot Investment House Ltd. by Altshuler Provident from the seller (see also Note 12e to the Company's financial statements hereby attached to this report).

Expenses

Commissions, marketing expenses and other acquisition costs – the decrease in commissions, marketing expenses and other acquisition costs in 2023 compared with 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 2023 compared to 2022 is mainly due to the decrease in salary expenses, net expenses to related parties, advertising and marketing expenses and professional services. Moreover, the decrease in Q4 2023 compared with Q3 2023 mainly arises from reduced salary expenses due to reduction of staff positions and the drafting of Group employees as reservists to the war efforts. There was also a decrease in advertising and marketing expenses compared with Q3 2023 as a result of an advertising campaign in the third quarter.

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

Finance expenses – the decrease in finance expenses in 2023 compared with 2022 mainly stems from other finance expenses recognized in 2022 and a decrease in bank interest expenses following a decrease in financial liabilities.

1.4 Liquidity

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

	2023	2022	2021
Cash flows from operating activities:			
Net income in the period	137,549	212,859	258,263
Adjustments to income	95,395	16,891	(51,330)
Net cash provided by operating activities	**232,944**	**229,750**	**206,933**
Net cash provided by (used in) investing activities	**46,048**	**(23,207)**	**(654,739)**
Net cash used in financing activities	**(259,657)**	**(406,592)**	**(159,417)**
Increase (decrease) in cash and cash equivalents	**19,335**	**(200,049)**	**(607,223)**
Cash flows between continuing operations and discontinued operations	**-**	**-**	**763,746**
Cash and cash equivalents at beginning of year	**96,521**	**296,570**	**140,047**
Cash and cash equivalents at end of year	**115,856**	**96,521**	**296,570**

<u>Cash flows provided by operating activities</u> – the increase in cash flows provided by operating activities in 2023 compared with 2022 is mainly a result of an increase in other balance sheet items and taxes paid and received in the Reporting Period against a decrease in the Company's net income and items that do not involve cash flows.

<u>Cash flows provided by (used in) investing activities</u> – the increase in cash flows provided by investing activities in 2023 compared with 2022 is mainly a result of a decrease in intangible assets and the purchase of property, plant and equipment, an increase in lease receipts, the receipt of contingent consideration in the Reporting Period from the acquisition of investees against payment of contingent consideration in 2022 against decrease in net sales of financial investments.

<u>Cash flows used in financing activities</u> – the decrease in cash flows used in financing activities in 2023 compared with 2022 is mainly a result of the decrease in dividend paid to shareholders and a decrease in repayment of bank loans.

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 394.2 million and NIS 88.9 million, respectively.

See more information of the Group's financing resources, including loan agreements entered into by the Group, in Note 17 to the Company's financial statements hereby attached to this report.

2. Material events during and after the Reporting Period

2.1 Dividend distributions

See details of dividend distributions in and after the Reporting Period in paragraph 1.7.1 to Chapter A to this report.

2.2 Alternative investment management operation

See details of the foundation of Altshuler Investment Funds, the signing of a term sheet with Pantheon and the Company's activities in this operation in in paragraph 3.2.1 to Chapter A to this report.

2.3 Acquisition of iFunds

See details of the acquisition of the shares of iFunds and the related agreements signed by the Company as part of the acquisition, as approved by the General Meeting of Shareholders on February 5, 2024 after obtaining the approval of the Company's Audit Committee and Board, in paragraph 3.2.2 to Chapter A to this report.

2.4 Service agreement with the Company's CEO

See details of the service agreement signed between the Company and its CEO, as approved by the General Meeting of Shareholders on February 5, 2024 in paragraph 5.3.2 to Chapter D to this report.

2.5 Service agreement with Altshuler Ltd.

See details of the service agreement signed between the Company and Altshuler Ltd., as approved by the General Meeting of Shareholders on February 5, 2024 after obtaining the approval of the Company's Audit Committee and Board, in paragraph 7.1 to Chapter D to this report.

2.6 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 financial statements hereby attached to this report.

2.6.1 <u>Effects of the war waging in the south and north of Israel</u>

On October 7, 2023, following a surprise attack of the Hamas terror organization on the settlements in the south of Israel, war broke out between the parties which later escalated with lower intensity to the northern border of Israel.

As of the report publication date, the war has had major impact on the entire local economy mainly expressed by an economic slowdown in the market due to the temporary shutdown of businesses, the widespread drafting of reservists and the evacuation of civilians from war ridden areas.

The war has also had local economic ramifications such as increased budgetary deficit, lowering of Israel's credit rating by Moody's from A1 to A2, lowering of Israel's credit rating outlook from stable to negative and volatility in the NIS exchange rate in relation to foreign currencies.

See information of the Company's preparations to the potential effects of the war on the Company's operations and results in paragraph 2.2.4 to Chapter A and in Note 1b to the financial statements hereby attached to this report.

2.6.2 Effects of inflation and market interest hikes

From Q3 2023, the inflation rates in the local and global markets were mitigated, as reflected by a decline in the Israeli CPI and an annual inflation rate of 3.8% in Q4 2023. The rise in inflation and market interest rates adversely affect business activity in the markets, which is also expressed in increased costs of operation, raw materials, manpower, financing and more and impacts the conditions in the capital market. In addition, on January 1, 2024, the Bank of Israel announced the lowering of the market interest rate by 0.25% to 4.5%.

See information of the Company's evaluations of the effects of said changes in capital markets on the Group's operations in paragraph 2.2.4 to Chapter A and in Note 1c to the financial statements hereby attached to this report.

See more information of the developments in the Company's economic environment and their effect on the Company's operations in paragraph 2.2 to Chapter A attached to this report.

See more information of events after the Reporting Period in Note 27 to the Company's financial statements hereby attached to this report.

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 Reporting Period

In 2023, the Company used the entire donation budget for 2023 and donated some NIS 5 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 10 to the Company's financial statements hereby attached to this report.

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, 2023 and 2022 in Note 10 to the Company's financial statements hereby attached to this report.

4.6 Sensitivity tests

See information of sensitivity tests to changes in market factors in Note 10 to the Company's financial statements hereby attached to this report regarding financial instruments.

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 risk factors inherent to the investment portfolio: stock rates, interest rates and exchange rates.

(e) The 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.

Fiscal mutual fund – fair value of short-term NIS bonds based on the fund's average life (less than 0.25).

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 134,870 thousand. The VaR of these assets is NIS 30 thousand, representing 0.02% of the fair value of the short-term investments.

5. Information about highly material valuations (Regulation 8B) 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, 2023	DAC in respect of provident funds and pension funds amounted to NIS 147,834 thousand and NIS 83,844 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 2024, portfolio yield of 3% based on the budget received from Altshuler Provident's Management and from 2025 average yield in the segment. For outbound transfers, continuing withdrawals were assumed based on the historical average of each portfolio tier. o Scenario2: in 2024-2025, 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 eight quarters of 2024-2025 and in 2026 return to the historical average of each portfolio tier (including 2024-2025). • 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, 2024 to the end of 2038 ("**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 11% (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, Ms. Meirav Segal and Ms. Yael Naftali - have such expertise.

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

As of the Report Date, the Company has not implemented in its articles of association a directive regarding the percentage of independent directors as per the provisions of the First Addendum to the Companies Law. As of the report publication date, Ms. Meirav Segal serves as an independent director.

7. Disclosure of Internal Auditor

<u>Name</u> – Shai Aharoni.

<u>Start of term in office</u> – March 31, 2022.

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

<u>Compliance of the Internal Auditor with statutory requirements</u> – 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**").

<u>Other roles of the Internal Auditor</u> – 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.

<u>Appointment</u> – 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.

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

Internal Auditor's work plan – the Company's annual audit plan is derived from the multiannual audit plan which relies on a risk survey conducted in the Company to determine the multiannual audit 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 annual work plan is determined at the Internal Auditor's recommendation following consultation with the Company's Management and Audit Committee. The plan is approved by the Company's Audit Committee and Board annually, ahead of the next fiscal year. 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 2023, a total of 736 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.

In 2022, a total of 411 internal audit hours were performed.

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 the Chairman of the Board and discussed in the Audit Committee's meetings, as listed below[1]:

Month	Delivered to the Company	Discussed in the Audit Committee
March 2023	1	1
October 2023	3	--
November 2023	--	3
December 2023	1	1

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.

[1] The discussions include reviewing the Internal Auditor's report based on the work plan for 2022. A meeting reviewing some of the audit reports for 2023 was held in early 2024.

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 2023 and 2022 (NIS in thousands):

Year	For audit services	For special tax services	For other services
2023	820,000	328,580	267,000
2022	811,600	233,040	342,720

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.

Ran Shaham Chairman of the Board of Directors	Yair Lowenstein CEO

Report Approval Date: March 20, 2024.

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ALTSHULER SHAHAM FINANCE LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2023

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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, 2023 and 2022 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, 2023. 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, 2023 and 2022 and their results of operations, changes in equity and their cash flows for each of the three years in the period ended December 31, 2023, in conformity with International Financial Reporting Standards (IFRS) and with the provisions of the Israeli Securities Regulations (Annual Financial Statements), 2010.

Key Audit Matters

Key audit matters are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the board of directors and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. We addressed these matters in performing our audit and in formulating our opinion on the consolidated financial statements as a whole. The communication of key audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the key audit matters below, providing separate opinions on the key audit matters or on the accounts or disclosures to which they relate.

Testing for impairment of deferred acquisition costs in respect of the provident and pension fund management operation

As described in Notes 2 and 7 to the consolidated financial statements, as of December 31, 2023, the carrying amount of the Company's deferred acquisition costs ("**DAC**") in respect of the provident and pension fund management operation is NIS 231,678 thousand. Moreover, as described in Note 2 to the consolidated financial statements, the Company examines the recoverable amount of DAC when there are indicators of impairment in relation to the entire provident and pension fund portfolios. Possible impairment is identified by comparing the amount which the Company expects to receive for DAC in its books. If the carrying amount exceeds the amount receivable, an impairment loss is recognized in the amount of the surplus. The testing for impairment of DAC relies on the amount receivable for the services underlying the asset less the costs that are directly attributable to the provision of the services. This amount is determined based on a valuation of the cash inflow of income from the assets less the costs that are directly attributable to the provision of the services using the discounted cash flow ("**DCF**") method based on forecasts received from the Company's management as of the valuation date.

Due to the extensive judgment that involves the valuation and the experience and knowhow needed to examine the reasonableness of the assumptions and data used by the external valuation expert in determining the amount receivable as expected by the Company, we identified the valuation of DAC as a key audit matter.

How we addressed the matter in our audit

The primary procedures that our audit team and our internal valuation expert performed to examine the valuations prepared by the Company and its valuation experts included the following:

- Evaluating and examining the adequacy, competence and objectivity of the Company and its valuation experts.

- Reviewing the methodology used by the Company in determining the expected future discounted cash flows from the asset (the valuation).

- Testing the completeness and accuracy of the data underlying the valuation.

- Assessing the reasonableness of significant assumptions used by the management to measure WACC rates, discount rates, deposit and withdrawal rates, outbound transfer rates and average management fees based on past and present performances and verifying whether the assumptions agree to evidence obtained in other areas of the audit.

- Examining the adequacy of the required disclosures regarding impairment testing of DAC.

We also performed sensitivity analyses of the significant assumptions used by management in the valuation and examined the change in the amount receivable by the Company arising from a change in those assumptions.

Tel-Aviv, Israel	KOST FORER GABBAY & KASIERER
March 20, 2024	A Member of Ernst & Young Global

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31,	
		2023	2022
	Note	NIS in thousands	
Assets:			
Intangible assets	5	529,312	562,797
Right-of-use assets	6	45,265	48,229
Investment in lease, net	6	49,913	56,481
Deferred acquisition costs	7	231,881	289,758
Property, plant and equipment	8	29,567	33,357
Accounts receivable	9	27,520	51,081
Current tax assets	14	16,869	13,339
Deferred tax assets	14	6,106	4,287
Financial investments:	10		
Quoted debt assets		-	162,383
Unquoted debt assets		22	3,541
Other		140,634	6,305
Total financial investments		140,656	172,229
Cash and cash equivalents	11	115,856	96,521
Total assets		1,192,945	1,328,079
Equity:	13		
Share capital		2,021	2,018
Share premium		240,239	238,622
Capital reserve from transaction with controlling shareholder		(4,264)	(3,668)
Capital reserve from share-based payment transactions		33,444	32,807
Capital reserve from financial assets measured at fair value through other comprehensive income		9	1,895
Retained earnings		248,831	221,721
Total equity attributable to equity holders of the Company		520,280	493,395
Non-controlling interests	12b	(643)	(262)
Total equity		519,637	493,133
Liabilities:			
Deferred tax liabilities	14	29,761	26,762
Employee benefit liabilities, net	15	2,490	3,870
Current tax liabilities	14	5,251	819
Accounts payable	16	116,307	147,157
Lease liability	6	100,627	109,123
Financial liabilities	17	418,872	547,215
Total liabilities		673,308	834,946
Total equity and liabilities		1,192,945	1,328,079

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

March 20, 2024			
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

		Year ended December 31,		
		2023	2022	2021
	Note	NIS in thousands		
Revenues from management fees, net	18	985,999	1,283,097	1,423,712
Revenues from commissions	12b	4,300	2,507	-
Net investment gains (losses) and finance income	19	8,920	(5,361)	(1,912)
Other income	12e,24e(a)(2)	15,399	1,757	2,008
Total revenues		1,014,618	1,282,000	1,423,808
Commissions, marketing expenses and other acquisition costs	20	354,542	454,246	514,407
General and administrative expenses	21	414,724	456,564	500,051
Other expenses	22	25,611	27,512	28,617
Finance expenses	23	12,628	15,513	23,196
Total expenses		807,505	953,835	1,066,271
Income before taxes on income		207,113	328,165	357,537
Taxes on income	14	69,564	115,306	138,000
Income from continuing operations		137,549	212,859	219,537
Income from discontinued operations (net of taxes)	12e	-	-	38,726
Net income		137,549	212,859	258,263
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		(46)	1,345	550
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		(1,886)	1,345	550
Amounts that will not be subsequently reclassified to profit or loss:				
Gain (loss) from remeasurement of defined benefit plan		1,180	1,373	(4,856)
Total components of other comprehensive income, net that will not be subsequently reclassified to profit or loss		1,180	1,373	(4,856)
Total other comprehensive income (loss) (net of taxes)		(706)	2,718	(4,306)
Total comprehensive income		136,843	215,577	253,957

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Year ended December 31, 2023	2022	2021
		NIS in thousands (except per share data)		
Net income attributable to:				
Equity holders of the Company		137,930	213,121	258,263
Non-controlling interests	12b	(381)	(262)	-
		137,549	212,859	258,263
Comprehensive income attributable to:				
Equity holders of the Company		137,224	215,839	253,957
Non-controlling interests	12b	(381)	(262)	-
		136,843	215,577	253,957
Basic net earnings per share attributable to equity holders of the Company (NIS):				
Earnings from continuing operations		0.7	1.08	1.14
Earnings from discontinued operations		-	-	0.20
Basic net earnings per share		0.7	1.08	1.34
Diluted net earnings per share attributable to equity holders of the Company:				
Earnings from continuing operations		0.69	1.07	1.11
Earnings from discontinued operations		-	-	0.20
Diluted net earnings per share		0.69	1.07	1.31

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 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**	**Total equity**
	NIS in thousands							
Balance at January 1, 2021	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
Net income (loss)	-	-	-	-	-	137,930	(381)	137,549
Other comprehensive income (loss), net of taxes:								
Gain from remeasurement of defined benefit plan	-	-	-	-	-	1,180	-	1,180
Loss from investments in financial instruments measured at FVOCI	-	-	-	-	(46)	-	-	(46)
Amounts reclassified to profit or loss for sale of investments in debts instruments measured at FVOCI	-	-	-	-	(1,840)	-	-	(1,840)
Total comprehensive income (loss)	-	-	-	-	(1,886)	139,110	(381)	136,843
Transactions with owners carried directly to equity:								
Cost of share-based payment	-	-	(596)	2,257	-	-	-	1,661
Exercise of employee options	3	1,617	-	(1,620)	-	-	-	-
Dividend to equity holders of the Company	-	-	-	-	-	(112,000)	-	(112,000)
Balance at December 31, 2023	2,021	240,239	(4,264)	33,444	9	248,831	(643)	519,637

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2023	**2022**	**2021**
	NIS in thousands		
Cash flows from operating activities:			
Net income	137,549	212,859	258,263
Items not involving cash flows:			
Net losses (gains) from financial investments:			
Quoted debt assets	(2,983)	5,971	974
Unquoted debt assets	(1,382)	-	-
Other investments	(1,979)	646	760
Other income	(12,857)	-	-
Other finance expenses, net	10,399	15,575	21,772
Loss from disposal of property, plant and equipment and right-of-use asset	45	749	7,705
Cost of share-based payment	1,661	4,035	11,404
Change in DAC, net	57,877	63,813	(39,134)
Depreciation and amortization:			
Right-of-use assets	8,592	9,797	10,809
Property, plant and equipment	8,405	7,872	8,379
Intangible assets	52,701	52,696	30,086
Income from discontinued operations	-	-	(38,726)
Taxes on income	69,564	115,306	138,000
	190,043	276,460	152,029
Changes in other balance sheet items:			
Change in accounts receivable	7,808	20,095	13,377
Change in accounts payable	(48,312)	(122,698)	(62,174)
Change in employee benefit liabilities, net	214	(301)	(6,652)
	(40,290)	(102,904)	(55,449)
Cash paid and received during the year for:			
Interest paid	(11,487)	(12,823)	(20,490)
Interest received	3,416	213	1,910
Taxes paid	(46,287)	(144,055)	(129,330)
	(54,358)	(156,665)	(147,910)
Net cash provided by operating activities	232,944	229,750	206,933

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2023	2022	2021
	NIS in thousands		
Cash flows from investing activities:			
Receipts from lease	10,157	9,164	-
Receipt (payment) of contingent consideration for acquisition of investees	21,956	(37,348)	-
Investment in and purchase of property, plant and equipment	(3,505)	(21,619)	(7,707)
Investment in intangible assets	(17,707)	(39,762)	(32,602)
Acquisition of investees	-	-	(514,578)
Purchase (sale) of financial investments, net	35,147	66,358	(99,852)
Net cash provided by (used in) investing activities	46,048	(23,207)	(654,739)
Cash flows from financing activities:			
Receipt of bank loans	205	75,650	1,240,000
Repayment of lease liability	(19,314)	(18,155)	(12,589)
Repayment of loans from banks and others	(128,548)	(186,087)	(1,360,507)
Issue of shares, net	-	-	75,679
Divided paid to equity holders of the Company	(112,000)	(278,000)	(102,000)
Net cash used in financing activities	(259,657)	(406,592)	(159,417)
Increase (decrease) in cash and cash equivalents	19,335	(200,049)	(607,223)
Cash transferred between continuing operations and discontinued operations *)	-	-	763,746
Cash and cash equivalents at the beginning of the year	96,521	296,570	140,047
Cash and cash equivalents at the end of the year	115,856	96,521	296,570
Material non-cash transactions:			
Right-of-use asset recognized against lease liability	6,987	43,871	14,304
Purchase of intangible assets	1,509	5,538	2,820
Purchase of property, plant and equipment	1,110	-	-
Issue of shares for exercise of options	1,620	2,958	2,676

*) 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 12e below.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2023	2022	2021
	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.

