



Altshuler Shaham Finance Ltd.

Interim Report for the Period ended March 31, 2024

ALTSHULER SHAHAM FINANCE LTD.

Interim Report as of March 31, 2024

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This is an English translation of a Hebrew report that was published on May 23, 2024 in "Magna" – ISA official website (reference no.: 2024-01-050869) ("the Hebrew Version"). This English version is only for convenience purposes. This is not an official translation and has no binding force. Whilst reasonable care and skill have been exercised in the preparation hereof, no translation can ever perfectly reflect the Hebrew Version. In the event of any discrepancy between the Hebrew Version and this translation, the Hebrew Version shall prevail.

ALTSHULER SHAHAM FINANCE LTD.

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

For the Period of Three Months ended March 31, 2024

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

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

**Report of the Board of Directors on the State of Affairs of the Corporation
for the Period of Three Months ended March 31, 2024**

Altshuler Shaham Finance Ltd. ("**the Company**") is pleased to present the Report of the Board of Directors for the period of three months ended March 31, 2024 ("**the Reporting Period**" and/or "**Q1 2024**") in accordance with the Israeli Securities Regulations (Periodic and Immediate Reports), 1970 ("**the Reporting Regulations**"), which reviews the main changes in the Company's operations and results in the Reporting Period.

The review is limited in scope and solely addresses events and changes in the Company's business affairs in the Reporting Period whose effect is material. This report should be read in conjunction with the Company's periodic report for 2023, including the Company's financial statements and report of the board of directors as of December 31, 2023, as published on March 21, 2024 (TASE reference: 2024-01-029646) ("**the Periodic Report**"), whose information is hereby included by reference.

Glossary of terms used in this report:

"**Report Date**" – March 31, 2024.

"**Report Approval Date**" – May 22, 2024.

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

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

1.1 Condensed description of the Company and its business environment

The Company was incorporated in Israel as a private company limited in shares on December 9, 2001. On April 4, 2022, the Company's shares began trading on the Tel-Aviv Stock Exchange Ltd. ("**the TASE**") and were allocated to the shareholders of Altshuler Provident Funds and Pension Ltd. ("**Altshuler Provident**") in return for Altshuler Provident's shares held by them ("**the Business Restructuring**"). Accordingly, the Company became a public company, as this term is defined in the Israeli Companies Law, 1999 ("**the Companies Law**") and a reporting entity, as this term is defined in the Israeli Securities Law, 1968 ("**the Securities Law**"). As of the Report Approval Date, the Company is held by Yair Lowenstein Holdings Ltd. (14.12%) ("**Yair Holdings**") and Altshuler Shaham Ltd. (55.63%) ("**Altshuler Ltd.**" and collectively with Yair Holdings – "**the Controlling Shareholders**"). The ultimate Controlling Shareholders in the Company are Messrs. Yair Lowenstein, Gilad Altshuler and Kalman Shaham.

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

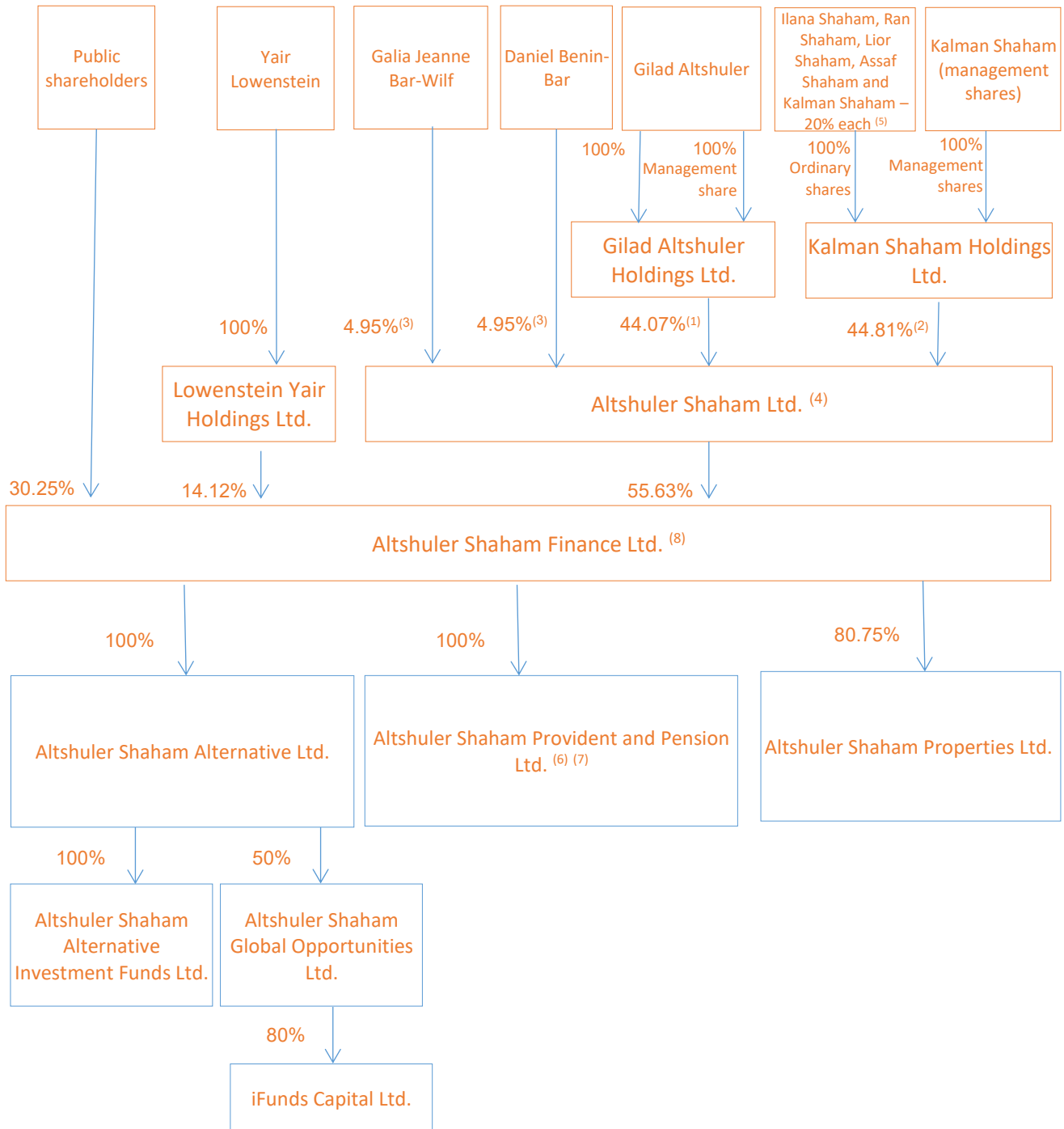
The Company provides financial services. As of the Report Approval Date, the Company mainly operates through Altshuler Provident in managing provident and pension funds. The Company also has other operations, but as of the Report Approval Date these operations do not aggregate into reportable segments in the Company's financial statements as follows: (1) managing alternative real estate and other investments ("**the Alternative Investment Management Operation**") through Altshuler Shaham Real Estate Ltd. ("**Altshuler Real Estate**") and through Altshuler Shaham Alternative Investment Funds Ltd. ("**Altshuler Investment Funds**") and (2) marketing and providing access to alternative investments ("**the Alternative Investment Marketing Operation**") through iFunds Capital Ltd. ("**iFunds**") in which about 40% of the issued and outstanding share capital has been indirectly purchased by the Company on February 12, 2024.

The Company is also promoting the possible branching out (subject to applicable laws) into other operating segments, whether on its own or through other subsidiaries that will be founded or purchased by it, including those which are synergetic to the Group's operations. The Company's Management plans to continue exploring the expansion of the Company's operations by identifying new business opportunities and potential business partnerships in the relevant markets such as in the credit market and in the financial and pension product market.

See more information of the developments in the Company's operating segments in paragraph 1.4 below.

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

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



- (1) Of which 26.06% 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.

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

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

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

Capital market trends

In Q1 2024, central banks around the world maintained their benchmark interest rates relatively high in view of the effect of the "sticky inflation" which remained quite high despite the trend of decline. While the Bank of Israel lowered the market interest once, the Fed in the United States kept its interest unchanged. In Q1 2024, local and global trade both experienced increased rates of leading stock indices. The forex market remained highly sensitive to the security tensions in Israel and especially the potential escalation of the combats in the northern border of Israel. In the Reporting Period, most of the Company's local and international operating channels showed positive yields.

