Altshuler Shaham Finance Ltd.

Interim Report for the Period ended March 31, 2025

ALTSHULER SHAHAM FINANCE LTD.

Interim Report as of March 31, 2025

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ALTSHULER SHAHAM FINANCE LTD.

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

For the Period of Three Months ended March 31, 2025

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Report of the Board of Directors on the State of Affairs of the Corporation for the Period of Three Months ended March 31, 2025

Altshuler Shaham Finance Ltd. ("**the Company**") is pleased to present the Report of the Board of Directors for the period of three months ended March 31, 2025 ("**the Reporting Period**" and/or "**Q1 2025**") 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 instances, to present a complete picture, the Company includes additional information that is not necessarily material. This report should be read in conjunction with the Company's periodic report for 2024, including the Company's financial statements and report of the board of directors as of December 31, 2024, as published on March 20, 2025 (TASE reference: 2025-01-018597) ("**the Periodic Report**"), whose information is hereby included by reference.

Glossary of terms used in this report:

"**Report Date**" – March 31, 2025.

"**Report Approval Date**" – May 19, 2025.

"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. (14.89%) ("**Yair Holdings**") and Altshuler Shaham Ltd. (55.53%) ("**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. The Company has two areas of operation (which are presented as two separate operating segments in the financial statements for accounting purposes): management of provident and pension funds and the credit operation, as specified in paragraphs 1.1.1 and 1.1.2 below. The Company is also engaged in managing, initiating, marketing and distributing alternative investments in real estate and other industries ("**the alternative investment operation**") which as of the Report Approval Date do not aggregate into a reportable segment in the Company's financial statements, performed by Altshuler Shaham Real Estate Ltd. ("**Altshuler Real Estate**") Altshuler Shaham Alternative Investment Funds Ltd. ("**Altshuler Investment Funds**") and iFunds Capital Ltd. ("**iFunds**").

The Company is also promoting the possible branching out 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 other potential business partnerships, including in the credit market and in the financial and pension product market.

1.1.1 **Management of provident and pension funds**

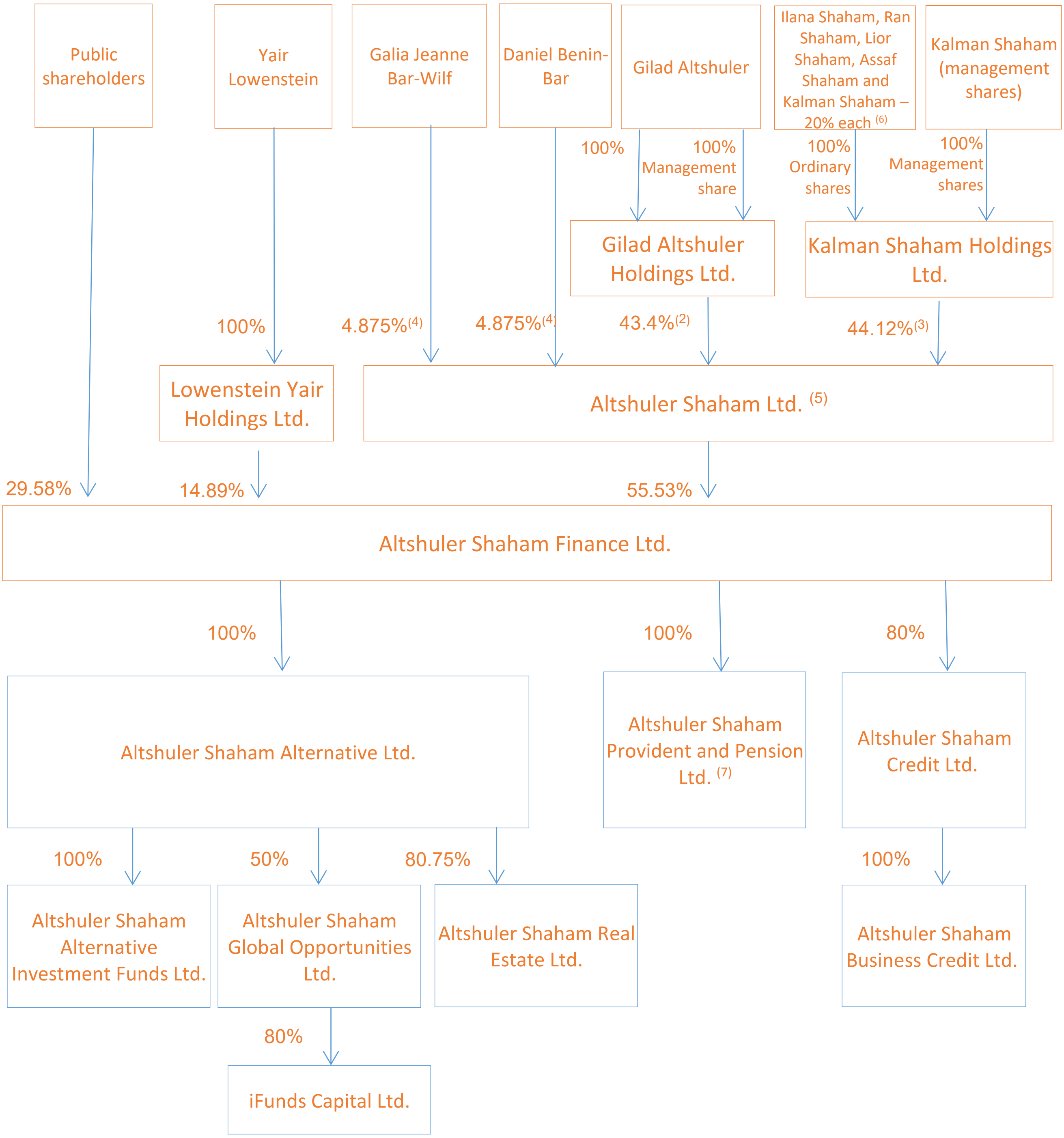
As of the Report Approval Date, this operation constitutes the Company's core operating segment which is performed by Altshuler Provident. The latter operates in this market as a managing company by virtue of the Law for Supervision of Financial Services (Provident Funds), 2005 ("**the Provident Fund Law**") and as an insurer in accordance with a license issued to it per the Law for Supervision of Financial Services (Insurance), 1981 ("**the Insurance Law**"). Among others, Altshuler Provident manages saving provident funds, study funds, central severance pay funds, investment provident funds, which include a children savings plan and two new pension funds – Comprehensive Pension Fund and General Pension Fund (together – "**the Funds**"). The Funds are managed by virtue of legislative arrangements and obtain an annual certification from the Capital Market Authority and from its Commissioner. See more information of this operating segment in paragraph 3.1 to Chapter A to the Periodic Report.