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 Business Restructuring 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 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 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. ("**Altshuler Investment Funds**"). On February 12, 2024, after the reporting date, the Company completed the acquisition of about 40% of the issued and outstanding share capital of iFunds Capital Ltd. ("**iFunds**") which is mainly engaged in marketing and providing access to alternative investments ("**the Alternative Investment Marketing Operation**").

NOTE 1:- GENERAL (Cont.)

b. The Israel-Hamas war:

On October 7, 2023, the Hamas terror organization launched a massive attack against Israel by breaking the fences across the border between Israel and the Gaza strip, firing hundreds of rockets on Israel and sending thousands of armed terrorists to infiltrate Israeli settlements across the border and commit heinous crimes against innocent civilians, butchering and killing more than 1,200 Israelis at a nature party held near the border and in their homes. In response, the IDF declared war on Hamas (known in Hebrew as Swords of Iron War), which is ongoing as of the date of issuing this report.

In the days following the deadly terrorist attack, the TASE responded with sharp declines in stocks and bonds. The war has led to the drafting of thousands of reservists, resulting in an increase in debt mainly in the backdrop of the reduced economic activity and reduced income from taxes coupled by a major increase in government spending. In the background of the continued homeland security tensions, the uncertainty in the markets pursued in Q4 2023 and the slowdown in investments and capital raising further escalated.

In view of the aforesaid, there is a risk that a downturn in the capital market and the business environment in which Altshuler Provident operates will lead to decreases in the scope and value of assets managed by it. Notwithstanding the aforementioned, at present, the war as an independent event has not had a material impact on the scope or value of the assets managed by Altshuler Provident or any such effect on Altshuler Provident itself, mainly owing to the investment policy and diversity of its investment portfolio whereby in practice, more than 60% of the managed assets are in global capital markets. It should also be noted that the war and its prolongation presently do not have any effect on the Company's financial stability or on Altshuler Provident's compliance with the financial covenants governing finance agreements. See details of financial covenants in Note 17e below. However, as of the date of approval of the financial statements, the Company is unable to fully and reliably quantify the future effects of the war on the Group's operations among other things due to the current market volatility and uncertainty caused by the duration, intensity and impact of the war on the Group's operating segments or other measures that may be adopted by the Israeli Government.

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.

Due to the nature of its operations, Altshuler Provident is exposed to capital market fluctuations. It should be noted that the bulk of the Company's financial debt which was assumed by Altshuler Provident bears unlinked fixed interest and therefore there was no material effect on its finance expenses. 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, the Company estimates that Altshuler Provident's 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.

NOTE 1:- GENERAL (Cont.)

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/controlling shareholder	-	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:- 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**") and cost of share-based payment.

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.

NOTE 2:- ACCOUNTING POLICIES (Cont.)

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.

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.

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 functional currency of the Company and its investees.

NOTE 2:- 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. 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:- ACCOUNTING POLICIES (Cont.)

Estimates and assumptions

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 26 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.

2. Determination of DAC as recoverable:

DAC 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 more information in Note 7 below.

NOTE 2:- ACCOUNTING POLICIES (Cont.)

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.

f. DAC:

1. Commissions paid for acquisition of asset management contracts for provident funds and pension funds are recognized under 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.

2. Commissions paid to agents, resellers and acquisition supervisors for purchase of private equity investor management contracts are recognized as DAC if they can be individually identified and reliably measured and if their recovery is expected in the form of management fees. DAC are amortized over the estimated period of receiving income from management fees in their respect. As per the Company's estimate, the amortization period is seven years. The amortization period of DAC is evaluated at each year end.

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.

NOTE 2:- ACCOUNTING POLICIES (Cont.)

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.

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.

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.

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.

2. Derecognition of financial liabilities:

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:- ACCOUNTING POLICIES (Cont.)

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.

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.

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.

NOTE 2:- ACCOUNTING POLICIES (Cont.)

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.

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. 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.

NOTE 2:- ACCOUNTING POLICIES (Cont.)

k. 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.

l. 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.

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.

NOTE 2:- ACCOUNTING POLICIES (Cont.)

m. 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.

2. 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.

In the event of any change in the expected exercise of the lease extension 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.

NOTE 2:- ACCOUNTING POLICIES (Cont.)

3. 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.

n. Changes in accounting policies - initial application of new financial reporting and accounting standards and amendments to existing financial reporting and accounting standards:

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

- In respect of a liability for which compliance with financial covenants is to be evaluated within twelve months from the reporting date, disclosure is required to enable users of the financial statements to assess the risks related to that liability.

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 adoption is permitted.

o. Reclassification:

The Company has reclassified certain immaterial amounts of comparative figures for previous reporting periods to adapt them to the current period's presentation.

NOTE 3:- BUSINESS COMBINATIONS

a. Acquisition of Psagot:

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 12e)	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 12e 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 3:- BUSINESS COMBINATIONS (Cont.)

b. Acquisition of iFunds:

On February 12, 2024, after the reporting date, the Company, through a wholly owned subsidiary, Althsuler Shaham Alternative Ltd. ("**Altshuler Alternative**"), completed the acquisition of the shares of Althsuler Shaham Global Opportunities Ltd. ("**A.S. Global**"), which had been held by Altshuler Shaham Ltd. and account for 50% of the issued and outstanding share capital of A.S. Global. As of the approval date of the financial statements, A.S. Global holds 80% of the issued and outstanding share capital of iFunds. Accordingly, Altshuler Alternative indirectly holds about 40% of the issued and outstanding share capital of iFunds. The overall purchase price amounted to NIS 6,372 thousand and was paid entirely in cash. See also Note 17d below.

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 investments in the real estate and other markets. The operation was launched 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.

NOTE 4:- OPERATING SEGMENTS (Cont.)

b. Operating segment reporting:

	Year ended December 31, 2023				
	Pension	Provident	Other	Unallocated to operating segment	Total
	NIS in thousands				
Revenues from management fees, net	92,820	891,533	1,646	-	*) 985,999
Revenues from commissions	-	-	4,300	-	4,300
Net gains from investments and finance income	-	-	61	8,859	8,920
Other income	-	-	-	15,399	**) 15,399
Total revenues	92,820	891,533	6,007	24,258	1,014,618
Commissions, marketing expenses and other acquisition expenses	17,611	335,393	1,538	-	354,542
Operating fees	6,976	22,694	-	-	29,670
Total joint expenses	24,587	358,087	1,538	-	384,212
Segment income	68,233	533,446	4,469	24,258	630,406
G&A, finance and other expenses allocated to the segment	394,711		12,379	16,203	423,293
Income (loss) after expense allocation	206,968		(7,910)	8,055	207,113

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

**) Includes income of approximately NIS 12.9 million in connection with a settlement agreement reached in the reporting period. See also Note 12e below.

NOTE 4:- OPERATING SEGMENTS (Cont.)

	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	105	-	1,283,097
Revenues from commissions	-	-	2,507	-	2,507
Net gains (losses) from investments and finance income	-	-	78	(5,439)	(5,361)
Other income	-	-	-	1,757	1,757
Total revenues (losses)	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 5:- INTANGIBLE ASSETS

	Future management fees	Goodwill	Computer software	Total
	NIS in thousands			
Cost:				
Balance as of January 1, 2022	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
Additions	-	-	*)19,216	19,216
Balance as of December 31, 2023	278,510	297,290	166,620	742,420
Accumulated amortization and accumulated impairment losses:				
Balance as of January 1, 2022	(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)
Amortization in the year	(22,405)	-	(30,296)	(52,701)
Balance as of December 31, 2023	(100,583)	(934)	(111,591)	(213,108)
Net book value:				
As of December 31, 2023	177,927	296,356	55,029	529,312
As of December 31, 2022	200,332	296,356	66,109	562,797

*) Additions for computer software include additions for internally developed software in the amount of NIS 13,144 thousand and NIS 14,893 thousand in 2023 and 2022, respectively.

Impairment of goodwill and intangible assets with an indefinite useful life

On December 31, 2023, 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.

It should be noted that as of December 31, 2023, Altshuler Provident's market value was approximately NIS 1,203 million, compared with equity of approximately NIS 503.9 million (December 31, 2022 – approximately NIS 1,636 million and NIS 447.9 million, respectively).

NOTE 5:- INTANGIBLE ASSETS (Cont.)

Change in estimate of future management fees

As per the Company'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, the Company 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 2023 and 2022 amounted to an increase of approximately NIS 6.8 million and NIS 5.1 million in amortization expenses, respectively.

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 1 and 8 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,	
	2023	**2022**
	NIS in thousands	
Interest expense on lease liabilities	3,321	3,282
Finance income from subleasing right-of-use assets	1,764	1,754
Total cash outflow for leases, net	9,157	8,991

NOTE 6:- LEASES (Cont.)

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.

The lease of the building on HaBarzel Street in Tel-Aviv is until December 31, 2030. Moreover, the 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 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 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. On July 1, 2023, the Company leased another space in the building for a period of 18 months with an option for extension by another three years.

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.

NOTE 6:- LEASES (Cont.)

c. Net lease investment:

As part of the acquisition and merger of Psagot, Altshuler Provident entered into an agreement for the lease of Beit Psagot located on 3 Rothschild Street in Tel-Aviv until December 31, 2027 ("**the original lease**"). On August 26, 2021, Altshuler Provident entered into a sublease with Value Capital One Management Ltd. ("**the sublessee**") for some of the floors in the building. The sublease is from August 2021 through actual expiration of Altshuler Provident's lease, i.e. through December 31, 2027. In consideration for the sublease, the sublessee shall pay Altshuler Provident monthly rent linked to the CPI, as well as additional payments as stipulated in the original lease. On May 9, 2022, Altshuler Provident 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, Altshuler Provident signed another addendum to the sublease with Rani Zim Shopping Centers Ltd. for subleasing the other floors in Beit Psagot to the latter.

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

2023

	Buildings	Vehicles	Total
	NIS in thousands		
Cost:			
Balance as of January 1, 2023	51,130	12,660	63,790
Additions during the year:			
Additions to right-of-use assets for new leases in the period	1,315	4,004	5,319
Adjustments for indexation	1,499	169	1,668
Disposals during the year:			
Terminated leases	-	(3,497)	(3,497)
Balance as of December 31, 2023	53,944	13,336	67,280
Accumulated depreciation:			
Balance as of January 1, 2023	7,996	7,565	15,561
Additions during the year:			
Depreciation	5,480	3,112	8,592
Disposals during the year	-	(2,138)	(2,138)
Balance as of December 31, 2023	13,476	8,539	22,015
Depreciated cost at December 31, 2023	40,468	4,797	45,265

NOTE 6:- LEASES (Cont.)

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 details of the maturity dates of lease liabilities in Note 10e below.

NOTE 7:- DEFERRED ACQUISITION COSTS

a. Composition:

	December 31, 2023	December 31, 2022
	NIS in thousands	
Pension	83,844	93,112
Provident	147,834	196,646
Alternative investment funds	203	-
	231,881	289,758

b. Movement in DAC:

	Pension *)	Provident *)	Alternative investment funds **)	Total
	NIS in thousands			
Balance as of January 1, 2022	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
Additions	4,072	19,007	212	23,291
Current amortization	(13,340)	(67,819)	(9)	(81,168)
Balance as of December 31, 2023	83,844	147,834	203	231,881

*) As of the reporting date, the Company estimated the expected useful life of the asset, see details in Note 2f(1) 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, 2023. As of the valuation date, the amount of the outstanding consideration which the Company expects to receive less the costs directly attributable to the provision of the services 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, 2024 through the end of 2038 using the DCF method based on forecasts obtained from the Company's Management as of the valuation date using a WACC of 11% (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 DAC to significantly exceed the value of the consideration which the Company expects to receive less the costs directly attributable to the provision of the services.

**) As per the Company's estimate, the amortization period is 7 years. The Company amortizes the costs based on the expected life of the project to which the customers are enrolled. See also Note 2f(2) above.

NOTE 8:- PROPERTY, PLANT AND EQUIPMENT

2023

	Motor vehicles	Office furniture and equipment	Computers and peripheral equipment	Leasehold improvements	Total
	NIS in thousands				
Cost:					
Balance at January 1, 2023	154	7,084	36,676	33,581	77,495
Additions during the year	-	47	3,395	1,173	4,615
Balance at December 31, 2023	154	7,131	40,071	34,754	82,110
Accumulated depreciation:					
Balance at January 1, 2023	154	2,892	28,535	12,557	44,138
Additions during the year	-	452	4,555	3,398	8,405
Balance at December 31, 2023	154	3,344	33,090	15,955	52,543
Depreciated cost at December 31, 2023	-	3,787	6,981	18,799	29,567

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

NOTE 9:- OTHER ACCOUNTS RECEIVABLE

	December 31,	
	2023	2022
	NIS in thousands	
Income receivable *)	12,156	12,015
Payroll tax receivable	-	4,799
Indemnification asset receivable for Psagot transaction **)	-	15,795
Prepaid expenses	8,777	11,899
Prepaid agent commissions (1)	2,842	4,109
Related parties	1,413	521
Loans to employees	219	178
Other receivables	2,274	1,926
(1) Less allowance for doubtful accounts	(161)	(161)
	27,520	51,081

*) Mainly supplementing income from management fees from provident and pension funds for December 2023 and 2022.

**) See also Note 12e below.

See information of linkage bases of assets and liabilities in Note 10e(2) below.

NOTE 10:- 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 10:- 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.

	Market factor: change in interest rate (a)		
	Loss from change in market factor +1%	Fair value of assets	Gain from change in market factor -1%
	NIS in thousands		
December 31, 2023			
Mutual fund participation certificates	(274)	134,801	274
Unquoted debt asset	(3)	22	3
	(277)	134,823	277
December 31, 2022			
Quoted government debt asset	(6,417)	162,383	6,417
Unquoted debt asset	(227)	3,541	227
	(6,644)	165,924	6,644
Liability measured at amortized cost:			
Bank loans bearing variable interest	33	(28,758)	(33)

(a) Sensitivity analysis to change in interest rate applies to instruments bearing variable interest. The exposure is with regard to cash flow from the financial instrument. 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 10:- FINANCIAL INSTRUMENTS (Cont.)

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

	December 31, 2023			
	Unlinked	Linked to CPI	Non-financial and other items	Total
	NIS in thousands			
Assets:				
Intangible assets	-	-	529,312	529,312
Right-of-use assets	-	-	45,265	45,265
Net investment in lease	-	49,913	-	49,913
DAC	-	-	231,881	231,881
Property, plant and equipment	-	-	29,567	29,567
Other accounts receivable	18,074	669	8,777	27,520
Current tax assets	-	16,869	-	16,869
Deferred tax assets	-	-	6,106	6,106
Financial investments:				
Quoted debt assets	-	-	-	
Unquoted debt assets	22	-	-	22
Other	140,634	-	-	140,634
Total financial investments	140,656	-	-	140,656
Cash and cash equivalents	115,856	-	-	115,856
Total assets	274,586	67,451	850,908	1,192,945
Total equity	-	-	519,637	519,637
Liabilities:				
Deferred tax liabilities	-	-	29,761	29,761
Employee benefit liabilities	-	-	2,490	2,490
Current tax liabilities	-	5,251	-	5,251
Other accounts payable	109,224	7,083	-	116,307
Lease liabilities	-	100,627	-	100,627
Financial liabilities	418,872	-	-	418,872
Total liabilities	528,096	112,961	32,251	673,308
Total equity and liabilities	528,096	112,961	551,888	1,192,945
Total balance sheet exposure	(253,510)	(45,510)	299,020	-

NOTE 10:- FINANCIAL INSTRUMENTS (Cont.)

	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
DAC	-	-	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
Unquoted debt assets	3,541	-	-	3,541
Other	6,305	-	-	6,305
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 10:- 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, 2023, the Group has positive working capital of NIS 109 million (December 31, 2022 – positive working capital of NIS 28.5 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, 2023				
Financial liabilities	79,390	197,561	141,921	418,872
Lease liabilities	18,398	66,678	15,551	100,627
December 31, 2022				
Financial liabilities	128,343	227,561	191,311	547,215
Lease liabilities	16,548	63,944	28,631	109,123

f. Credit risks:

As of December 31, 2023, the Group holds monetary mutual funds participation units with an average life that is lower than 0.25 years and also holds unquoted and unrated corporate debt assets.

As of December 31, 2022, the Group held debt assets that consist of government bonds rated AA or higher, traded in Israel and carried at fair value.

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 26f below.

NOTE 10:- FINANCIAL INSTRUMENTS (Cont.)

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

	December 31, 2023	
	Balance sheet credit risk	
	Amount in NIS in thousands	% of total
Mutual funds	134,801	95.8
Unquoted debt asset	22	0.1
Other financial asset	5,833	4.1
Total	140,656	100

	December 31, 2022	
	Balance sheet credit risk	
	Amount in NIS in thousands	% of total
State bonds	162,383	94.3
Unquoted debt asset	3,541	2.0
Other financial asset	6,305	3.7
Total	172,229	100

g. Information of financial investments:

1. Composition:

	December 31,	
	2023	2022
	NIS in thousands	
Quoted debt assets at FVPL *)	-	162,383
Unquoted debt assets at FVOCI **)	22	3,541
Other financial investments at FVPL (see 2 below)	140,634	6,305
	140,656	172,229

*) 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 10:- 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, 2023			
	Level 1	Level 2	Level 3	Total
	NIS in thousands			
Unquoted debt assets	-	22	-	22
Other	*) 134,801	-	**) 5,833	140,634
Total	134,801	22	5,833	140,656

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

*) Mutual fund participation certificates at FVPL in which the Company invested in the reporting period.

