# Altshuler Shaham Finance Ltd.

## Interim Report for the Period ended September 30, 2024

# ALTSHULER SHAHAM FINANCE LTD.

## Interim Report as of September 30, 2024

**Index:**

**This is an English translation of a Hebrew report that was published on November 21, 2024 in "Magna" – ISA official website (reference no.: 2024-01-617481) ("the Hebrew Version”). This English version is only for convenience purposes.**
**This is not an official translation and has no binding force. Whilst reasonable care and skill have been exercised in the preparation hereof, no translation can ever perfectly reflect the Hebrew Version. In the event of any discrepancy between the Hebrew Version and this translation, the Hebrew Version shall prevail.**

# ALTSHULER SHAHAM FINANCE LTD.

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

## For the Periods of Nine and Three Months ended September 30, 2024

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

## INDEX

# Report of the Board of Directors on the State of Affairs of the Corporation for the Periods of Nine and Three Months ended September 30, 2024

The Board of Directors of Altshuler Shaham Finance Ltd. ("**the Company**") is pleased to present the Board's Report for the periods of nine and three months ended September 30, 2024 ("**the Reporting Period**" and "**Q3 2024**", respectively) 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. In certain cases, to paint a complete picture, the Company includes additional information that is not necessarily material. Therefore, 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**" – September 30, 2024.

"**Report Approval Date**" – November 20, 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

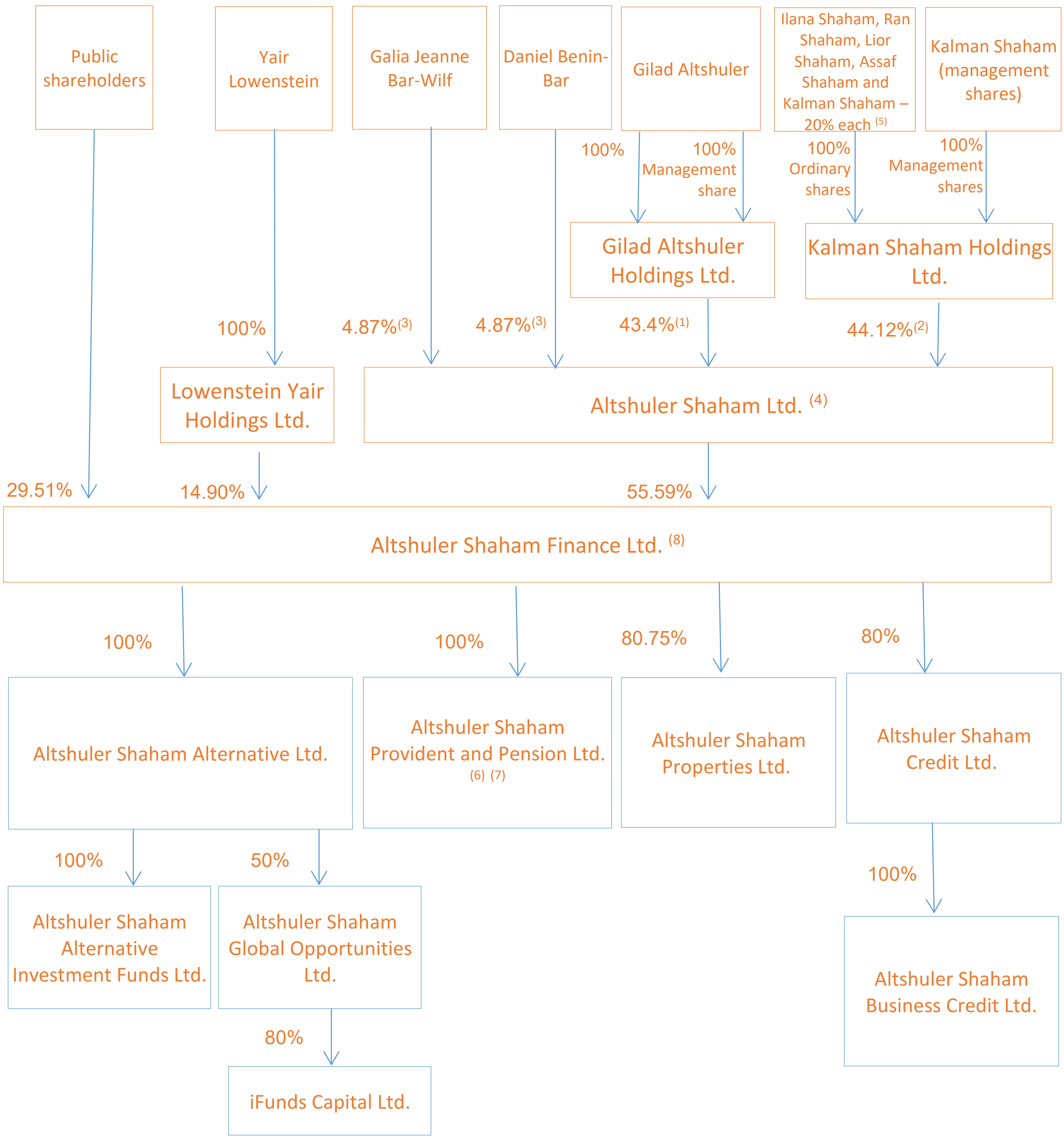
The Company was incorporated in Israel as a private company limited in shares on December 9, 2001. On April 4, 2022, the Company's shares began trading on the Tel-Aviv Stock Exchange Ltd. ("**the TASE**") and were allocated to the shareholders of Altshuler Provident Funds and Pension Ltd. ("**Altshuler 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. (14.90%) ("**Yair Holdings**") and Altshuler Shaham Ltd. (55.59%) ("**Altshuler Ltd.**" and collectively with Yair Holdings – "**the Controlling Shareholders**"). The ultimate Controlling Shareholders in the Company are Messrs. Yair Lowenstein, Gilad Altshuler and Kalman Shaham.

The Company provides financial services. As of the Report Approval Date, the Company mainly operates through Altshuler Provident in managing provident and pension funds. The Company also 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**"); (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; and (3) operating in the nonbank credit market ("the Credit Operation") through Altshuler Shaham Credit Ltd. (formerly: Psagot (P.B.L.) Ltd., "**Altshuler Credit**"), a private company that is controlled by the Company which acquired the operation of CrediTeam Business and Growth Ltd. ("**CrediTeam**") and the entire issued share capital of CrediTeam Credit 2 Grow Ltd. whose name was changed to Altshuler Shaham Business Credit Ltd. ("**Altshuler Business Credit**"), which holds an extended credit provider license from the Israel Capital Market, Insurance and Savings Authority ("**the CrediTeam transaction**").

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 other 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.

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




(1) Of which 26.43% held in trust by Altshuler Shaham Trusts Ltd. (11.7% of Altshuler Ltd.'s shares).
(2) Of which 27.63% held in trust by Altshuler Shaham Trusts Ltd. (12.44% of Altshuler Ltd.'s shares).
(3) Of which 27.02% held in trust by Altshuler Shaham Trusts Ltd. (1.35% of Altshuler Ltd.'s shares).
(4) Note that the remaining interests in Altshuler Ltd. (about 2.73%) 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 a private company of the Psagot Group that is in voluntary liquidation.
(8) The Company fully owns Psagot Business Opportunity Fund Ltd. which is inactive.

## 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 the Reporting Period, central banks around the world maintained their benchmark interest rates relatively high. However, in the third quarter of the year, a change has become evident. The Fed lowered its interest by about 0.5% to 5% for the first time since March 2020 and the European Central Bank (ECB) lowered its interest for the second time this year to 3.5%. In Israel, the interest remained unchanged at 4.5%. In the first three quarters of the year, trade on the TASE staggered in the backdrop of the ongoing war, with another escalation in the third quarter of 2024 in the northern border of Israel, the growing tensions with Iran and the IDF killing Hezbollah's Secretary-General, Hassan Nasrallah and other senior Hezbollah terrorists. 101 hostages are still held by Hamas since October 7, 2023.

In the first three quarters of the year, trade in Israel and worldwide was characterized by increases in leading stock indices. The forex market remained highly sensitive to the security tensions in Israel. In the first three quarters of 2024, all 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 the first three quarters of 2024, U.S. stock indices in the U.S. rose with the S&P 500 gaining about 20.8% and the NASDAQ growing by about 19.22%. The STOXX Europe 600 increased by about 9.2% and the German DAX rose by about 15.35%. The MSCI WORLD Index grew by about 17.5%. The global bond market experienced yield declines in the first three quarters of 2024. In the U.S., the United States 10Y Government Bond yields decreased by 10 base points to 3.78% at the end of the Reporting Period.

The Israeli stock market experienced positive trends in the first three quarters of 2024 with the TA 35 Index rising by about 13.85%, the TA 125 Index adding about 12.25% and the TA 90 Index gaining about 9.5%.

Israel

General

In September 2024, the Bank of Israel (BoI) announced its decision to keep the benchmark interest at 4.5% for the sixth time. Concurrently, the BoI's forecasts for FY25 see continued downturn in the market and the Israeli Government's failure to meet the deficit target. The BoI does not expect to lower the interest at least until the third quarter of 2025. In a press conference held by the Governor, Prof. Amir Yaron, he hinted at a possible interest increase if needed. 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. The outlook became a reality when in September of this year, Moody's lowered Israel's credit rating once more by two grades this time from A2 to Baa1 with a negative outlook, which means the rating could be lowered again in the short-medium term.

Moody's attached to its announcement a grave report of Israel's current economy, emphasizing the significantly enhanced geopolitical risk caused by the escalated fighting between Israel and Hezbollah and the absence of any possible ceasefire in Gaza in the horizon. Moody's also observed the ineffectiveness of Israel's government institutions in preventing the deterioration in the country's credit parameters.
In August 2024, Fitch lowered Israel's credit rating from A+ to A with a negative outlook, reflecting the effects of the ongoing war in Gaza, the increased geopolitical risks and the continued fighting on several fronts.
S&P also announced the lowering of Israel's credit rating in October 2024 by one grade from A+ to A with a negative outlook. S&P's economists stated the main cause for the lowering as the escalation in the fighting between Israel and Hezbollah and the belated economic recovery of 0% growth in 2023 and 2.2% in 2024.

In August 2024, the Israeli CPI leaped by 0.9% compared with the projected increase of only 0.5%. Annual inflation grew to 3.6% and has crossed the inflation target's upper limit, ranging between 1% and 3%. Markups were noted in consumer items such as cultural recreation, clothing and housing. Notable markups were also recorded in prices of fresh produce, transportation, housing, education, culture and entertainment. The State's budget for 2025 has been approved to include a series of drastic measures such as big spending cuts and tax rises to cover ballooning war costs and rein in a swelling fiscal deficit, costing the average Israeli family thousands of NIS a year. Among others, the Israeli Cabinet approved raising the VAT rate from 17% to 18%, freezing income tax rates and credit points, cutting down recreation pay, freezing minimum and public sector wages and canceling senior citizen benefits.