Index overview

Owing to the recovery in the markets, including the risk assets, stocks and bonds in Q1 2024, U.S. stock indices rose with the S&P 500 gaining about 10.1% and the NASDAQ growing by about 8.5%. The STOXX Europe 600 increased by about 7% and the German DAX rose by about 4%. The MSCI WORLD Index also grew by about 8.5%. The global bond market also experienced a positive trend in Q1 2024. In the U.S., the United States 10Y Government Bond yields rose by 32 base points to 4.55% at the end of Q1 2024.

The Israeli stock market also benefited from increased rates in Q1 2024 with the TA 35 Index rising by about 6.12%, the TA 125 Index adding about 6.1% and the TA 90 Index climbing by about 7.2%.

Israel

General

In early January 2024, the Bank of Israel announced the lowering of the benchmark interest by 0.25% to 4.5% for the first time since March 2020 (when the Covid-19 crisis began). As per the Bank of Israel's notice, the decision was supported by the fact that the core inflation reached its target environment. This decision follows 10 consecutive interest hikes during which the BoI interest rate rose from almost nil to 4.75%. In another announcement of February 2024, the Bank of Israel kept the interest rate unchanged.

In February 2024, Moody's announced the lowering of Israel's credit rating for the first time ever from A1 to A2 with a negative outlook. This means that another downgrade can be expected in the short-medium term. In its report, Moody's stated that currently there is no agreement for terminating the Israel-Hamas conflict or agreement for making long-term plans for the rehabilitation and intensification of Israel's security. Moody's also mentioned the increase in social risks and indicated the weakness of the legislative and executive authorities. S&P also lowered Israel's credit rating from AA- to A+ and kept the negative outlook. According to S&P, the update arises from the escalation of the Israel-Iran conflict and in view of the Israel's enhanced geopolitical risks since the war began.

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As opposed to Moody's, Fitch reaffirmed Israel's credit rating at A+ in early April 2024. Fitch also reported Israel's removal from the negative watchlist and the update of the rating outlook from stable to negative.

In March 2024, the Israeli CPI rose by 0.6%. Annual inflation grew to 2.7% and is nearing the inflation target's upper limit, ranging between 1% and 3%. Markups were noted in consumer items such as clothing, footwear, healthcare, transportation and housing.

The Israel-Hamas war

In Q1 2024, Israel continued to face the challenges of warfare on two theaters, the first in the south of Israel in the Gaza Strip with Hamas terrorists and the second in the north of the country in an attempt to ward off the threats and attacks of Hizballah, all the while also contending with other threats coming from other areas. On April 14, 2024, Iran launched an extensive air assault on Israel from its own area and from areas of other countries.

In May 2024, the IDF launched a military operation in Raffa which is ongoing as of the Report Approval Date. The above developments have the potential of adversely affecting the domestic capital market and business environment in which the Company operates and impair the scope and value of the assets managed by it.

At present, the ongoing state of war has not had a material impact on the scope or value of the assets managed by the Company, mainly owing to its investment policy and diversified investment portfolio whereby, in practice, more than 60% of the assets are managed in global capital markets. It should also be clarified that to date, the prolongation of the war has not had an effect on the Company's financial stability or ability to comply with financial covenants as per financing agreements.

Notwithstanding the aforesaid, as of the Report Approval Date, the Company is unable to fully and reliably assess the extent of the future effect of the war on its operations, also in view of the current fluctuations in the markets, the uncertainty involving the duration, intensity and impact of the war on the Company's operating segments or any measures that might be adopted by the Israeli Government.

U.S.

The U.S. labor market showed strength in Q1 2024 with an addition of 303 thousand new jobs in March 2024, far exceeding the early forecasts of only 200 thousand new jobs. The unemployment rate dropped below 3.8% in March 2024 against the expected 3.9%. In February 2024, 270 thousand new jobs were added to the U.S. labor market. In view of the strong employment figures and the sticky inflation trend, the Fed has yet to begin lowering its interest. In Q1 2024, U.S. stocks were traded with positive results. The NASDAQ rose by about 8.5% and the S&P 500 added about 10.1%. The Dow Jones grew by about 5.6%. The United States 10Y Government Bond yields rose by 32 base points to 4.55% in Q1 2024.

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Europe

Following a consecutive wave of interest hikes to the highest rate since the Euro was launched, the European Central Bank reached the end of the interest hike cycle. Simultaneously, the inflation in the Eurozone started showing signs of mitigation. In March 2024, the core inflation dropped to 2.9% in annual terms, compared with 3.1% in February 2024. The forecasts said 3%.

In the UK, the annual inflation rate slowed down in Q1 2024 but not as much as expected. The UK CPI in March 2024 rose by 3.2%, lower than the 3.4% recorded in February 2024. The March 2024 data was higher than the forecasts, which might push back the interest lowering date. In conclusion of Q1 2024, a positive trend was witnessed in the European stock exchanges with the Euro Stoxx 50 increasing by 2.4% and the Euro Stoxx 600 gaining 7%.

Asia

In Q1 2024, tensions between the U.S. and China continued with the Chinese Government publishing new guidelines to block the use of semiconductors made by Intel and AMD in computers and servers used by the Chinese Government. China continued to develop its local semiconductor industry to increase its independence and separation from the U.S. tech industries.

In March 2024, the Bank of Japan raised its interest to 0.1%, effectively ending the era of negative interest. Since 2017, the BOJ has been pursuing a negative interest policy and since 2016 has been trying to control the yield curve. In its latest announcement, the BOJ declared its return to a standard monetary policy but stressed that no aggressive interest hikes are to be expected in the near future.

The Company's evaluations as presented 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 Approval 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 to Chapter A to the Periodic Report.

Report of the Board of Directors on the State of Affairs of the Corporation**1.4 Developments in the operating segments**1.4.1 General data of the assets managed by Altshuler Provident**As of March 31, 2024 and for the period of three months then ended (NIS in thousands)**

	New pension funds		Personal provident funds for benefits and severance pay	Study funds	Investment provident funds	Long-term Savings for Every Child Plan	Central funds *	Total
	Comprehensive	General						
Number of members**	379,298	21,205	857,338	693,227	164,186	976,733	6,022	3,098,009
Managed assets	28,234,191	816,035	55,798,347	53,114,786	10,331,370	8,494,547	891,055	157,680,331
Receipts from fees	924,837	48,717	144,183	966,863	393,246	263,849	1,482	2,743,177
Of which, nonrecurring fees	-	-	49,718	13,460	242,669	12,327	-	318,174
Annualized fees for newly enrolled members	235,376	6,902	9,897	135,899	44,162	8,123	9	440,368
Annualized fees for all members	3,822,165	164,342	596,889	4,098,837	641,390	1,002,233	6,291	10,332,147
Accruals transferred to the fund	474,972	32,086	411,314	162,910	44,832	422	471	1,127,007
Accruals transferred from the fund	(1,176,323)	(52,450)	(2,759,583)	(3,588,446)	(555,470)	(59,975)	(17,779)	(8,210,026)
Payments	(82,994)	(547)	(585,193)	(854,222)	(287,492)	(45,008)	(12,949)	(1,868,405)
Surplus revenues (losses) over expenses in the period	1,461,907	41,307	2,206,684	2,396,321	594,341	557,407	28,476	7,286,443
Revenues from accrual management fees	9,470	379	89,413	94,084	16,142	4,676	1,322	215,486
Revenues from deposit management fees	12,562	560	678	-	-	-	-	13,800
Average annual rate of management fees from active assets	0.12	0.16	0.66	0.73	0.63	0.23	0.21	
Average annual rate of management fees from inactive assets	0.14	0.23	0.63	0.68	0.62	0.23	0.64	
Average annual rate of management fees from assets – annuities	0.37	0.34	-	-	-	-	-	
Average annual rate of management fees from deposits	1.32	1.38	0.34	-	-	-	-	

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

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

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As of March 31, 2023 and for the period of three months then ended (NIS in thousands)