**) Mainly comprising expected future gains, see paragraph 3 below.

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

The fair value of expected future gains plus income receivable as of December 31, 2023 and 2022 was estimated at approximately NIS 5.8 million and NIS 6.3 million, respectively. In 2023 and 2022, expected future gains plus income receivable were discounted using a 7% discount rate.

In 2023 and 2022, the Company recognized a gain from revaluation of another debt asset, amounting to NIS 436 thousand and NIS 646 thousand, respectively, which was charged to finance income.

Major assumptions used to calculate expected future gains as of December 31, 2023

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 11:- CASH AND CASH EQUIVALENTS

	December 31,	
	2023	2022
	NIS in thousands	
Cash and deposits for immediate withdrawal	115,856	96,521

As of the reporting date, cash in banks earns current interest based on the interest rate on daily bank deposits of 4.37%-4.11% (December 31, 2022 – 2.95%-3%).

As for linkage terms of cash and deposits for immediate withdrawal, see Note 10d(2) above.

NOTE 12:- INVESTMENTS IN INVESTEES

a. Altshuler Provident:

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

b. Altshuler Real Estate:

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 financial statement 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 the alternative real estate investment management and development operation, Altshuler Real Estate identifies potential real estate 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, by itself or through the Company, invest and participate in investments at its sole discretion and as permitted by 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, development fees, carried interest and reimbursement of expenses in connection with Altshuler Real Estate's activities.

NOTE 12:- INVESTMENTS IN INVESTEES (Cont.)

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 also monitors and assists the investment by the local real estate developer.

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

On February 5, 2024, the General Meeting of Shareholders approved an amendment to the service agreement with Altshuler Real Estate according to which the Company and Altshuler Real Estate interchange services.

In the reporting period, Altshuler Real Estate completed raising three investments in the United States in an aggregate of approximately $ 38 million and completed an investment transaction in Europe totaling approximately € 8 million. As of the financial statement date, total assets managed by Altshuler Real Estate approximate $ 74 million compared with $ 28 million in 2022. After the reporting period, Altshuler Real Estate closed another investment in the U.S. in a total of approximately $ 8.8 million. See details of the Company's investment as a limited partner in Note 27e below.

In 2023 and 2022, the Company recognized approximately NIS 4,300 thousand and NIS 2,507 thousand in revenues from project development commissions and approximately NIS 1,422 thousand and NIS 105 thousand in revenues from current project management fees, respectively.

c. Altshuler Investment Funds:

On February 15, 2023, Altshuler Investment Funds was incorporated as a private company limited in shares that is wholly owned by the Company. Altshuler Investment Funds serves as GP in limited partnerships and/or special purpose funds for which it raises capital privately and from the public. This operation is performed concurrently with the alternative real estate investment management operation as detailed in paragraph b above.

In the reporting period, Altshuler Investment Funds raised its first investment in an aggregate of approximately $ 25 million. After the reporting period, this round closed with a total amount of $ 36 million raised. In 2023, the Company recognized income of approximately NIS 224 thousand from current investment management fees.

NOTE 12:- INVESTMENTS IN INVESTEES (Cont.)

d. iFunds:

On February 12, 2024, after the reporting date, after obtaining the approvals of the Company's Audit Committee, Board and General Meeting, the Company, through a wholly owned subsidiary, Althsuler Alternative, completed the acquisition of the shares of A.S. Global, which had been held by Altshuler Ltd. and account for 50% of the issued and outstanding share capital of A.S. Global ("**the acquisition agreement**"). As of the report approval date, A.S. Global holds 80% of the issued and outstanding share capital of iFunds. As of the transaction closing date, A.S. Global has no business activity other than holding the shares of iFunds.

In addition to the acquisition of the shares, Altshuler Alternative also purchased the shareholders' loan provided by Altshuler Ltd. to iFunds whose balance as of February 12, 2024 was approximately NIS 6,372 thousand and has yet to be repaid by iFunds. The shareholders' loan bears annual interest at the minimum rate prescribed in the Income Tax Ordinance.

iFunds is a private company founded in 2021 and incorporated in Israel which offers easy access to qualified investors using an alternative investment platform targeting private equity funds and hedge funds whose access is normally limited and challenging for the private qualified investor. iFunds provides services to Israeli banks, Family Office, private and public companies through iCapitalNetwork, a U.S. financial technology company that operates in the global alternative investment market. iFunds is its exclusive agent in Israel. The platform provides access to a large variety of curated alternative investment funds of the world's leading management groups with varying risk levels and investment terms at relatively low entry fees. The platform also affords investment advisors easy access to available information about the investment throughout the investment cycle. In October 2022, iFunds signed an agreement with Bank Leumi following which the Bank began offering alternative investment advice through the platform. iFunds may also distribute the Company's products and/or initiate and distribute alternative products by raising investments for feeder partnerships of alternative funds that are not on the platform on the date of foundation and adding them to the platform.

As of the closing date, the total funds managed by iFunds approximate $ 60 million.

After closing, the Company, Altshuler Alternative and iFunds signed an agreement according to which the Company and/or Altshuler Alternative (themselves or through employees or service providers on their behalf) will provide iFunds various services for its current operations such as accounting and bookkeeping, legal counseling, payroll, rent and office maintenance, business development (through the Company) and sales (collectively in this paragraph – "**the services**").

In return for the services, iFunds will pay the Company monthly management fees plus VAT (if any) based on the transfer pricing arrangement set forth in the agreement.

See more information of the acquisition of iFunds in Note 3b above.

NOTE 12:- INVESTMENTS IN INVESTEES (Cont.)

e. 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 were brought before an agreed arbiter, in conformity with provisions of the agreement. In the reporting period, Altshuler Provident and the Seller reached a resolution for their entire disputes regarding the consideration adjustment mechanisms. As a result, in the reporting period, Altshuler Provident recognized other income of approximately NIS 12.9 million. See information of the purchase price in the Acquisition Agreement in Note 3a 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. The minimum shareholders' equity requirements in respect of the acquisition of Psagot and the reliefs granted to the Company as per the control permit ended in 2022.

NOTE 13:- EQUITY

a. Composition of share capital:

	December 31,			
	2023		2022	
	Authorized	Issued and outstanding	Authorized	Issued and outstanding
	Number of shares			
Ordinary shares of NIS 0.01 par value each	400,000,000	197,570,075	400,000,000	197,290,963

b. Movement in share capital:

Issued and outstanding share capital:

	Number of shares	NIS par value
Balance at January 1, 2022	196,745,378	0.01
Exercise of employee stock options	545,585	0.01
Balance at December 31, 2022	197,290,963	0.01
Exercise of employee stock options	279,112	0.01
Balance at December 31, 2023	197,570,075	0.01

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.

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.

NOTE 13:- EQUITY (Cont.)

e. Dividends:

1. On March 21, 2023, 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.

2. On May 23, 2023, the Company declared a dividend of NIS 29,000 thousand to be paid to its shareholders. The dividend per share amounts to NIS 0.15.

3. On August 21, 2023, the Company declared a dividend of NIS 23,000 thousand to be paid to its shareholders. The dividend per share amounts to NIS 0.12.

4. On November 22, 2023, the Company declared a dividend of NIS 28,000 thousand to be paid to its shareholders. The dividend per share amounts to NIS 0.14.

5. On March 20, 2024, after the reporting date, the Company declared a dividend of NIS 23,000 thousand to be paid to its shareholders. The dividend per share amounts to NIS 0.12.

f. Capital reserves:

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 398 thousand which were charged to equity. See also Note 25b.

2. With respect to share-based payment to employees of Altshuler Shaham Ltd. for exercise at the Group - in 2023, 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 596 thousand, NIS 1,863 thousand and NIS 3,542 thousand, respectively, which were charged to capital reserve.

NOTE 14:- 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, Altshuler Real Estate, Altshuler Alternative and Altshuler Investment Funds have not been issued final tax assessments since inception date. Altshuler Provident has been issued final tax assessments through the 2018 tax year.

c. Carryforward tax losses:

Altshuler Provident has capital losses for tax purposes that are carried forward to future years totaling approximately NIS 27.1 million as of December 31, 2023. Deferred tax assets of approximately NIS 2.9 million were recorded in the financial statements in respect of capital losses totaling approximately NIS 12.5 million. No deferred taxes were recorded in respect of capital losses totaling approximately NIS 14.6 million.

As of December 31, 2023, the Group has carryforward business losses of approximately NIS 195.9 million arising from carryforward business losses of Altshuler Real Estate in a total of approximately NIS 4.1 million, carryforward business losses of Altshuler Investment Funds of approximately NIS 4.9 million and carryforward business losses of Altshuler Provident of approximately NIS 186.9 million due to the merger of Psagot, as explained in Note 12e above.

Deferred tax assets of approximately NIS 25.8 million were recorded in the financial statements in respect of carryforward business losses totaling approximately NIS 112.1 million. No deferred taxes were recognized in respect of business losses totaling approximately NIS 83.9 million.

NOTE 14:- 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 the investment in the shares of Psagot Provident and Psagot will not be included in the original share price.

3. No new rights will be allocated to the shareholders of Psagot or Altshuler Provident in respect of the mergers.

4. 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.

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

6. 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.

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

8. 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.

   8.1 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.

   8.2 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.

   8.3 It is clarified that total offset of cumulative loss, as set forth in subparagraphs 8.1 and 8.2 above, may not exceed 25% of Altshuler Provident's taxable income in the same tax year before offsetting losses from years preceding the merger.

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

NOTE 14:- TAXES ON INCOME (Cont.)

d. Taxes on income included in profit or loss:

	Year ended December 31,		
	2023	**2022**	**2021**
	NIS in thousands		
Current taxes	48,275	85,159	131,950
Taxes in respect of previous years	(1,196)	(352)	925
Deferred taxes	768	13,248	5,125
VAT on intragroup management fees	21,717	17,251	-
	69,564	115,306	138,000

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

	Year ended December 31,		
	2023	**2022**	**2021**
	NIS in thousands		
Tax (benefit) expense for actuarial gain or loss on defined benefit plans	412	649	(2,119)

NOTE 14:- 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	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, 2022	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 discontinued operation	-	(649)	-	-	-	-	-	-	-	-	-	-	-	(649)
Changes carried to other comprehensive income	-	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)
Changes carried to profit or loss	(1,047)	(52)	7,220	533	(2,451)	(3,649)	(2,672)	(75)	(1,341)	463	57	-	2,246	(768)
Changes carried to other comprehensive income	-	(412)	-	- -	-	-	-	-	-	-	-	-	-	(412)
Balance of deferred tax assets (liabilities) at December 31, 2023	11,217	2,235	(68,114)	(11,127)	29,066	(814)	(528)	1,625	2,874	25,882	1,094	-	(17,065)	(23,655)

NOTE 14:- 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,		
	2023	**2022**	**2021**
	NIS in thousands		
Income before taxes on income	207,113	328,165	357,537
Statutory tax rate	23%	23%	34.19%
Tax computed at the statutory tax rate	47,636	75,478	122,235
Increase (decrease) in taxes on income arising from the following factors:			
Cost of share-based payment	247	2,028	3,236
Effect of creation of deferred taxes at different rate than statutory rate	1,124	353	3,409
Taxes in respect of previous year	(1,196)	(352)	925
Expenses (income) on interest and tax linkage	(69)	262	96
Nondeductible expenses	920	3,316	1,758
Utilization of carryforward losses for which deferred taxes were not recorded in the past	-	(3,303)	-
Loss for tax purposes for which no deferred tax was recognized	(900)	-	(136)
Increase (decrease) in carryforward losses for which deferred taxes were not recorded in the period	(3,878)	(1,596)	6,568
Differences in respect of different tax rate applicable to Group companies (financial institutions)	25,828	38,100	-
Other	(148)	1,020	(91)
Taxes on income	69,564	115,306	138,000
Effective tax rate	33.57%	35.14%	38.60%

NOTE 15:- 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,		
	2023	2022	2021
	NIS in thousands		
Expenses in respect of defined contribution plans	8,685	7,980	9,182

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 15:- EMPLOYEE BENEFIT ASSETS AND LIABILITIES (Cont.)

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

2023:

	Expenses carried to profit or loss					Gain from remeasurement in OCI					
	Balance as of January 1, 2023	Current service cost	Net interest expense	Total expense recognized in profit or loss for the period	Payments from the plan	Actuarial gain arising from changes in financial assumptions	Actuarial gain 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, 2023
	NIS in thousands										
Defined benefit obligation	14,099	894	745	1,639	(624)	(449)	(340)	(789)	12	-	14,336
Fair value of plan assets	10,229	-	563	563	(628)	-	741	741	60	881	11,846
Net defined benefit liability (asset)	3,870	894	182	1,076	4	(449)	(1,081)	(1,530)	(48)	(881)	2,490

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	1,643	(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	10,229
Net defined benefit liability (asset)	6,004	1,115	157	1,272	(223)	194	(2,628)	845	(1,783)	(723)	871))	3,870

NOTE 15:- 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:

	2023	2022
	%	
Discount rate (1)	5.77	5.56
Expected rate of salary increase	5.62	5.81

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

NOTE 16:- OTHER ACCOUNTS PAYABLE

	December 31,	
	2023	2022
	NIS in thousands	
Agent commissions payable	48,430	51,931
Employees and payroll accruals	22,975	27,422
Accrued expenses	12,068	14,758
Government institutions	7,083	6,803
Accrued vacation and recreation pay	6,399	6,835
Other	6,006	5,338
Related parties	5,357	13,202
Trade payables	4,459	10,630
Legal claims	3,196	3,030
Interest payable	334	512
Liability for Psagot transaction *)	-	6,696
	116,307	147,157

*) See details in Note 12e above.

As for linkage terms of assets and liabilities, see Note 10d(2) above.

NOTE 17:- 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 10 with regard to financial instruments.

a. Information of financial liabilities:

	December 31,			
	Carrying amount *)		Fair value **)	
	2023	2022	2023	2022
	NIS in thousands			
Financial liabilities presented at amortized cost:				
Bank loans	419,206	547,728	362,407	470,684
Total financial liabilities	419,206	547,728	362,407	470,684

*) 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	
	2023	2022
	%	
Linkage basis:		
NIS	1.95-4.8	1.4-4.8

b2. Maturity dates:

	December 31,	
	2023	2022
	NIS in thousands	
First year	79,390	128,344
Second year	49,390	79,390
Third year	49,390	49,390
Fourth year	49,390	49,390
Fifth year and thereafter	191,312	240,701
Total	418,872	547,215

NOTE 17:- 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, 2023, 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, 2023 *)	Balance at December 31, 2022 *)	Original maturity date
		NIS in thousands		NIS in thousands		
A	September 14, 2021	250,000	2%	195,144	219,536	September 14, 2031
B(1)	September 14, 2021	250,000	1.95%	193,936	218,960	September 14, 2031
B(2)	September 14, 2021	100,000	1.4%	-	50,338	September 14, 2023
B(3)	November 28, 2022	26,000	P-0.24%	-	26,109	March 28, 2023
B(3)	November 28, 2022	30,000	4.8%	30,126	30,135	November 28, 2024
B(4)	June 30, 2023	120,000	P-0.5%	-	-	June 30, 2024
B(5)	November 7, 2022	2,650	P+1%	-	2,650	August 31, 2023
				419,206	547,728	

*) 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 2023, 2022 and 2021, finance expenses incurred on this loan and on credit facilities repaid in 2021 amounted to NIS 4,207 thousand, NIS 4,695 thousand and NIS 5,576 thousand, respectively.

NOTE 17:- FINANCIAL LIABILITIES (Cont.)

(b) 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. On September 14, 2023, Altshuler Provident repaid the remaining loan of NIS 50 million.

(3) Credit facility of NIS 100 million granted on March 20, 2022. 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. On March 28, 2023, Altshuler Provident repaid the utilized credit facility of NIS 26 million.

(4) On September 7, 2023, Altshuler Provident received a credit facility instead of the unutilized credit facilities described in paragraphs (2) and (3) above in a total of NIS 120 million until June 30, 2024. The credit bears variable NIS interest of Prime less 0.5%. As of the report date, this credit facility ahs not been utilized.

(5) On November 7, 2022, Altshuler Real Estate received a credit facility of NIS 4.5 million from Bank HaPoalim bearing interest of Prime + 1% in effect until August 31, 2023. In December 2022, Altshuler Real Estate utilized NIS 2,650 thousand of the credit facility and on August 30, 2023 it repaid the entire loan.

In 2023, 2022 and 2021, finance expenses incurred on the above loans and credit facilities amounted to NIS 6,485 thousand, NIS 5,425 thousand and NIS 3,587 thousand, respectively.

NOTE 17:- FINANCIAL LIABILITIES (Cont.)

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

On November 2, 2021, Altshuler Provident received a credit facility of NIS 100 million bearing variable annual interest of Prime less 0.24% which is paid monthly 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 the credit facility. On November 28, 2022, Altshuler Provident repaid the entire utilized credit.

Finance expenses incurred in respect of the credit facility totaled NIS 1,187 thousand and NIS 2,533 thousand in 2022 and 2021, respectively.

(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 2021 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 2023 approximated NIS 229 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 475 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 2.

NOTE 17:- FINANCIAL LIABILITIES (Cont.)

(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 3.35.

As of December 31, 2023, Altshuler Provident is in compliance with these financial covenants.