The October 7 war

In the first three quarters of 2024, Israel continued to face the challenges of intense warfare in the south of Israel in the Gaza Strip with Hamas terrorists. In the third quarter of 2024, the fighting intensified mainly in the northern borders with Hezbollah. In an attack presumably executed by Israel, thousands of beepers held by Hezbollah's activists in Lebanon and Syria simultaneously exploded, decommissioning an estimated 1,500 terrorists in the organization. In late September 2024, in a series of air strikes, Israel killed senior Hezbollah terrorists including the head of the Radwan Force, the highest ranking military commander and head of the organization's strategic warfare, ultimately also killing Hezbollah's leader, Hassan Nasrallah. In October 2024, the IDF entered Lebanon. In response to Israel's killing of Hassan Nasrallah and an Iranian general, in early October 2024, Iran launched some 180 ballistic missiles towards Israel.

The above developments have the potential of adversely affecting the domestic capital market and business environment in which the Group operates and impair the scope and value of the assets managed by Altshuler Provident.

At present, the ongoing state of war has not had a material impact on the scope or value of the assets managed by Altshuler Provident, 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. See details of financial covenants in paragraph 1.8 below.

Notwithstanding the aforesaid, as of the Report 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 retained certain stability in the first three quarters of 2024, yet towards the end of the third quarter, signs of weakness were noted. In August 2024, 142 thousand new jobs were added to the U.S. labor market, compared with the projected 164 thousand jobs. Unemployment rate decreased from 4.3% in July to 4.2% in August.

In September 2024, the Fed lowered the interest by a sharp 0.5% to 5.5%, the first lowering of the interest since March 2020.

The U.S. presidential campaign ended with Donald Trump winning, four years after losing the former elections. As the 47th President of the United States, Trump won in a series of swing states and in his 30-minute victory speech called for unity in America and promised to end wars, not start them. The stock markets hit record highs in reaction to Trump's win.

In the first three quarters of 2024, U.S. stocks were traded with positive results. The NASDAQ rose by about 19.2% and the S&P 500 grew by about 20.8%. The Dow Jones grew by about 27.7%. The United States 10Y Government Bond yields decreased by 10 base points to 3.78% in the first three quarters of 2024.

Europe

Following a consecutive wave of interest hikes to the highest rate since the Euro was launched, the ECB reached the end of the interest hike cycle. In the backdrop of the mitigated inflation in the Eurozone in recent months and the expected 2% inflation target in 2025, in June 2024, the ECB lowered the interest rate by 0.25% to 4.25%. In keeping with the inflation cooling, the ECB also lowered the interest in September by about 0.25% to 3.5%.

In the UK, the Bank of England announced the lowering of the interest by 0.25% to 5% in August 2024 for the first time in four years. In its interest decision of September 2024, the Bank of England kept the interest rate unchanged with no expected lowering in the near future.

In conclusion of the first three quarters of 2024, a positive trend was witnessed in the European stock exchanges with the Euro Stoxx 50 increasing by 10.6% and the Euro Stoxx 600 gaining 9.2%.

Asia

The Bank of Japan (BOJ) raised its interest to 0.25% and announced cutting in half its plan to gradually buy bonds until the first quarter of 2026. Current bond purchases are at about 6 trillion yen a month (about 40 billion USD). The BOJ also clarified its intention to continue raising the interest in the coming months if the data match the forecasts.

***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 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.***

## 1.4 Developments in the operating segments

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

**As of September 30, 2024 and for the periods of nine and 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** | 378,740 | 21,686 | 821,905 | 647,108 | 164,936 | 969,180 | 5,820 | **3,009,375** |
| Managed assets | 31,558,617 | 963,895 | 56,312,415 | 52,996,577 | 10,919,041 | 9,507,019 | 907,108 | **163,164,672** |
| Receipts from fees | 2,825,720 | 151,575 | 665,167 | 2,793,171 | 1,261,138 | 785,264 | 4,978 | **8,487,013** |
| Of which, nonrecurring fees | - | - | 265,176 | 46,155 | 802,451 | 37,612 | - | **1,151,394** |
| Annualized fees for newly enrolled members | 478,309 | 30,249 | 33,017 | 366,363 | 151,465 | 24,225 | 23 | **1,083,651** |
| Annualized fees for all members | 3,826,214 | 177,179 | 625,174 | 3,768,461 | 687,858 | 980,956 | 6,273 | **10,072,115** |
| Accruals transferred to the fund | 2,080,065 | 130,295 | 1,584,482 | 820,811 | 172,781 | 1,857 | 3,318 | **4,793,609** |
| Accruals transferred from the fund | (3,317,533) | (161,094) | (5,766,512) | (7,785,812) | (1,145,698) | (155,636) | (27,967) | **(18,360,252)** |
| Payments | (161,885) | 2,776 | (1,750,921) | (2,320,943) | (832,120) | (146,613) | (34,474) | **(5,244,180)** |
| Surplus revenues over expenses in the period | 3,620,024 | 98,671 | 5,199,257 | 5,457,990 | 1,321,027 | 1,244,295 | 69,899 | **17,011,163** |
| Revenues from accrual management fees | 30,398 | 1,252 | 264,088 | 276,418 | 48,673 | 14,924 | 3,951 | **639,704** |
| Revenues from deposit management fees | 37,882 | 1,684 | 1,864 | - | - | - | - | **41,430** |
| Average annual rate of management fees from active assets | 0.12 | 0.16 | 0.65 | 0.72 | 0.63 | 0.23 | 0.21 | |
| Average annual rate of management fees from inactive assets | 0.14 | 0.21 | 0.62 | 0.67 | 0.61 | 0.23 | 0.64 | |
| Average annual rate of management fees from assets – annuities | 0.38 | 0.35 | - | - | - | - | - | |
| Average annual rate of management fees from deposits | 1.31 | 1.33 | 0.27 | - | - | - | - | |

* 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.

**As of September 30, 2023 and for the periods of nine and 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** | 368,937 | 20,818 | 910,812 | 763,153 | 174,096 | 981,680 | 6,287 | **3,225,783** |
| Managed assets | 25,564,916 | 702,276 | 56,752,215 | 54,777,430 | 10,049,134 | 7,285,387 | 895,587 | **156,026,945** |
| Receipts from fees | 3,047,458 | 135,850 | 588,613 | 3,599,828 | 840,751 | 776,725 | 5,120 | **8,994,345** |
| Of which, nonrecurring fees | - | - | 88,462 | 27,105 | 346,359 | 34,701 | - | **496,627** |
| Annualized fees for newly enrolled members | 410,940 | 9,354 | 31,304 | 373,329 | 69,376 | 28,258 | - | **922,561** |
| Annualized fees for all members | 3,889,781 | 167,668 | 740,735 | 4,665,509 | 650,440 | 982,826 | 6,337 | **11,103,296** |
| Accruals transferred to the fund | 744,724 | 21,382 | 453,050 | 138,170 | 32,681 | 1,311 | 1,955 | **1,393,273** |
| Accruals transferred from the fund | (5,622,361) | (151,779) | (8,202,729) | (11,041,113) | (1,446,377) | (71,209) | (48,497) | **(26,584,065)** |
| Payments | (255,763) | (2,831) | (2,523,927) | (3,490,168) | (1,135,735) | (101,481) | (52,759) | **(7,562,664)** |
| Surplus revenues over expenses in the period | 2,162,460 | 44,205 | 2,879,945 | 3,161,657 | 728,807 | 567,058 | 38,044 | **9,582,176** |
| Revenues from accrual management fees | 25,673 | 1,012 | 292,898 | 315,348 | 51,842 | 11,750 | 4,157 | **702,680** |
| Revenues from deposit management fees | 42,067 | 1,999 | 2,644 | - | - | - | - | **46,710** |
| Average annual rate of management fees from active assets | 0.12 | 0.18 | 0.67 | 0.74 | 0.66 | 0.23 | 0.21 | |
| Average annual rate of management fees from inactive assets | 0.13 | 0.23 | 0.64 | 0.69 | 0.64 | 0.23 | 0.64 | |
| Average annual rate of management fees from assets – annuities | 0.36 | 0.34 | - | - | - | - | - | |
| Average annual rate of management fees from deposits | 1.38 | 1.44 | 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.

**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 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.

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 September 30, 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 819.99 billion compared with approximately NIS 722.14 billion at the end of 2023, representing an increase of about 13.55%.

In the Reporting Period, the scope of provident fund assets managed by Altshuler Provident increased from approximately NIS 129.22 billion at the end of 2023 to approximately NIS 130.64 billion as of September 30, 2024, representing an increase of about 1.10% in total provident fund assets managed by Altshuler Provident.

Pension fund assets

As of September 30, 2024, total local pension fund assets (new, comprehensive and general) totaled approximately NIS 891.57 billion compared with approximately NIS 751.42 billion at the end of 2023, representing an increase of about 18.65%.

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 32.52 billion as of September 30, 2024, representing an increase of about 18.51%.

Investments in provident fund and pension fund assets

In the Reporting Period, the Company 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.

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$ 326 million compared with US$ 98 million as of December 31, 2023. See details of revenues in this operating segment in Note 5 to the interim consolidated financial statements as of September 30, 2024 hereby attached.

1.4.2.2.1 Alternative Investment Management Operation

In the Reporting Period, Altshuler Real Estate completed investment rounds in the U.S. in a total of approximately US$ 34.8 million. The Company participated in the investments in a total of about US$ 1.7 million, accounting for about 5% of the total rounds. The Company also completed an investment round in Europe of approximately £ 15.6 million in which it participated at approximately £ 0.8 million, accounting for about 5% of the total investment round.

Also, in the Reporting Period, Altshuler Investment Funds completed raising about US$ 11.5 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 2.5.1 below.

Credit line agreements

In the Reporting Period, Altshuler Real Estate and Altshuler Alternative entered into agreements for receiving credit lines in an aggregate of NIS 100 million from an Israeli bank. The credit is used as bridge financing for completing investment rounds. Moreover, to receive the credit lines and secure the borrowers' obligations, the Company provided a limited guarantee.

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. See details of credit lines used in and after the Reporting Period in Notes 7a and 9g to the interim consolidated financial statements as of September 30, 2024 hereby attached.

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.

1.4.2.3 The Credit Operating Segment

On August 19, 2024, the Company, through Altshuler Credit, closed the CrediTeam transaction and entered the credit market. Altshuler Credit offers nonbank credit to small and medium-sized businesses through Altshuler Business Credit, a wholly owned private company, which has an extended credit provider license from the Capital Market, Insurance and Savings Authority. As of the Report Date, total nonbank credit managed by Altshuler Credit approximates NIS 30.7 million.

See details of the Company entering the nonbank credit market and the changes in this operating segment in the Reporting Period in paragraph 2.7 below.