1.1.2 **Credit operation**

The credit operation is presented for the first time as an operating segment for reporting and accounting purposes in the Company's interim consolidated financial statements as of March 31, 2025 ("**the Financial Statements**") in view of the increase in the scope of loans extended by Altshuler Shaham Business Credit Ltd. ("**Altshuler Business Credit**") in Q1 2025 as a result of which the credit operation segment assets account for about 10.9% of the Company's total assets as of March 31, 2025. It should be noted that in the Reporting Period and as of the Report Approval Date, the activities under this segment are still limited in scope compared to the activities in the provident and pension fund management segment as the Company's revenues in the credit segment account for about 1.2% of the Company's total revenues in the Reporting Period. See more information of the credit operation in paragraphs 1.4.2 and 2.2 below.

See more information of the developments in the Company's operating segments in the Reporting Period through the Report Approval Date in paragraph 1.4 below.

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



(1) The sketch reflects the Company's holdings in principal companies. The Company and/or its subsidiaries hold several immaterial private companies (some of which in liquidation process), including for making investments for the Company's customers. Such companies are not depicted in this sketch; (2) of which 26.43% held in trust by Altshuler Trusts Ltd.; (3) of which 27.63% held in trust by Altshuler Trusts Ltd.; (4) of which 27.02% held in trust by Altshuler Trusts Ltd.; (5) note that the remaining interests in Altshuler Ltd. Shaham (about 2.73%) are held by Altshuler Trusts Ltd. (in trust for employees); (6) the entire Ordinary Shares are held in trust by Shenkar Lax Trust Company Ltd.; (7) Altshuler Provident wholly owns the entire shares of these companies for investment for members of the provident and pension funds managed by it.

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 and in the credit operating segment that is performed by Altshuler Credit.

Capital market trends

In the first quarter of 2025, the Tel-Aviv Stock Exchange ("**TASE**") was affected by geopolitical changes such as the ceasefire signed with Hamas and the release of some of the Israeli hostages but was later negatively impacted by the renewed fighting in the Gaza Strip. The Bank of Israel and the Fed in the United States kept their benchmark interest rates with no major change in Q1 2025 while the ECB lowered its interest rate twice in the Reporting Period and again in April 2025. The local and global capital markets in Q1 2025 experienced mixed trends with the forex market continuing to react with extreme sensitivity to the security tensions in Israel and the geopolitical developments in the region.

In Q1 2025, most of the investment channels in which Altshuler Provident operates displayed missed results. In Israel, most of the indices recorded positive yields in the first quarter of 2025 while the leading indices in the U.S. sustained negative yields in the Reporting Period. These trends affected the assets managed by Altshuler Provident. See details of Altshuler Provident's investment management policy in paragraph 3.1.16 to Chapter A to the Periodic Report.

Index overview

The conclusion of Q1 2025 noted mixed trends in the different risk asset, stock and bond markets. In the U.S., the S&P 500 declined by about 4.6% and the NASDAQ lost about 8.3%. The STOXX Europe 600 increased by about 5.2% and the German DAX rose by about 11.3%. The MSCI WORLD Index decreased by about 2.1%. The global bond market experienced declining yields in Q1 2025. In the U.S., the United States 10Y Government Bond yields dropped by 35 base points to 4.21% at the end of Q1 2025.

The Israeli stock market experienced increased rates in most of the leading indices in Q1 2025 with the TA 35 Index rising by about 1%, the TA 125 Index adding about 0.8% and the TA 90 Index decreasing by about 0.6%.

U.S.

228 thousand new jobs were added to the U.S. labor market in March 2025, greatly exceeding early forecasts which expected ab addition of only 140 thousand jobs. The unemployment rate rose in March 2025 to 4.2% compared with the 4.1% forecast. U.S. inflation slowed down in March 2025 more than anticipated. The CPI grew by 0.1% against an expected increase of 0.1%. In annual terms, the inflation rate in the U.S. was 2.4% compared with 2.8% in February 2025.

In April 2025, U.S. President Donald Trump announced a tariff plan targeting 86 countries including Israel. According to the plan, tariffs ranging between 10% and 104%will be levied on the import of goods from those countries to the U.S. In response to the different publications regarding the tariff plan, financial markets around the world reacted with sharp rate declines. On April 9, 2025, President Trump unexpectedly announced the suspension of the tariff plan for 90 days. In response, stock exchanges around the world were painted green and reacted with major increases.

In May 2025, the U.S. and China signed a trade treaty according to which the U.S. will reduce the tariffs on goods imported from China to 30% and in return China will reduce its own tariff on U.S. goods to 10% on a reciprocal basis for a period of 90 days.

In Q1 2025, the Fed kept the interest rate unchanged and reiterated its forecasts of December 2024. Fed economists still anticipate that the interest will be lowered twice in the coming year and stated that they will adjust their policy to the economic developments. Jerome Powell, chair of the Federal Reserve, mentioned the uncertainty arising from President Trump's tariff policy and the expected resulting inflationary pressures. The tariff plan, as stated above, was suspended in May 2025 for 90 days. In Q1 2025, U.S. stocks were traded with negative results. The NASDAQ declined by about 8.3%, the S&P 500 lost about 4.6% and the Dow Jones decreased by about 1.3%. The United States 10Y Government Bond yields declined by 35 base points to 4.21% in Q1 2025.

<u>Europe</u>

Headed by Christine Lagarde, the European Central Bank lowered its Euro Area interest rate in Q1 2025 twice, first to 3% in January 2025 and then to 2.5%. The reasons included the moderate economic growth in the Euro Area, the threat of Trump's tariff plan and the indications of declining inflation.