	New pension funds		Personal provident funds for benefits and severance pay	Study funds	Investment provident funds	Long-term Savings for Every Child Plan	Central funds *	Total
	Comprehensive	General						
Number of members**	365,598	23,359	971,747	847,715	188,202	983,351	6,380	3,386,352
Managed assets	25,370,109	675,612	60,240,107	58,685,482	10,505,736	6,468,331	927,133	162,872,510
Receipts from fees	1,021,594	56,636	197,456	1,294,468	287,502	259,007	1,562	3,118,225
Of which, nonrecurring fees	-	-	27,215	13,792	112,009	11,403	-	164,419
Annualized fees for newly enrolled members	208,719	20,914	21,481	162,537	25,829	9,888	4	449,372
Annualized fees for all members	4,268,433	258,106	756,326	5,334,834	723,467	993,299	6,220	12,340,685
Accruals transferred to the fund	233,367	5,132	124,395	29,770	5,649	469	362	399,144
Accruals transferred from the fund	(2,260,189)	(62,717)	(3,377,362)	(4,392,820)	(568,000)	(21,626)	(16,636)	(10,699,350)
Payments	(56,383)	(632)	(967,955)	(1,439,368)	(435,405)	(28,628)	(20,984)	(2,949,355)
Surplus revenues (losses) over expenses in the period	832,488	17,645	706,306	784,326	186,983	146,127	11,105	2,684,980
Revenues from accrual management fees	8,407	333	100,912	109,343	17,772	3,657	1,413	241,837
Revenues from deposit management fees	14,208	687	977	-	-	-	-	15,872
Average annual rate of management fees from active assets	0.12	0.17	0.67	0.74	0.67	0.23	0.21	
Average annual rate of management fees from inactive assets	0.13	0.26	0.64	0.70	0.64	0.23	0.64	
Average annual rate of management fees from assets – annuities	0.36	0.34	-	-	-	-	-	
Average annual rate of management fees from deposits	1.42	1.43	0.43	-	-	-	-	

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

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

Report of the Board of Directors on the State of Affairs of the Corporation
As of December 31, 2023 and for the year then ended (NIS in thousands)

	New pension funds		Personal provident funds for benefits and severance pay	Study funds	Investment provident funds	Long-term Savings for Every Child Plan	Central funds *	Total
	Comprehensive	General						
Number of members**	376,930	21,248	886,535	730,272	168,538	981,581	6,143	3,171,247
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	-	-	-	-	

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

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

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1.4.2 Developments and major changes in the Reporting Period

1.4.2.1 The Provident and Pension Fund Management Operating Segment

In the Reporting Period, Altshuler Provident continued marketing activities for retention, sale and distribution of products managed by it and continued promoting and positioning the Company's pension fund as a known brand in the Israeli public. In the Reporting Period, there was an increase in the balance of member assets, mainly due to positive yields and surplus deposits over withdrawals which offset the shifting of members to competitors. See more information of the global capital market trend in paragraph 1.3 above.

Provident fund assets

As of March 31, 2024, total local provident fund assets (compensation and severance pay, study funds, central severance pay funds, investment provident funds and the Savings for Every Child long-term investment provident fund) totaled approximately NIS 764.03 billion compared with approximately NIS 722.14 billion at the end of 2023, representing an increase of about 5.8%.

In the Reporting Period, the scope of provident fund assets managed by Altshuler Provident decreased from approximately NIS 129.22 billion at the end of 2023 to approximately NIS 128.63 billion as of March 31, 2024, representing a decrease of about 0.46% in total provident fund assets managed by Altshuler Provident.

Pension fund assets

As of March 31, 2024, total local pension fund assets (new, comprehensive and general) totaled approximately NIS 805.83 billion compared with approximately NIS 751.42 billion at the end of 2023, representing an increase of about 7.24%.

In the Reporting Period, the scope of pension fund assets managed by Altshuler Provident increased from approximately NIS 27.44 billion at the end of 2023 to approximately NIS 29.05 billion as of March 31, 2024, representing an increase of about 5.86%.

Investments in provident fund and pension fund assets

In Q1 2024, Altshuler Provident kept the exposure of its managed assets to the quoted and unquoted stock component at about 50% in the general tracks. The main stock exposure in Israel remains to local bank and the main stock exposure abroad remains to the leading U.S. indices and underlying stocks. In Q1 2024, Altshuler Provident increased its exposure to United States Government bonds.

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1.4.2.2 The Alternative Investment Operating Segment

As of the Report Date, total alternative assets managed by Altshuler Real Estate and Altshuler Investment Funds and distributed by iFunds in this segment amounted to approximately US\$ 207 million. See details of revenues in this operating segment in Note 5 to the interim consolidated financial statements as of March 31, 2024 hereby attached.

1.4.2.2.1 Alternative Investment Management Operation

In the Reporting Period, Altshuler Real Estate completed another investment round in the U.S. in a total of approximately US\$ 8.9 million. The Company participated in the investment in a total of about US\$ 440 thousand, accounting for about 5% of this round.

Also, in the Reporting Period, Altshuler Investment Funds completed raising about US\$ 13.5 million.

Altshuler Real Estate continues to advance other activities in the real estate investment market by studying the potential of making investments and setting up additional special purpose funds in this field, including public funds.

Service agreements

On February 5, 2024, the General Meeting of the Company's Shareholders approved an amendment to the service agreement between the Company and Altshuler Real Estate. See also paragraph 2.5 below.

Credit line agreements

As of the Report Approval Date, Altshuler Real Estate and Altshuler Investment Funds are contemplating entering into agreements for receiving credit lines in an aggregate of NIS 100 million from two Israeli banks. According to the term sheet reached between the parties, the credit will be extended to Altshuler Real Estate and Altshuler Investment Funds as bridge financing for completing their investment rounds. Moreover, to receive the credit, the Company will have to provide a limited guarantee in the amount of the total credit lines. Owing to the potential personal interest of Ms. Sharon Gerszbejn (who holds 7% of Altshuler Real Estate's shares) in the transaction, on March 18, 2024, the Company's Audit Committee classified the grant of the guarantee by the Company as an irregular transaction. On March 18 and 20, 2024, the Company's Audit Committee and Board respectively approved the grant of the guarantee, subject to signing binding credit agreements.

1.4.2.2.2 Alternative Investment Marketing Operation

See details of the transaction for purchasing iFunds in the Reporting Period in paragraph 2.6 below.

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

1.5 Financial position

Following are data from the Company's interim consolidated financial statements for the period of three months ended March 31, 2024.

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

	March 31,		December 31, 2023	Company's explanations
	2024	2023		
Assets	910,780	1,036,475	936,433	The decrease in assets in the Reporting Period compared to the corresponding period of 2023 mainly stems from a decrease in intangible assets, right-of-use assets, lease investment, net, DAC, receivables and current tax assets against an increase in deferred taxes and in investment in associate. The change in DAC in the Reporting Period arises from the payment of agent commissions totaling approx. NIS 12,679 thousand less amortizations of approx. NIS 19,136 thousand.
Financial investments	179,932	152,364	140,656	The increase in financial investments in the Reporting Period compared to the corresponding period of 2023 mainly arises from a decrease in quoted debt assets against an increase in other financial investments.
Cash and cash equivalents	100,077	125,738	115,856	The decrease in cash and cash equivalents in the Reporting Period compared to the corresponding period of 2023 arises from net cash from operating activities of approx. NIS 47.9 million, offset by a decrease in net cash from investing and financing activities of approx. NIS 44.4 million and NIS 19.3 million, respectively.
Total assets	1,190,789	1,314,577	1,192,945	---
Equity	522,545	498,921	519,637	The increase in equity in the Reporting Period derives from comprehensive income of approx. NIS 27.3 million in the Reporting Period and approx. NIS 0.2 million in capital reserve for share-based payment transactions, offset by a decrease in equity due to dividend declared in the amount of approx. NIS 23 million and non-controlling interests in newly consolidated company of approx. NIS 1.7 million.
Liabilities	668,244	815,656	673,308	The decrease in liabilities in the Reporting Period compared to the corresponding period of 2023 mainly arises from a decrease in financial liabilities, current and deferred tax liabilities, lease liability, employee benefit liabilities, net and payables.
Total liabilities and equity	1,190,789	1,314,577	1,192,945	---

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

1.6 Operating results

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

	Three months ended March 31,		Year ended December 31,
	2024	2023	2023
Revenues:			
From management fees, net	228,602	265,209	985,999
From commissions	740	1,811	4,300
Net investment gains and finance income	2,204	1,116	8,920
Other income	315	1,600	15,399
Total revenues	231,861	269,736	1,014,618
Expenses:			
Commissions, marketing expenses and other acquisition costs	81,975	93,438	354,542
General and administrative expenses	99,029	106,457	414,724
Other expenses	6,550	6,557	25,611
Finance expenses	2,829	3,953	12,628
Total expenses	190,383	210,405	807,505
Company's share of losses of investee accounted for at equity	2	-	-
Income before taxes on income	41,476	59,331	207,113
Taxes on income	14,086	20,160	69,564
Net income	27,390	39,171	137,549
Other comprehensive income	(13)	(1,828)	(706)
Comprehensive income	27,377	37,343	136,843
Net income for the period attributable to:			
Equity holders of the Company	27,733	39,145	137,930
Non-controlling interests	(343)	26	(381)
	27,390	39,171	137,549
Comprehensive income attributable to:			
Equity holders of the Company	27,720	37,317	137,224
Non-controlling interests	(343)	26	(381)
	27,377	37,343	136,843

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

Revenues

Revenues from management fees, net – the decrease in revenues from management fees in the Reporting Period compared with Q1 2023 mainly arises from a decrease in assets managed by Altshuler Provident and a decrease in the average rate of management fees charged by it. Moreover, in the Reporting Period, Altshuler Provident received approximately NIS 8.5 million as refund of member fees in 2020.