## 1.5 Financial position

Following are data as of September 30, 2024 and 2023 and December 31, 2023 and for the periods of nine and three months ended September 30, 2024 and 2023 and the year ended December 31, 2023 based on the Company's interim consolidated financial statements as of September 30, 2024 hereby attached.

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

| | September 30, | | December 31, 2023 | Company's explanations |
|---|---|---|---|---|
| | 2024 | 2023 | | |
| Assets | 962,040 | 972,030 | 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, property, plant and equipment and current tax assets against an increase in receivables, deferred taxes, investment in associated partnerships and customer credit. The change in DAC in the Reporting Period arises from the payment of agent commissions totaling approx. NIS 43,824 thousand less amortizations of approx. NIS 54,686 thousand. |
| Financial investments | 138,103 | 164,173 | 140,656 | The decrease in financial investments in the Reporting Period compared to the corresponding period of 2023 mainly arises from a decrease in other financial investments. |
| Cash and cash equivalents | 76,618 | 60,689 | 115,856 | The decrease in cash and cash equivalents in the Reporting Period compared to the corresponding period of 2023 arises from an increase in net cash from operating activities of approx. NIS 112.6 million, offset by a decrease in net cash from investing and financing activities of approx. NIS 37.1 million and NIS 114.8 million, respectively. |
| **Total assets** | **1,176,761** | **1,196,892** | **1,192,945** | **---** |
| Equity | 536,414 | 515,869 | 519,637 | The increase in equity in the Reporting Period derives from comprehensive income of approx. NIS 82 million and approx. NIS 0.3 million in capital reserve for share-based payment transactions, offset by a decrease in equity due to dividend distributed in the amount of approx. NIS 65 million and non-controlling interests in newly consolidated company of approx. NIS 0.3 million. |
| Liabilities | 640,347 | 681,023 | 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 and employee benefit liabilities, net. |
| **Total liabilities and equity** | **1,176,761** | **1,196,892** | **1,192,945** | **---** |

## 1.6 Operating results

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

| | Nine months ended September 30, | | Three months ended September 30, | | Year ended December 31, |
|---|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 | 2023 |
| **Revenues:** | | | | | |
| From management fees, net | 682,538 | 756,272 | 229,054 | 242,509 | 985,999 |
| From commissions | 4,751 | 4,234 | 1,625 | 735 | 4,300 |
| Net investment gains and finance income | 7,530 | 6,389 | 2,457 | 2,797 | 8,920 |
| Revenues from nonbank credit operation | 470 | - | 470 | - | - |
| Other income | 935 | 15,129 | 314 | 13,196 | 15,399 |
| **Total revenues** | **696,224** | **782,024** | **233,920** | **259,237** | **1,014,618** |
| **Expenses:** | | | | | |
| Commissions, marketing expenses and other acquisition costs | 241,772 | 272,220 | 79,272 | 87,423 | 354,542 |
| Expenses in respect of credit losses | 552 | - | 552 | - | - |
| General and administrative expenses | 301,890 | 317,218 | 104,494 | 105,907 | 414,724 |
| Other expenses | 20,214 | 19,624 | 6,256 | 6,541 | 25,611 |
| Finance expenses | 8,363 | 9,787 | 2,702 | 2,871 | 12,628 |
| **Total expenses** | **572,791** | **618,849** | **193,276** | **202,742** | **807,505** |
| **Company's share of losses of associated partnerships accounted for at equity** | 11 | - | 9 | - | - |
| **Income before taxes on income** | **123,422** | **163,175** | **40,635** | **56,495** | **207,113** |
| Taxes on income | 41,670 | 55,651 | 13,930 | 18,681 | 69,564 |
| **Net income** | **81,752** | **107,524** | **26,705** | **37,814** | **137,549** |
| Other comprehensive income (loss) (net of tax) | 3 | (1,893) | 36 | (64) | (706) |
| **Comprehensive income** | **81,755** | **105,631** | **26,741** | **37,750** | **136,843** |
| **Net income (loss) for the period attributable to:** | | | | | |
| Equity holders of the Company | 83,469 | 107,577 | 27,570 | 37,900 | 137,930 |
| Non-controlling interests | (1,717) | (53) | (865) | (86) | (381) |
| | **81,752** | **107,524** | **26,705** | **37,814** | **137,549** |
| **Comprehensive income (loss) attributable to:** | | | | | |
| Equity holders of the Company | 83,472 | 105,684 | 27,606 | 37,836 | 137,224 |
| Non-controlling interests | (1,717) | (53) | (865) | (86) | (381) |
| | **81,755** | **105,631** | **26,741** | **37,750** | **136,843** |

**Revenues**

Revenues from management fees, net – the decrease in revenues from management fees in the Reporting Period compared with the corresponding period of 2023 mainly arises from a decrease in average assets managed by Altshuler Provident and a decrease in the average rate of management fees charged by it against an increase in net revenues from management fees from the Alternative Investment Operation. It should be noted that in the corresponding period of 2023, Altshuler Provident received approximately NIS 8.5 million as refund of member fees in 2020.

Revenues from commissions – the increase in revenues from commissions in the Reporting Period derives from an increase in development commissions due to increased investments raised in the Alternative Real Estate Investment Management Operation compared with the corresponding period of 2023.

Net gains from investments and finance income – the increase in finance income in the Reporting Period compared to the corresponding period of 2023 mainly arises from gains from financial investments against a decrease in interest income on deposits.

Revenues from nonbank credit operation – revenues from the nonbank credit operation in the Reporting Period derive from Altshuler Credit's entry into the nonbank credit market.

Other income – the decrease in other income in the Reporting Period compared to the corresponding period of 2023 is a result of income of approximately NIS 12.9 million recognized in the corresponding period of 2023. The income derives from a settlement agreement signed between the Company and Himalaya F.S. Ltd. ("the seller") in connection with disputes arisen between the parties regarding the price adjustment mechanisms in a transaction in which the Company purchased from the seller the entire issued and outstanding share capital of Psagot Investment House Ltd. (see also Note 12 to the Company's financial statements for 2023). The income in the corresponding period of 2023 also includes an amount received in a settlement agreement in a mediation proceeding to which the Company was a party (see also Note 26e to the Company's financial statements for 2023).

**Expenses**

Commissions, marketing expenses and other acquisition costs – the decrease in commissions, marketing expenses and other acquisition costs in the Reporting Period compared to the corresponding period of 2023 is mainly a result of a decrease in current commissions due to the decrease in average assets managed by Altshuler Provident and a decrease in amortization of DAC.

Expenses in respect of credit losses – expenses in respect of credit losses in the Reporting Period arise from the initiation of the nonbank credit operation by Altshuler Credit.

G&A expenses – the decrease in G&A expenses in the Reporting Period compared to the corresponding period of 2023 is mainly due to the decrease in wages and related expenses, advertising, employee wellbeing and marketing expenses and donations against an increase in depreciation and amortization, IT and communication expenses.

Other expenses – the increase in other expenses in the Reporting Period compared to the corresponding period of 2023 mainly stems from a capital loss from a lease against a decrease in payment settlement fees.

Finance expenses – the decrease in finance expenses in the Reporting Period compared to the corresponding period of 2023 mainly stems from a decrease in interest expenses to banks following a decrease in financial liabilities.

## 1.7 Liquidity

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

| | Nine months ended September 30, | | Three months ended September 30, | | Year ended December 31, |
|---|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 | 2023 |
| **Cash flows from operating activities:** | | | | | |
| Net income in the period | 81,752 | 107,524 | 26,705 | 37,814 | 137,549 |
| Adjustments to income | 30,840 | 69,741 | (1,748) | 24,821 | 95,395 |
| **Net cash provided by operating activities** | **112,592** | **177,265** | **24,957** | **62,635** | **232,944** |
| **Net cash provided by (used in) investing activities** | **(37,069)** | **3,014** | **(9,665)** | **7,936** | **46,048** |
| **Net cash used in financing activities** | **(114,761)** | **(216,111)** | **(37,762)** | **(94,786)** | **(259,657)** |
| **Increase (decrease) in cash and cash equivalents** | **(39,238)** | **(35,832)** | **(22,470)** | **(24,215)** | **19,335** |
| **Cash and cash equivalents at beginning of period** | **115,856** | **96,521** | **99,088** | **84,904** | **96,521** |
| **Cash and cash equivalents at end of period** | **76,618** | **60,689** | **76,618** | **60,689** | **856,115** |

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

**Net cash provided by (used in) investing activities** – the increase in cash flows used in investing activities in the Reporting Period compared with the corresponding period of 2023 is mainly a result of a decrease in sales of financial investments, net, acquisition of newly consolidated companies, acquisition of associate and the grant of a loan to an associated partnership net of 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 the Reporting Period compared with the corresponding period of 2023 is mainly a result of a decrease in repayment of loans from banks, a decrease in the dividend paid to the Company's shareholders and the receipt of a bank loan against an increase in repayment of lease liability.

## 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 Date, the average scope of long-term loans and short-term loans (including current maturities) from banks approximates NIS 320.9 million and NIS 93.1 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 Q3 2024, Altshuler Provident's revenues from management fees totaled NIS 227.5 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 406.4 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 2.1.

d) The debt service coverage ratio (DSCR) – the result of dividing the EBITDA less investments in PP&E and in software and less tax in the latest relevant calendar quarters (accumulated interest expenses and linkage differences with the addition of current maturities – principal and interest, excluding principal on credit provided to finance compliance with minimum capital requirements of provident fund manager and repayment of any credit principal for a period not exceeding 12 months but rather only interest on such credit, which Altshuler Provident will have to pay the banks in the four consecutive calendar quarters as of the Report Date, other than borrowings repayable in a lump sum at period end will not be lower than 1.5. As of the Report Date, the ratio is 3.1.

See information of a credit line received by the Company for the Credit Operation in paragraph 2.7 below. See more information of the Group's financing resources, including financing agreements entered into by the Group, in Notes 7 and 9 to the Company's interim financial statements hereby attached and Note 17 to the Company's annual financial statements for 2023.

## 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 nine months ended September 30, 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, the Company's Board approved the distribution of a dividend based on the Company's interim financial statements as of March 31, 2024 in the amount of NIS 21 million. See also the Company's immediate reports of May 23, 2024 and June 5, 2024 (TASE references: 2024-01-050890 and 2024-01-057346, respectively), whose information is hereby included by reference.

2.1.3 On August 19, 2024, the Company's Board approved the distribution of a dividend of NIS 21 million based on the Company's interim financial statements as of June 30, 2024. See also the Company's immediate reports of August 20, 2024 and September 5, 2024 (TASE references: 2024-01-090565 and 2024-01-601352, respectively), whose information is hereby included by reference.

2.1.4 On November 20, 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 10a to the Company's interim financial statements hereby attached.