In April 2025, the ECB lowered the interest rate again to 2.25% in the backdrop of the tariff tensions with the U.S. and the attempt to encourage and support economic activity in the Euro Area. According to Trump's tariff plan, European countries will be subject to a 20% tariff on the export of goods to the U.S. The various European stock exchanges reacted to the tariff 90-day suspension announcement with rate increases of up to 10%.

In the UK, the interest rate was lowered from 4.75% to 4.5% in February 2025 concurrently with lowering the annual growth rate from 1.5% to 0.75% by the Bank of England. This represents the third lowering of interest by Andrew Bailey, the Governor of the Bank of England, in the last year.

In conclusion of Q1 2025, a positive trend was witnessed in the European stock exchanges with the Euro Stoxx 50 increasing by 7.2% and the Euro Stoxx 600 gaining 5.2%.

<u>Asia</u>

In Q1 2025, U.S. President Trump announced his tariff plan according to which the highest tariff will be imposed on import of goods to the U.S. from China. The tariff was initially set at 104% and in keeping with Trump's decision to freeze the tariff plan for 90 days, it was raised to about 125%. The White House later issued a clarification that the tariff on Chinese imports will be about 145%. In response, China announced raising the tariff on the import of U.S. goods into China to 125%. In May 2025, China and the U.S. reported signing a trade treaty which will reduce the reciprocal tariffs between the countries.

In Japan, the Bank of Japan continued raising the interest rate. In January 2025, it raised the interest rate to 0.5% for the first time in many years of keeping the interest rate at zero or even negative. The last time the BOJ's interest rate was 0.5% was in 2008, some 17 years ago.

Israel

General

In Q1 2025, the Bank of Israel kept the market interest rate unchanged at 4.5%. In its notice of February 2025, the BoI declared that during these times, the Monetary Committee focuses on mitigating market uncertainty, maintaining price stability and supporting the local economic activity. In March 2025, the BoI published an outline for returning some of the Bank's profits to the broad public. This outline consists of returning an aggregate of some NIS 3 billion between Q2 2025 and Q1 2027. The outline became effective on April 1, 2025 whereby each banking corporation in Israel chose and published online the benefits which it intends to grant to its customers. As for Israel's credit rating, Moody's and Fitch kept Israel's rating unchanged in Q1 2025. Moody's reaffirmed its Baa1/Negative rating while Fitch retained its A/Negative rating. Both rating agencies expressed their concern of Israel's political and security risks and mentioned the government's steps which are likely to compromise Israel's checks and balances systems.

In March 2025, more than six months after the standstill of the negotiations between the parties, Google's parent, Alphabet Inc., reported the acquisition of Israeli-founded cybersecurity startup Wiz for $ 32 billion in cash. This is Alphabet's largest acquisition in its corporate history.

In March 2025, the Israeli CPI rose by 0.5%. Annual inflation dropped to 3.3% compared to the relatively high inflation rate recorded in March of last year. The main markups were noted in the clothing, footwear, cultural, entertainment and fresh produce sectors. The CPI rose by 1.1% in May 2025.

The war in Israel

In the first quarter of 2025, Israel and Hamas reached a ceasefire agreement which became effective on January 19, 2025 and consisted of the IDF's withdrawal from the Gaza Strip, the return of Palestinians to their homes in the north of the Strip and the release of 33 Israeli hostages in several steps. On March 17, 2025, in view of Hamas' refusal to release more Israeli hostages, the ceasefire collapsed and the IDF launched a widespread maneuver in the Gaza Strip. The ceasefire agreement with Hezbollah in the northern border with Lebanon became effective on November 27, 2024 and has lasted through the Report Approval Date.

The above developments have the potential of adversely affecting the capital market in which Altshuler Provident operates and impair the scope and value of the assets managed by it. However, 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 the Company's investment policy and diversified investment portfolio whereby, in practice, more than 60% of the assets are managed in global capital markets. Moreover, Altshuler Credit concluded that the risk level of small and medium businesses in the credit market has risen due to the war and has adjusted its credit policy accordingly. Also, the geopolitical events are likely to negatively affect the business environment in which the Group operates, yet the Company estimates that to date the ongoing war has not had a material impact on its operations. Furthermore, the Company estimates that at present, the war has not had an effect on the Group's financial stability or ability to comply with financial covenants as per financing agreements (see details of financial covenants in paragraph 1.7 below).

Notwithstanding the aforesaid, as of the Report Approval Date, the Company is unable to fully and reliably assess the extent of the future effect of the war on its operations, also in view of the current fluctuations in the markets, the uncertainty involving the duration, intensity and impact of the war on the Company's operating segments or any measures that might be adopted by the Israeli Government. See details of the effect of inflation and market interest hikes on the Company's operating segments in paragraph 2.4 below.

The Company's evaluations as presented above represent forward-looking information, as this term is defined in the Securities Law. These evaluations are based, among others, on information that is currently available to the Company and consist of the Company's forecasts or intentions as of the Report Approval Date, yet there is no certainty that these evaluations relating to any of the factors described above or their effects on the Company's operations and business will materialize in whole or in part and therefore their actual effect may be materially different than anticipated. The potential factors underlying the non-materialization of the above evaluations and forecasts include changes in global and local capital markets, regulatory changes and mandatory regulatory approvals as well as the realization of any of the other risk factors to which the Company's provident and pension fund management and credit operations are exposed, as specified in paragraphs 4.11 and 3.2.2.1.4 to Chapter A to the Periodic Report.