NOTE 18:- REVENUES FROM MANAGEMENT FEES, NET

	Year ended December 31,		
	2023	2022	2021
	NIS in thousands		
Revenues from management fees from provident funds	885,674	1,177,943	1,338,595
Revenues from management fees from pension funds	93,804	107,475	96,326
Less – reimbursement of management fees to members *)	4,875	(2,426)	(11,209)
Revenues from management fees from alternative investment funds	1,646	105	-
	985,999	1,283,097	1,423,712

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

NOTE 19:- NET GAINS (LOSSES) FROM INVESTMENTS AND FINANCE INCOME

	Year ended December 31,		
	2023	2022	2021
	NIS in thousands		
Changes in net fair value of assets held for trading	4,527	(7,089)	(1,973)
Changes in net fair value of unquoted assets	934	(646)	(835)
Income from income tax interest	231	765	-
Income from interest and linkage differences on financial assets at FVPL	884	1,118	999
Other	2,344	491	(103)
	8,920	(5,361)	(1,912)

NOTE 20:- COMMISSIONS, MARKETING EXPENSES AND OTHER ACQUISITION COSTS

	Year ended December 31,		
	2023	2022	2021
	NIS in thousands		
Current commissions	276,399	376,000	444,078
Amortization of DAC	81,168	83,511	76,791
Less – payment settlement fees	(3,025)	(5,265)	(6,462)
	354,542	454,246	514,407

NOTE 21:- GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31,		
	2023	2022	2021
	NIS in thousands		
Wages and related expenses	189,339	213,279	257,170
Expenses to related parties, net	62,101	72,598	58,901
Depreciation and amortization	47,303	49,188	37,732
Operating fees (1)	29,667	29,827	35,314
Professional fees	10,462	12,010	15,034
Advertising and marketing including commissions	381,562	486,727	555,761
IT and communications	24,122	22,271	25,216
Office maintenance	15,871	16,183	13,477
Donations	4,928	7,194	7,190
Other	20,937	16,378	19,886
Total	786,292	925,655	1,025,681
Less – amounts classified in commissions, marketing expenses and other acquisition costs	(354,542)	(454,246)	(514,407)
Participation in Company expenses by:			
Altshuler Shaham Ltd. (2)	(17,026)	(12,372)	(8,553)
Others (3)	-	(2,473)	(2,670)
	414,724	456,564	500,051

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

(2) See Note 24e(2) below.

(3) On August 26, 2021, Altshuler Provident 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. The service agreement ended in late 2022.

NOTE 22:- OTHER EXPENSES

	Year ended December 31,		
	2023	2022	2021
	NIS in thousands		
Amortization of intangible assets	22,405	21,142	11,294
Other expenses relating to payment settlement fees	3,161	5,554	6,719
Capital loss on lease	45	816	7,705
Transaction costs *)	-	-	2,899
	25,611	27,512	28,617

*) See Notes 3a and 12e above.

NOTE 23:- FINANCE EXPENSES

	Year ended December 31,		
	2023	2022	2021
	NIS in thousands		
Liabilities to banks and others	10,513	11,478	18,639
Commissions and other finance expenses	577	2,456	2,228
Income tax interest	-	-	288
Finance expenses on lease, net	1,556	1,579	2,041
	12,628	15,513	23,196

NOTE 24:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES

a. Balances with interested and related parties:

December 31, 2023

	For terms see Note	Holder of material influence	Interested party and other related parties
		NIS in thousands	
Receivables (1) (2)	24e	-	1,418
Payables (2)	24e	4,756	603

December 31, 2022

	For terms see Note	Holder of material influence	Interested party and other related parties
		NIS in thousands	
Receivables (1) (2)	24e	-	521
Payables (1) (2)	24e	11,354	1,848

(1) The highest balance of receivables in respect of interested party and other related parties in 2023 and 2022 amounted to NIS 9,047 thousand and NIS 12,000 thousand, respectively.

(2) Current balances arising from regular settlement of accounts between the Company and the Group companies.

NOTE 24:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (Cont).

b. Transactions with interested and related parties:

Year ended December 31, 2023

	For terms see Note	Holder of material influence	Interested party and other related parties
		NIS in thousands	
Other income	24e	(1,200)	-
General and administrative expenses	24e	66,751	4,186
Commissions, marketing expenses and acquisition costs	24e	-	3,463
Receipts from Altshuler Shaham Ltd.	24e	(20,201)	-
Capitalization of DAC	24e	-	119
Cost of share-based payment to employees of Altshuler Shaham Ltd. for exercise at the Company	25c	596	-
		45,946	7,768

Year ended December 31, 2022

	For terms see Note	Holder of material influence	Interested party and other related parties
		NIS in thousands	
Other income	24e	(1,583)	-
General and administrative expenses	24e	67,966	10,962
Commissions, marketing expenses and acquisition costs	24e	-	4,121
Receipts from Altshuler Shaham Ltd.	24e	(12,372)	-
Capitalization of development costs to intangible assets	24e	-	5,738
Capitalization of DAC	24e	-	113
Cost of share-based payment to employees of Altshuler Shaham Ltd. for exercise at the Company	25c	1,863	-
		55,874	20,934

NOTE 24:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (Cont).

Year ended December 31, 2021

	For terms see Note	Holder of material influence	Interested party and other related parties
		NIS in thousands	
Other income	24e	(2,008)	-
General and administrative expenses	24e	51,785	14,456
Commissions, marketing expenses and acquisition costs	24e	-	5,115
Receipts from Altshuler Shaham Ltd.	24e	(8,553)	-
Capitalization of development costs to intangible assets	24e	-	6,396
Capitalization of DAC	24e	-	299
Cost of share-based payment to Company employees for exercise at Altshuler Shaham Ltd.	25c	397	-
Cost of share-based payment to employees of Altshuler Shaham Ltd. for exercise at the Company	25c	3,542	-
		45,163	26,266

c. Benefits to related and other interested parties:

	Year ended December 31,					
	2023		2022		2021	
	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	1,940	1	1,933	1	1,928

*) The remuneration does not include payroll tax.

NOTE 24:- 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,					
	2023		2022		2021	
	Number of people	Amount	Number of people	Amount	Number of people	Amount
		NIS in thousands		NIS in thousands		NIS in thousands
Directors not employed by the Company *)	10	2,140	10	1,681	7	1,629

*) 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 24:- 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; ("**the provident service agreement**"); (2) unilateral commitment letter provided by Altshuler Ltd. to Altshuler Provident on December 30, 2021, whereby Altshuler Ltd. 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.

On February 5, 2024, after obtaining the approvals of the Company's Audit Committee and Board, the General Meeting approved the Company's engagement in a service agreement with Altshuler Ltd., which supersedes the previous service agreement and settles the various services and transfer pricing mechanism between the parties based on the actual services rendered by Altshuler Ltd. to the Company and/or to companies controlled by the Company and vice versa.

The consideration for services provided to the Group by Altshuler Ltd. in 2023, 2022 and 2021 amounted to NIS 20,201 thousand, NIS 12,372 thousand and NIS 8,553 thousand, respectively. The payment for the services received by the Group from Altshuler Ltd. in 2023, 2022 and 2021 amounted to NIS 66,751 thousand, NIS 67,966 thousand and NIS 51,785 thousand, respectively. The services provided to the Group by Altshuler Ltd. include, inter alia, investment managers, human resources, IT, marketing communications and other services.

NOTE 24:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (Cont).

(2) Agreement between Altshuler Provident and Altshuler Ltd. for marketing the latter'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 Ltd. according to which Altshuler Provident is entitled to commissions per referral for receiving portfolio management services. The consideration for these services in 2023, 2022 and 2021 amounted to NIS 1,200 thousand, NIS 1,583 thousand and NIS 2,008 thousand, respectively.

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 2023, 2022 and 2021 NIS 6,144 thousand, NIS 6,295 thousand and NIS 6,497 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 2023, 2022 and 2021 NIS 1,347 thousand, NIS 1,707 thousand and NIS 1,545 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. See details of the addition of the Company as a party to the agreements in paragraph (a)(1) above. For these services, Altshuler Provident paid in 2022 and 2021 NIS 10,713 thousand and NIS 12,375 thousand, respectively (out of these amounts, NIS 5,783 thousand and NIS 6,396 thousand, respectively, were capitalized to an intangible asset). From January 1, 2023, Generics discontinued its operation.

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 and 2021 amounted to NIS 582 thousand and NIS 407 thousand, respectively. See details of the addition of the Company as a party to the agreements in paragraph (a)(1) above.

NOTE 24:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (Cont).

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 2023, 2022 and 2021 current commissions amounting to NIS 1,622 thousand, NIS 1,821 thousand and NIS 2,102 thousand, respectively and target commissions amounting to NIS 119 thousand, NIS 113 thousand and NIS 299 thousand, respectively.

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 2023, 2022 and 2021 NIS 1,841 thousand, NIS 2,198 thousand and NIS 2,897 thousand, respectively.

h) Service agreement between Altshuler Real Estate and Altshuler Properties dated July 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. The consideration for the services rendered by Altshuler Real Estate in 2023 amounted to NIS 2,826 thousand and from July 1, 2022 to December 31, 2022 amounted to approximately NIS 1,471 thousand.

NOTE 25:- 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,		
	2023	2022	2021
	NIS in thousands		
Equity-settled share-based payment plans in Altshuler Shaham Ltd. (b)	-	-	398
Equity-settled share-based payment plans in the Company (c)	1,661	4,035	11,007
Total expense arising from share-based payment transactions	1,661	4,035	11,405

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 2023, 2022 or 2021.

b. Share-based payment plan for executives and staff for exercise at Altshuler Shaham Ltd.:

On July 18, 2017, the board of Altshuler Shaham Ltd. approved an employee stock option plan through a trustee, pursuant to Section 102 of the Income Tax Ordinance under the capital gain track. On December 31, 2018 and 2017, the board of Altshuler Shaham Ltd. 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 Ltd., 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 Ltd. (there is no alternative cash settlement).

The fair value of the options as of the award date was estimated using the binomial model, based on conditions and data used in award of these instruments.

NOTE 25:- SHARE-BASED PAYMENT TRANSACTIONS (Cont.)

c. Share-based payment plans for exercise at the Company:

1. 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 25:- SHARE-BASED PAYMENT TRANSACTIONS (Cont.)

2. 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.

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:

	2021
Share dividend yield (%)	-
Expected share price volatility (%)	33.7-34
Risk-free interest rate (%)	1.19-1.36
Expected contractual term of the options from the award date (years)	10
Share price (NIS)	16.25-21.53
Other data:	
Fair value on the award date (NIS in thousands)	9,633
Exercise price (NIS)	17.79-20.96

NOTE 25:- SHARE-BASED PAYMENT TRANSACTIONS (Cont.)

3. 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:

	2023	
	Number of options	Weighted average exercise price *)
		NIS
Share options outstanding at beginning of year	8,527,318	7.14
Share options forfeited during the year	(496,623)	3.43
Share options exercised during the year	(594,124)	3.44
Share options outstanding at end of year	7,436,571	6.08

	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

*) Adjusted for dividend distribution.

The weighted average remaining contractual life for the share options outstanding as of December 31, 2023 and 2022 was 6.08 years and 7.14 years, respectively.

The range of exercise prices for share options outstanding as of December 31, 2023 was NIS 3.09- NIS 15.6.

The range of exercise prices for share options outstanding as of December 31, 2022 was NIS 3.66- NIS 16.17.

NOTE 26:- CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS

a. Legal and other proceedings pending against Altshuler Provident as of the reporting date:

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	-	-
Claim amount unspecified	6	-

1. 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. The parties filed a notice according to which they reached an understanding to apply to mediation which is currently underway. 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.

NOTE 26:- CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (Cont.)

2. 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 which did not yield any outcome as a result of which the parties continue managing the case in proof hearings. 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.

3. Motion for approval of class action filed with the Regional 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. A proof hearing was held in which additional documents were requested from the parties, including from the regulator. The Court approved a judicial arrangement reached between the parties regarding the date for submitting their summations. Based on the opinion of Altshuler Provident's legal counsel, under the current circumstances, it is more likely than not (more than 50% probable) that the Court will dismiss the class action certification motion.

NOTE 26:- CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (Cont.)

4. Motion for approval of class action filed with the Regional Labor Court in Tel-Aviv on July 18, 2023 against Altshuler Provident in which the petitioner argues that Altshuler Provident opens a new provident fund for customers who mobilize their provident fund from Altshuler Provident to other companies and continues to use the authorization granted to it by the customers in the past for charging their bank account in respect of management fees without their knowledge or consent. The petitioner did not quantify the overall damage but estimated it in excess of NIS 2.5 million and set the personal claim at NIS 134.91 per plaintiff. The parties are holding a mediation proceeding for resolving their disputes outside the courthouse. Based on the opinion of Altshuler Provident's legal counsel, due to the preliminary stage of this motion, it is currently not possible to assess the likelihood of its approval as class action.

b. Legal and other proceedings filed against Altshuler Provident after the reporting date:

1. Motion for approval of class action filed with the Regional Labor Court in Tel-Aviv on January 4, 2024 against Altshuler Provident. The petitioner argues that Altshuler Provident is in constant violation of management fee relief agreements signed by Bank HaPoalim with the members of Gadish provident fund during the period in which the Bank managed the provident fund before it was transferred to the management of Psagot Gadish in 2008 and later merged into Altshuler Provident. The petitioner seeks to approve a class action to represent all the members of the Gadish provident fund who were direct or indirect beneficiaries of a long-term or indefinite relief agreement but had been nonetheless charged by Psagot Provident and/or Altshuler Provident management fees at a rate that exceeds the maximum rate set forth in the relief agreement. The group of plaintiffs does not include members of the Gadish provident fund whose management fees had been raised on January 1, 2010 and only on that date since those members have waived their right to claim in a settlement agreement reached in a former legal process held against Psagot Provident which was approved by the Court. The petitioner argues that the overall class action amount cannot be quantified. The Court is asked by the petitioner to order the following remedies: (1) refunding the difference between the management fees actually charged and the relief rate from the date of violation of the relief agreement through the date of actual recovery including interest and linkage differences; (2) forbidding Altshuler Provident from raising the management fees for any of the members of the group of plaintiffs; (3) alternatively, granting compensation for failure to notify the members of the raising of the management fees in the amount of the difference between the actual management fees charged from each member and the rate of management fees determined in the relief agreement. Based on the opinion of Altshuler Provident's legal counsel, due to the preliminary stage of this motion, it is currently not possible to assess the likelihood of its approval as class action.

NOTE 26:- CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (Cont.)

2. Motion for approval of class action filed with the Regional Labor Court in Tel-Aviv on February 25, 2024 against Altshuler Provident in which the petitioner seeks to represent all the past and present members of all the pension funds managed by Altshuler Provident whose pension contributions had been partially redirected by Altshuler Provident to purchase insurance coverage for a period before the date from which such insurance coverage could be charged. The motion essentially alleges that the members had been charged insurance fees for an insurance period before the date of actually enrolling in the pension funds managed by Altshuler Provident. The petitioner does not quantify the overall class action amount but estimates it as in excess of NIS 2.5 million. The main remedy sought by the petitioner is to order Altshuler Provident to pay all the plaintiffs compensation for alleged damages. Due to the preliminary stage of this motion, it is currently not possible to assess the likelihood of its approval as class action.

c. Legal and other proceedings filed against Altshuler Provident and concluded in the reporting period:

1. Motion for approval of class action filed on July 11, 2019 with the Regional 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. 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. On September 20, 2023, the Court rendered a verdict that approved the mutual motion for the withdrawal of the petitioners' class action certification motion without issuing an order for expenses.

2. Motion for approval of class action filed on July 22, 2019 with the Regional 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.

NOTE 26:- CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (Cont.)

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. On September 20, 2023, the Court rendered a verdict that approved the mutual motion for the withdrawal of the petitioners' class action certification motion without issuing an order for expenses.

d. Legal and other proceedings pending 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	-

1. Motion for approval of class action filed on October 10, 2016 with the Regional 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.

NOTE 26:- CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (Cont.)

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. Altshuler Provident announced that in view of the Supreme Court's judgment, it believes the class action motion should be dismissed whereas the petitioner requested to file a brief supplemental plea regarding the implications of the Supreme Court's decision. Accordingly, the Court ordered the parties to submit supplemental summations addressing the implications of the Supreme Court's decision and the parties obliged. After the reporting period, the petitioner filed a mutual petition for withdrawal of the class action certification motion. Based on the opinion of Altshuler Provident's legal counsel, 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 will be approved.

2. Motion for approval of class action filed on October 6, 2016 with the Regional 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.

   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. Altshuler Provident announced that in view of the Supreme Court's judgment, it believes the class action motion should be dismissed whereas the petitioner requested to file a brief supplemental plea regarding the implications of the Supreme Court's decision. Accordingly, the Court ordered the parties to submit supplemental summations addressing the implications of the Supreme Court's decision and the parties obliged. After the reporting period, the petitioner filed a mutual motion for withdrawal of the class action certification motion. Based on the opinion of Altshuler Provident's legal counsel, 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 will be approved.

NOTE 26:- CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (Cont.)

3. Motion for approval of class action status, filed on January 26, 2017 with the Regional 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). On June 22, 2023, the Supreme Court rendered a decision in the appeal. Following the Court's decision, the Court ordered the parties to submit their position on the future management of the proceedings in question. Altshuler Provident announced that in view of the Supreme Court's judgment, it believes the class action motion should be dismissed whereas the petitioner insisted on pursuing the proceedings. After the reporting period, the parties informed the Court that they have agreed on filing a mutual motion for withdrawal of the class action certification motion and have until April 4, 2024 to file it to the Court. Accordingly, the Court ordered the parties to submit their summaitons. Based on the opinion of Altshuler Provident's legal counsel, 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 will 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. The parties applied to a mediation proceeding. 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 and the completion of a first mediation session between the parties, 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 26:- CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (Cont.)

5. On November 16, 2020, a motion for approval of class action was filed with the Regional 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.

e. 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.

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.

The total provision with respect to lawsuits brought against Psagot and Psagot Provident, as set forth above, amounted to NIS 2,878 thousand as of December 31, 2023.

NOTE 26:- CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (Cont.)

f. Guarantees provided:

1. Guarantee amounting to NIS 1,125 thousand to Bank Leumi LeIsrael Ltd. with respect to Altshuler Provident's management of the long-term fund, Savings for Every Child.

2. Guarantee of NIS 1,403 thousand to Bank HaPoalim Ltd. to secure the lease of the Company's headquarters on 19 HaBarzel Street in Tel-Aviv.

3. Guarantee of NIS 1,608 thousand to Bank HaPoalim Ltd. to secure the lease of the Company's offices on Sapir Street in Haifa.