### 2.2 Effects of inflation and market interest rises

In the first three quarters of 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. The Fed and the BoI lowered the market interest once in the first three quarters of 2024, whereas the ECB lowered its interest rate twice during this period.

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.***

2.3 The October 7 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 8 to the Company's interim financial statements hereby attached.

2.5 General Meetings

2.5.1 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.

2.5.2 On November 20, 2024, the Company's Board approved convening a Special Annual General Meeting of the Company's Shareholders with the following agenda: (1) approving an increase in the option pool allocated to Altshuler Ltd. in keeping with the Company's Board's approval of July 9, 2019; (2) approving an employee option allocation mechanism for the employees of the Company or of companies that are wholly or partially owned by the Company who grant services to Altshuler Ltd. based on the service agreement between the companies; (3) approving the allocation of options to employees of the controlling shareholders' group who grant services to the Company based on the service agreement between the companies; (4) approving the allocation of options to employees of the Altshuler Ltd. group who do not grant services to the Company based on the service agreement between the companies. See more information in Note 10c to the Company's interim financial statements hereby attached and in a general meeting notice report which will be issued by the Company concurrently with the publication of this interim report, 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 9,651 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.

2.7 Entering the nonbank credit market and acquisition of CrediTeam

2.7.1 On June 6, 2024, the Company's Board approved the Company's go-to-market strategy for entering the nonbank credit market through an agreement signed by Altshuler Credit, then a private company wholly owned by the Company, for the acquisition of the business operation of CrediTeam and the entire issued share capital of CrediTeam Credit, then a private company wholly owned by CrediTeam which holds an extended credit provider license from the Capital Market Authority ("**the acquisition agreement**"). The acquisition agreement was signed on June 19, 2024. According to the CrediTeam transaction, Altshuler Credit allocated each of the two founders of CrediTeam 10% of its shares so that each founder held 10% of Altshuler Credit's shares on the CrediTeam transaction closing date. The CrediTeam transaction was closed on August 19, 2024.

2.7.2 On August 19, 2024, Altshuler Credit and the two founders of CrediTeam entered into a shareholders' agreement ("**the shareholders' agreement**") and the CrediTeam transaction was closed. The shareholders' agreement settles the business relations between the parties with respect to Altshuler Credit's operations and consists of the following: (i) material decisions will require the consent of at least one of the two founders; (ii) the founders will be hired by Altshuler Credit as joint CEOs; (iii) Altshuler Credit will receive financing, including from the Company; (iv) the founders will be granted put options to sell up to one third (1/3) of their interests in Altshuler Credit based on a predetermined mechanism.

2.7.3 Once the CrediTeam transaction had been closed, the Company and Altshuler Credit signed a mutual service agreement according to which the parties provide each other services as follows: (i) professional services consisting of procurement, marketing, legal counsel and IT systems in return for quarterly management fees based on the cost allocation mechanism set forth in the agreement; (ii) nonrecurring expenses will be allocated as agreed between the parties every quarter but not in excess of NIS 90,000 per quarter per party; (iii) general labor and services as needed by each party for their operating activities at a gross maximum scope of NIS 1 million a year.

Also, according to the service agreement, the Company provides Altshuler Credit management services in return for management fees at cost+6% plus VAT. See more information in the Company's immediate reports of June 9, 2024 and August 20, 2024 (TASE references: 2024-01-058201 and 2024-01-090592, respectively), whose information is hereby included by reference, and in Notes 4b and 6 to the Company's interim financial statements hereby attached.

2.7.4 On October 1, 2024, the Company entered into an agreement with a bank for receiving two credit lines in an aggregate of NIS 100 million as follows: (i) credit line of NIS 50 million; and (ii) on call credit line of NIS 50 million (commission free). See information of credit lines granted to the Company, including related commissions and a lien provided by the Company in favor of the lending bank in an immediate report issued by the Company on October 1, 2024 (TASE reference: 2024-01-607531), whose information is hereby included by reference, and in Note 9m to the Company's interim financial statements hereby attached.

2.8 Shelf prospectus extension

On September 25, 2024, the Company reported that the Israel Securities Authority had decided to extend the period for offering securities of the Company based on the Company's shelf prospectus until September 30, 2025. See information in an immediate report of September 25, 2024 (TASE reference: 2024-01-605738), whose information is hereby included by reference.

2.9 D&O liability insurance policy

After the Reporting Period, on November 20, 2024, the Company's Remuneration Committee approved the purchase of a collective directors and officers liability insurance policy for the Altshuler Shaham Group in accordance with Regulation 1B(1) to the Israeli Companies Regulations (Reliefs in Interested Party Transactions), 2000 ("**the Relief Regulations**"). The insurance policy is in compliance with the Company's remuneration policy as approved by the general meeting of the Company's shareholders on October 27, 2022 and in keeping with the service and recharge agreements signed between the Company, Altshuler Provident and Altshuler Ltd. on February 5, 2024 ("the service agreement"). The insurance policy is in effect for a period of 17 months from December 1, 2024 and covers all the directors and officers in the Company, including the CEO and controlling shareholders, all in conformity with the Relief Regulations, under identical terms and without favoring the CEO or controlling shareholders. As per the insurance policy, the collective liability limit is NIS 40 million per event and in total for the entire insurance period in respect of claims raised against officers in the course of and in connection with fulfilling their duties in the Company. The cost of the annual insurance fees and deductible borne by the Company are at arm's length and are immaterial to the Company based on the Company's relative share as determined in the service agreement.

2.10 Investments in the Company's equity and share transactions

On November 20, 2024, after the Report Date, subject to the approval of the general meeting of the Company, the Company's Board approved the grant of 9,374,252 options that are exercisable into Company shares to employees and service providers in the Company, in related companies and in Altshuler Ltd. and companies controlled by the latter and/or related thereto. See more information in Note 10c to the Company's interim financial statements hereby attached and in a general meeting notice report that will be issued by the Company concurrently with the publication of this quarterly report, whose information is hereby included by reference.

See more information of material events during and after the Reporting Period in Notes 9 and 10 to the Company's interim financial statements hereby attached.

## 3. Exposure to market risks

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

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

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

Linkage basis report

In the Reporting Period, there were no material changes in the linkage basis report issued in the Company's prospectus. See the linkage basis report of the Group's financial assets and liabilities as of December 31, 2023 in Note 10 to the financial statements as of December 31, 2023.

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 132,337 thousand whereas the VaR of these assets is NIS 451 thousand, accounting for 0.3% of the fair value of short-term investments.

| | |
|---|---|
| **Ran Shaham**<br>**Chairman of the Board of Directors** | **Yair Lowenstein**<br>**CEO** |

Report Approval Date: November 20, 2024

# 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 in the Company;
2. Ms. Sharon Gerszbejn, Deputy CEO, VP Finance in the Company;
3. Mr. Tzafrir Zanzuri, CEO of Altshuler Shaham Alternative Investments Ltd., Deputy CEO, VP Business Development in the Company;
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.

On June 19, 2024, Altshuler Shaham Credit Ltd. (which is controlled by the Company) entered into an agreement for the purchase of the entire issued share capital of CrediTeam Credit 2 Grow Ltd. ("**the transaction**"). The transaction was closed on August 19, 2024, as detailed in paragraph 2.7.2 to the Board's Report.

As per the ISA Staff guidance of July 2010, FAQ (SOX) 1 ("**the ISA's guidance**"), when a company achieves control over another corporation in the reporting period ("**the acquired corporation**") and the company's management or board of directors are unable to assess the effectiveness of internal control in the acquired corporation, then:

"The ISA Staff will not consider it a violation of the regulations if disclosure is provided in the effectiveness assessment report regarding the scope of the assessment of the effectiveness of internal control in which the board of directors and management state that the acquired corporation is not included in the scope of the effectiveness assessment report".

Effectively, as per the ISA's guidance, an acquired corporation can be excluded from the effectiveness assessment report until the periodic report of the year following the year in which the control of the acquired corporation is achieved.

In view of the closing date of the transaction and following a comprehensive analysis, the Company's Management and Board of Directors have concluded that there is real difficulty in preparing an effectiveness assessment report relating to the acquired corporation since the implications of the transaction require making proper adjustments and changes by the Company for the purpose of planning, arranging work interfaces, setting up a control system that addresses all the inherent risks (if any), assimilating the controls in the acquired corporation and performing tests of the effectiveness of internal control over financial reporting and disclosure both for the Company's financial statement close process and for the Company's finance and IT systems and processes. Such adjustments and changes require extended time for planning, performance and implementation.

Notwithstanding all the aforesaid, the Company is of the opinion that the quality of the audit, procedures, internal implementation and financial reporting of the acquired corporation is sufficient to provide proper disclosure to the public given the controls that were practiced by the acquired corporation before the transaction.

In the interim report on the effectiveness of internal control over financial reporting and disclosure attached to the interim report for the period of nine months ended September 30, 2024 ("**the latest interim report of internal control**"), the internal control in the Company was found to be 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 interim 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 interim 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 third 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.

Yair Lowenstein
CEO and Director

November 20, 2024

**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 third 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.

Sharon Gerszbejn
Deputy CEO, VP Finance

November 20, 2024

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**ALTSHULER SHAHAM FINANCE LTD.**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF SEPTEMBER 30, 2024**

**UNAUDITED**

**INDEX**



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Building a better
working world

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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 September 30, 2024 and the related consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the periods of nine and three months then ended. The Company's board of directors and management are responsible for the preparation and presentation of interim financial information for these periods in accordance with IAS 34, "Interim Financial Reporting", and are responsible for the preparation of this interim financial information in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