1.4 Developments in the operating segments

1.4.1 Provident and pension fund management

1.4.1.1 General data of Altshuler Provident

As of March 31, 2025 and for the period of three months then ended (NIS in thousands)

	New pension funds		Personal provident funds for benefits and severance pay	Study funds	Investment provident funds	Long-term Savings for Every Child Plan	Central funds	Total
	Comprehensive	General						
Number of members*	393,719	22,340	794,625	616,795	173,278	969,465	5,694	**2,975,916**
Managed assets	33,114,548	1,072,655	54,539,819	50,737,652	11,377,804	9,681,764	879,665	**161,403,907**
Receipts from fees	984,034	56,126	161,040	820,510	611,850	257,859	1,455	**2,892,874**
Of which, nonrecurring fees	-	-	60,262	12,498	431,417	11,737	-	**515,914**
Annualized fees for newly enrolled members	257,589	22,890	14,005	143,616	67,776	24,448	2	**530,326**
Annualized fees for all members	4,052,412	191,298	535,815	3,608,886	788,529	983,996	5,935	**10,166,871**
Accruals transferred to the fund	1,099,166	71,465	429,231	271,120	55,193	1,635	1,250	**1,929,060**
Accruals transferred from the fund	(1,147,812)	(53,799)	(1,700,547)	(2,077,349)	(307,956)	(84,954)	(8,448)	**(5,380,865)**
Payments	(239,107)	(589)	(549,654)	(696,266)	(259,223)	(67,145)	(11,863)	**(1,823,847)**
Surplus revenues (losses) over expenses in the period	(335,571)	(18,435)	(396,595)	(582,686)	(225,999)	(206,621)	(3,915)	**(1,769,822)**
Revenues from accrual management fees	12,151	478	87,011	89,420	17,578	5,648	1,298	**213,584**
Revenues from deposit management fees	12,650	582	516	-	-	-	-	**13,748**
Average annual rate of management fees from active assets	0.13	0.15	0.65	0.71	0.61	0.23	0.20	
Average annual rate of management fees from inactive assets	0.15	0.21	0.62	0.66	0.60	0.23	0.63	
Average annual rate of management fees from assets – annuities	0.37	0.35	-	-	-	-	-	
Average annual rate of management fees from deposits	1.26	1.28	0.26	-	-	-	-	

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

As of March 31, 2024 and for the period of three months then ended (NIS in thousands)

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

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

As of December 31, 2024 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*	392,166	21,899	811,046	634,090	169,845	965,387	5,740	**3,000,173**
Managed assets	32,753,838	1,021,099	56,596,344	53,002,323	11,503,939	9,780,990	901,186	**165,559,719**
Receipts from fees	3,836,118	210,637	1,003,581	3,875,498	2,069,641	1,041,644	6,488	**12,043,607**
Of which, nonrecurring fees	-	-	416,818	70,149	1,434,831	50,136	-	**1,971,934**
Annualized fees for newly enrolled members	692,371	42,527	31,305	423,220	225,610	33,049	10	**1,448,092**
Annualized fees for all members	3,891,753	179,772	562,387	3,810,886	762,600	974,030	5,935	**10,187,363**
Accruals transferred to the fund	3,103,437	200,437	2,327,300	1,241,894	256,527	2,566	11,065	**7,143,226**
Accruals transferred from the fund	(4,301,839)	(232,720)	(6,684,785)	(9,152,628)	(1,334,419)	(208,833)	(37,110)	**(21,952,334)**
Payments	(383,211)	(5,777)	(2,270,201)	(3,077,965)	(1,085,418)	(206,691)	(48,673)	**(7,077,936)**
Surplus revenues (losses) over expenses in the period	4,001,649	108,250	5,839,508	6,084,164	1,455,695	1,374,452	78,062	**18,941,780**
Revenues from accrual management fees	42,007	1,730	352,465	367,663	65,744	20,471	5,270	**855,350**
Revenues from deposit management fees	50,853	2,316	2,436	-	-	-	-	**55,605**
Average annual rate of management fees from active assets	0.12	0.16	0.65	0.72	0.62	0.23	0.20	
Average annual rate of management fees from inactive assets	0.14	0.21	0.62	0.67	0.60	0.23	0.63	
Average annual rate of management fees from assets – annuities	0.37	0.35	-	-	-	-	-	
Average annual rate of management fees from deposits	1.30	1.34	0.25	-	-	-	-	

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

1.4.1.2 Developments and major changes in the Reporting Period

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 a decrease in the balance of member assets, mainly due to negative yields and shifting of members to competitors. See more information of the global capital market trend in paragraph 1.3 above.

Provident fund assets

As of March 31, 2025, 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 856.82 billion compared with approximately NIS 850.40 billion at the end of 2024, representing an increase of about 0.76%.

In the Reporting Period, the scope of provident fund assets managed by Altshuler Provident decreased from approximately NIS 131.78 billion at the end of 2024 to approximately NIS 127.22 billion as of March 31, 2025, representing a decrease of about 3.47% in total provident fund assets managed by Altshuler Provident.

Pension fund assets

As of March 31, 2025, total local pension fund assets (new, comprehensive and general) totaled approximately NIS 952.45 billion compared with approximately NIS 933.80 billion at the end of 2024, representing an increase of about 2%.

In the Reporting Period, the scope of pension fund assets managed by Altshuler Provident increased from approximately NIS 33.77 billion at the end of 2024 to approximately NIS 34.19 billion as of March 31, 2025, representing an increase of about 1.22%.

Investments in provident fund and pension fund assets

In Q1 2025, 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 **The credit operation**

See information of the credit operation and developments in this operating segment in the Reporting Period through the Report Approval Date in paragraph 2.2 below.

1.4.3 **The alternative investment operation**

1.4.3.1 General

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 $ 497 million compared with approximately $ 374 million as of December 31, 2024. See details of revenues from this operation in Note 3 to the Financial Statements hereby attached.

Altshuler Real Estate

In the Reporting Period, Altshuler Real Estate completed raising two investments in the U.S. in a total of approximately $ 21 million in which the Company participated in a total of about $ 1.04 million.

As of the Report Date and Report Approval Date, total investments raised by Altshuler Real Estate approximate $ 151 million under 12 investment entities, compared with assets totaling approximately $ 130 million under 10 investment entities as of December 31, 2024.

The investment entities invest in assets in the U.S. and Europe in partnership with leading real estate groups and developers:

No. of investments	Sector	Location
2*	Residential	USA
1	Commercial center	USA
1	Offices	USA
4**	Offices	Europe
4	Industrial	USA

* Including one investment through REITs.
** Including three investments through REITs.

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.