Revenues from commissions – the decrease in revenues from commissions in the Reporting Period compared with Q1 2023 derives from a decrease in development commissions due to a reduction in investments raised in the alternative real estate investment management operation compared with Q1 2023.

Net gains from investments and finance income – the increase in finance income in the Reporting Period compared to Q1 2023 mainly arises from gains from financial investments recognized in the Reporting Period against losses from financial investments recognized in Q1 2023.

Other income – the decrease in other income in the Reporting Period compared to Q1 2023 is mainly a result of income from a settlement agreement reached in Q1 2023 in a mediation proceeding to which Altshuler Provident was a party.

Expenses

Commissions, marketing expenses and other acquisition costs – the decrease in commissions, marketing expenses and other acquisition costs in Q1 2024 compared with Q1 2023 is mainly a result of a decrease in current commissions due to the decrease in assets managed by Altshuler Provident and a decrease of approximately NIS 1.9 million in amortization of DAC.

G&A expenses – the decrease in G&A expenses in Q1 2024 compared to Q1 2023 is mainly due to the decrease in wages and related expenses, advertising and marketing expenses, related party expenses and donations.

Other expenses – the decrease in other expenses in Q1 2024 compared with Q1 2023 mainly stems from a decrease in payment settlement fees against an increase in amortization of intangible assets.

Finance expenses – the decrease in finance expenses in Q1 2024 compared with Q1 2023 mainly stems from a decrease in interest expenses to banks following a decrease in financial liabilities.

Report of the Board of Directors on the State of Affairs of the Corporation**1.7 Liquidity**

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

	Three months ended March 31,		Year ended December 31,
	2024	2022	2022
Cash flows from operating activities:			
Net income in the period	27,390	39,171	137,549
Adjustments to income	20,589	19,665	95,395
Net cash provided by operating activities	47,979	58,836	232,944
Net cash provided by (used in) investing activities	(44,425)	16,957	46,048
Net cash used in financing activities	(19,333)	(46,576)	(259,657)
Increase (decrease) in cash and cash equivalents	(15,779)	29,217	19,335
Cash and cash equivalents at beginning of period	115,856	96,521	96,521
Cash and cash equivalents at end of period	100,077	125,738	115,856

Net cash provided by operating activities – the decrease in cash flows provided by operating activities in Q1 2024 compared with Q1 2023 is mainly a result of the decrease in the Company's net income, items not involving cash flows and cash paid in the period against an increase in other balance sheet items.

Net cash provided by (used in) investing activities – the increase in cash flows used in investing activities in Q1 2024 compared with Q1 2023 is mainly a result of an increase in purchases in respect of financial investments, net and acquisition of newly consolidated company against a decrease in purchase of PP&E and a decrease in investment in intangible assets.

Net cash used in financing activities – the decrease in cash flows used in financing activities in Q1 2024 compared with Q1 2023 is mainly a result of a decrease in repayment of loans from banks and others.

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

1.8 Financing resources

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

As of the Report Approval Date, the average scope of long-term loans and short-term loans (including current maturities) from banks approximates NIS 333.3 million and NIS 79.4 million, respectively.

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

- a) Altshuler Provident's revenues from management fees will not be lower than NIS 200 million a quarter. In Q1 2024, Altshuler Provident's revenues from management fees totaled NIS 227 million.
- b) Altshuler Provident's shareholders' equity less capital reserves will not be lower than NIS 245 million. As of the Report Date, Altshuler Provident's shareholders' equity less capital reserves approximated NIS 485 million.
- c) Altshuler Provident's bank debt coverage ratio divided by its EBITDA in the latest four calendar quarters will not exceed 2.8. As of the Report Date, the ratio is 2.
- d) The debt service coverage ratio (DSCR) – the result of dividing the EBITDA less investments in PP&E and in software and less tax in the latest relevant calendar quarters (accumulated interest expenses and linkage differences with the addition of current maturities – principal and interest, excluding principal on credit provided to finance compliance with minimum capital requirements of provident fund manager and repayment of any credit principal for a period not exceeding 12 months but rather only interest on such credit, which Altshuler Provident will have to pay the banks in the four consecutive calendar quarters as of the Report Date, other than borrowings repayable in a lump sum at period end will not be lower than 1.5. As of the Report Date, the ratio is 3.2.

See more information of the Group's financing resources, including financing agreements entered into by the Group and the Board's approval of the extension of a credit facility received by Altshuler Provident, in Notes 6 and 9 to the Company's interim financial statements hereby attached and Note 17 to the Company's annual financial statements for 2023.

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

2. Material Events during and after the Reporting Period and Updates to Chapter A to the Periodic Report for 2023 – Description of Corporate Affairs

As per Regulation 39A to the reporting Regulations, following is a description of the material developments in the Company's business in the period of three months ended March 31, 2024 through the Report Approval Date which have not yet been disclosed in the Periodic Report. The updates address the relevant items in the Periodic Report based on their order therein. Please note that the terms used in this chapter are ascribed the same meaning as in the Periodic Report, unless explicitly stated otherwise.

2.1 Dividend distributions

2.1.1 On March 20, 2024, the Company's Board approved the distribution of a dividend based on the Company's financial statements as of December 31, 2023 in the amount of NIS 23 million. See also the Company's immediate reports of March 21, 2024 and April 8, 2024 (TASE references: 2024-01-029649 and 2024-01-034735, respectively), whose information is hereby included by reference.

2.1.2 On May 22, 2024, after having established that the Company meets the distribution tests in the Companies Law, the Company's Board approved the distribution of a dividend of NIS 21 million based on the Company's interim financial statements attached to this report. See also Note 9b to the Company's interim financial statements hereby attached.

2.2 Effects of inflation and market interest rises

In Q1 2024, central banks around the world maintained their benchmark interest rates relatively high in view of the effect of the "sticky inflation" which remained quite high despite the trend of decline. While the Bank of Israel lowered the market interest once, the Fed in the United States kept its interest unchanged. Due to the nature of its operations, the Group is exposed to capital market fluctuations. It should be noted that the bulk of the Group's financial debt, which was assumed by Altshuler Provident, bears unindexed fixed interest and therefore the Group's finance expenses have not been materially affected. In general, rises in inflation and interest rates are liable to have a negative impact on the capital markets and the business environment in which Altshuler Provident operates, thereby also causing a decrease in the scope and value of assets managed by it, whether due to changes in the number of active members of the various saving channels or due to market slowdown and price decline trends. Nevertheless, the Company believes that Altshuler Provident's financial stability, asset portfolio, debt structure, composition of financial investments, free cash flow and high cash flow generated by operating activities will all allow it to continue to finance its operations and meet its obligations.

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

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

2.3 The Israel-Hamas war

See details of the ongoing war in paragraph 1.3 above.

2.4 Litigation

See details of developments in the Reporting Period in Note 7 to the Company's interim financial statements hereby attached.

2.5 Special General Meeting

On February 5, 2024, a Special General Meeting of the Company's Shareholders approved the following decisions: (1) engagement in an employment agreement with Mr. Yair Lowenstein, the Company's CEO and a Controlling Shareholder therein; (2) renewal of the service and cost allocation agreement between the Company and Altshuler Ltd.; (3) amendment of the service agreement between the Company and Altshuler Real Estate; (4) engagement in agreement for the purchase of shares of A.S. Global from Altshuler Ltd. and in related agreements; (5) engagement with Financial Services Ltd., a company controlled by Altshuler Ltd., a Controlling Shareholder in the Company, in a lead agreement. See more information in the Company's immediate report of January 1, 2024 (TASE reference: 2024-01-000744), whose information is hereby included by reference.