4. As of the financial statement date, historical guarantees had been provided by Bank HaPoalim Ltd. and/or Bank Leumi LeIsrael Ltd. in respect of a closed list of qualifying members of the Altshuler Shaham provident fund and Altshuler Shaham study fund to secure payment of all the receipts in their accounts, accounting for the nominal principal only (excluding allowed deductions), subject to the terms of each fund's articles of association. The guarantee provided by Bank Leumi is for an indefinite period whereas the guarantee provided by Bank HaPoalim is in effect until April 30, 2024 and will be extended from time to time. Based on Bank Leumi's guarantee terms, if the Bank is required to pay any amounts by virtue of the guarantee, Altshuler Provident will pay the Bank a maximum deductible of NIS 35 million per annum. Moreover, as per Bank HaPoalim's guarantee terms, if the Bank is required to pay any amounts by virtue of the guarantee, Altshuler Provident will indemnify the Bank for any amount paid by the latter in connection with the guarantee. Based on the cumulative yields in the provident fund sector accrued from the date of enrolment of the qualifying members through the financial statement date, Altshuler Provident estimates that the exercise of the guarantees would require the materialization of highly extreme circumstances which are very unlikely to occur.

g. 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 24 above.

NOTE 27:- EVENT AFTER THE REPORTING DATE

a. See details of the General Meeting's approval of a service agreement on February 5, 2024 in Note 24e(2)(a)(1) above.

b. On February 5, 2024, the General Meeting approved the Company's engagement in a customer lead generation agreement with Altshuler Shaham Financial Services Ltd. ("**A.S. Financial**") for the provision of financial services for assets managed/owned by A.S. Financial and specifically deposit services and/or financial asset exchange services. In return, the Company is entitled to receive lead commissions.

c. See details of claims filed against Altshuler Provident after the reporting date in Note 26b above.

d. See details of the acquisition of iFunds on February 12, 2024 in Note 12d above.

e. On December 26, 2023, the Company's Board approved the signing of a term sheet which sets forth the Company's right to make nostro investments in transactions managed by Altshuler Real Estate and/or Altshuler Investment Funds, both subsidiaries of the Company. On February 14, 2024, the Company invested $ 168 thousand out of an investment commitment of $ 440 thousand as an LP in a real estate venture.

f. On March 20, 2024, in keeping with the Company's dividend distribution policy, the Company's Board approved the distribution of a dividend of NIS 23,000 thousand, see also Note 13e above.

g. As of the financial statement publication date, Altshuler Real Estate and Altshuler Investment Funds are considering entering into credit agreements for receiving credit in an aggregate of NIS 100 million from two Israeli banks. Based on the current master agreements, the credit will be provided to the subsidiaries as interim financing for raising investments.

   On March 20, 2024, the Company's Board approved granting Altshuler Real Estate and Altshuler Investment Funds a limited guarantee to secure the credit that will be received by the subsidiaries from banks up to the amount of the credit.

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ALTSHULER SHAHAM FINANCE LTD.

FINANCIAL INFORMATION FROM

THE CONSOLIDATED FINANCIAL STATEMENTS

ATTRIBUTABLE TO THE COMPANY

AS OF DECEMBER 31, 2023

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To
The Shareholders of
Altshuler Shaham Finance Ltd.
19A HaBarzel Street, Tel-Aviv

Dear Sirs/Mmes.,

Special Auditors' Report on the Separate Financial Information pursuant to Regulation 9C to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970

We have audited the accompanying separate financial information presented pursuant to Regulation 9C to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970 of Altshuler Shaham Finance Ltd. ("the Company") as of December 31, 2023 and 2022, and for each of the three years the last of which ended on December 31, 2023, as included in the Company's periodic report. This separate financial information is the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on this separate financial information 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 separate financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the separate financial information. 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 separate financial information presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits, the separate financial information referred to above has been prepared, in all material respects, pursuant to Regulation 9C to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970.

Tel-Aviv, Israel
March 20, 2024

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

Special Report Pursuant to Regulation 9C

Financial Data and Financial Information from the

Consolidated Financial Statements Attributable to the Company

Below are separate financial data and financial information attributable to the Company from the Company's consolidated financial statements as of December 31, 2023, published as part of the periodic reports ("consolidated financial statements"), presented pursuant to Regulation 9C to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970.

The accounting policies applied in the presentation of these financial data are detailed in Note 2 to the consolidated financial statements.

Investees are defined in the consolidated financial statements.

Financial Data from the Consolidated Statements of Financial Position Attributable to the Company

	Note	December 31, 2023	December 31, 2022
		NIS in thousands	
Assets:			
Investment in investees	7	499,263	508,030
Intangible assets		15,203	1,224
Right-of-use assets		43,435	48,229
Property, plant and equipment		21,929	21,070
Accounts receivable	4	4,912	74,033
Loans to investees	7	12,210	-
Deferred tax assets	6	3,963	3,881
Cash and cash equivalents	3	29,578	4,852
Total assets		630,493	661,319
Equity:			
Share capital		2,021	2,018
Share premium		240,239	238,622
Capital reserve from transaction with controlling shareholder		(4,264)	(3,668)
Capital reserve from share-based payment transactions		33,444	32,807
Capital reserve from financial assets measured at fair value through other comprehensive income		9	1,895
Retained earnings		248,831	221,721
Total equity		520,280	493,395
Liabilities:			
Employee benefit liabilities, net		1,794	2,845
Current tax liabilities	6	5,199	328
Accounts payable	5	55,513	53,913
Loan from investee	7	-	59,076
Lease liability		47,707	51,762
Total liabilities		110,213	167,924
Total equity and liabilities		630,493	661,319

The accompanying additional information forms an integral part of the financial data and financial information.

March 20, 2024			
Date of approval of the financial statements	Ran Shaham Chairman of the Board of Directors	Yair Lowenstein CEO	Sharon Gerszbejn Deputy CEO, CFO

Financial Data from the Consolidated Statements of Profit or Loss and Other Comprehensive Income Attributable to the Company

	Note	Year ended December 31, 2023	2022	2021
		NIS in thousands (except per share data)		
Revenues from management fees from investees	7	389,731	249,846	-
Finance income		1,292	80	-
Other income		-	18	-
Total revenues		391,023	249,944	-
General and administrative expenses		276,516	155,145	-
Other expenses		45	-	-
Finance expenses		3,250	1,893	-
Total expenses		279,811	157,038	-
Equity in earnings of investees, net	7	53,309	142,804	258,263
Income before taxes on income		164,521	235,710	-
Taxes on income	6	26,591	22,589	-
Net income attributable to the Company		137,930	213,121	258,263
Other comprehensive income (loss) attributable to the Company (net of taxes):				
Gain from remeasurement of defined benefit plan		910	289	-
Equity in other comprehensive income (loss), net attributable to investees		(1,616)	2,429	(4,306)
Total other comprehensive income attributable to the Company (loss) (net of taxes)		(706)	2,718	(4,306)
Total comprehensive income attributable to the Company		137,224	215,839	253,957
Basic net earnings per share (in NIS)		0.70	1.08	1.34
Diluted net earnings per share (in NIS)		0.69	1.07	1.31

The accompanying additional information forms an integral part of the financial data and financial information.

Financial Data from the Consolidated Statements of Cash Flows
Attributable to the Company

	Year ended December 31,		
	2023	**2022**	**2021**
	NIS in thousands		
Cash flows from operating activities of the Company:			
Net income attributable to the Company	137,930	213,121	258,263
Items not involving cash flows:			
Equity in earnings of investees	(53,309)	(142,804)	(258,263)
Finance expenses, net	2,017	1,889	-
Loss from sale of right-of-use asset	45	-	-
Cost of share-based payment	1,661	2,366	-
Depreciation and amortization:			
Right-of-use assets	8,410	(5)	-
Property, plant and equipment	3,557	362	-
Intangible assets	2,919	-	-
Taxes on income	26,591	22,589	-
	(8,109)	(115,603)	(258,263)
Changes in other balance sheet items:			
Change in accounts receivable	69,121	(74,033)	-
Change in accounts payable	(135)	41,023	-
Change in employee benefit liabilities, net	131	293	-
	69,117	(32,717)	-
Cash paid and received during the year for:			
Interest paid	(1,399)	-	-
Interest received	74	-	-
Taxes paid	(22,106)	(21,481)	-
	(23,431)	(21,481)	-
Net cash provided by operating activities of the Company	175,507	43,320	-

The accompanying additional information forms an integral part of the financial data and financial information.

Financial Data from the Consolidated Statements of Cash Flows Attributable to the Company

	Year ended December 31,		
	2023	**2022**	**2021**
	NIS in thousands		
Cash flows from investing activities of the Company:			
Purchase of property, plant and equipment	(3,325)	(9,626)	-
Investment in intangible assets	(15,389)	(1,224)	-
Grant of loans to investees	(12,083)	-	-
Dividend received from investees	60,606	250,000	-
Net cash provided by investing activities of the Company	29,809	239,150	-
Cash flows from financing activities of the Company:			
Repayment of lease liability	(9,514)	382	-
Repayment of loans from investees	(59,076)	-	-
Divided paid to equity holders of the Company	(112,000)	(278,000)	-
Net cash used in financing activities of the Company	(180,590)	(277,618)	-
Increase in cash and cash equivalents	24,726	4,852	-
Cash and cash equivalents at the beginning of the year	4,852	-	-
Cash and cash equivalents at the end of the year	29,578	4,852	-
Material non-cash transactions:			
Right-of-use asset recognized against lease liability	6,983	-	-
Purchase of intangible assets	1,509	50	-
Purchase of property, plant and equipment	1,091	-	-

The accompanying additional information forms an integral part of the financial data and financial information.

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. See more information in Note 1a to the consolidated financial statements.

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 Business Restructuring 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, the Company's interests in investees are presented in the comparative figures as if they had always been held by the Company.

b. Definitions:

In these financial statements:

The Company	-	Altshuler Shaham Finance Ltd.
Investees	-	As defined in the consolidated financial statements.
Related parties	-	As defined in IAS 24.
Interested parties/controlling shareholder	-	As defined in the Securities Regulations (Annual Financial Statements), 2010.
Altshuler Provident and Pension Ltd.	-	Altshuler Provident.
Altshuler Shaham Real Estate Ltd.	-	Altshuler Real Estate.
Altshuler Shaham Alternative Ltd.	-	Altshuler Alternative.
Altshuler Shaham Alternative Investment Funds Ltd.	-	Altshuler Investment Funds.
PBL (Psagot) Ltd.	-	PBL.

NOTE 2:- INFORMATION OF PRESENTATION OF THE SEPARATE FINANCIAL INFORMATION IN ACCORDANCE WITH REGULATION 9C

Preparation format of the separate financial information:

The financial data from the consolidated financial statements that are attributable to the Company have been prepared in accordance with the provisions of Regulation 9C to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970, including the details set forth in the Tenth Addendum to these Regulations.

The following information also includes disclosures of other material information as mandated by the disclosure requirements of Regulation 9C and the Tenth Addendum discussed above insofar as such information is not already included in the consolidated financial statements in a manner that is expressly attributable to the Company.

NOTE 3:- CASH AND CASH EQUIVALENTS

	December 31,	
	2023	2022
	NIS in thousands	
Cash and deposits for immediate withdrawal *)	29,578	4,852

*) As of the reporting date, cash in banks earns current interest based on the interest rate on daily bank deposits of 4.37% (December 31, 2022 – 3%).

NOTE 4:- ACCOUNTS RECEIVABLE

	December 31,	
	2023	2022
	NIS in thousands	
Receivables from investees	-	71,565
Prepaid expenses	4,143	2,231
Loans to employees	177	172
Other receivables	592	65
	4,912	74,033

NOTE 5:- ACCOUNTS PAYABLE

	December 31,	
	2023	2022
	NIS in thousands	
Employees and payroll accruals	25,247	27,546
Accrued expenses	8,997	2,072
Government institutions	8,453	7,686
Liabilities to related parties *)	4,120	13,248
Payables to investees **)	3,865	-
Other payables	4,831	3,361
	55,513	53,913

*) See information in Note 24e(2)(a)(1) to the consolidated financial statements.
**) See information in Notes 7a(1) and 7e below.

NOTE 6:- TAXES ON INCOME

a. Tax assessments attributable to the Company:

The Company has not been issued final tax assessments since inception.

b. Deferred taxes attributable to the Company:

	Employee benefits	Right-of-use assets	Lease liability	Property, plant and equipment	Employee options	Total
	NIS in thousands					
Balance of deferred tax assets (liabilities) at January 1, 2022	-	-	-	-	-	-
Changes carried to profit or loss	(141)	-	-	-	(584)	(725)
Changes carried to capital reserve *)	2,192	(11,660)	11,905	250	2,005	4,692
Changes carried to other comprehensive income	(86)	-	-	-	-	(86)
Balance of deferred tax assets (liabilities) at December 31, 2022	1,965	(11,660)	11,905	250	1,421	3,881
Changes carried to profit or loss	(35)	1,161	(933)	223	(62)	354
Changes carried to other comprehensive income	(272)	-	-	-	-	(272)
Balance of deferred tax assets (liabilities) at December 31, 2023	1,658	(10,499)	10,972	473	1,359	3,963

*) See information in Note 1a to the consolidated financial statements.

c. Taxes on income attributable to the Company included in profit or loss:

	Year ended December 31, 2023	Year ended December 31, 2022
	NIS in thousands	
Current taxes	26,858	21,864
Deferred taxes	(354)	725
Taxes in respect of previous years	87	-
	26,591	22,589

NOTE 7:- LOANS, BALANCES AND MATERIAL COMMITMENTS WITH INVESTEES

a. Balances with investees:

		December 31,	
		2023	2022
	Note	NIS in thousands	
Receivables:			
Loans to investees	7d	12,210	-
Other receivables	7e	-	71,565
Payables:			
Investees	7d(1),7e	3,865	-

b. Transactions with investees:

		Year ended December 31,	
		2023	2022
	Note	NIS in thousands	
Revenues from management fees from investees	7e	389,731	249,846

c. Finance income and expenses from transactions with investees:

		Year ended December 31,	
		2023	2022
	Note	NIS in thousands	
Finance expenses	7d(1)	1,424	1,888
Finance income	7d(2)(3)	180	-

d. Loans to investees:

1. Loan agreement with PBL (Psagot) Ltd. ("**PBL**"):

On September 30, 2020, the board of PBL approved the grant of a loan of NIS 40 million to Psagot Provident Ltd., a sister company, for a period of two years bearing interest of Prime + 1.2%. The interest is repayable in consecutive quarterly instalments on the last business day of each quarter. The loan was received in practice on December 30, 2020.

NOTE 7:- LOANS, BALANCES AND MATERIAL COMMITMENTS WITH INVESTEES (Cont.)

In June 2021, the board of PBL approved the grant of another loan of NIS 16 million to Psagot Provident Ltd. under the same terms as the loan received on December 30, 2020, as described above. The loan was received in practice on June 29, 2021 and was extended in January 2021 until December 2021.

On May 12, 2021, the Company completed the purchase of the entire issued and outstanding share capital of Psagot from Himalaya FS Ltd. and on October 1, 2021, Psagot Provident Ltd. was merged into Altshuler Provident.

On June 1, 2022, an agreement was signed for the sale of PBL by Altshuler Provident to the Company according to which the Company will assume the above loans from Altshuler Provident. On January 1, 2023, the loan period was extended to December 31, 2023.

On May 10, 2023, PBL completed a capital reduction of approximately NIS 60,606 thousand through a distribution in kind and repayment of the outstanding loan and interest accrued thereon.

As of the reporting date, the Company has a current balance of NIS 1,724 thousand with PBL including accrued interest of NIS 25 thousand.

In 2023 and 2022, finance expenses recorded by the Company in respect of the above loans amounted to approximately NIS 1,399 thousand and NIS 1,888 thousand, respectively.

2. Loan agreement with Altshuler Real Estate:

On August 23, 2023, a master agreement was signed between the Company and Altshuler Real Estate according to which the former will provide the latter a credit facility of NIS 8,000 thousand that can be fully or partially utilized by Altshuler Real Estate for its operating activities in the ordinary course of business. Any amount transferred by the Company to Altshuler Real Estate within the credit facility will bear variable annual interest of Prime + 0.8% to be paid every quarter from the end of the first quarter after the date of utilization of the credit facility, in whole or in part. An interest instalment that is not paid when due will accrue compounded interest. Total amounts transferred by the Company to Altshuler Real Estate within the credit facility will be repaid to the Company by December 31, 2025. As of December 31, 2023, Altshuler Real Estate has utilized approximately NIS 5,722 thousand of the credit facility. In 2023, the Company recognized interest income of approximately NIS 85 thousand in respect of the credit facility.

NOTE 7:- LOANS, BALANCES AND MATERIAL COMMITMENTS WITH INVESTEES (Cont.)

3. Loan agreement with Altshuler Investment Funds:

On August 23, 2023, a master agreement was signed between the Company and Altshuler Investment Funds according to which the former will provide the latter a credit facility of NIS 9,000 thousand that can be fully or partially utilized by Altshuler Investment Funds for its operating activities in the ordinary course of business. Any amount transferred by the Company to Altshuler Investment Funds within the credit facility will bear variable annual interest of Prime + 0.8% to be paid every quarter from the end of the first quarter after the date of utilization of the credit facility, in whole or in part. An interest instalment that is not paid when due will accrue compounded interest. Total amounts transferred by the Company to Altshuler Investment Funds within the credit facility will be repaid to the Company by December 31, 2025. As of December 31, 2023, Altshuler Investment Funds has utilized approximately NIS 6,308 thousand of the credit facility. In 2023, the Company recognized interest income of approximately NIS 95 thousand in respect of the credit facility.

e. Agreements with investees:

1. Service agreement with Altshuler Provident:

On July 20, 2022, the board of Altshuler Provident approved a service agreement between the Altshuler Provident and the Company according to which from April 1, 2022, the latter provides the former, through employees and/or service providers, various services for Altshuler Provident's operating activities including marketing, legal and compliance counsel, finance, HR, internal audit and risk management, investment control and operation, credit, operations, servicing and other onetime services that are needed for specific projects and contracts as required by Altshuler Provident and agreed with the Company. In return for the services, Altshuler Provident pays the Company annual management fees accounting for 43% of the management fees to which Altshuler Provident is entitled to receive from its members less G&A expenses (excluding depreciation and amortization expenses), as recorded in Altshuler Provident's books with the addition of VAT. At the very minimum, the management fees paid by Altshuler Provident include the cost of the relative portion of services granted to Altshuler Provident out of the remuneration of senior officers in Altshuler Provident that provide the services to Altshuler Provident, all as approved by Altshuler Provident's remuneration committee and board.

Moreover, in return for lead generation/retention services which entitle Altshuler Provident employees to commissions (and recorded as DAC), Altshuler Provident reimburses the Company for cost only.

NOTE 7:- LOANS, BALANCES AND MATERIAL COMMITMENTS WITH INVESTEES (Cont.)