Altshuler Investment Funds

Altshuler Investment Funds' operation consists of serving as a GP in limited partnerships and/or special purpose funds for which it raises capital in private placements and from the public in public offerings. In the Reporting Period, Altshuler Investment Funds raised another investment fund in the amount of some $ 30 million, in which the Company participated in a total of some $ 500 thousand. As of the Report Date, total amounts raised by Altshuler Investment Funds for investment funds approximate $ 66.4 million compared with approximately $ 36.4 million as of December 31, 2024.

After the Report Date, Altshuler Investment Funds continued raising investments for the investment fund mentioned above. As of the Report Approval Date, another $ 2 million has been raised and the raising process continues. As of the Report Approval Date, Altshuler Investment Funds manages total assets of approximately $ 68.4 million.

1.4.3.2 Carried interest not recognized as revenues in the Company's financial statements

Carried interest represents the legal right of Altshuler Real Estate and/or Altshuler Investment Funds to receive distributions from investees in which they serve as the general partner (GP) subject to the investors meeting a minimum annual rate of return.

As of the Report Date, no revenue from carried interest in respect of the investments raised by investees has been recognized in the Company's financial statements. Following is a disclosure of the potential carried interest receivable, computed based on investee business plans and actual investments made in investees in the alternative investment management operation through Altshuler Real Estate and/or Altshuler Investment Funds from the date of launching this operation through March 31, 2025:

	Total mount raised (USD in millions)	**Expected carried interest range (USD in millions)**
Investments raised in investees	217	17-28

As of the Report Date, the Company has invested in investees approximately $ 3.6 million. The partnerships in which the Company invests are accounted for in conformity with IAS 28 regarding investments in associates and joint ventures. The Company has investments in various associates as a limited partner (LP) therein. This type of interests in combination with being the GP, indirectly through investees, qualifies the Company to receive carried interest, among others. The Company's share of the earnings of the investees relies on the business model of each investee, taking into consideration changes in the fair value of assets and liabilities and assuming that the investee readily divests of its assets at their carrying amount at that time, which is based on their fair value, as well as other liabilities and investments made on a net basis.

Revenue from carried interest in investee partnerships is recognized per IFRS 15 regarding revenue from contracts with customers and therefore revenue from carried interest can be recognized only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the recognized revenue is subsequently resolved.

As stated above, as of the Report Date, no revenue from carried interest has been recognized in the Company's financial statements. The Company regularly considers recognition of revenue from carried interest and therefore it is possible that in subsequent periods certain carried interest will be recognized in the financial statements as revenue. In contrast, in view of the long-term nature of the divestiture of certain operations and/or fluctuations in the base assets, unrecognized carried interest may decrease or even become eliminated altogether before it is realized.

Disclaimer – as of the Report Approval Date, the Company is unable to evaluate if and when the above amounts will be recognized in the financial statements or quantify them. The evaluations of potential carried interest receivable represent forward-looking information, as this term is defined in the Securities Law. These evaluations rely on information that is currently available to the Company which may materialize differently than described among others due to factors which are not under the Company's control such as changes in the assets in which the investees invest, the economic environment, macroeconomic changes, a recession in the market, monetary changes as well as the materialization of any of the other risk factors detailed below.

1.5 Financial position

Following are data from the Company's interim consolidated financial statements for the period of three months ended March 31, 2025.

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

	March 31,		December 31, 2024	Company's explanations
	2025	2024		
Current assets	346,990	318,436	315,492	The increase in current assets in the Reporting Period compared to the corresponding period of 2024 mainly arises from an increase in loans to customers, receivables and met lease investment against a decrease in cash and cash equivalents, short-term investments and current taxes receivable.
Non-current assets	900,180	872,353	894,070	The increase in non-current assets in the Reporting Period compared to the corresponding period of 2024 mainly stems from an increase in loans to customers, deferred acquisition costs, investments in associated partnerships and deferred tax assets against a decrease in long-term investments, long-term receivables, net lease investment, property plant and equipment and intangible assets. The movement in DAC in the Reporting Period arises from payment of agent commissions of approx. NIS 18,167 thousand less write downs of approx. NIS 17,966 thousand.
Total assets	**1,247,170**	**1,190,789**	**1,209,562**	**---**
Current liabilities	344,936	236,460	284,606	The increase in current liabilities in the Reporting Period compared to the corresponding period of 2024 is mainly a result of an increase in current maturities of loans from banks, current maturities of lease liabilities and current taxes payable against a decrease in payables.
Non-current liabilities	354,520	431,784	379,646	The decrease in non-current liabilities in the Reporting Period compared to the corresponding period of 2024 is mainly a result of loans from banks, lease liabilities, employee benefit liabilities, net and deferred tax liabilities.
Equity	547,714	522,545	545,310	The increase in equity in the Reporting Period compared to the corresponding period of 2024 derives from the comprehensive income of approx. NIS 22.8 million recognized in the Reporting Period and cost of share-based payment of approx. NIS 1.6 million against a decrease in equity due to a dividend declared in the amount of approx. NIS 22 million.
Total liabilities and equity	**1,247,170**	**1,190,789**	**1,209,562**	**---**

1.6 Operating results

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

	Three months ended March 31, 2025	Three months ended March 31, 2024	Year ended December 31, 2024
Revenues:			
From management fees, net	230,212	228,602	911,738
From commissions	2,229	1,036	7,629
Finance income from nonbank credit	2,840	-	2,399
Total revenues	**235,281**	**229,638**	**921,766**
Expenses:			
Marketing, operating, general and administrative expenses	198,011	187,552	754,691
Expenses in respect of credit losses	1,045	-	1,342
Finance expenses on nonbank credit	542	-	83
Total expenses	**199,598**	**187,552**	**756,116**
Operating income	35,683	42,086	165,650
Finance income	2,704	2,525	10,765
Finance expenses	(3,398)	(3,150)	(14,228)
Other income, net	23	17	473
Company's share of earnings (losses) of associated partnerships accounted for at equity	40	(2)	(192)
Income before taxes on income	**35,052**	**41,476**	**162,468**
Taxes on income	12,449	14,086	52,147
Net income	**22,603**	**27,390**	**110,321**
Other comprehensive income (loss)	222	(13)	665
Comprehensive income	**22,825**	**27,377**	**110,986**
Net income for the period attributable to:			
Equity holders of the Company	23,593	27,733	113,065
Non-controlling interests	(990)	(343)	(2,744)
	22,603	**27,390**	**110,321**
Comprehensive income attributable to:			
Equity holders of the Company	23,815	27,720	113,730
Non-controlling interests	(990)	(343)	(2,744)
	22,825	**27,377**	**110,986**

Revenues

Revenues from management fees, net – the increase in revenues from net management fees in the Reporting Period compared with Q1 2024 mainly arises from an increase in assets managed by Altshuler Provident against a decrease in the average rate of management fees charged by it and from an increase in revenues from management fees in the alternative investment management operation owing to the growth in managed assets.