2.6 Acquisition of iFunds

On February 12, 2024, the Company, through a wholly owned subsidiary, Altshuler Shaham Alternative Ltd. ("**Altshuler Alternative**"), completed the acquisition of the shares of A.S. Global Opportunities Ltd. ("**A.S. Global**"), which had been held by Altshuler Ltd. and accounted for 50% of the issued and outstanding share capital of A.S. Global ("**the acquisition agreement**"). As of the date of approval of the General Meeting, A.S. Global held 80% of the issued and outstanding share capital of iFunds. As of the Report Approval Date, Altshuler Alternative indirectly holds about 40% of the issued and outstanding share capital of iFunds.

In addition, as per the acquisition agreement, 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 amounts to approximately NIS 6,816 thousand as of the Report Date. The shareholders' loan bears annual interest at the minimum rate prescribed in the Income Tax Ordinance.

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) 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's Management) and sales (collectively in this paragraph – "**the services**"). In return for the services, iFunds pays the Company monthly management fees plus VAT (if any) based on the transfer pricing arrangement set forth in the agreement.

See more information in paragraphs 7 and 12 to the general meeting notice report issued by the Company on January 1, 2024 (TASE reference: 2024-01-000744), whose information is hereby included by reference.

See more information of material events during and after the Reporting Period in Notes 8 and 9 to the Company's interim financial statements hereby attached.

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

3. Exposure to market risks

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

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

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

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

In the Reporting Period, there were no material changes in the market risks to which the Company is exposed. See more information in the Company's Periodic Report.

The Value at Risk ("VaR") model

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

As of the Report Date, the fair value of the Group's short-term investments is NIS 174,403 thousand whereas the VaR of these assets is NIS 675 thousand, accounting for 0.3% of the fair value of short-term investments.

Ran Shaham
Chairman of the Board of Directors

Yair Lowenstein
CEO

Report Approval Date: May 22, 2024

Report of Internal Control over Financial Reporting and Disclosure

Report of Internal Control over Financial Reporting and Disclosure

Interim Report on the Effectiveness of Internal Control over Financial Reporting and Disclosure Pursuant to Regulation 38C(a) to the Israeli Securities Regulations (Immediate and Periodic Reports), 1970 ("the Report Regulations")

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. Tzafir 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 of the Company and of Altshuler Shaham Provident and Pension Ltd.

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.

In the annual report on the effectiveness of internal control over financial reporting and disclosure attached to the periodic report for the year ended December 31, 2023 ("**the latest annual report of internal control**"), the Company's Board of Directors and Management evaluated the internal control in the Company. Based on this evaluation, the Company's Board of Directors and Management concluded that the internal control in the Company as of March 31, 2024 is effective.

Through the report date, no event or matter that are likely to change the evaluation of the effectiveness of internal control as presented in the latest annual report of internal control has been brought to the attention of the Company's Board of Directors or Management.

As of the report date, based on the evaluation of the effectiveness of internal control as presented in the latest annual report of internal control and based on information communicated to the Company's Board of Directors and Management as above, internal control is effective.

Report of Internal Control over Financial Reporting and Disclosure

CEO Certification as per Regulation 38C(d)(1)

I, Yair Lowenstein, hereby certify that:

1. I have reviewed the interim report of Altshuler Shaham Finance Ltd. ("**the Company**") for the first quarter of 2024 ("**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 not been informed of any event or matter that occurred in the period from the latest report date (interim or periodic, as applicable) through the date of this report that is likely to change the conclusion reached by the Board of Directors and Management regarding the effectiveness of internal control over financial reporting and disclosure in the Company.

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

May 22, 2024

Yair Lowenstein
CEO and Director

Report of Internal Control over Financial Reporting and Disclosure

Certification of the Most Senior Financial Officer as per Regulation 38C(d)(2)

I, Sharon Gerszbejn, hereby certify that:

1. I have reviewed the interim financial statements and other financial information included in the interim reports of Altshuler Shaham Finance Ltd. ("**the Company**") for the first quarter of 2024 ("**the reports**").
2. To my knowledge, the interim financial statements and other financial information included in the interim 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 interim financial statements and other financial information included in the interim 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 as they address the interim financial statements and other financial information included in the interim reports 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 not been informed of any event or matter that occurred in the period from the latest report date (interim or periodic, as applicable) through the date of this report that relates to the interim financial statements and other financial information included in the interim reports that I consider is likely to change the conclusion reached by the Board of Directors and Management regarding the effectiveness of internal control over financial reporting and disclosure in the Company.

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

May 22, 2024

Sharon Gerszbejn
Deputy CEO, CFO

ALTSHULER SHAHAM FINANCE LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 2024

UNAUDITED

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

Introduction

We have reviewed the accompanying financial information of Altshuler Shaham Finance Ltd. and its subsidiaries ("**the Company**"), which comprises the consolidated statement of financial position as of March 31, 2024 and the related consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three months then ended. The Company's board of directors and management are responsible for the preparation and presentation of interim financial information for this period in accordance with IAS 34, "Interim Financial Reporting", and are responsible for the preparation of this interim financial information in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

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

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

Tel-Aviv, Israel
May 22, 2024

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<u>March 31,</u>		<u>December 31,</u>
	<u>2024</u>	<u>2023</u>	<u>2023</u>
	<u>Unaudited</u>		<u>Audited</u>
	<u>NIS in thousands</u>		
Assets:			
Intangible assets	523,553	554,963	529,312
Right-of-use assets	43,623	47,582	45,265
Investment in lease, net	46,047	52,714	49,913
Deferred acquisition costs	225,432	273,110	231,881
Property, plant and equipment	27,597	32,536	29,567
Accounts receivable	34,888	59,924	27,520
Current tax assets	1,893	11,105	16,869
Deferred tax assets	7,111	4,541	6,106
Investment in associate	636	-	-
Financial investments:			
Quoted debt assets	-	146,221	-
Unquoted debt assets	14	54	22
Other debt assets	179,918	6,089	140,634
Total financial investments	179,932	152,364	140,656
Cash and cash equivalents	100,077	125,738	115,856
Total assets	<u>1,190,789</u>	<u>1,314,577</u>	<u>1,192,945</u>
Equity:			
Share capital	2,022	2,019	2,021
Share premium	240,604	239,174	240,239
Capital reserve from transaction with related party	(4,330)	(3,991)	(4,264)
Capital reserve from share-based payment transactions	33,344	33,022	33,444
Capital reserve from financial assets measured at fair value through other comprehensive income	(4)	67	9
Retained earnings	253,564	228,866	248,831
Equity attributable to equity holders of the Company	525,200	499,157	520,280
Non-controlling interests	(2,655)	(236)	(643)
Total equity	<u>522,545</u>	<u>498,921</u>	<u>519,637</u>
Liabilities:			
Deferred tax liabilities	24,745	27,771	29,761
Employee benefit liabilities, net	2,504	3,958	2,490
Current tax liabilities	2,493	3,977	5,251
Accounts payable	136,822	167,338	116,307
Lease liability	95,156	105,310	100,627
Financial liabilities	406,524	507,302	418,872
Total liabilities	<u>668,244</u>	<u>815,656</u>	<u>673,308</u>
Total equity and liabilities	<u>1,190,789</u>	<u>1,314,577</u>	<u>1,192,945</u>

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

May 22, 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

	Three months ended		Year ended
	March 31,		December 31,
	2024	2023	2023
	Unaudited		Audited
	NIS in thousands (except per share data)		
Revenues from management fees, net	228,602	265,209	985,999
Revenues from commissions	740	1,811	4,300
Net investment gains and finance income	2,204	1,116	8,920
Other income	315	1,600	15,399
Total revenues	231,861	269,736	1,014,618
Commissions, marketing expenses and other acquisition costs	81,975	93,438	354,542
General and administrative expenses	99,029	106,457	414,724
Other expenses	6,550	6,557	25,611
Finance expenses	2,829	3,953	12,628
Total expenses	190,383	210,405	807,505
Company's share of losses of investee accounted for at equity	2	-	-
Income before taxes on income	41,476	59,331	207,113
Taxes on income	14,086	20,160	69,564
Net income	27,390	39,171	137,549
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	(13)	12	(46)
Amounts carried to profit or loss from sale of investments in debt instruments at fair value through profit or loss	-	(1,840)	(1,840)
Total components of other comprehensive loss, net that will be subsequently reclassified to profit or loss	(13)	(1,828)	(1,886)
Amounts that will not be subsequently reclassified to profit or loss:			
Gain from remeasurement of defined benefit plan	-	-	1,180
Total components of other comprehensive income (loss), net that will not be subsequently reclassified to profit or loss	(13)	(1,828)	1,180
Total other comprehensive loss (net of taxes)	(13)	(1,828)	(706)
Total comprehensive income	27,377	37,343	136,843
Net income attributable to:			
Equity holders of the Company	27,733	39,145	137,930
Non-controlling interests	(343)	26	(381)
	27,390	39,171	137,549
Comprehensive income attributable to:			
Equity holders of the Company	27,720	37,317	137,224
Non-controlling interests	(343)	26	(381)
	27,377	37,343	136,843
Basic net earnings per share attributable to equity holders of the Company (in NIS)	0.14	0.20	0.7
Diluted net earnings per share attributable to equity holders of the Company (in NIS)	0.14	0.20	0.69