The service agreement was amended on December 27, 2022 whereby from October 1, 2022, Altshuler Provident pays management fees that allow it to retain EBITDA that accounts for 20% of its revenues from management fees in a specific period. In this context, EBITDA refers to earnings before depreciation, amortization, financing, taxes and income/expenses not from operating activities.

The service agreement was amended again on May 23, 2023 to allow Altshuler Provident to provide the Company various services in return for cost only.

In 2023 and 2022, the receipts from the services amounted to approximately NIS 376,143 thousand and NIS 244,534 thousand, respectively.

2. Service agreement with Altshuler Real Estate:

On September 15, 2022, the General Meeting of Shareholders approved the Company's engagement in a service agreement. The agreement is in effect from July 1, 2022 for an indefinite period as long as the Company is a shareholder in Altshuler Real Estate. As per the agreement, in return for management fees of cost + 6%, the Company provides Altshuler Real Estate management and CEO services as well as professional services such as IT, finance, legal counsel and marketing. In 2023, the receipts from the services amounted to approximately NIS 9,417 thousand. In the period from July 1, 2022 to December 31, 2022, the receipts from the services amounted to approximately NIS 5,312 thousand.

On February 5, 2024, after obtaining the approval of the Company's Audit Committee and Board, the General Meeting of Shareholders approved an amendment to the agreement based on the conclusions of a transfer pricing study whereby the transfer pricing mechanism between the parties for calculating the cost of the services was adjusted.

3. Service agreement with Altshuler Alternative and Altshuler Investment Funds:

On May 23, 2023, the Company and Altshuler Alternative entered into a service agreement according to which each party will provide the other various services, through inhouse personnel or outside vendors, consisting of management, IT, communications, HR, finance, legal counsel, internal audit, compliance, operations and servicing, sales, marketing, procurement and logistics, rent and maintenance, insurance and other onetime services that are needed for specific projects and contracts.

The Company simultaneously signed a service agreement with Altshuler Investment Funds under similar terms. Accordingly, Altshuler Alternative recharges the services it receives from the Company that are directly related to the operations of Altshuler Investment Funds back-to-back to Altshuler Investment Funds.

NOTE 7:- LOANS, BALANCES AND MATERIAL COMMITMENTS WITH INVESTEES (Cont.)

On February 6, 2024, the service agreements between the Company and Altshuler Alternative and the Company and Altshuler Investment Funds were amended based on the conclusions of a transfer pricing study whereby the transfer pricing mechanism between the parties for calculating the cost of the services was adjusted.

From July 1, 2023 to December 31, 2023, the receipts from the services from Altshuler Alternative amounted to approximately NIS 4,171 thousand.

NOTE 8:- EVENTS AFTER THE REPORTING DATE

a. See details of amendments to service agreements with investees in Notes 7e(2) and (3) above.

b. On February 8, 2024, Altshuler Alternative issued the Company a capital note of NIS 10 million for a period of five years. The capital note is unlinked and interest free.

c. For details of other events after the reporting date, see Note 27 to the consolidated financial statements.

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ALTSHULER SHAHAM FINANCE LTD.

("the Company" or "the Corporation")

Chapter D

Additional Information regarding the Corporation

As of December 31, 2023

Chapter D - Additional Information about the Corporation

Contents

Chapter D - Additional Information about the Corporation

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, 2023, June 30, 2023, September 30, 2023 and December 31, 2023**

For condensed statements of comprehensive income for 2023 on a quarterly basis, see paragraph 1.3 to the Board of Directors' Report in Chapter B to this report.

2. **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, 2023 in NIS in millions	Equity and voting rights	Rights to appoint directors	Loan balance in NIS in millions	Loan terms and maturity date
Altshuler Shaham Provident and Pension Ltd.	Ordinary, NIS 0.01	1	504	100%	100%	419	See Note 17c(2) to the financial statements in Chapter C to this report

3. **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 loss	Received in 2023	Received or receivable after the reporting period for 2023	Received in 2023	Received or receivable after the reporting period for 2023	
Altshuler Shaham Provident and Pension Ltd.	57.6	(1.6)	-	-	376.2	(2.2)	-

4. **Regulation 20 – Trading on the Stock Exchange**

In 2023 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:

336,112 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.

5. **Regulation 21 – Remuneration of Interested Parties and Senior Officers**

5.1 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, 2023, as recognized in the financial statements for 2023 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%	14.13%	1,940	-	-	-	-	-	-	-	-	-	1,940	100%
Tzafrir Zanzuri	Deputy CEO, Head of Sales and Business Development	100%	-	1,321	167	6	-	-	-	-	-	-	-	1,494	100%
Sharon Gerszbejn	Deputy CEO, CFO	100%	-	1,317	167	6	-	-	-	-	-	-	-	1,490	100%
Osnat Antebi	VP, Legal Counsel	100%	-	1,313	167	5	-	-	-	-	-	-	-	1,485	100%
Anat Knafo-Tavor	CEO of Altshuler Provident	100%	-	1,259	167	6	-	-	-	-	-	-	-	1,432	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 2023 to officers were fulfilled. According to individual bonus plans for 2023, 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 5.2 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, 2023 was 5.71 years and the exercise price as of December 31, 2023 was NIS 3.09.

(4) For more information about the employment contract of Mr. Yair Lowenstein, Company CEO and a controlling shareholder therein, and about a general meeting notice report issued by the Company on January 1, 2024 (TASE reference: 2024-01-000744), see paragraph 5.3.2 below.

5.2 <u>Allocation of options to officers in the Company</u>

See details of the allocation of share options by the Company to officers and employees in the Company in Note 25c to the Company's financial statements for 2023 in Chapter C to this report.

5.3 <u>Remuneration of interested parties in the Company</u>

Following are details of remuneration paid to interested parties in the Company who are not included in the officers listed in paragraph 5.1 above, in connection with services rendered by the interested parties as key personnel in the Company or in a company controlled by them, regardless of the existence of employer-employee relations and although the interested parties are not senior officers:

5.3.1 Directors' remuneration

The overall amount paid in 2023 to directors in the Company for their service was NIS 473 thousand, of which NIS 448 thousand was paid to external directors in the Company and NIS 25 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 25 to the Company's financial statements for 2023 in Chapter C to this report.

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 12 below.

5.3.2 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 (in this paragraph – "**the service agreement**") prior to the business restructuring, as defined in paragraph 1.2 to Chapter A to this report). 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.

On February 5, 2024, the Company's General Meeting (in keeping with the approvals of the Company's Audit Committee and Board) approved the renewal of the service agreement with Mr. Lowenstein, without changing the employment terms as specified below:

1. Monthly salary – Mr. Lowenstein is entitled to a gross monthly salary of NIS 152,000.

2. Mr. Lowenstein is entitled to pension and study fund accruals that will be contributed by the employer to a provident or pension fund and severance pay and occupational disability accruals as required by law. The Company makes contributions to a study fund in respect of Mr. Lowenstein as required by law.

3. Annual vacation, convalescence and sick days, mobile phone and daily newspaper upkeep – Mr. Lowenstein is entitled to 20 vacation days a year which can accrue up to 40 days and sick days and convalescence pay as required by law and the Company's procedures. The Company provides Mr. Lowenstein a fully paid mobile phone and daily newspaper and bears the upkeep expenses.

4. The service agreement term, termination and early notice – the service agreement is for an indefinite term and can be terminated by either party at any time by providing early notice as required by law.

5. Confidentiality – as per the service agreement, Mr. Lowenstein has committed to maintain confidentiality for an indefinite period including following termination of the service agreement for whatever reason.

6. Quittance, indemnity and insurance – see details of the Company's quittance, indemnity and insurance policies in paragraphs 17.1 and 17.2 below.

See more information in paragraphs 4 and 9 to the Company's meeting notice report of January 1, 2024 (TASE references: 2024-01-000744), hereby mentioned for reference only.

5.3.3 For details of service and cost allocation agreements between the Company and Altshuler Ltd. and other Group companies, see paragraphs 7.1 and 7.2 below.

6. <u>Regulation 21A – the Control in the Corporation</u>

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. (55.65%) and Lowenstein Yair Holdings Ltd. ("**Yair Holdings**") (14.13%).

See information of the shareholders' agreement in the Company in paragraph 3.4.3 to the Prospectus.

<u>Shareholders' agreement</u>

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:

6.1 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.

6.2 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.

6.3 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.

6.4 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 (following the approvals of the Company's Audit Committee and Board) 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.

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[1] See details of shareholders in Kalman Shaham Holdings Ltd. in paragraph 1.4 to Chapter A to this report.

7. **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**")

7.1 Service and cost allocation agreement between the Company and Altshuler Ltd.

On May 15, 2019, Altshuler Provident entered into an agreement with Altshuler Ltd., a controlling shareholder in the Company, for mutual provision of various operating and other services needed for the companies' ongoing operations ("**the provident service agreement**"). The provident service agreement was signed for a period of five years applicable from May 15, 2019 and is renewed automatically for additional 3-year periods each subject to obtaining the legal approvals. On February 27, 2022, the parties and the Company approved an amendment to the provident service agreement for adding the Company as a party to the agreement according to which the Company and/or companies controlled by it, including Altshuler Provident, will receive the services from Altshuler Ltd., as needed from time to time.

On December 30, 2021, Altshuler Provident obtained Altshuler Ltd.'s unilateral obligation to provide the services as per the provident 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 provident service agreement without being entitled to any additional fee for this unilateral obligation, subject to the liability arrangements set forth in the obligation. It should be clarified that this obligation in incorporated in the provisions of the provident service agreement.

On February 5, 2024, after obtaining the approvals of the Company's Audit Committee and Board, the Company's General Meeting approved the Company's engagement in a new service agreement that supersedes the provident service agreement (in this paragraph - "**the service agreement**"). 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 and vice versa. The service agreement is in effect for a period of three years from January 1, 2024 and can be terminated by either party at any time by providing an advance notice of 180 days.

The service agreement consists of the following changes:

7.1.1 As per a transfer pricing study prepared for the Company by external economic advisors (EY Israel's consulting teams) ("**the transfer pricing study**"), the proper cost allocation mechanisms were examined for delineating the economic nature of each expense and the manner in which it services the operation covered by the proposed financial service agreement as follows: overall employee ratio[2]; Tel-Aviv employee ratio[3]; asset ratio[4]; combined employee-asset ratio[5]; area ratio[6]; and service scope ratio[7].

7.1.2 Validating and changing the ratios in the agreement for personnel cost allocation in the various departments based on the findings of the transfer pricing study and the evaluations of the department managers on the scope of services and inputs actually provided to each party.

7.1.3 The allocation mechanism chosen for evaluating the resources dedicated by the executive officers and VPs in each Group company is the service scope ratio (as defined above).

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2 The ratio of employees in (1) Altshuler Shaham Finance Group, including employees allocated from Altshuler Ltd. Group to Altshuler Shaham Finance Group based on the allocation ratio; or (2) Altshuler Ltd. Group including employees allocated from Altshuler Shaham Finance Group to Altshuler Ltd. Group based on the allocation ratio to the entire employees in the Group. This ratio is calculated based on the Group's average headcount in the cumulative reporting period from the beginning of the calendar year for which the accounts are settled.

3 The ratio of employees in (1) Altshuler Shaham Finance Group, including employees allocated from Altshuler Ltd. Group to Altshuler Shaham Finance Group in the Group's branch in Tel-Aviv; or (2) Altshuler Ltd. Group including employees allocated from Altshuler Shaham Finance Group to Altshuler Ltd. Group in the Group's branch in Tel-Aviv to the entire employees in the Group less the employees of the Haifa branch. This ratio is calculated based on the Group's average headcount in the cumulative reporting period from the beginning of the calendar year for which the accounts are settled.

4 The ratio of dividing the entire assets managed by: (1) Althsuler Provident and Pension Ltd. or (2) Altshuler Shaham Mutual Fund Management Ltd. and Altshuler Shaham Investment Portfolio Management Ltd. to total assets managed by Althsuler Provident and Pension Ltd., Altshuler Shaham Mutual Fund Management Ltd. and Altshuler Shaham Investment Portfolio Management Ltd. (collectively) as of the last day of each cutoff period for which the accounts are settled.

5 Average 50%-50% ratio between (1) overall employee ratio and (2) asset ratio.

6 The area used by the Altshuler Shaham Finance Group out of the entire areas leased by the Group, excluding the Haifa offices of Altshuler Provident, including public areas, which as of the report date cover 70% and the area used by Altshuler Ltd. Group out of the entire areas leased by the Group, including public areas, which as of the report date cover 30%. The asset ratio will be reexamined and updated as necessary annually or in the event that there is a material change in the areas used by any of the Group companies in the course of the year.

7 Estimated scope of services (resources) granted to the Altshuler Shaham Finance Group in relation to the scope of services granted to the Altshuler Ltd. Group in the same field. The ratio is determined based on the evaluation of the required resources by the specific service departments. In general, the service scope ratio is regularly examined by the department managers at Altshuler Ltd. and their evaluations are reviewed by the Internal Auditor in keeping with the Internal Auditor's annual audit plan.

7.1.4 Specifically, the service agreement sets forth the following service cost and expense allocation mechanisms:

- Marketing department – the cost of the department's employees will be allocated to the Company as per the service scope ratio whereby the Company will continue to bear 70% of the employment cost of Altshuler Ltd.'s VP, Marketing.

- Investment department – the Company will bear 60% of the employment cost of Altshuler Ltd.'s VP, Investments and fully bear the employment costs of the investment managers and brokers of the provident and pension funds as their occupation is centered in Altshuler Provident.

- Investment control and operation department – the Company will bear 80% of the employment cost of VP, Investment Control and Operation and 80% of the employment cost of the Investment Control and Operation HQ coordinator. The Company will bear 50% of the employment cost of the data management team and will no longer bear 50% of the employment cost of the project manager. The Company will fully bear the service costs of the investment operation employees as their occupation is centered in Altshuler Provident. As for the service cost of investment and credit controllers, instead of allocating fixed rates of control function services to the Company, it is proposed that the Company will bear their employment cost based on the following hierarchy:

  1. In the first year of employment of credit control and/or investment control employees in the investment control and operation department, Altshuler Ltd. will bear 100% of the employment cost.

  2. For 12-18 months of employment of credit control and/or investment control employees in the investment control and operation department, the Company will bear 50% of the employment cost.

  3. After 18 months of employment of credit control and/or investment control employees in the investment control and operation department, the Company will bear 80% of the employment cost.

  The Company will also bear 80% of the employment cost of the business intelligence department employees.

- Human resources department – the allocation of the employment costs of talent recruiters, knowhow manager, training and administrative staffs and training and welfare manager will be based on the service scope ratio. The Company will bear the employment cost of the organizational development manager based on the employee ratio. It should be noted that there is no change in the percentage of employment cost borne by the Company for the VP of HR, welfare teams, comptrollers and reception staffs. It was also decided that Altshuler Ltd. will bear 50% of the employment cost of the payroll manager and the employment cost of the talent recruiter and training employees will be determined based on the service scope ratio. Altshuler Ltd. will no longer bear the employment cost of a pension agent for the Group's employees.

- 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 overall employee ratio (for business insurance).

- General expenses for work and related services for current operations of any of the Group companies – these expenses are attributed as stipulated in the agreement. The appropriate cost allocation key will be agreed by the CEOs of the Company and of Altshuler Ltd., based on the methodology underlying the cost allocation as set forth in the agreement, not to exceed a gross NIS 2 million per year and as long as a single transaction does not exceed NIS 200,000.

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.

In 2023, net payments jointly incurred by the Company and Altshuler Provident as per the service agreement was NIS 47,509 thousand, of which the Company paid NIS 44,086 thousand.

See more information of the service agreement and of the approval of the transaction and the personal interest of the controlling shareholder in the transaction in paragraphs 5, 10.5 and 10.6 to the Company's meeting notice report of January 1, 2024 (TASE references: 2024-01-000744), hereby mentioned for reference only.

7.2 Service agreement between the Company and Altshuler Real Estate

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, as amended on May 23, 2023 ("**the real estate service agreement**"). According to the real estate service agreement, the Company and Altshuler Real Estate interchange services. The Company provides Altshuler Real Estate management and CEO services as well as other professional services such as IT, finance, legal counsel and marketing in return for management fees based on cost + 6%.

Concurrently with the real estate service agreement, on July 1, 2022, 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 provides some of the services rendered to it by the Company as per the real estate service agreement back-to-back to Altshuler Properties based on objective cost allocation keys for a transition period until Altshuler Properties ceases to operate. Moreover, during this period, Altshuler Properties provides 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**").

See details of the service agreements and the fees paid in their respect in paragraph 1 to the Company's general meeting notice report of August 11, 2022 and a meeting outcome report of September 15, 2022 (TASE references: 2022-01-102046 and 2022-01-118096, respectively), hereby mentioned for reference only.

On September 15, 2022, the General Meeting of Shareholders (directly) approved the real estate service agreement and (indirectly) approved the agreement with Altshuler Properties for caution sake as irregular transactions in which an officer and the controlling shareholder in the Company have a personal interest. 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).

In 2023, the Company recognized receipts of NIS 9,417 thousand as per the service agreement whereby the net receipts through Altshuler Real Estate as per service agreement B totaled NIS 2,826 thousand.

On February 5, 2024, after obtaining the approvals of the Company's Audit Committee and Board, the General Meeting of Shareholders approved the following amendment to the real estate service agreement:

7.2.1 Based on the transfer pricing study, the following cost allocation keys are used in the proposed real estate service agreement to calculate the cost allocation to Altshuler Real Estate for the services provided by the Company: employee ratio[8]; alternative investment employee ratio[9]; area ratio[10]; asset ratio[11]; combined assets and employees ratio[12]; and service scope ratio[13]. For illustration purposes, following are the ratios that will be borne by the Company out of the employment costs of employees of some of the departments:

7.2.1.1 Procurement, operation and logistics and HR departments - Altshuler Real Estate will bear its share of the employment costs of each of these departments based on the employee ratio.

7.2.1.2 Marketing department – Altshuler Real Estate will bear the employment cost of the Company's VP, Marketing and all the marketing department employees based on the service scope ratio.

7.2.1.3 Business development department - Altshuler Real Estate will bear the employment cost of the following officers in the Company based on a 75%/25% ratio: CEO – 10%; Deputy CEO and CFO – 20%; Deputy CEO and VP, Sales and Business Development – 20%; VP and Legal Counsel – 20%; VP, Services – 20%.