Revenues from commissions – the increase in revenues from commissions in the Reporting Period compared with Q1 2024 derives from an increase in development commissions due to an increase in investments raised in the alternative real estate operation compared with Q1 2024.

Finance income from nonbank credit – the increase in finance income from the credit operation in the Reporting Period compared to Q1 2024 arises from fully launching this operation in Q3 2024.

Expenses

Marketing, operating, general and administrative expenses – the increase in these expenses in Q1 2025 compared with Q1 2024 is mainly a result of an increase in the operating expenses of the provident and pension fund management operation and mainly in salary and related expenses, an increase in expenses arising from grant of employee options and the raising of the VAT rate against a decrease in depreciation and amortization and in commissions. Moreover, the increase in expenses arises from the growth in the alternative operation and the launching of the credit operation in Q3 2024.

Expenses in respect of credit losses – the increase in these expenses in Q1 2025 compared with Q1 2024 mainly stems from launching the credit operation in Q3 2024.

Finance expenses on nonbank credit – the increase in finance expenses in respect of nonbank credit in Q1 2025 compared with Q1 2024 mainly stems from entering the credit operation in Q3 2024.

Finance income – the increase in finance income in Q1 2025 compared with Q1 2024 mainly arises from increase gains from financial investments.

Finance expenses – the increase in finance expenses in Q1 2025 compared with Q1 2024 is mainly a result of the increase in interest paid to banks following the increase in financial liabilities and the rise in the average interest rate.

1.7 Liquidity

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

	Three months ended March 31,		Year ended December 31,
	2025	2024	2024
Cash flows from operating activities:			
Net income in the period	22,603	27,390	110,321
Adjustments to income	(12,411)	20,589	44,727
Net cash provided by operating activities	**10,192**	**47,979**	**155,048**
Net cash used in investing activities	**(6,715)**	**(44,425)**	**(40,563)**
Net cash used in financing activities	**(6,392)**	**(19,333)**	**(146,353)**
Increase (decrease) in cash and cash equivalents	**(2,915)**	**(15,779)**	**(31,868)**
Cash and cash equivalents at beginning of period	**83,988**	**115,856**	**115,856**
Cash and cash equivalents at end of period	**87,073**	**100,077**	**83,988**

Net cash provided by operating activities – the decrease in cash flows provided by operating activities in Q1 2025 compared with Q1 2024 is mainly a result of the decrease in the Company's net income, items not involving cash flows, cash paid in the period and other balance sheet items.

Net cash used in investing activities – the decrease in cash flows used in investing activities in Q1 2025 compared with Q1 2024 is mainly a result of a decrease in purchases of financial investments, net, acquisition of newly consolidated company last year and repayment of loan from associated partnerships against an increase in loan granted to associated partnerships.

Net cash used in financing activities – the decrease in cash flows used in financing activities in Q1 2025 compared with Q1 2024 is mainly a result of an increase in receipt of loans from banks against an increase in repayment of loans from banks.

1.8 Financing resources

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

As of the Report Approval Date, the average scope of long-term loans and short-term loans (including current maturities) from banks approximates NIS 283.9 million and NIS 79.4 million, respectively.

Provident and pension fund management

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

a) Altshuler Provident's revenues from management fees will not be lower than NIS 200 million a quarter. In Q1 2025, Altshuler Provident's revenues from management fees totaled NIS 227.7 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 399.5 million.

c) Altshuler Provident's bank debt coverage ratio divided by its EBITDA in the latest four calendar quarters will not exceed 2.8. As of the Report Date, the ratio is 2.

d) The debt service coverage ratio (DSCR) – the result of dividing the EBITDA less investments in PP&E and in software and less tax in the latest relevant calendar quarters (accumulated interest expenses and linkage differences with the addition of current maturities – principal and interest, excluding principal on credit provided to finance compliance with minimum capital requirements of provident fund manager and repayment of any credit principal for a period not exceeding 12 months but rather only interest on such credit, which Altshuler Provident will have to pay the banks in the four consecutive calendar quarters as of the Report Date, other than borrowings repayable in a lump sum at period end will not be lower than 1.5. As of the Report Date, the ratio is 3.

The credit operation

See information in paragraph 2.2.5 below.

See more information of the Group's financing resources, including financing agreements entered into by the Group in Notes 5 and 7 to the Company's Financial Statements hereby attached and Note 17 to the Company's annual financial statements for 2024.

2. Material Events during and after the Reporting Period and Updates to Chapter A to the Periodic Report

As per the provisions of Regulation 39A to the Report Regulations, following is a description of the material developments in the Company's business in the period of three months ended March 31, 2025 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 Update to paragraph 1.7 to Chapter A to the Periodic Report - dividend distributions

2.1.1 On March 19, 2025, the Company's Board approved the distribution of a dividend based on the Company's financial statements as of December 31, 2024 in the amount of NIS 22 million. See information in connection with the dividend distribution in the Company's immediate reports of March 20, 2025 and April 6, 2025, as amended on April 7, 2025 (TASE references: 2025-01-018616, 2025-01-025220 and 2025-01-025574, respectively), whose information is hereby included by reference.

2.1.2 On May 19, 2025, 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 18 million based on the Company's interim financial statements attached to this report. See also Note 8d to the Company's Financial Statements hereby attached.