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company							Total equity
	Share capital	Share premium	Capital reserve from transaction with related party	Capital reserve from share-based payment transactions	Capital reserve from financial assets measured at fair value through other comprehensive income	Retained earnings	Non-controlling interests	
	Unaudited							
	NIS in thousands							
Balance at January 1, 2024 (audited)	2,021	240,239	(4,264)	33,444	9	248,831	(643)	519,637
Net income (loss)	-	-	-	-	-	27,733	(343)	27,390
Other comprehensive loss (net of taxes):								
Loss from investments in financial instruments measured at FVOCI	-	-	-	-	(13)	-	-	(13)
Total comprehensive income (loss)	-	-	-	-	(13)	27,733	(343)	27,377
Transactions with owners carried directly to equity:								
Cost of share-based payment	-	-	(66)	266	-	-	-	200
Non-controlling interests created in newly consolidated subsidiary	-	-	-	-	-	-	(1,669)	(1,669)
Exercise of employee options	1	365	-	(366)	-	-	-	-
Dividend to equity holders of the Company	-	-	-	-	-	(23,000)	-	(23,000)
Balance at March 31, 2024	<u>2,022</u>	<u>240,604</u>	<u>(4,330)</u>	<u>33,344</u>	<u>(4)</u>	<u>253,564</u>	<u>(2,655)</u>	<u>522,545</u>

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company							Total equity
	Share capital	Share premium	Capital reserve from transaction with related party	Capital reserve from share-based payment transactions	Capital reserve from financial assets measured at fair value through other comprehensive income	Retained earnings	Non-controlling interests	
	Unaudited							
	NIS in thousands							
Balance at January 1, 2023 (audited)	2,018	238,622	(3,668)	32,807	1,895	221,721	(262)	493,133
Net income	-	-	-	-	-	39,145	26	39,171
Other comprehensive income (loss) (net of taxes):								
Gain from investments in financial instruments measured at FVOCI	-	-	-	-	12	-	-	12
Amounts reclassified to profit or loss for sale of investments in debts instruments measured at FVOCI	-	-	-	-	(1,840)	-	-	(1,840)
Total comprehensive income (loss)	-	-	-	-	(1,828)	39,145	26	37,343
Transactions with owners carried directly to equity:								
Cost of share-based payment	-	-	(323)	768	-	-	-	445
Exercise of employee options	1	552	-	(553)	-	-	-	-
Dividend to equity holders of the Company	-	-	-	-	-	(32,000)	-	(32,000)
Balance at March 31, 2023	<u>2,019</u>	<u>239,174</u>	<u>(3,991)</u>	<u>33,022</u>	<u>67</u>	<u>228,866</u>	<u>(236)</u>	<u>498,921</u>

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company							Total equity
	Share capital	Share premium	Capital reserve from transaction with related party	Capital reserve from share-based payment transactions	Capital reserve from financial assets measured at fair value through other comprehensive income	Retained earnings	Non-controlling interests	
	Audited							
	NIS in thousands							
Balance at January 1, 2023	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
Actuarial losses from employee defined benefit plan	-	-	-	-	(46)	-	-	(46)
Loss from investments in financial 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	<u>2,021</u>	<u>240,239</u>	<u>(4,264)</u>	<u>33,444</u>	<u>9</u>	<u>248,831</u>	<u>(643)</u>	<u>519,637</u>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended		Year ended
	March 31,		December 31,
	2024	2023	2023
	Unaudited		Audited
	NIS in thousands		
<u>Cash flows from operating activities:</u>			
Net income for the period	<u>27,390</u>	<u>39,171</u>	<u>137,549</u>
Items not involving cash flows:			
Net losses (gains) from financial investments:			
Quoted debt assets	-	1,366	(2,983)
Unquoted debt assets	-	(1,382)	(1,382)
Other	(1,714)	(102)	(1,979)
Other income	-	-	(12,857)
Other finance expenses, net	2,137	2,455	10,399
Loss (gain) from disposal of property, plant and equipment and right-of-use asset	16	(31)	45
Cost of share-based payment	200	445	1,661
Change in DAC, net	6,449	16,648	57,877
Company's share of losses of investee accounted for at equity	2	-	-
Depreciation and amortization:			
Right-of-use assets	2,209	2,076	8,592
Property, plant and equipment	2,192	2,134	8,405
Intangible assets	13,376	12,869	52,701
Taxes on income	<u>14,086</u>	<u>20,160</u>	<u>69,564</u>
	<u>38,953</u>	<u>56,638</u>	<u>190,043</u>
Changes in other balance sheet items:			
Change in accounts receivable	(7,333)	(8,842)	7,808
Change in accounts payable	(8,213)	(17,969)	(48,312)
Change in employee benefit liabilities, net	15	88	214
	<u>(15,531)</u>	<u>(26,723)</u>	<u>(40,290)</u>
Cash paid and received during the period for:			
Interest paid	(2,269)	(3,097)	(11,487)
Interest received	1,155	900	3,416
Taxes paid	(12,405)	(8,053)	(46,287)
Taxes received	<u>10,686</u>	<u>-</u>	<u>-</u>
	<u>(2,833)</u>	<u>(10,250)</u>	<u>(54,358)</u>
Net cash provided by operating activities	<u>47,979</u>	<u>58,836</u>	<u>232,944</u>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended		Year ended
	March 31,		December 31,
	2024	2023	2023
	Unaudited		Audited
	NIS in thousands		
<u>Cash flows from investing activities:</u>			
Receipts from lease	4,438	4,836	10,157
Payment of contingent consideration for acquisition of investees	-	-	21,956
Acquisition of newly consolidated subsidiary (b)	(6,246)	-	-
Acquisition of associate	(614)	-	-
Purchase of property, plant and equipment	(105)	(1,214)	(3,505)
Investment in intangible assets	(4,322)	(4,821)	(17,707)
Purchase (sale) of financial investments, net	(37,576)	18,156	35,147
Net cash provided by (used in) investing activities	(44,425)	16,957	46,048
<u>Cash flows from financing activities:</u>			
Receipt of bank loans	-	-	205
Repayment of lease liability	(6,985)	(6,662)	(19,314)
Repayment of loans from banks and others	(12,348)	(39,914)	(128,548)
Dividend paid to equity holders of the Company	-	-	(112,000)
Net cash used in financing activities	(19,333)	(46,576)	(259,657)
<u>Increase (decrease) in cash and cash equivalents</u>	(15,779)	29,217	19,335
<u>Cash and cash equivalents at the beginning of the period</u>	115,856	96,521	96,521
<u>Cash and cash equivalents at the end of the period</u>	100,077	125,738	115,856

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended		Year ended
	March 31,	March 31,	December 31,
	2024	2023	2023
	Unaudited		Audited
	NIS in thousands		
(a) <u>Material non-cash transactions:</u>			
Right-of-use asset recognized against lease liability	679	2,048	6,987
Purchase of intangible assets	324	214	1,509
Purchase of property, plant and equipment	62	99	1,110
Issue of shares from exercise of options	366	553	1,620
Dividend declared	23,000	32,000	-
(b) <u>Acquisition of newly consolidated subsidiary:</u>			
Working capital (excluding cash and cash equivalents)	(411)	-	-
Intangible assets	(358)	-	-
Property, plant and equipment	(55)	-	-
Goodwill	(2,615)	-	-
Deferred taxes	(1,138)	-	-
Non-controlling interests	(1,669)	-	-
	(6,246)	-	-

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1:- GENERAL

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

On March 31, 2022, the Company obtained a merger certificate from the Registrar of Companies according to which Altshuler Provident and Pension Ltd. ("**Altshuler Provident**"), whose shares had been traded on the Tel-Aviv Stock Exchange ("**the TASE**") until that date, became a wholly owned subsidiary of the Company ("**the Business Restructuring**"). The merger certificate was obtained on the eve of the merger transaction according to which Altshuler Provident became a wholly owned subsidiary of the Company and ceased being a reporting entity as this term is defined in the Securities Law, 1968 ("**the Securities Law**").