## Scope of review

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

## Conclusion

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

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

Tel-Aviv, Israel
November 20, 2024

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

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | September 30, 2024 | September 30, 2023 | December 31, 2023 |
|---|---|---|---|
| | Unaudited | | Audited |
| | NIS in thousands | | |
| **Assets:** | | | |
| Intangible assets | 526,753 | 539,378 | 529,312 |
| Right-of-use assets | 38,837 | 47,712 | 45,265 |
| Investment in lease, net | 43,476 | 49,876 | 49,913 |
| Deferred acquisition costs | 223,018 | 239,729 | 231,881 |
| Property, plant and equipment | 24,492 | 28,967 | 29,567 |
| Accounts receivable | 54,660 | 47,909 | 27,520 |
| Current tax assets | 1,364 | 12,977 | 16,869 |
| Deferred tax assets | 10,072 | 5,482 | 6,106 |
| Customer credit | 30,696 | - | - |
| Investment in associated partnerships | 8,672 | - | - |
| **Financial investments:** | | | |
| Quoted debt assets | - | 149,486 | - |
| Unquoted debt assets | - | 61 | 22 |
| Other debt assets | 138,103 | 14,626 | 140,634 |
| **Total financial investments** | 138,103 | 164,173 | 140,656 |
| Cash and cash equivalents | 76,618 | 60,689 | 115,856 |
| **Total assets** | 1,176,761 | 1,196,892 | 1,192,945 |
| **Equity:** | | | |
| Share capital | 2,023 | 2,020 | 2,021 |
| Share premium | 241,654 | 239,888 | 240,239 |
| Capital reserve from transaction with controlling shareholder | (4,457) | (4,131) | (4,264) |
| Capital reserve from share-based payment transactions | 32,575 | 33,107 | 33,444 |
| Capital reserve from financial assets measured at fair value through other comprehensive income | (33) | 2 | 9 |
| Foreign currency translation reserve | 45 | - | - |
| Retained earnings | 267,300 | 245,298 | 248,831 |
| **Equity attributable to equity holders of the Company** | 539,107 | 516,184 | 520,280 |
| **Non-controlling interests** | (2,693) | (315) | (643) |
| **Total equity** | 536,414 | 515,869 | 519,637 |
| **Liabilities:** | | | |
| Deferred tax liabilities | 23,050 | 29,459 | 29,761 |
| Employee benefit liabilities, net | 2,373 | 4,028 | 2,490 |
| Current tax liabilities | 288 | 4,126 | 5,251 |
| Accounts payable | 117,534 | 109,079 | 116,307 |
| Lease liability | 87,720 | 102,883 | 100,627 |
| Financial liabilities | 409,382 | 431,448 | 418,872 |
| **Total liabilities** | 640,347 | 681,023 | 673,308 |
| **Total equity and liabilities** | 1,176,761 | 1,196,892 | 1,192,945 |

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

| November 20, 2024 | | | |
|---|---|---|---|
| Date of approval of the financial statements | Ran Shaham<br>Chairman of the Board of Directors | Yair Lowenstein<br>CEO | Sharon Gerszbejn<br>Deputy CEO, VP Finance |

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Nine months ended September 30, | | Three months ended September 30, | | Year ended December 31, |
|---|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 | 2023 |
| | Unaudited | | | | Audited |
| | NIS in thousands (except per share data) | | | | |
| Revenues from management fees, net | 682,538 | 756,272 | 229,054 | 242,509 | 985,999 |
| Revenues from commissions | 4,751 | 4,234 | 1,625 | 735 | 4,300 |
| Net investment gains and finance income | 7,530 | 6,389 | 2,457 | 2,797 | 8,920 |
| Revenues from nonbank credit operation | 470 | - | 470 | - | - |
| Other income | 935 | 15,129 | 314 | 13,196 | 15,399 |
| **Total revenues** | 696,224 | 782,024 | 233,920 | 259,237 | 1,014,618 |
| Commissions, marketing expenses and other acquisition costs | 241,772 | 272,220 | 79,272 | 87,423 | 354,542 |
| Expenses in respect of credit losses | 552 | - | 552 | - | - |
| General and administrative expenses | 301,890 | 317,218 | 104,494 | 105,907 | 414,724 |
| Other expenses | 20,214 | 19,624 | 6,256 | 6,541 | 25,611 |
| Finance expenses | 8,363 | 9,787 | 2,702 | 2,871 | 12,628 |
| **Total expenses** | 572,791 | 618,849 | 193,276 | 202,742 | 807,505 |
| Company's share of losses of associated partnerships accounted for at equity | 11 | - | 9 | - | - |
| **Income before taxes on income** | 123,422 | 163,175 | 40,635 | 56,495 | 207,113 |
| Taxes on income | 41,670 | 55,651 | 13,930 | 18,681 | 69,564 |
| **Net income** | 81,752 | 107,524 | 26,705 | 37,814 | 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:** | | | | | |
| Loss from investments in financial instruments measured at fair value through other comprehensive income | (42) | (53) | (9) | (64) | (46) |
| Foreign currency translation reserve for foreign operations | 45 | - | 45 | - | - |
| 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 income (loss), net that will be subsequently reclassified to profit or loss** | 3 | (1,893) | 36 | (64) | (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, net that will not be subsequently reclassified to profit or loss** | - | - | - | - | 1,180 |
| **Total other comprehensive income (loss) (net of taxes)** | 3 | (1,893) | 36 | (64) | (706) |
| **Total comprehensive income** | 81,755 | 105,631 | 26,741 | 37,750 | 136,843 |
| **Net income (loss) for the period attributable to:** | | | | | |
| Equity holders of the Company | 83,469 | 107,577 | 27,570 | 37,900 | 137,930 |
| Non-controlling interests | (1,717) | (53) | (865) | (86) | (381) |
| | 81,752 | 107,524 | 26,705 | 37,814 | 137,549 |
| **Comprehensive income (loss) for the period attributable to:** | | | | | |
| Equity holders of the Company | 83,472 | 105,684 | 27,606 | 37,836 | 137,224 |
| Non-controlling interests | (1,717) | (53) | (865) | (86) | (381) |
| | 81,755 | 105,631 | 26,741 | 37,750 | 136,843 |
| **Basic net earnings per share attributable to equity holders of the Company (in NIS)** | 0.42 | 0.54 | 0.14 | 0.19 | 0.7 |
| **Diluted net earnings per share attributable to equity holders of the Company (in NIS)** | 0.42 | 0.54 | 0.14 | 0.19 | 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 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Capital reserve from transaction with controlling shareholder | Capital reserve from share-based payment transactions | Capital reserve from financial assets measured at fair value through other comprehensive income | Foreign currency translation reserve | Retained earnings | Non-controlling interests | Total equity |
| | 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)** | - | - | - | - | - | - | 83,469 | (1,717) | 81,752 |
| **Other comprehensive loss (net of taxes):** | | | | | | | | | |
| Loss from investments in financial instruments measured at FVOCI | - | - | - | - | (42) | - | - | - | (42) |
| Foreign currency translation reserve from foreign operations | - | - | - | - | - | 45 | - | - | 45 |
| **Total comprehensive income (loss)** | - | - | - | - | (42) | 45 | 83,469 | (1,717) | 81,755 |
| **Transactions with owners carried directly to equity:** | | | | | | | | | |
| Cost of share-based payment | - | - | (193) | 548 | - | - | - | - | 355 |
| Non-controlling interests created in newly consolidated subsidiary | - | - | - | - | - | - | - | (333) | (333) |
| Exercise of employee options | 2 | 1,415 | - | (1,417) | - | - | - | - | - |
| Dividend to equity holders of the Company | - | - | - | - | - | - | (65,000) | - | (65,000) |
| Balance at September 30, 2024 | 2,023 | 241,654 | (4,457) | 32,575 | (33) | 45 | 267,300 | (2,693) | 536,414 |

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 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Capital reserve from transaction with controlling shareholder | Capital reserve from share-based payment transactions | Capital reserve from financial assets measured at fair value through other comprehensive income | Retained earnings | Non-controlling interests | Total equity |
| | 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 (loss)** | - | - | - | - | - | 107,577 | (53) | 107,524 |
| **Other comprehensive loss (net of taxes):** | | | | | | | | |
| Loss from investments in financial instruments measured at FVOCI | - | - | - | - | (53) | - | - | (53) |
| Amounts reclassified to profit or loss for sale of investments in debts instruments measured at FVOCI | - | - | - | - | (1,840) | - | - | (1,840) |
| **Total comprehensive income (loss)** | - | - | - | - | (1,893) | 107,577 | (53) | 105,631 |
| **Transactions with owners carried directly to equity:** | | | | | | | | |
| Cost of share-based payment | - | - | (463) | 1,568 | - | - | - | 1,105 |
| Exercise of employee options | 2 | 1,266 | - | (1,268) | - | - | - | - |
| Dividend to equity holders of the Company | - | - | - | - | - | (84,000) | - | (84,000) |
| Balance at September 30, 2023 | 2,020 | 239,888 | (4,131) | 33,107 | 2 | 245,298 | (315) | 515,869 |

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 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Capital reserve from transaction with controlling shareholder | Capital reserve from share-based payment transactions | Capital reserve from financial assets measured at fair value through other comprehensive income | Foreign currency translation reserve | Retained earnings | Non-controlling interests | Total equity |
| | Unaudited | | | | | | | | |
| | NIS in thousands | | | | | | | | |
| Balance at July 1, 2024 | 2,023 | 241,387 | (4,396) | 32,687 | (24) | - | 260,730 | (3,164) | 529,243 |
| **Net income (loss)** | - | - | - | - | - | - | 27,570 | (865) | 26,705 |
| **Other comprehensive loss (net of taxes):** | | | | | | | | | |
| Loss from investments in financial instruments measured at FVOCI | - | - | - | - | (9) | - | - | - | (9) |
| Foreign currency translation reserve from foreign operations | - | - | - | - | - | 45 | - | - | 45 |
| **Total comprehensive income (loss)** | - | - | - | - | (9) | 45 | 27,570 | (865) | 26,741 |
| **Transactions with owners carried directly to equity:** | | | | | | | | | |
| Cost of share-based payment | - | - | (61) | 155 | - | - | - | - | 94 |
| Non-controlling interests created in newly consolidated subsidiary | - | - | - | - | - | - | - | 1,336 | 1,336 |
| Exercise of employee options | *) - | 267 | - | (267) | - | - | - | - | - |
| Dividend to equity holders of the Company | - | - | - | - | - | - | (21,000) | - | (21,000) |
| Balance at September 30, 2024 | 2,023 | 241,654 | (4,457) | 32,575 | (33) | 45 | 267,300 | (2,693) | 536,414 |

*) Represents an amount lower than NIS 1 thousand.

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 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Capital reserve from transaction with controlling shareholder | Capital reserve from share-based payment transactions | Capital reserve from financial assets measured at fair value through other comprehensive income | Retained earnings | Non-controlling interests | Total equity |
| | Unaudited | | | | | | | |
| | NIS in thousands | | | | | | | |
| Balance at July 1, 2023 | 2,020 | 239,623 | (4,046) | 33,065 | 66 | 230,398 | (229) | 500,897 |
| **Net income (loss)** | - | - | - | - | - | 37,900 | (86) | 37,814 |
| **Other comprehensive loss (net of taxes):** | | | | | | | | |
| Loss from investments in financial instruments measured at FVOCI | - | - | - | - | (64) | - | - | (64) |
| **Total comprehensive income (loss)** | - | - | - | - | (64) | 37,900 | (86) | 37,750 |
| **Transactions with owners carried directly to equity:** | | | | | | | | |
| Cost of share-based payment | - | - | (85) | 307 | - | - | - | 222 |
| Exercise of employee options | *) - | 265 | - | (265) | - | - | - | - |
| Dividend to equity holders of the Company | - | - | - | - | - | (23,000) | - | (23,000) |
| Balance at September 30, 2023 | 2,020 | 239,888 | (4,131) | 33,107 | 2 | 245,298 | (315) | 515,869 |

*) Represents an amount lower than NIS 1 thousand.