2.2 Since the credit operation is presented for the first time as an operating segment in the Company's Financial Statements hereby attached for reporting and accounting purposes, following are updates to paragraphs 2.1, 2.2 and 3.2.2 to the Periodic Report.

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

For information of trends, events and developments in the operating segment's macroeconomic environment and their effects on the operation, see paragraph 1.3 above.

2.2.2 Update to paragraph 3.2.2.1 to Chapter A to the Periodic Report – overview

In this operating segment, Altshuler Credit provides loans to small and medium sized businesses through Altshuler Business Credit which holds an extended credit provider license from the Capital Market Authority and offers various local business solutions such as real estate funding, procurement funding, working capital funding and more. The loans are provided by Altshuler Credit against different types of collaterals (personal guarantees, third party guarantees, real estate properties, equipment etc.). In the Reporting Period, the Company began providing loans to real estate developers, including closed-end credit, capital infusion and extraction.

2.2.3 Update to paragraph 3.2.2.2 to Chapter A to the Periodic Report – structure of the operation and changes therein

The players in the lending market targeting small and medium sized businesses include banks, credit card companies and nonbank lenders which are partly held by insurance companies, pension funds and provident funds, some public and some private. The Company estimates that the nonbank loan market will continue to grow in the near future due to growing market needs and the process innovativeness and quickness and thought flexibility that characterize the players in this market. The nonbank loan market's current positioning and recent improvement in its image compared with decades ago contribute to the growing trend of referrals by various – large and small - corporations and private parties to nonbank financing channels as a valid alternative other than banks. The Company believes that recent regulations enacted in this field will allow the nonbank credit market to reinforce its reputation as a whole and positively affect large entities operating in this market.

The activity in the market for extending project loans to residential and commercial real estate developers used to be dominated by the bank system but there is a recently growing trend of market penetration by nonbank lenders such as public companies, institutional investors and private equity funds. The Company estimates that the inelastic demands for real estate development in Israel, with emphasis on the residential market, in combination with the regulatory restrictions that apply to bank credit and the strict capital requirements are expected to continue supporting the entry of additional players into the nonbank credit market and substantiate the position of existing players. The elasticity that is characteristic of nonbanks, their readiness for quick adaptability to market needs and independence of banking capital restrictions all afford a significant competitive advantage. The Company is of the opinion that the continued grounding of nonbank lenders in the residential development market will contribute to diversification of financing sources in the industry and allow healthier and more efficient competition that will benefit both developers and consumers.

2.2.4 Update to paragraph 3.2.2.3 to Chapter A to the Periodic Report – changes in the operation's volumes and profits

See details of changes in the operation's volumes and profits in paragraphs 1.1.2 and 1.6 above.

2.2.5 Update to paragraph 3.2.2.5 to Chapter A to the Periodic Report – financing

In keeping with the Company's Board approval of March 19, 2025, on April 22, 2025, the Company signed agreements with banks to receive additional credit facilities totaling approximately NIS 300 million as follows: (1) NIS 100 million will be provided by Bank A[1] as follows: NIS 50 million as on call credit for one year and the other NIS 50 million as binding credit for one year (in respect of which the Company will be charged non-utilization commission of 0.5%). The interest on the above credit will be Prime less 0.2%-0.25%[2]; (2) NIS 200 million will be provided by another bank as on call credit under which the Company may request loans bearing interest of Prime less 0.2%-0.25% for one year. See also the Company's immediate report of April 22, 2025 (TASE reference: 2025-01-028610), whose information is hereby included by reference.

As stated above, as of the Report Approval Date, the Company has credit facilities totaling NIS 400 million that can be used to provide loans to customers by Altshuler Business Credit. The credit facility of NIS 100 million granted to the Company by Bank A on October 1, 2024 ends on September 30, 2025.

2.2.6 Breakdown of revenues and profits from products and services

As of the Report Date, Altshuler Business Credit generates revenues from extending loans to businesses which are recognized as they accrue using the effective interest method. As of the Report Date, Altshuler Business Credit does not generate any other source of revenue that accounts for 10% or more of total revenues by Altshuler Credit.

2.2.7 Supervision and restrictions applicable to the operation

Altshuler Business Credit's operations are governed by various legislations and regulated by various legal authorities. The grant of credit requires Altshuler Business Credit to comply with a multitude of rules, laws, regulations and orders we well as the regulations and guidelines of the Capital Market Authority and other regulators. Following is a description of the main legal requirements applicable to Altshuler Business Credit's credit operation:

2.2.7.1 Law for Supervision of Financial Services (Regulated Financial Services), 2016

The Law for Supervision of Financial Services (Regulated Financial Services), 2016 ("**the Financial Services Supervision Law**") authorizes the Capital Market, Insurance and Savings Authority ("**the Capital Market Authority**") to supervise the grant of regulated financial services. It requires credit providers to obtain a license, unless they are exempt by the law or regulations enacted thereunder. The regulator appointed as per the Financial Services Supervision Law to supervise providers of financial services is the Commissioner of the Capital Market Authority who issues the necessary licenses, including credit provider licenses, under vast regulatory, oversight, enforcement and administrative inquiry authorities, including the right to levy monetary sanctions.

1 As defined in the Company's immediate report of October 1, 2024 (TASE reference: 2024-01-607531).

2 It should be noted that the credit facility of NIS 100 million provided to the Company on October 1, 2024 by Bank A for one year from the signing date is in effect until September 30, 2025. See details of this credit facility in the Company's immediate report of October 1, 2024 (TASE reference: 2024-01-607531) and in paragraph 3.2.2.5 to Chapter A to the Periodic Report.

As of the Report Date, Altshuler Business Credit has an extended credit provider license as per the provisions of Article 16 to the Financial Services Supervision Law in effect until December 31, 2029. As per the extended credit provider license, Altshuler Business Credit may engage in any credit providing activity as defined in Article 11 to the Financial Services Supervision Law, other than the provision of credit as a consortium, as defined in Article 7(b) to the Banking Law, 1981.