On April 4, 2022, the Company's shares began trading on the TASE and were allocated to the shareholders of Altshuler Provident in return for the shares the latter had granted to the Company prior to the Business Restructuring. As a result, the Company became a public company, as this term is defined in the Companies Law, 1999, and a reporting entity, as this term is defined in the Securities Law.

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

As of the date of publication of these interim consolidated financial statements, the Company's core operation consists of managing provident and pension funds through holding the entire (100%) issued and outstanding share capital of Altshuler Provident. The Company also has other operations which do not aggregate into reportable segments which consist of managing alternative real estate and other investments ("**the Alternative Investment Management Operation**") through Altshuler Shaham Real Estate Ltd. ("**Altshuler Real Estate**") and through Altshuler Shaham Alternative Investment Funds Ltd. ("**Altshuler Investment Funds**") and marketing and providing access to alternative investments ("**the Alternative Investment Marketing Operation**") through iFunds Capital Ltd. ("**iFunds**") in which about 40% of the issued and outstanding share capital was indirectly purchased by the Company on February 12, 2024.

- b. These financial statements have been prepared in a condensed format as of March 31, 2024 and for the three months then ended ("**interim consolidated financial statements**"). These financial statements should be read in conjunction with the Company's annual consolidated financial statements as of December 31, 2023 and for the year then ended and accompanying notes ("**annual consolidated financial statements**").

The Company did not publish separate financial information as permitted by an amendment to the Securities Regulations (Periodic and Immediate Reports), 1970.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1:- GENERAL (Cont.)

c. The effects of the Israel-Hamas war:

In the first quarter of 2024, Israel continued to face the challenges of warfare on two theaters, the first in the south of Israel in the Gaza Strip with Hamas terrorists and the second in the north of the country in an attempt to ward off the threats and attacks of Hizballah, all the while also contending with other threats coming from other areas. On April 14, 2024, Iran launched an extensive air assault on Israel from its own area and from areas of other countries.

In May 2024, the IDF launched a military operation in Raffa which is ongoing as of the date of approval of the interim consolidated financial statements. The above developments have the potential of adversely affecting the domestic capital market and business environment in which the Company operates and impair the scope and value of the assets managed by it.

At present, the ongoing state of war has not had a material impact on the scope or value of the assets managed by the Company, mainly owing to its investment policy and diversified investment portfolio whereby, in practice, more than 60% of the assets are managed in global capital markets. It should also be clarified that to date, the prolongation of the war has not had an effect on the Company's financial stability or ability to comply with financial covenants as per financing agreements.

Notwithstanding the aforesaid, as of the date of approval of the interim consolidated financial statements, the Company is unable to fully and reliably assess the extent of the future effect of the war on its operations, also in view of the current fluctuations in the markets, the uncertainty involving the duration, intensity and impact of the war on the Company's operating segments or any measures that might be adopted by the Israeli Government.

d. Effects of inflation and market interest rises:

In Q1 2024, central banks around the world maintained their benchmark interest rates relatively high in view of the effect of the "sticky inflation" which remained quite high despite the trend of decline. While the Bank of Israel lowered the market interest once, the Fed in the United States kept its interest unchanged. Due to the nature of its operations, the Group is exposed to capital market fluctuations. It should be noted that the bulk of the Group's financial debt, which was assumed by Altshuler Provident, bears unindexed fixed interest and therefore the Group's finance expenses have not been materially affected. In general, rises in inflation and interest rates are liable to have a negative impact on the capital markets and the business environment in which Altshuler Provident operates, thereby also causing a decrease in the scope and value of assets managed by it, whether due to changes in the number of active members of the various saving channels or due to market slowdown and price decline trends. Nevertheless, the Company believes that Altshuler Provident's financial stability, asset portfolio, debt structure, composition of financial investments, free cash flow and high cash flow generated by operating activities will all allow it to continue to finance its operations and meet its obligations.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- ACCOUNTING POLICIES

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

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

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

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

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 Subsequent Amendment requires disclosure of the carrying amount of the liability, information about the financial covenants, and the facts and circumstances at the end of the reporting period that could result in the conclusion that the entity may have difficulty in complying with the financial covenants.

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

The Original Amendment and Subsequent Amendment are applied retrospectively for annual periods beginning on January 1, 2024.

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

- c. In March 2024, the Israeli Parliament approved a decree for raising the VAT rate from 17% to 18% in effect from January 1, 2025. The effect of the new legislation on deferred taxes due to the tax rates that are expected to apply upon reversal amounted to approximately NIS 0.9 million and was recognized in taxes on income in profit or loss in the first quarter of 2024. The deferred tax liability was adjusted accordingly.

- d. Reclassification:

The Company reclassified certain items of comparative figures for previous periods in immaterial amounts in order to adjust them to the current period's presentation.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3:- DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION

IFRS 18, "Presentation and Disclosure in Financial Statements":

In April 2024, the International Accounting Standards Board ("the IASB") issued IFRS 18, "Presentation and Disclosure in Financial Statements" ("IFRS 18") which replaces IAS 1, "Presentation of Financial Statements".

IFRS 18 is aimed at improving comparability and transparency of communication in financial statements.

IFRS 18 retains certain existing requirements of IAS 1 and introduces new requirements on presentation within the statement of profit or loss, including specified totals and subtotals. It also requires disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information.

IFRS 18 does not modify the recognition and measurement provisions of items in the financial statements. However, since items within the statement of profit or loss must be classified into one of five categories (operating, investing, financing, taxes on income and discontinued operations), it may change the entity's operating profit. Moreover, the publication of IFRS 18 resulted in consequential narrow scope amendments to other accounting standards, including IAS 7, "Statement of Cash Flows", and IAS 34, "Interim Financial Reporting".

IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, and is to be applied retrospectively. Early adoption is permitted but will need to be disclosed.

The Company is evaluating the effects of IFRS 18, including the effects of the consequential amendments to other accounting standards, on its consolidated financial statements.

NOTE 4:- BUSINESS COMBINATIONSAcquisition of iFunds

On February 12, 2024, 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 interim consolidated 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. See also Note 12d to the annual consolidated financial statements.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4:- BUSINESS COMBINATIONS (Cont.)

The fair value of the assets acquired and liabilities assumed in the business combination was measured provisionally. Through the date of approval of the interim consolidated financial statements, a final purchase price allocation (PPA) of the fair value of the assets acquired and liabilities assumed in the business combination has not yet been obtained. The purchase price and fair value of the assets acquired and liabilities assumed can be adjusted definitively by the end of 12 months from the acquisition date. On the date of final measurement, the adjustments are made by restatement of comparative figures previously reported based on the provisional measurement.

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

	Fair value February 12, 2024 NIS in thousands
Cash and cash equivalents	126
Receivables	709
Deferred tax assets, net	1,138
Intangible assets	358
Property, plant and equipment	55
	<u>2,386</u>
Payables	<u>(298)</u>
Net identifiable assets	2,088
Non-controlling interests	<u>1,669</u>
Goodwill arising on acquisition	<u>2,615</u>
Total purchase price	<u><u>6,372</u></u>
Cash used in the acquisition:	
Cash and cash equivalents in acquiree on acquisition date	126
Cash paid for the acquisition	<u>(6,372)</u>
Net cash	<u><u>6,246</u></u>

The overall cost of the business combination was approximately NIS 6,372 thousand and was paid entirely in cash. The excess cost over the carrying amount of the identifiable assets was carried to goodwill. The goodwill created in the acquisition is allocated to the expected benefits from the synergy of the operations of the Company and iFunds. The recognized goodwill is not expected to be deductible for income tax purposes.

From the acquisition date, A.S. Global contributed a loss of approximately NIS 411 thousand to the consolidated net income and approximately NIS 160 thousand to the consolidated revenue turnover. If the business combination had been completed at the beginning of the year, the consolidated net income would have been affected by a loss of approximately NIS 755 thousand and the consolidated revenue turnover would have been affected by approximately NIS 304 thousand without proforma adjustments.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5:- 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 and marketing and providing access to alternative investments.