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 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Capital reserve from transaction with controlling shareholder | Capital reserve from share-based payment transactions | Capital reserve from financial assets measured at fair value through other comprehensive income | Retained earnings | Non-controlling interests | Total equity |
| | 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 loss (net of taxes):** | | | | | | | | |
| Gain from remeasurement of defined benefit plan | - | - | - | - | - | 1,180 | - | 1,180 |
| Loss from investments in financial instruments measured at FVOCI | - | - | - | - | (46) | - | - | (46) |
| Amounts reclassified to profit or loss for sale of investments in debts instruments measured at FVOCI | - | - | - | - | (1,840) | - | - | (1,840) |
| **Total comprehensive income (loss)** | - | - | - | - | (1,886) | 139,110 | (381) | 136,843 |
| **Transactions with owners carried directly to equity:** | | | | | | | | |
| Cost of share-based payment | - | - | (596) | 2,257 | - | - | - | 1,661 |
| Exercise of employee options | 3 | 1,617 | - | (1,620) | - | - | - | - |
| Dividend to equity holders of the Company | - | - | - | - | - | (112,000) | - | (112,000) |
| Balance at December 31, 2023 | 2,021 | 240,239 | (4,264) | 33,444 | 9 | 248,831 | (643) | 519,637 |

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Nine months ended September 30, | | Three months ended September 30, | | Year ended December 31, |
|---|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 | 2023 |
| | Unaudited | | | | Audited |
| | NIS in thousands | | | | |
| **Cash flows from operating activities:** | | | | | |
| **Net income for the period** | 81,752 | 107,524 | 26,705 | 37,814 | 137,549 |
| **Items not involving cash flows:** | | | | | |
| Net gains from financial investments: | | | | | |
| Quoted debt assets | - | (2,137) | - | (1,877) | (2,983) |
| Unquoted debt assets | - | (1,382) | - | - | (1,382) |
| Other | (5,671) | (810) | (1,588) | (601) | (1,979) |
| Other income | - | - | - | - | (12,857) |
| Finance expenses, net | 6,229 | 7,455 | 2,018 | 2,693 | 10,399 |
| Loss from disposal of property, plant and equipment and derecognition of right-of-use asset | 882 | 56 | (84) | 48 | 45 |
| Cost of share-based payment | 355 | 1,105 | 94 | 222 | 1,661 |
| Change in deferred acquisition costs | 8,863 | 50,029 | (3,248) | 16,580 | 57,877 |
| Company's share of losses of associated partnerships accounted for at equity | 11 | - | 9 | - | - |
| Depreciation and amortization: | | | | | |
| Right-of-use assets | 6,503 | 6,265 | 2,142 | 2,159 | 8,592 |
| Property, plant and equipment | 6,383 | 6,301 | 2,111 | 2,088 | 8,405 |
| Intangible assets | 40,142 | 39,372 | 13,320 | 13,328 | 52,701 |
| Taxes on income | 41,670 | 55,651 | 13,930 | 18,681 | 69,564 |
| | 105,367 | 161,905 | 28,704 | 53,321 | 190,043 |
| **Changes in other balance sheet items:** | | | | | |
| Change in customer credit | (11,801) | - | (11,801) | - | - |
| Change in accounts receivable | (12,483) | 3,214 | (3,346) | 1,402 | 7,808 |
| Change in accounts payable | (19,522) | (55,060) | (1,241) | (15,579) | (48,312) |
| Change in employee benefit liabilities, net | (118) | 159 | 77 | 20 | 214 |
| | (43,924) | (51,687) | (16,311) | (14,157) | (40,290) |
| **Cash paid and received during the period for:** | | | | | |
| Interest paid | (6,741) | (8,442) | (2,231) | (2,648) | (11,487) |
| Interest received | 2,199 | 1,990 | 577 | 314 | 3,416 |
| Taxes paid | (36,747) | (34,025) | (12,487) | (12,009) | (46,287) |
| Taxes received | 10,686 | - | - | - | - |
| | (30,603) | (40,477) | (14,141) | (14,343) | (54,358) |
| **Net cash provided by operating activities** | 112,592 | 177,265 | 24,957 | 62,635 | 232,944 |

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

| | Nine months ended September 30, | | Three months ended September 30, | | Year ended December 31, |
|---|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 | 2023 |
| | Unaudited | | | | Audited |
| | NIS in thousands | | | | |
| **Cash flows from investing activities:** | | | | | |
| Receipts from lease | 9,317 | 9,715 | 4,438 | 4,437 | 10,157 |
| Payment of contingent consideration for acquisition of investees | - | - | - | - | 21,956 |
| Grant of loan to associated partnership | (34,298) | - | (7,550) | - | - |
| Repayment of loan to associated partnership | 26,748 | - | 1,719 | - | - |
| Acquisition of newly consolidated subsidiaries | (26,833) | - | (20,587) | - | - |
| Acquisition of associate, net | (8,813) | - | (3,176) | - | - |
| Purchase of property, plant and equipment | (723) | (1,739) | (483) | (304) | (3,505) |
| Investment in intangible assets | (10,649) | (15,454) | (3,109) | (4,945) | (17,707) |
| Net purchases of financial investments | 8,182 | 10,492 | 19,083 | 8,748 | 35,147 |
| **Net cash provided by (used in) investing activities** | (37,069) | 3,014 | (9,665) | 7,936 | 46,048 |
| **Cash flows from financing activities:** | | | | | |
| Receipt of bank loan | 54,555 | 205 | 27,555 | 205 | 205 |
| Repayment of lease liability | (17,770) | (16,320) | (6,786) | (6,690) | (19,314) |
| Repayment of loans from banks and others | (86,546) | (115,996) | (37,531) | (65,301) | (128,548) |
| Divided paid to equity holders of the Company | (65,000) | (84,000) | (21,000) | (23,000) | (112,000) |
| **Net cash used in financing activities** | (114,761) | (216,111) | (37,762) | (94,786) | (259,657) |
| **Increase (decrease) in cash and cash equivalents** | (39,238) | (35,832) | (22,470) | (24,215) | 19,335 |
| **Cash and cash equivalents at the beginning of the period** | 115,856 | 96,521 | 99,088 | 84,904 | 96,521 |
| **Cash and cash equivalents at the end of the period** | 76,618 | 60,689 | 76,618 | 60,689 | 115,856 |

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Nine months ended September 30, 2024 | Nine months ended September 30, 2023 | Three months ended September 30, 2024 | Three months ended September 30, 2023 | Year ended December 31, 2023 |
|---|---|---|---|---|---|
| | Unaudited | | | | Audited |
| | NIS in thousands | | | | |
| (a) **Material non-cash transactions:** | | | | | |
| Right-of-use asset recognized against lease liability | 3,961 | 6,748 | 2,205 | 3,423 | 6,987 |
| Right-of-use asset derecognized against lease liability | 4,356 | 945 | 855 | - | 1,315 |
| Purchase of intangible assets | 1,119 | 500 | 1,119 | 500 | 1,509 |
| Purchase of property, plant and equipment | 474 | 171 | 474 | 171 | 1,110 |
| Issue of shares | 1,417 | 1,268 | 267 | 266 | 1,620 |

The accompanying notes are an integral part of the 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 approval 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. See information of the acquisition of iFunds in Note 4a below.

**NOTE 1:- GENERAL (Cont.)**

Moreover, on June 6, 2024, the Company's Board approved the launch of the Company's nonbank credit operation ("**the Credit Operation**") through Altshuler Shaham Credit Ltd. (formerly: Psagot (P.B.L.) Ltd., "**Altshuler Credit**") and on August 19, 2024, the acquisition of the business operation of CrediTeam Business and Growth Ltd. ("**CrediTeam**") and the entire issued and outstanding share capital of CrediTeam Credit 2 Grow Ltd. whose name was changed to Altshuler Shaham Business Credit Ltd. ("**Altshuler Business Credit**"), which holds an extended credit provider license from the Israel Capital Market, Insurance and Savings Authority ("**the CrediTeam transaction**"). See details of the Credit Operation and the CrediTeam transaction in Notes 4b and 9k below.

b. These financial statements have been prepared in a condensed format as of September 30, 2024 and for the periods of nine and three months then ended ("**interim consolidated financial statements**"). These financial statements should be read in conjunction with the Company's annual consolidated financial statements 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.

c. The effects of the October 7 war:

In the reporting period, Israel continued to face intense warfare in the south of Israel in the Gaza Strip with Hamas terrorists and simultaneously ward off the threats and attacks of Hezbollah along the northern border of Israel. In the third quarter of 2024, the fighting intensified mainly in the north with Hezbollah. In an attack presumably executed by Israel, thousands of beepers held by Hezbollah's activists in Lebanon and Syria simultaneously exploded, decommissioning more than a thousand terrorists in the organization. In late September 2024, in a series of air strikes, Israel killed senior Hezbollah terrorists including the head of the Radwan Force, the highest ranking military commander and head of the organization's strategic warfare, ultimately also killing Hezbollah's Secretary-General, Hassan Nasrallah. In October 2024, the IDF entered Lebanon. In response to Israel's killing of Hassan Nasrallah and an Iranian general, in early October 2024, Iran launched some 180 ballistic missiles towards Israel.

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 these 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.

**NOTE 1:- GENERAL (Cont.)**

d. Effects of inflation and market interest rises:

In the reporting period, 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 decided to keep the interest at 4.5% over the reporting period, similarly to the ECB's decision to maintain the interest unchanged, in September 2024, the Fed announced the lowering of the interest by a sharp 0.5%.

Due to the nature of its operations, the Company is exposed to capital market fluctuations. It should be noted that the bulk of the Company's financial debt bears unindexed fixed interest and therefore the Group's finance expenses have not been materially affected. In general, changes in the interest and inflation environments are liable to have a negative impact on the capital markets and the business environment in which the Company 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 its 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.

**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, except as discussed below:

<u>Impairment of financial assets:</u>

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

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

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

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

3. Debt instruments that are classified by the Company as credit impaired mainly comprise trade receivables in collection procedures. In this category, the allowance rates vary from one customer to another based on the parameters determined by the Company's management that take into account the type and value of the collaterals that secure the debt, if any, past experience with the customer, information of the customer's financial and/or legal position near the investigation date and the opinion of the legal counsel handling the collection.

In addition, the Company considers that when contractual payments in respect of a debt instrument are more than 30 days past due, there has been a significant increase in credit risk, unless there is reasonable and supportable information that demonstrates that the credit risk has not increased significantly.

The Company considers a financial asset in default when contractual payments are more than 90 days past due. However, in certain cases, the Company considers a financial asset to be in default when external or internal information indicates that the Company is unlikely to receive the outstanding contractual amounts in full.

The Company considers a financial asset that is not measured at fair value through profit or loss as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. The Company takes into consideration the following events as evidence that a financial asset is credit impaired:

1. significant financial difficulty of the issuer or borrower;
2. a breach of contract, such as a default or past due event;
3. a concession granted to the borrower due to the borrower's financial difficulties that would otherwise not be granted;
4. it is probable that the borrower will enter bankruptcy or financial reorganization;

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.