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8 The ratio of employees of Altshuler Real Estate including employees allocated from Altshuler Shaham Finance Group to Altshuler Real Estate based on the cost allocation ratio to total employees of Altshuler Shaham Finance Group. This ratio is calculated based on the average headcount in Altshuler Shaham Finance Group in the cumulative reporting period from the beginning of the calendar year for which the accounts are settled.

9 The ratio of employees of Altshuler Real Estate including employees allocated from Altshuler Shaham Finance Group to Altshuler Real Estate based on the cost allocation ratio to total employees of Altshuler Alternative including employees allocated from Altshuler Shaham Finance Group to Altshuler Alternative to employees of Altshuler Investment Funds including employees allocated from Altshuler Shaham Finance Group to Altshuler Investment Funds based on the cost allocation ratio.

10 The area jointly used by Altshuler Real Estate, Altshuler Alternative and Altshuler Investment Funds divided based on the alternative investment employee ratio.

11 The ratio of total assets managed by Altshuler Real Estate to total assets managed by Altshuler Shaham Finance Group as of the last day of the cutoff period for which the accounts are settled.

12 Average 50%-50% ratio between (1) employee ratio and (2) asset ratio.

13 Resources required by officer of specific department for providing the services. In general, the service scope ratio is regularly examined by the department managers at Altshuler Ltd. and their evaluations are reviewed by the Internal Auditor in keeping with the Internal Auditor's annual audit plan.

7.2.1.4 Directly allocated personnel – regarding the personnel who provide direct alternative investment services, the cost allocation between the alternative investment companies operating under the Company is based on actual investments raised and the scope of active transactions at a given time. Moreover, the employment costs of personnel who provide direct sales services are allocated between the alternative investment companies operating under the Company as follows: 25% of employment costs less commissions with the addition of 25% of employment costs less commissions multiplied by the expected investment raising rate with the addition of 25% of employment costs less commissions multiplied by actual investment raising rate with the addition of a sale commission (as defined below).

7.2.1.5 Sales department - Altshuler Real Estate will bear the employment costs of the following employees who provide services to Altshuler Real Estate:

- Each employment cost incurred in respect of supervisors and marketing agents consists of: (a) a onetime customer referral commission of up to NIS 625 per referral; (b) base hourly salary of an employee which is the employment cost per hour less commissions multiplied by 1.5 and by the number of new customers of Altshuler Real Estate referred by the employee; (c) the sale commission to which the employee is entitled as per the employment agreement with Altshuler Real Estate ("**the sale commission**").

- The employment cost incurred in respect of a team manager and sales department employees consists of the sale commission only.

7.2.1.6 IT systems - Altshuler Real Estate bears the employment cost of IT systems employees based on the employee ratio and actual work hours multiplied by a fixed hourly rate as per the relevant department.

7.2.1.7 Nonrecurring expenses – as agreed upon between the parties once a quarter, not to exceed NIS 90,000 per quarter per party.

7.2.1.8 General expenses for work and related services required by Altshuler Real Estate in connection with and for the purpose of its normal current operations insofar as such expenses are required by Altshuler Real Estate, their cost will be based on the allocation keys agreed upon between the Company's CEO and Altshuler Real Estate's CEO in keeping with the methodology underlying the cost allocation as set forth in paragraph 7.2.1 above, not to exceed a gross NIS 1 million per year and as long as a single transaction does not exceed NIS 100,000. The cost allocation keys regarding general expenses are brought before the Company's Audit Committee for its approval at least annually.

7.2.2 Consolidated management services - Altshuler Real Estate will pay the Company a fixed annual fee accounting for 6% of total overall cost of personnel services rendered by the Company to Altshuler Real Estate as per the proposed real estate service agreement for the management of the variety of services as per the agreement plus VAT. The fee will be paid in four quarterly instalments on the date of publication of the Company's interim financial statements for each quarter[14].

For prudence sake, since the consideration paid to Altshuler Real Estate by Altshuler Properties as per service agreement B is also derived from the consideration paid in the real estate service agreement and despite the indirect and immaterial effect of the consideration in service agreement B, as per the Company's evaluations, the engagement in the real estate service agreement was presented to the approval of the General Meeting as an irregular transaction in which the controlling shareholder in the Company has a personal interest.

The real estate service agreement is in effect for a period of three years from January 1, 2024.

See more information of the real estate service agreement and of the approval of the transaction and the personal interest of the controlling shareholder in the transaction in paragraphs 6, 11.5 and 11.42 to the Company's meeting notice report of January 1, 2024 (TASE references: 2024-01-000744), hereby mentioned for reference only.

7.3 Agreement for purchase of shares of A.S. Global from Altshuler Sahaham Ltd.

On February 5, 2024, after obtaining the approvals of the Company's Audit Committee and Board, the Company's General Meeting approved the engagement of Althsuler Alternative (a private company that is wholly owned by the Company) in an agreement of January 1, 2024 for the acquisition of the shares of Althsuler Shaham Global Opportunities Ltd. ("**A.S. Global**") from Altshuler Ltd. ("**the acquisition agreement**"). See also paragraph 3.3.1 to Chapter A to this report.

As part of the acquisition agreement and in keeping with the General Meeting's approval of February 5, 2024, Althsuler Alternative entered into the following agreements: (1) shareholders' agreement in A.S. Global; (2) mutual service agreement with the Company; (3) active COB service agreement between iFunds and HTS through Weingarten, as detailed below; (4) lead generation agreements between iFunds, Althsuler Investment Funds and Althsuler Real Estate.

[14] It is clarified that no fee is charged for services which are essentially rendered as brokerage services (in which the Company acts as agent or broker between Altshuler Real Estate and service providers) and not as management services.

7.3.1 Active COB service agreement between iFunds and HTS Investments Ltd. ("**HTS**") through Weingarten

As per the shareholders' agreement and the service agreement signed between iFunds and HTS (as defined above) on the closing date ("**the consulting agreement**"), iFunds will continue to receive COB services from its other shareholder through the controlling shareholder, Mr. Moshe Weingarten, who as of the report date serves as director and active COB, in return for a monthly fee of NIS 50,000 plus VAT as required by law, in addition to the half-position consulting services provided by him had he been employed in the company. The consulting agreement will be extended automatically at the end of 2024 for an additional 24 months under the same terms unless it is decided not to renew the service agreement between the other shareholder by providing an advance written notice. The agreement cannot be terminated by iFunds.

According to the consulting agreement, the other shareholder undertook that throughout the period of rendering services to iFunds: (a) it will not hire, participate or become involved, for free or for a charge, directly and indirectly, by itself and/or through anyone on its behalf and/or any third party in any matter or business operation that compete with iFunds' business in the operating segment regarding the non-compete clause[15] and will not exploit any business opportunity offered to iFunds in the operating segment regarding the non-compete clause, not through and for the company; (b) it will not establish or maintain not through iFunds any business relation in the operating segment regarding the non-compete clause with iFunds' vendors and/or service providers and/or customers whose information reaches it and/or with whom it had contact at any time due to and in connection with its involvement in iFunds; (c) it will not solicit iFunds' employees, service providers, vendors and/or customers in any manner whatsoever to terminate their engagement with iFunds or reduce their engagement scope with iFunds; (d) it will not hire iFunds' employees and will not create, not through iFunds, any business relation with iFunds' employees and/or assist them in getting hired by iFunds' competitors.

See details of the shareholders' agreement between the shareholders of A.S. Global and the mutual service agreement between the Company and Althsuler Alternative in paragraphs 3.3.6.1 and 3.3.6.2 to Chapter A to this report, respectively.

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[15] The shareholders' agreement includes a non-compete clause applicable to each of the shareholders in A.S. Global (themselves and their direct or indirect controlling shareholders and/or officers and/or corporations held by them) which is in effect as long as they are shareholders in A.S. Global and for an additional period of 15 months after they cease to be shareholders in A.S. Global in the fields of distribution of iFunds' iCapital products to retail customers only ("**the operating segment regarding the non-compete clause**").

7.4 <u>Lead generation agreement between the Company and Altshuler Shaham Financial Services Ltd., a company controlled by Altshuler Ltd., a controlling shareholder in the Company</u>

On February 5, 2024, after obtaining the approvals of the Company's Audit Committee and Board, the Company's General Meeting approved the Company's engagement in a lead generation agreement with Altshuler Shaham Financial Services Ltd. ("**A.S. Financial**"), which is controlled by Althsuler Ltd., a controlling shareholder in the Company, for the provision of services for financial assets managed/owned by A.S. Financial and specifically deposit and/or financial asset swap services (such as foreign currency conversion).

In return for generating leads for A.S. Financial, the Company is entitled to a commission, as detailed below, on each new financial service customer of A.S. Financial deriving from the Company's direct actions and efforts. It should also be clarified that the Company is entitled to the commission even if the customer ceases the receive services from A.S. Financial and returns to receive services for a financial asset managed by A.S. Financial without any referral and/or action by the Company. Insofar as a Company lead fails to generate a transaction with A.S. Financial within 60 days from the referral date, A.S. Financial will not use or transfer any information of the prospective customer. Insofar as a referred customer does not receive any financial asset management service from A.S. Financial for a period of five years from the referral date or from the account opening date (whichever is later), the Company will not be entitled to a commission. Moreover, if a deposit is released before the end of the deposit period, the Company will not receive any commission. After a customer enters into a service agreement with A.S. Financial, the latter will be able to retain the customer's information and use it as allowed by law but may not transfer such customer information to others, including members of the Altshuler Shaham Group without the Company's express written consent and will not use and/or allow to use this information even when the customer's consent to the transfer or use is rendered.

In respect of a customer that receives financial asset management (other than deposit) services from A.S. Financial, the Company is entitled to a commission of 50% of the monthly income derived to A.S. Financial from the customer less direct operating expenses paid by A.S. Financial for the transaction, as agreed between the parties, but excluding expenses that are not controlled by A.S. Financial, if any (such as custodians, bank commissions etc.). In respect of a customer that receives qualified deposit services from A.S. Financial, the Company is entitled to a commission of 50% of the quarterly income actually derived to A.S. Financial from the customer less direct operating expenses paid by A.S. Financial for the transaction, as agreed between the parties, but excluding expenses that are not controlled by A.S. Financial, if any (such as custodians, bank commissions etc.).

The agreement is for an indefinite period but requires reapproval by the General Meeting at the end of three years from the approval date. Each party may terminate the agreement by providing an advance written notice of 60 days.

See more information of the approval of the transaction and the personal interest of the controlling shareholder in the transaction in paragraphs 13.2 and 13.5 to the Company's meeting notice report of January 1, 2024 (TASE references: 2024-01-000744), hereby mentioned for reference only.

7.5 Employment agreement with Mr. Yair Lowenstein, the Company's CEO and a controlling shareholder therein

See details of the service and tenure terms of the employment agreement signed by the Company with Mr. Yair Lowenstein, the Company's CEO and a controlling shareholder therein, as approved by the General Meeting on February 5, 2024 after obtaining the approvals of the Company's Remuneration Committee and Board, in paragraph 5.3.2 above.

7.6 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[16] 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.

7.7 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 17 below.

[16] 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.

7.8 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

7.9 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 were signed 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 ("**sales commissions**").

On November 23, 2022, the Company's Audit Committee classified and approved the marketing agreements as ordinary transactions and on November 28, 2022, the Company's Board approved the marketing agreements.

On May 23, 2023, the Company, through Altshuler Real Estate and the Agencies signed amendments to the marketing agreements according to which the sales commissions will range between 0.52% and 0.9% of the investment amount. In addition, on February 6, 2024, the customer lead commission was set as a nonrecurring fee of up to NIS 625 on each referral of customers of the Agencies to Altshuler Real Estate for signing real estate investment transactions ("**the lead commissions**").

On December 24, 2023, the Company's Audit Committee approved and classified the amendments to the marketing agreements as ordinary transactions. In 2023, Altshuler Real Estate paid sales commissions of approximately NIS 52 thousand in respect of the marketing agreements but has not yet recorded any payments for lead commissions.

7.10 <u>Agreement for marketing Altshuler Investment Funds' products</u>

On May 23, 2023, Altshuler Investment Funds entered into investment transaction marketing agreements with each of the Agencies, subject to obtaining the approvals required by law (in this paragraph - "**the marketing agreements**").

The marketing agreements settle the partnership between Altshuler Investment Funds and the Agencies for marketing Altshuler Investment Funds' products in return for two types of commissions: (i) nonrecurring sales commissions are paid to marketing employees of each of the Agencies as derived from the amount of the investments made by customers of investment transactions at a rate that is beneficial compared to third party commissions; and (ii) nonrecurring lead commissions of up to 0.3% on customer leads referred by the Agencies to Altshuler Investment Funds provided that Altshuler Investment Funds completes the marketing of the investment transactions and obtains the customers. The final rate of the lead commission (0.3% or less) is decided by the managers of Altshuler Investment Funds as their prerogative. On May 21, 2023, the Company's Audit Committee approved and classified the marketing agreements as an ordinary material transaction with the Company's controlling shareholder.

On February 6, 2024, Altshuler Investment Funds signed amendments to the marketing agreements according to which: (i) the sales commissions will range between 0.52% and 0.9% of the investments; and (ii) the agents will be entitled to nonrecurring lead commissions of up to NIS 625 for each lead. On December 24, 2023, the Company's Audit Committee approved and classified the marketing agreements as an ordinary material transaction with the Company's controlling shareholder.

In 2023, Altshuler Investment Funds has not yet made any transactions as per the marketing agreements.

7.11 Altshuler Real Estate's investment transactions

7.11.1 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)[17], and other parties as an ordinary 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.

7.11.2 On August 20, 2023 and November 20, 2023, the Company's Audit Committee approved and classified investments of the controlling shareholders in the Company and of individuals who are relatives of the controlling shareholders in the Company in special purpose partnerships that will be founded by Altshuler Real Estate (in which it will serve as GP) for raising funds for making real estate investments which constitute ordinary and material transactions as per the benchmarks set by the Audit Committee. The controlling shareholders invested in the special purpose partnerships as LPs alongside unrelated third-party investors under the same terms as the other investors (including management fees, carried interest and any other commission payable to the GP and payment owed by any of the other investors).

7.12 Altshuler Investment Funds' investment transactions

On November 20, 2023, the Company's Audit Committee approved and classified an investment of the controlling shareholders in a special purpose partnership that will be founded by a wholly owned subsidiary of Altshuler Alternative (which will serve as the GP) as an ordinary material transaction as per the benchmarks set by the Audit Committee. The controlling shareholders invested in the special purpose partnership as LPs alongside unrelated third-party investors under the same terms as the other investors (including management fees, carried interest and any other commission payable to the GP and payment owed by any of the other investors).

On November 20, 2023, the Company's Audit Committee approved the controlling shareholders' commitment to invest any additional amount needed in the special purpose partnership under the same terms.

[17] 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.

7.13 Lead generation agreements

On August 21, 2021, the Company entered into a lead generation agreement with Altshuler Ltd. according to which the former will generate leads for the latter for offering prospective customers portfolio management services. The lead commission accounts for 50% of the annual management fees in the referred portfolio provided that the lead is generated by a marketing agent or employee of the Company. It should be noted that the agreement has ended but the Company continues to receive lead commissions based on the above arrangement.

On July 18, 2021, Altshuler Provident entered into a new lead generation agreement with Althsuler Ltd. 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 new agreement, Altshuler Provident receives 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 marketing agents or employees. On July 18, 2021, the Audit Committee classified and approved this agreement as ordinary transaction.

In 2023, total receipts earned by Altshuler Provident from the lead generation agreements amounted to NIS 1,200 thousand.

7.14 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 pays 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 is deducted from such cost[18]. The term of the agreement is five years from the revision date, after which it is 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 2023, total payments jointly made by the Company and Altshuler Provident pursuant to the agreement amounted to NIS 1,347 thousand.

18 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.

7.15 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 2023, total payments made by Altshuler Provident pursuant to the marketing agreement amounted to NIS 6,144 thousand.

7.16 Agreements with Altshuler Shaham Retirement Guidance Insurance Agency Ltd. ("**Altshuler Retirement Guidance**")

7.16.1 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 2023, the consideration paid by Altshuler Provident to Altshuler Retirement Guidance with respect to the agreement was negligible.

7.16.2 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 an ordinary transaction.

In 2023, the commission paid by Altshuler Provident to Altshuler Retirement Guidance pursuant to the marketing agreement, for current commissions and volume commissions, amounted to NIS 1,621 thousand and NIS 119 thousand, respectively.

7.17 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 an ordinary transaction and approved the amendment as per the Company's policies.

On May 23, 2023, Altshuler Provident and Altshuler Retirement Insurance signed an amendment to the agreement which revised the consideration mechanism to which Altshuler Retirement Insurance is entitled and set forth the following commissions: (i) a commission in the amount of the commission payable to employees of Altshuler Retirement Insurance by Altshuler Retirement Insurance for marketing products of Altshuler Ltd.; (ii) a commission in the amount of the employment cost of Altshuler Retirement Insurance's employees based on the ratio of total commissions payable to Altshuler Retirement Insurance's employees for marketing products of Altshuler Ltd. to total commissions payable to Altshuler Retirement Insurance's employees, subject to meeting minimum sales targets. The minimum sales target for paying this commission is NIS 300,000. The maximum ratio of the commission as defined above for which Altshuler Retirement Insurance is entitled to payment from Altshuler Ltd. is 25%.

In 2023, the amount paid by Altshuler Provident to Altshuler Retirement Insurance pursuant to the marketing agreement for the commissions specified above amounted to NIS 1,841 thousand.

7.18 Lead generation agreement for financial asset conversion and custodian services

On May 23, 2023, Altshuler Real Estate and Altshuler Investment Funds each entered into two separate term sheets with A.S. Financial as follows: (a) a term sheet for receiving forex services for their nostro portfolio at an exchange rate that does not exceed 0.2% of the standard exchange rate for a similar transaction carried out with other customers in the same currency ("**the exchange services**"); (b) a term sheet for receiving custodian services for financial assets of their nostro portfolio consisting of deposits in respect of which each subsidiary is entitled to interest as agreed on the deposit date ("**the deposit services**"). On May 21, 2023, the Audit Committee classified the term sheets as ordinary transactions. No consideration was paid in respect of the agreement in 2023.