Segment performance is evaluated based on results of profit or loss before taxes on income excluding expenses and income not attributed to segments, as presented on the financial statements.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5:- OPERATING SEGMENTS (Cont.)

b. Operating segment reporting:

	Three months ended March 31, 2024				
	Pension	Provident	Other	Unallocated	Total
				to operating	
	Unaudited				
NIS in thousands					
Revenues from management fees, net	22,809	204,641	1,152	-	228,602
Revenues from commissions	-	-	740	-	740
Net gains from investments and finance income	-	-	22	2,182	2,204
Other income	-	-	-	315	315
Total revenues	22,809	204,641	1,914	2,497	231,861
Commissions, marketing expenses and other acquisition expenses	4,377	77,117	481	-	81,975
Operating fees	1,733	6,036	-	-	7,769
Total joint expenses	6,110	83,153	481	-	89,744
Segment income	16,699	121,488	1,433	2,497	142,117
G&A, finance, other expenses and equity losses allocated to the segment		94,196	3,276	3,169	100,641
Income (loss) before taxes on income after expense allocation		43,991	(1,843)	(672)	41,476

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5:- OPERATING SEGMENTS (Cont.)

	Three months ended March 31, 2023				
	Pension	Provident	Other	Unallocated	Total
				to operating	
	Unaudited				
NIS in thousands					
Revenues from management fees, net	23,562	241,407	240	-	*)265,209
Revenues from commissions	-	-	1,811	-	1,811
Net gains from investments and finance income	-	-	80	1,036	1,116
Other income	-	-	-	1,600	1,600
Total revenues	23,562	241,407	2,131	2,636	269,736
Commissions, marketing expenses and other acquisition expenses	4,643	88,430	365	-	93,438
Operating fees	1,676	5,907	-	-	7,583
Total joint expenses	6,319	94,337	365	-	101,021
Segment income	17,243	147,070	1,766	2,636	168,715
G&A, finance and other expenses allocated to the segment	101,852		2,310	5,222	109,384
Income (loss) before taxes on income after expense allocation	62,461		(544)	(2,586)	59,331

*) Includes receipts of approximately NIS 8.5 million obtained by Altshuler Provident in 2023 from refunds to fund members in 2020.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5:- OPERATING SEGMENTS (Cont.)

	Year ended December 31, 2023				
	Pension	Provident	Other	Unallocated	Total
				to operating segment	
Audited					
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) before taxes on income after expense allocation		206,968	(7,910)	8,055	207,113

*) Includes receipts of approximately NIS 8.5 million obtained by Altshuler Provident in 2023 from refunds to fund members in 2020.

**) Includes income of approximately NIS 12.9 million in connection with a settlement agreement reached in 2023. See also Note 12e to the annual consolidated financial statements.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6:- FINANCIAL INSTRUMENTS

a. Fair value:

Financial liabilities

	March 31, 2024		March 31, 2023		December 31, 2023	
	Carrying amount *)	Fair value **)	Carrying amount *)	Fair value **)	Carrying amount *)	Fair value **)
			Unaudited		Audited	
	NIS in thousands					
Bank loans	406,851	354,116	507,691	432,486	419,206	364,583
Total financial liabilities	406,851	354,116	507,691	432,486	419,206	364,583

*) Including accrued interest.

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

b. Bank loans:

As of March 31, 2024, Altshuler Provident is in compliance with all the financial covenants determined with banks.

c. Classification of financial instruments by fair value hierarchy:

	March 31, 2024			Total
	Level 1	Level 2	Level 3	
	Unaudited			
	NIS in thousands			
Unquoted debt assets	-	14	-	14
Other	*)174,334	-	**)5,584	179,918
Total	174,334	54	5,584	179,932

	March 31, 2023			Total
	Level 1	Level 2	Level 3	
	Unaudited			
	NIS in thousands			
Quoted debt assets	146,221	-	-	146,221
Unquoted debt assets	-	54	-	54
Other	-	-	**)6,089	6,089
Total	146,221	54	6,089	152,364

	December 31, 2023			Total
	Level 1	Level 2	Level 3	
	Audited			
	NIS in thousands			
Unquoted debt assets		22		22
Other	*)134,801	-	**)5,833	140,634
Total	134,801	22	5,833	140,656

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

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6:- FINANCIAL INSTRUMENTS (Cont.)

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

The fair value of expected future gains plus income receivable as of March 31, 2024, March 31, 2023 and December 31, 2023 was estimated at approximately NIS 5.5 million, NIS 6.1 million and NIS 5.8 million, respectively. The expected future gains plus income receivable were discounted using a 7% discount rate.

In the reporting period, the Company recognized a loss from revaluation of other financial investments amounting to NIS 244 thousand, which was charged to net investment gains and finance income.

NOTE 7:- CONTINGENT LIABILITIES AND COMMITMENTS

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

The table below shows a summary of amounts claimed in pending motions for class action certification filed against Altshuler Provident, as noted by plaintiffs in their statements of claim. Note that the amount claimed may not necessarily be a quantification of the exposure as estimated by Altshuler Provident, since these are assessments by the plaintiffs which will be elaborated in the legal proceeding. Note, also, that the table below does not show concluded proceedings, including proceedings concluded after a settlement agreement has been approved.

Motions for approval of class actions filed against Altshuler Provident:

	<u>Number of claims</u>	<u>Claimed amount</u> <u>NIS in millions</u>
<u>Pending class action certification motions:</u>		
Claims whose amount is specified	-	-
Claims whose amount is not specified	6	-

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7:- CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

Developments in motions for approval of class actions compared to the disclosures provided in the annual consolidated financial statements:

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.
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.
3. In keeping with the matters discussed in Note 26a(2) to the annual consolidated financial statements, in the reporting period, proof hearings were held in which witnesses and experts on behalf of the parties were interrogated.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7:- CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

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

Motions for approval of class actions filed against Psagot Provident:

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

1. In keeping with the matters discussed in Note 26d(1) to the annual consolidated financial statements, on March 27, 2024, the Court rendered a judgment that approved the mutual motion for withdrawal filed by the petitioner.
2. In keeping with the matters discussed in Note 26d(2) to the annual consolidated financial statements, on March 27, 2024, the Court rendered a judgment that approved the mutual motion for withdrawal filed by the petitioner.
3. In keeping with the matters discussed in Note 26d(3) to the annual consolidated financial statements, the petitioner was granted an extension for filing a mutual motion for withdrawal.

In the reporting period, other than as described above, no material developments occurred compared to the information disclosed in Note 26 to the Company's annual consolidated financial statements.

The overall provision recorded as of March 31, 2024 in respect of claims filed against Psagot Investment House Ltd. and Psagot Provident which were merged into Altshuler Provident approximates NIS 2,878 thousand.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

- a. 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. See also Note 24e(2)(a)(1) to the annual consolidated financial statements.
- 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. In the reporting period, the Company recognized income of approximately NIS 5 thousand from lead services.
- c. See details of legal and other proceedings filed against Altshuler Provident in the reporting period in Notes 7a(1) and 7a(2) above.
- d. See details of the acquisition of iFunds on February 12, 2024 in Note 4 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. As of the reporting date, the Company invested some \$ 168 thousand out of an investment commitment of \$ 440 thousand as an LP in a real estate venture. In the reporting period, the Company recognized a loss of approximately NIS 2 thousand from the investment in an investee accounted for at equity.
- 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, representing approximately NIS 0.12 per share.
- g. On March 20, 2024, the Company's Board approved granting Altshuler Real Estate and Altshuler Investment Funds a limited guarantee to secure the credit received by the subsidiaries from banks up to the amount of the credit.

As of the date of publication of the interim consolidated financial statements, Altshuler Real Estate and Altshuler Investment Funds are contemplating entering into agreements for receiving credit lines in an aggregate of NIS 100 million from two Israeli banks. According to the term sheet reached between the parties, the credit will be extended to Altshuler Real Estate and Altshuler Investment Funds as bridge financing for completing their investment rounds.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9:- SIGNIFICANT EVENTS AFTER THE REPORTING DATE

- a. On May 1, 2024, an agreement was reached for canceling some of the contracts that had been signed for leasing a building on Sapir Street in Haifa for a nonrecurring fee of approximately NIS 1.1 million.
- b. On May 22, 2024, in keeping with the Company's dividend distribution policy, the Company's Board declared the distribution of a dividend of NIS 21,000 thousand to the Company's shareholders, representing approximately NIS 0.11 per share.
- c. In keeping with Notes 17c(2)(b)(3) and 17c(2)(b)(4) to the annual consolidated financial statements, on May 22, 2024, the board of Altshuler Provident approved the renewal of credit lines totaling NIS 150 million for a period of one year under the same terms. As of the date of the interim consolidated financial statements, the utilized credit amounts to approximately NIS 30 million.

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