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

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.

**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 to be applied retrospectively for periods beginning on or after January 1, 2017. As per the ISA's decision, IFRS 18 can be adopted early from annual reporting periods beginning on January 1, 2025 but requires disclosure.

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 COMBINATIONS

a. Acquisition 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 Ltd. and accounted 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 and is the controlling shareholder therein. See also Note 12d to the annual consolidated financial statements.

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 |
| | 2,386 |
| Payables | (298) |
| Net identifiable assets | 2,088 |
| Non-controlling interests | 1,669 |
| Goodwill arising on acquisition | 2,615 |
| Total purchase price | 6,372 |
| Cash used in the acquisition: | |
| Cash and cash equivalents in acquiree on acquisition date | 126 |
| Cash paid for the acquisition | (6,372) |
| Net cash | 6,246 |

**NOTE 4:- BUSINESS COMBINATIONS (Cont.)**

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 1,964 thousand to the consolidated net income and approximately NIS 1,180 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 2,308 thousand and the consolidated revenue turnover would have been affected by approximately NIS 1,262 thousand without proforma adjustments.

b. Acquisition of the Credit Operation

On August 19, 2024, the Company, through Altshuler Credit, a private company that is controlled by the Company, completed the acquisition of the business operation of CrediTeam and the entire issued and outstanding share capital of Altshuler Business Credit which is wholly owned by CrediTeam.

According to the acquisition agreement, in return for the acquired operation, Altshuler Credit paid CrediTeam approximately NIS 26,421 thousand in cash. The purchase price is subject to certain adjustment mechanisms as determined in the acquisition agreement in respect of which Altshuler Credit recognized in its books an asset, "receivables for contingent consideration", whose carrying amount as of the reporting date approximates NIS 1,928 thousand. The payment was financed using an interest-bearing capital note issued by the Company.

Upon closing, Altshuler Credit allocated to each of the founders of the acquired operation 10,000 ordinary shares that account for 10% of its issued and outstanding share capital. The Company holds 80,000 preferred shares of Altshuler Credit which account for 80% of the latter's issued and outstanding share capital. In addition, the Company allocated to each founder a put option according to which the founders may obligate the Company to purchase from them up to one third of their shares in Altshuler Credit in return for the exercise of the Company's shares and/or in cash for an overall cost that does not exceed NIS 15,000 thousand under the terms agreed between the parties.

The preferred shares confer their holders a right of preference in any dividend distribution by Altshuler Credit and/or distribution of surplus assets in a deemed liquidation event totaling NIS 20,609 thousand. In any event of dividend distribution by Altshuler Credit up to the full preference amount, the dividends will solely be distributed to the holders of preferred shares subject to the adjustment mechanisms in the acquisition agreement.

## NOTE 4:- BUSINESS COMBINATIONS (Cont.)

The Company recognized the fair value of the assets acquired and liabilities assumed in the business combination 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 the Credit Operation on the acquisition date:

| | Fair value |
|---|---|
| | August 19, 2024 |
| | NIS in thousands |
| Cash and cash equivalents | 5,834 |
| Customer credit | 18,894 |
| Receivables | 1,976 |
| Deferred tax assets, net | 1,174 |
| Intangible assets | 13,202 |
| Property, plant and equipment | 52 |
| | 41,132 |
| Payables | (515) |
| Financial liability | (22,504) |
| | (23,019) |
| Net identifiable assets | 18,113 |
| Non-controlling interests | (1,336) |
| Goodwill arising on acquisition | 9,643 |
| Total purchase price | 26,420 |
| Cash used in the acquisition: | |
| Cash and cash equivalents in acquiree on acquisition date | 5,834 |
| Cash paid for the acquisition | (26,420) |
| Net cash | 20,586 |

The excess cost over the carrying amount of the identifiable assets was carried to intangible assets consisting of technology, license and goodwill. The fair value of the technology was estimated at approximately NIS 11,591 thousand based on the replacement value that relies on the cost expensed by CrediTeam in developing the underwriting technology. The fair value of the license was estimated at approximately NIS 100 thousand based on the cost method, representing the total costs borne by CrediTeam Credit to obtain the license.

**NOTE 4:- BUSINESS COMBINATIONS (Cont.)**

The goodwill created in the acquisition totaling NIS 9,643 thousand is allocated to the expected benefits from the purchase of the skilled workforce of CrediTeam comprising employees that will be hired by the Company in the acquisition agreement and the synergy of the operations of the Company and the acquiree. The recognized goodwill is expected to be deductible for income tax purposes.

From the acquisition date, Altshuler Credit contributed a loss of approximately NIS 1,678 thousand to the consolidated net income and approximately NIS 470 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 4,812 thousand and the consolidated revenue turnover would have been affected by approximately NIS 3,614 thousand without proforma adjustments.

**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, marketing and providing access to alternative investments and credit operation.

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.

## NOTE 5:- OPERATING SEGMENTS (Cont.)

b. Operating segment reporting:

| | Nine months ended September 30, 2024 | | | | |
|---|---|---|---|---|---|
| | Pension | Provident | Other | Unallocated to operating segment | Total |
| | Unaudited | | | | |
| | NIS in thousands | | | | |
| Revenues from management fees, net | 72,060 | 606,431 | 4,047 | - | 682,538 |
| Revenues from commissions | - | - | 4,751 | - | 4,751 |
| Net gains from investments and finance income | - | - | 37 | 7,493 | 7,530 |
| Revenues from nonbank credit operation | - | - | 470 | - | 470 |
| Other income | - | - | - | 935 | 935 |
| Total revenues | 72,060 | 606,431 | 9,305 | 8,428 | 696,224 |
| Commissions, marketing expenses and other acquisition expenses | 11,969 | 227,515 | 2,288 | - | 241,772 |
| Operating fees | 5,068 | 18,115 | - | - | 23,183 |
| Total joint expenses | 17,037 | 245,630 | 2,288 | - | 264,955 |
| Segment income | 55,023 | 360,801 | 7,017 | 8,428 | 431,269 |
| G&A, credit losses, finance and other expenses and equity losses allocated to the segment | 283,755 | | 13,598 | 10,494 | 307,847 |
| **Income (loss) before taxes on income** | 132,069 | | (6,581) | (2,066) | 123,422 |

## NOTE 5:- OPERATING SEGMENTS (Cont.)

| | Nine months ended September 30, 2023 | | | | |
|---|---|---|---|---|---|
| | Pension | Provident | Other | Unallocated to operating segment | Total |
| | Unaudited | | | | |
| | NIS in thousands | | | | |
| Revenues from management fees, net | 70,285 | 684,918 | 1,069 | - | *)756,272 |
| Revenues from commissions | - | - | 4,234 | - | 4,234 |
| Net gains from investments and finance income | - | - | - | 6,389 | 6,389 |
| Other income | - | - | - | 15,129 | **)15,129 |
| Total revenues | 70,285 | 684,918 | 5,303 | 21,518 | 782,024 |
| Commissions, marketing expenses and other acquisition expenses | 13,249 | 257,961 | 1,010 | - | 272,220 |
| Operating fees | 5,002 | 16,989 | - | - | 21,991 |
| Total joint expenses | 18,251 | 274,950 | 1,010 | - | 294,211 |
| Segment income | 52,034 | 409,968 | 4,293 | 21,518 | 487,813 |
| G&A, finance and other expenses and equity losses allocated to the segment | 302,957 | | 8,085 | 13,596 | 324,638 |
| **Income (loss) before taxes on income** | 159,045 | | (3,792) | 7,922 | 163,175 |

*) 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.

## NOTE 5:- OPERATING SEGMENTS (Cont.)

| | Three months ended September 30, 2024 | | | | |
|---|---|---|---|---|---|
| | **Pension** | **Provident** | **Other** | **Unallocated to operating segment** | **Total** |
| | **Unaudited** | | | | |
| | **NIS in thousands** | | | | |
| Revenues from management fees, net | 25,543 | 201,939 | 1,572 | - | 229,054 |
| Revenues from commissions | - | - | 1,625 | - | 1,625 |
| Net gains from investments and finance income | - | - | (34) | 2,491 | 2,457 |
| Revenues from nonbank credit operation | - | - | 470 | - | 470 |
| Other income | - | - | - | 314 | 314 |
| Total revenues | 25,543 | 201,939 | 3,633 | 2,805 | 233,920 |
| Commissions, marketing expenses and other acquisition expenses | 3,197 | 75,110 | 965 | - | 79,272 |
| Operating fees | 1,622 | 6,041 | - | - | 7,663 |
| Total joint expenses | 4,819 | 81,151 | 965 | - | 86,935 |
| Segment income | 20,724 | 120,788 | 2,668 | 2,805 | 146,985 |
| G&A, credit losses, finance and other expenses and equity losses allocated to the segment | 97,177 | | 5,898 | 3,275 | 106,350 |
| **Income (loss) before taxes on income** | 44,335 | | (3,230) | (470) | 40,635 |

## NOTE 5:- OPERATING SEGMENTS (Cont.)

| | Three months ended September 30, 2023 | | | | |
|---|---|---|---|---|---|
| | Pension | Provident | Other | Unallocated to operating segment | Total |
| | Unaudited | | | | |
| | NIS in thousands | | | | |
| Revenues from management fees, net | 23,209 | 218,755 | 545 | - | 242,509 |
| Revenues from commissions | - | - | 735 | - | 735 |
| Net gains from investments and finance income | - | - | - | 2,797 | 2,797 |
| Other income | - | - | - | 13,196 | *)13,196 |
| Total revenues | 23,209 | 218,755 | 1,280 | 15,993 | 259,237 |
| Commissions, marketing expenses and other acquisition expenses | 4,319 | 82,838 | 266 | - | 87,423 |
| Operating fees | 1,692 | 5,686 | - | - | 7,378 |
| Total joint expenses | 6,011 | 88,524 | 266 | - | 94,801 |
| Segment income | 17,198 | 130,231 | 1,014 | 15,993 | 164,436 |
| G&A, finance and other expenses and equity losses allocated to the segment | 102,132 | | 2,837 | 2,972 | 107,941 |
| **Income (loss) before taxes on income** | 45,297 | | (1,823) | 13,021 | 56,495 |

*) 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.