7.19 Provident fund investments along with the controlling shareholders

7.19.1 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 ordinary transactions (in this paragraph – "**the joint ventures**"). Altshuler Provident's engagements in the joint ventures were approved by its board as ordinary 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[19]; 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[20]. 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.

7.19.2 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 an ordinary 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.

7.20 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.

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19 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.

20 See footnote 5 above.

7.21 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 accordance with the annual test of the benchmarks established for classification of transactions by the Company or its subsidiaries with interested parties as immaterial transactions, conducted as per Article 117(2a) to the Companies Law, on March 18, 2024, the Audit Committee decided to reaffirm the guidelines as specified below.

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 an ordinary 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.

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 43 thousand.

8. **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, 2024 (TASE reference: 2024-01-002361) hereby mentioned for reference only.

9. **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 March 4, 2024 (TASE reference: 2024-01-021966) hereby mentioned for reference only.

10. **Regulation 24B – Registry of the Company's Shareholders**

See details of the Registry of the Company's shareholders in its immediate report of March 4, 2024 (TASE reference: 2024-01-021966) hereby mentioned for reference only.

11. **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

12. Regulation 26 – Directors of the Company

12.1 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	89/10 Ben Yehuda 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

	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.; Elbit Imaging Ltd.	Altshuler Shaham Finance Ltd.; Libra Insurance Company Ltd.; Strawberry Fields REIT Limited; Phinergy Ltd.; The Zarasai Group Ltd.; Prashkovsky investments and Construction 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 92(a)(12) of the Companies Law	Yes	Yes	Yes

12.2 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[21]
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

[21] 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.

	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., A&I Financial Software Systems Ltd., EcoCycle Ltd., L.N. Technology Entrepreneurship Ltd., Altshuler Shaham Properties Founder Ltd., Altshuler Shaham Partnership Management Ltd., Portfolio A Gidur Ltd., Netz Gidur Ltd., Blue Orca Capital Ltd., Blue Orca Long GP, Horizon Digital Assets Ltd., Exponential Capital Ltd., Solo Gelato Ltd., 2A Ventures GP GP Ltd., 2A Management Ltd., Altshuler Shaham Trade Ltd., Enzymocore Ltd.	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., iFunds Capital Ltd., Netz Hedge Ltd., iHedge Portfolio 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 Business Opportunity Fund Ltd.; Altshuler Shaham Alternative Investments Ltd.; Altshuler Shaham Alternative Investment Funds Ltd., iFunds Capital Ltd., Altshuler Shaham Global Opportunities 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 4.95% held by Ms. Galia Bar Wilf (26.84% is held in trust by Altshuler Shaham Trustees Ltd.) and 4.95% held by Daniel Benin Bar (26.84% 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

13. **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[22]	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 29, 1971
Position	Deputy CEO, Finance Manager	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[23]	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, Finance Manager	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[24]	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[25]
Family member of another senior officer or interested party	No	No	No	No	No	No	No	No	No	No

22 Provides consulting services to members of the controlling shareholder group of companies in negligible scopes.

23 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.

24 Employed by Altshuler Ltd. with salary partially allocated to the Company.

25 Employed by Altshuler Ltd. with salary partially allocated to the Company.

Chapter D - Additional Information about the Corporation

Education, including the professions or fields of education, institution and the academic title or professional diploma held	CPA, bachelor's degree in Accounting, Economics and Management from Tel Aviv University; Master's degree in Business Management – Financial Management from Tel Aviv University	Attorney, LLB, Hebrew University; LLM (commercial specialization) from Tel Aviv University	Bachelor's degree in Economics and Accounting; Master's degree in Business Management (Finance) from Bar Ilan University, CPA	Bachelor's degree in Business Management from Izrael College; Master's degree in Public Policy from Tel Aviv University; suspended pension marketing license; suspended pension advisory license	Bachelor's degree in Management and Communications from the Open University	Bachelor's degree in Education and Sociology from the Hebrew University; Master's degree in Organizational Behavior from Tel Aviv University	Computer programming course, IDF; Bachelor's degree in Logistics and Computer Science from Bar Ilan University; Master's degree in Business Management from Harriott Watt University	CPA, Bachelor's degree in Economics and Accounting from Ben Gurion University; master's degree in Business Management – Financial Management from Tel Aviv University	Bachelor's degree in Economics and Management (specialized in Finance) from Rupin Academic Center; Pension marketing license	Bachelor's degree in Business Management and Communications from the College of Management
Business experience over past five years	Deputy CEO and Finance Manager; Finance Manager 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.; Director of iFunds Capital Ltd.	VP Marketing of Unilever Israel

14. **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.

15. **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.

16. **Regulation 29 – Recommendations and Resolutions of Directors**

16.1 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:

a) Dividend payment or distribution (as defined in the Companies Law)

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, 2023 in a total 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), hereby mentioned for reference only.

2) On May 23, 2023, the Company's Board approved the distribution of a dividend based on the Company's financial statements as of March 31, 2023 in a total of NIS 29 million. See also the Company's immediate reports of May 24, 2023 and June 7, 2023 (TASE references: 2023-01-055539 and 2023-01-062625, respectively), hereby mentioned for reference only.

3) On August 21, 2023, the Company's Board approved the distribution of a dividend based on the Company's financial statements as of June 30, 2023 in a total of NIS 23 million. See also the Company's immediate reports of August 22, 2023 and September 5, 2023 (TASE references: 2023-01-096588 and 2023-01-103371, respectively), hereby mentioned for reference only.

4) On November 22, 2023, the Company's Board approved the distribution of a dividend based on the Company's financial statements as of September 30, 2023 in a total of NIS 28 million. See also the Company's immediate reports of November 23, 2023 and December 6, 2023 (TASE references: 2023-01-127233 and 2023-01-133233, respectively), hereby mentioned for reference only.

5) On March 20, 2024, the Company's Board approved the distribution of a dividend based on the Company's financial statements as of December 31, 2023, hereby attached as Chapter C, in a total of NIS 23 million.

16.2 Resolutions of the Special General Meeting

On February 5, 2024, a Special General Meeting of the Company's shareholders approved the following resolutions: (i) entering into an employment agreement with Mr. Yair Lowenstein, the Company's CEO and a controlling shareholder therein; (ii) renewing the service and cost allocation agreement between the Company and Altshuler Ltd.; (iii) revising the service agreement between the Company and Altshuler Real Estate; (iv) entering into an agreement for the purchase of the shares of A.S. Global from Altshuler Ltd. and signing related agreements; (v) entering into a lead generation agreement with A.S. Financial Services Ltd. which is controlled by Altshuler Ltd., a controlling shareholder in the Company.

See more details of the agreements mentioned above in Regulation 22 above and in the Company's immediate report of January 1, 2024 (TASE references: 2024-01-000744), hereby mentioned for reference only.

16.3 Irregular Transactions that require Approval as per Article 270(1) to the Companies Law

Following are details of irregular transactions that require approval as per Article 270(1) to the Companies Law:

16.3.1 On August 24, 2023, the Company and Altshuler Real Estate signed a single lender agreement for providing financing to Altshuler Real Estate consisting of a credit facility of NIS 8 million bearing interest of Prime + 0.8% until the end of 2025. On August 20, 2023, the Audit Committee classified the above financing transaction as an irregular transaction and for caution sake, due to the potential personal interest of Ms. Sharon Gerszbejn who holds 7% in Altshuler Real Estate, also classified it as a transaction in which an officer in the Company has personal interest. Accordingly, the Company's Audit Committee and Board approved the financing transaction on August 20, 2023 and August 21, 2023, respectively.

16.3.2 On December 26, 2023, the Company entered into a term sheet granting it a right to make nostro investments in transactions managed by Altshuler Real Estate, a subsidiary of the Company and/or Altshuler Investment Funds. For caution sake, due to the potential personal interest of Ms. Sharon Gerszbejn who holds 7% in Altshuler Real Estate, on December 24, 2023, the Audit Committee classified the term sheet transaction as an irregular transaction. Accordingly, the Company's Audit Committee and Board approved the term sheet transaction on December 24, 2023 and December 26, 2023, respectively.

16.3.3 As of the report publication date, Altshuler Real Estate and Altshuler Investment Funds are considering entering into agreements for receiving credit in an aggregate of NIS 100 million from two Israeli banks. According to the current term sheets, the credit will be provided to Altshuler Real Estate and Altshuler Investment Funds as interim financing for completing investment rounds. Moreover, to receive the credit, the Company will have to provide a limited guarantee in the amount of the credit facilities. In view of the potential personal interest of Ms. Sharon Gerszbejn who holds 7% in Altshuler Real Estate in the transaction, on March 18, 2024, the Audit Committee classified the provision of the guarantee as an irregular transaction. Accordingly, the Company's Audit Committee and Board approved the credit transaction on March 18, 2024 and March 20, 2024, respectively, subject to signing binding credit agreements.

17. **Regulation 29A – Resolutions of the Company**

17.1 D&O liability insurance policy

17.1.1 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 of 12 months.

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.

17.1.2 On November 22, 2023, the Company's Remuneration Committee approved the Company's purchase of a collective D&O liability insurance policy for the Altshuler Shaham Group's directors and officers in keeping with Regulation 1B(1) to the Companies Regulations (Reliefs in Interested Party Transactions), 2000. The insurance policy meets the Company's remuneration policy as approved by the General Meeting on October 27, 2022 and corresponds to the service and cost allocation agreement signed between the Company, Altshuler Provident and Altshuler Ltd., as amended with the General Meeting's approval on February 5, 2024, for a period of 12 months beginning on December 1, 2023.

The insurance covers all the directors and officers in the Company, including the CEO and the controlling shareholders, in keeping with the Relief Regulations, under the same terms and with no preference to the controlling shareholders or the CEO. According to the policy, the collective liability limit is $ 40 million per event and cumulatively for the insurance period and covers lawsuits filed against officers arising from the performance of their duties in the Company. The cost of the annual insurance fees and deductible borne by the Company are at arm's length and are immaterial to the Company, all pro rata to the Company's share as determined in the service agreement.

17.2 <u>Letters of quittance and indemnity to officers</u>

On September 18, 2022, September 22, 2020 and October 27, 2022, the Company's Remuneration Committee, Board and General Meeting 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**")[26].

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.

[26] 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.

ALTSHULER SHAHAM FINANCE LTD.

Report and Certifications of Internal Control over Financial Reporting and Disclosure

For the year ended December 31, 2023

Report of Internal Control over Financial Reporting and Disclosure

Annual Report on the Effectiveness of Internal Control over Financial Reporting and Disclosure Pursuant to Regulation 9B(a)

Management, under the supervision of the Board of Directors of Altshuler Shaham Finance Ltd. ("**the Company**"), is responsible for establishing and maintaining adequate internal control over financial reporting and disclosure in the Company, performed by the following key management personnel:

1. Mr. Yair Lowenstein, CEO and Director;
2. Ms. Sharon Gerszbejn, Deputy CEO, CFO;
3. Mr. Tzafrir Zanzuri, Deputy CEO, Head of Sales and Business Development;
4. Ms. Osnat Antebi, VP, Legal Counsel;
5. Ms. Anat Knafo-Tavor, CEO of Altshuler Shaham Provident and Pension Ltd.;
6. Ms. Sigalit Raz, VP, HR;
7. Ms. Keren Fuchs, VP, IT'
8. Mr. Erez Yefet, CFO.

Internal control over financial reporting and disclosure consists of the Company's existing controls and procedures as planned by the CEO and most senior financial officer in the Company, or under their charge, or by anyone who is effectively in charge of said functions, with the supervision of the Company's Board of Directors, designed to provide reasonable assurance on the reliability of financial reporting and the preparation of the financial statements in conformity with the provisions of applicable laws, and ensure that all information which the Company is required to disclose in the financial statements issued by it is collected, processed, summarized and reported in a timely manner as required by law.

Among others, internal control consists of controls and procedures designed to ensure that all information which the Company is legally required to disclose as above is collected and transferred to the Company's Management, including the CEO and most senior financial officer in the Company or anyone who is effectively in charge of said functions, in order to allow decision making in a timely manner, with respect to the disclosure requirements.

Due to its inherent limitations, internal control over financial reporting and disclosure is not intended to provide absolute assurance that a material misstatement or omission of information in the financial statements will be prevented or detected.

The Company's Management, with the supervision of the Board of Directors, tested and evaluated the internal control over financial reporting and disclosure in the Company and assessed its effectiveness. The assessment of the effectiveness of the internal control over financial reporting and disclosure in the Company performed by Management, with the supervision of the Board of Directors, consisted of the following:

- Mapping and identifying the processes which are very material to financial reporting and disclosure. The processes which the Company has identified as very material to financial reporting and disclosure at the level of the consolidated reports are:

  1. Entity-level controls ("ECLs").
  2. IT general controls ("ITGCs").
  3. Financial statement close and reporting process.
  4. Procurement and vendors.
  5. Managing bank accounts and cash flows.
  6. Payroll and human resources.
  7. Interested party transactions.
  8. Agents and distribution commissions (Altshuler Shaham Provident and Pension Ltd.).
  9. Revenues from management fees (Altshuler Shaham Provident and Pension Ltd.).
  10. Related party transactions (Altshuler Shaham Provident and Pension Ltd.).

- In respect of new processes, mapping the risks and documenting the internal controls over very material processes in financial reporting.

  In respect of existing processes – revalidating the risks and controls identified in very material processes in financial reporting.

- Defining key controls in very material processes in financial reporting.

- Analyzing gaps in the design of internal control over financial reporting and disclosure.

- Testing the effectiveness of key controls while analyzing gaps and providing recommendations and deadlines for closing detected gaps.

- Issuing quarterly reports to the Company's Management and Audit Committee regarding gaps detected in the process of designing internal control over financial reporting and disclosure and in testing the effectiveness of key controls.

- Issuing an overall evaluation of the effectiveness of internal control over financial reporting by the Company's Management with the supervision of the Board of Directors.

Based on the evaluation of said effectiveness performed by Management, with the supervision of the Board of Directors as detailed above, the Company's Board of Directors and Management concluded that the internal control over financial reporting and disclosure in the Company as of December 31, 2023 is effective.

CEO Certification

I, Yair Lowenstein, hereby certify that:

1. I have reviewed the periodic report of Altshuler Shaham Finance Ltd. ("**the Company**") for 2023 ("**the reports**").

2. To my knowledge, the reports do not contain any misrepresentation of any material facts and do not omit any representation of any material facts that are needed in order for the representations included therein, in view of the circumstances under which such representations were included, not to be misleading with reference to the period of the reports.

3. To my knowledge, the financial statements and the other financial information included in the reports adequately reflect, in all material respects, the financial position, operating results and cash flows of the Company for the dates and periods addressed in the reports.

4. I have disclosed to the Company's auditors and to the Company's Board of Directors, and the Board's Audit Committee, based on my latest evaluation of internal control over financial reporting and disclosure:

   (a) All the significant deficiencies and the material weaknesses in the establishment or operation of internal control over financial reporting and disclosure that are liable to reasonably adversely affect the Company's ability to record, process, summarize or report financial information in a manner that is to impair the reliability of financial reporting and the preparation of the financial statements in accordance with applicable law; and

   (b) Any fraud, whether material or not, that involves the CEO or direct subordinates thereto or that involves other employees with a significant role in internal control over financial reporting and disclosure.

5. I, alone or along with others in the Company:

   (a) Have established controls and procedures, or have secured the establishment and existence of such controls and procedures under my supervision, designed to guarantee that material information relating to the Company, including to its subsidiaries, as defined in the Securities Regulations (Annual Financial Statements), 2010, is brought to my knowledge by others in the Company and in the subsidiaries, particularly during the period of the preparation of the reports; and

   (b) Have established controls and procedures, or have secured the establishment and existence of such controls and procedures under my supervision, designed to reasonably guarantee the reliability of financial reporting and the preparation of the financial statements in accordance with applicable law, including according to generally accepted accounting principles;

   (c) Have evaluated the effectiveness of internal control over financial reporting and disclosure in the Company as it relates to the financial statements and the other financial information included in the reports as of the date of the reports. The conclusions of my evaluation as above have been presented to the Board of Directors and Management and integrated in this report.

There is nothing in the aforesaid to derogate from my responsibility or the responsibility of anyone else, pursuant to any law.

Yair Lowenstein
CEO

March 20, 2024

CFO Certification

I, Sharon Gerszbejn, hereby certify that:

1. I have reviewed the periodic report of Altshuler Shaham Finance Ltd. ("**the Company**") for 2023 ("**the reports**").

2. To my knowledge, the reports do not contain any misrepresentation of any material facts and do not omit any representation of any material facts that are needed in order for the representations included therein, in view of the circumstances under which such representations were included, not to be misleading with reference to the period of the reports.

3. To my knowledge, the financial statements and the other financial information included in the reports adequately reflect, in all material respects, the financial position, operating results and cash flows of the Company for the dates and periods addressed in the reports.

4. I have disclosed to the Company's auditors and to the Company's Board of Directors, and the Board's Audit Committee, based on my latest evaluation of internal control over financial reporting and disclosure:

   (a) All the significant deficiencies and the material weaknesses in the establishment or operation of internal control over financial reporting and disclosure that are liable to reasonably adversely affect the Company's ability to record, process, summarize or report financial information in a manner that is to impair the reliability of financial reporting and the preparation of the financial statements in accordance with applicable law; and

   (b) Any fraud, whether material or not, that involves the CEO or direct subordinates thereto or that involves other employees with a significant role in internal control over financial reporting and disclosure.

5. I, alone or along with others in the Company:

   (a) Have established controls and procedures, or have secured the establishment and existence of such controls and procedures under my supervision, designed to guarantee that material information relating to the Company, including to its subsidiaries, as defined in the Securities Regulations (Annual Financial Statements), 2010, is brought to my knowledge by others in the Company and in the subsidiaries, particularly during the period of the preparation of the reports; and

   (b) Have established controls and procedures, or have secured the establishment and existence of such controls and procedures under my supervision, designed to reasonably guarantee the reliability of financial reporting and the preparation of the financial statements in accordance with applicable law, including according to generally accepted accounting principles;

   (c) Have evaluated the effectiveness of internal control over financial reporting and disclosure in the Company as it relates to the financial statements and the other financial information included in the reports as of the date of the reports. The conclusions of my evaluation as above have been presented to the Board of Directors and Management and integrated in this report.

There is nothing in the aforesaid to derogate from my responsibility or the responsibility of anyone else, pursuant to any law.

Sharon Gerszbejn
Deputy CEO, CFO

March 20, 2024