## NOTE 5:- OPERATING SEGMENTS (Cont.)

| | Year ended December 31, 2023 | | | | |
|---|---|---|---|---|---|
| | Pension | Provident | Other | Unallocated to operating segment | Total |
| | 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 and equity losses allocated to the segment | 394,711 | | 12,379 | 16,203 | 423,293 |
| **Income (loss) before taxes on income** | 206,968 | | (7,910) | 8,055 | 207,113 |

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

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

## NOTE 6:- CUSTOMER CREDIT

a. Composition:

| | September 30, 2024 |
|---|---|
| | Unaudited |
| | NIS in thousands |
| Short-term customer credit | 28,518 |
| Less – expected credit losses | (552) |
| Add – income receivable | 136 |
| Less – accrued income | (410) |
| Total short-term customer credit | 27,692 |
| Long-term customer credit | 3,004 |
| | 30,696 |

b. Movement in allowance for expected credit losses:

| | 12 month expected credit losses | Lifetime expected credit losses | Originated credit impaired assets | Total |
|---|---|---|---|---|
| | September 30, 2024 | | | |
| | Unaudited | | | |
| | NIS in thousands | | | |
| Opening balance | - | - | - | - |
| Provision during the period | 406 | 146 | - | 552 |
| Closing balance | 406 | 146 | - | 552 |

c. Composition of allowance for expected credit losses:

| | 12 month expected credit losses | Lifetime expected credit losses | Originated credit impaired assets | Total |
|---|---|---|---|---|
| | September 30, 2024 | | | |
| | Unaudited | | | |
| | NIS in thousands | | | |
| Gross carrying amount | 27,040 | 3,270 | *)938 | 31,248 |
| Total loss allowance | 406 | 146 | - | 552 |
| Expected loss ratio | 1.5% | 4.5% | - | 6% |

*) Credit impaired assets are measured at their fair value on the acquisition date.

As of September 30, 2024, Altshuler Credit has collaterals whose value is estimated at approximately NIS 9,580 thousand.

## NOTE 7:- FINANCIAL INSTRUMENTS

a. Fair value:

Financial liabilities

| | September 30, 2024 | | September 30, 2023 | | December 31, 2023 | |
|---|---|---|---|---|---|---|
| | Carrying amount *) | Fair value **) | Carrying amount *) | Fair value **) | Carrying amount *) | Fair value **) |
| | Unaudited | | | | | Audited |
| | NIS in thousands | | | | | |
| Bank loans | 409,713 | 359,000 | 431,534 | 362,407 | 419,206 | 362,407 |
| Total financial liabilities | 409,713 | 359,000 | 431,534 | 362,407 | 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 September 30, 2024, Altshuler Provident is in compliance with all the financial covenants determined with banks. See information of changes in credit lines and of the Company's Board's approval for receiving a credit line of NIS 100 million in the reporting period in Notes 9g, 9j and 9m below.

c. Classification of financial instruments by fair value hierarchy:

| | September 30, 2024 | | |
|---|---|---|---|
| | Level 1 | Level 3 | Total |
| | Unaudited | | |
| | NIS in thousands | | |
| Other | *)132,337 | **)5,766 | 138,103 |
| Total | 132,337 | 5,766 | 138,103 |

| | September 30, 2023 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | Unaudited | | | |
| | NIS in thousands | | | |
| Quoted debt assets | 149,486 | - | - | 149,486 |
| Unquoted debt assets | - | 61 | - | 61 |
| Other | *)8,964 | - | **)5,662 | 14,626 |
| Total | 158,450 | 61 | 5,662 | 164,173 |

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

**) See information in paragraph d below.

## NOTE 7:- FINANCIAL INSTRUMENTS (Cont.)

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

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

**) See information in paragraph d below.

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

The fair value of expected future gains plus income receivable as of September 30, 2024, September 30, 2023 and December 31, 2023 was estimated at approximately NIS 5.8 million, NIS 5.7 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 debt asset amounting to NIS 47 thousand, which was charged to net investment gains and finance income.

## NOTE 8:- 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:

| | Number of claims | Claimed amount |
|---|---|---|
| | | NIS in millions |
| Pending class action certification motions: | | |
| Claims whose amount is specified | - | - |
| Claims whose amount is not specified | 5 | - |

**NOTE 8:- 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. On October 21, 2024, the petitioner filed its notice whereby at the Court's recommendation it was withdrawing the class action certification motion without an order for expenses. On October 28, 2024, the Court approved the petitioner's notice of withdrawal without issuing an order for expenses and ordered the case to be closed.

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 the Company 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.

**NOTE 8:- CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)**

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. Based on legal counsel received by Altshuler Provident, it is more likely than not that the class action certification motion will be dismissed.

4. In keeping with the matters discussed in Note 26a(4) to the annual consolidated financial statements, Altshuler Provident submitted its response to the class action certification motion and the petitioner submitted a counterresponse.

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 which was merged into Altshuler Provident:

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

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. On June 5, 2024, the mutual motion for withdrawal from the class action certification motion was filed and on July 2, 2024, the Court granted the motion for withdrawal.

4. In keeping with the matters discussed in Note 26d(5) to the annual consolidated financial statements, on July 25, 2024, the parties filed a motion for approval of a settlement in the class action. It should be noted that the amount of compensation payable and all other payments in connection with the settlement agreement including attorney fees and the costs relating to the execution of the settlement agreement will be borne by Altshuler Provident's insurers.

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 in respect of claims filed against Psagot Investment House Ltd. and Psagot Provident which were merged into Altshuler Provident approximates NIS 2,878 thousand as of September 30, 2024 and 2023 and December 31, 2023.

## NOTE 9:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

a. 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, as an LP in real estate ventures, the Company invested approximately $ 1,601 thousand out of an investment commitment of $ 1,738 thousand and approximately £ 770 thousand out of an investment commitment of £ 770 thousand. In the reporting period, the Company recognized a loss of approximately NIS 11 thousand from the investments in associated partnerships accounted for at equity.

b. 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.

c. 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 31 thousand from lead services.

d. See developments in legal and other proceedings filed against Altshuler Provident in the reporting period in Notes 8a(1) and 8a(2) above.

e. See details of the acquisition of iFunds on February 12, 2024 in Note 4a above.

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. In the reporting period, Altshuler Real Estate and Altshuler Alternative entered into master credit agreements with an Israeli bank for receiving a credit line of up to NIS 100 million that will serve as bridge financing for completing investment rounds. On March 20, 2024, the Company's Board approved granting a limited guarantee to secure the credit received by Altshuler Real Estate and Altshuler Alternative.

   In the reporting period, Altshuler Real Estate used an amount of approximately NIS 35 million of the above credit line and repaid an amount of approximately NIS 27 million by the reporting date. Moreover, in the reporting period, Altshuler Real Estate provided associated partnerships bridge financing of approximately NIS 35 million and was repaid approximately NIS 27 million by the reporting date.

**NOTE 9:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (Cont.)**

h. 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 1,107 thousand.

i. 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.

j. In keeping with Notes 17c(2)(b)(3) and 17c(2)(b)(4) to the annual consolidated financial statements, on June 25, 2024, Altshuler Provident renewed credit lines totaling NIS 150 million for a period of one year under the same terms. On September 18, 2024, Altshuler Provident utilized NIS 20 million of the credit line bearing variable NIS interest of Prime less 0.5% for one year. As of the date of the interim consolidated financial statements, the utilized credit amounts to approximately NIS 50 million.

k. On June 6, 2024, the Company's Board approved the initiation of the Company's nonbank credit operation through an agreement signed by Altshuler Credit for the acquisition of the business operation of CrediTeam and the entire issued and outstanding share capital of CrediTeam Credit, a private company which was wholly owned by CrediTeam and holds an extended credit provider license from the Capital Market, Insurance and Savings Authority. See more information of the acquisition agreement in Note 4b above.

l. On August 19, 2024, in keeping with the Company's dividend distribution policy, the Company's Board approved the distribution of a dividend of NIS 21,000 thousand, representing approximately NIS 0.11 per share.

m. On August 19, 2024, the Company's Board approved receiving a credit line from an Israeli bank for financing the operating activities of CrediTeam Credit in an aggregate of NIS 100 million consisting of on call credit of NIS 50 million for a period of one year and a credit line of NIS 50 million for a period of one year according to which loans can be withdrawn for up to one month. Any amounts withdrawn will bear variable NIS interest of Prime less 0.25%. As of the date of approval of the interim consolidated financial statements, the credit line has not been utilized.

## NOTE 10:- SIGNIFICANT EVENTS AFTER THE REPORTING DATE

a. On November 20, 2024, in keeping with the Company's dividend distribution policy, the Company's Board approved the distribution of a dividend of NIS 21,000 thousand to the Company's shareholders, representing approximately NIS 0.11 per share.

b. See developments in legal and other proceedings filed against Altshuler Provident after the reporting period in Note 8a(1) above.

c. In keeping with the matters discussed in Note 25c to the annual consolidated financial statements, on November 20, 2024, subject to the approval of the Company's general meeting for the grant of options in which Altshuler Ltd. (in this paragraph - "the controlling shareholder") has personal interest as the controlling shareholder, the Company's Board approved the grant of options that are exercisable into Company shares as follows:

1. 864,063 options to officers and 5,503,351 options to general employees and service providers in the Company, in related companies and in the controlling shareholder and companies controlled by or related to the controlling shareholder who also provide services to the Company; and

2. 3,006,838 options to employees of the controlling shareholder and of companies controlled by or related to the controlling shareholder who do not provide services to the Company under any service agreement and to employees of the Company and of companies that are wholly or partially owned by the Company who grant services to the controlling shareholder.

The options shall be granted based on the following terms:

- The exercise price of the options is the quoted market price of the Company's share at the end of the grant date.

- 50% of the options will vest within two years from the Board's meeting approval date, another 25% will vest the following year and the remaining 25% the year thereafter. Vesting is continent on the optionee's continued employment in the Company and on the Company's compliance with the KPIs specified in the option letters.

- The contractual life of the vested options is 10 years from the grant date.

- The allocation of the options is capital gains taxable through a trustee as set forth in Section 102(b)(2) to the Israeli Income Tax Ordinance (Revised), 1961 ("the Ordinance") (for qualifying service providers, the allocation will be governed by Section 3(j) to the Ordinance). The vested options will be exercised on a net cashless basis so that the exercise price is theoretical only for calculating the value of the benefit and not to be paid by the optionee.

**NOTE 10:- SIGNIFICANT EVENTS AFTER THE REPORTING DATE (Cont.)**

Qualifying optionees are officers in the Company and officers and key management personnel in Altshuler Provident provided that they meet the entire option threshold conditions as defined by the Company's Remuneration Committee and Board. The qualifications consist of minimum equity and compliance with revenue and net income targets for the year ended December 31, 2024.

As of the date of the interim consolidated financial statements, the number of options held by the controlling shareholder that have been approved but not yet granted (or had been granted and returned to the pool after having expired unexercised) is 2,123,033 ("the old option pool"). On November 20, 2024, subject to the approval of the Company's general meeting, the Company's Board approved increasing the controlling shareholder's old option pool by another 1,303,127 options ("the new option pool") so that after the grant, the old option pool will become zero and the new option pool will have 419,322 options. Any grant from the new option pool will be payable by the controlling shareholder to the Company at their fair value on the grant date.

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