2.2.7.2 Loan contract disclosure circular

The circular was issued by the Capital Market Authority in July 2018 and an amended version was issued in May 2019 and became effective in August 2019. The circular regulates the mandatory disclosures of credit providers in loan contracts, including as per Article 3(b) to the Fair Credit Law, to ensure clear and accurate presentation of the rights and obligations of the parties to the loan contract – the borrower and the credit provider. The circular also prescribes various reporting and disclosure duties towards the borrowers such as specific loan contract information, amortization schedule, loan principal maturities and interest rates and delivery of information of loan balances to borrowers upon request.

2.2.7.3 Remote online engagement with service recipient circular

This circular was initially published on December 8, 2020 and revised in April 2023. It sets forth duties and proscriptions regarding anti-money laundering and terrorist funding using digital authentication technologies for identifying the service recipients. It aims to facilitate alternatives to physical means of identification mandated by the AML order of 2018 (duties of identification, reporting and documentation of financial asset service providers and credit service providers to prevent money laundering and terrorist funding) and the AML order of 2019 (duties of identification, reporting and documentation of credit brokerage system operator to prevent money laundering and terrorist funding). It seeks to allow financial service providers to offer their financial services online.

2.2.7.4 Document retention circular

This circular, published by the Capital Market Authority in December 2020, requires financial service providers to document and retain all documents pertaining to transactions performed by them for a period of at least seven years from the transaction termination date including digitally (in addition to document retention directives that govern applicable laws). As per the circular, the documentation is designed to enable retrieving every single transaction executed both for audit and enforcement by the regulators and for the purposes of the financial service providers themselves. The circular was amended in May 2022 to revise the definitions of financial service provider and transaction and apply the circular to providers of financial services that are regulated by the Financial Information Service Law.

2.2.7.5 Circular for management of money laundering and terrorist funding risks of regulated financial service providers

The circular was issued by the Capital Market Authority in December 2021 and most of the circular's directives became effective on the issue date. It guides the relevant financial service providers to adopt a risk-based approach to prevent money laundering and terrorist funding, among others, by formulating AML policies and procedures that will be approved by the qualifying organs, appointing an officer in charge of compliance with AML and terrorist funding duties, efficiently allocating resources based on identified risks and prescribing regular control procedures and effective know your customer processes. The circular sets forth guidelines on AML and terrorist funding risk management policies, board duties, compliance officer duties, risk identification and assessment and risk mitigation measures.

2.2.7.6 Circular for risk management by regulated financial service providers

The circular was published by the Capital Market Authority in May 2022 and revised on February 21, 2024. It aims to guide financial service providers to adopt effective risk management policies and processes for the variety of risks to which they are or might become exposed. The policies and processes include implementing risk management methodologies, appointing a risk manager and setting up a risk management unit, allocating adequate resources for risk management and practicing reporting routines to enhance current and potential risk profiling, measurement, monitoring, managing and reporting.

2.2.7.7 Circular for mandatory credit reporting by holders of credit provider license

On November 17, 2022, the Capital Market Authority issued a circular designed to regulate the credit reporting duties that apply to holders of credit provider licenses. It aims to address several objectives such as protecting and securing the interests of clients of financial service providers, creating a reliable, safe and stable service environment and promoting competition and enhancing accessibility in the financial service market by settling a regulated and permanent Capital Market Authority reporting framework. The circular requires producing information of the amount and purpose of interest charged on loans, the scope of the financial service provider's operations and more. The reports must be customized to the data sought by the Authority in the circular. The circular also prescribes extensive reporting duties for credit service providers and requires them to properly prepare for issuing the reports.

2.2.7.8 Circular for managing cyber risks by financial service providers

The circular was published by the Capital Market Authority in May 2022 and revised on February 21, 2024. It sets forth best practices for financial service providers to ensure protection against cyber risks, secure their ability to fulfill their business processes and regular operations and guarantee the confidentiality, integrity and availability of their IT systems and assets and those of their clients. According to the circular, a financial service provider's cyber risk management must include prevention, neutralization, investigation and control of cyber threats and events to minimize their effect and damage to clients and to financial systems before, during and after they occur. The circular also defines principles that require effective, updated and current management of cyber risks based on adequate corporate governance principles that address methods, processes and controls to allow mitigating cyber threats and managing cyber events.

2.2.7.9 Circulars for regulating conduct of financial service providers with respect to hearing and resolving public complaints

The circulars were issued on November 29, 2022 in order to regulate the conduct of financial service providers when hearing and resolving public complaints filed against them by clients or at the inquiry or investigation of the Commissioner of the Capital Market Authority as per the authorities conferred in the Financial Service Supervision Law.

The circular for regulating hearing public complaints prescribes ethical rules to which financial service providers must adhere when hearing and resolving public complaints in order to enhance customer service quality, protect and promote customer interests while increasing data transparency and accessibility. The circular also sets forth rules and directives for resolving public complaints by senior citizens. The circular for regulating the conduct of financial service providers for hearing public complaints allows the Commissioner to investigate public complaints as per the Financial Service Supervision Law to protect and promote customer interests in this industry.

2.2.7.10 Circular regarding mandatory additional equity and liquidity of financial service providers

The circular was published on August 28, 2023 to set forth the additional equity requirements applicable to specific entities, as detailed below. It defines terms relating to equity requirements, determines the qualifying capital composition for meeting the equity requirement and the conditions and method of calculation of the components. On this basis, the circular prescribes additional equity requirements that apply to various license holders in accordance with the nature of their operations and their risk profile. The need to establish additional equity directives that apply to financial service providers arises from the variety of risks that are inherent to each type of regulated financial service provider and from the volume of their operations.

With respect to credit provider licensees, the circular applies to credit providers with substantial public debt (holders of extended credit provider license whose credit products originate from liability certificates held by the public with a total nominal value in excess of NIS 5 billion but below NIS 15 billion) and to holders of an extended credit provider license that provide guarantees.

2.2.7.11 Fair Credit Law, 1993 ("**the Fair Credit Law**")

The Fair Credit Law came into effect in August 2018 in the context of the fifth amendment to the Nonbank Loan Law, 1993. The Fair Credit Law aims to protect single borrowers (including authorized dealers) in the credit market and enhance the competition in this market by imposing a maximum interest threshold on loans to single borrowers, applying extended disclosure duties to lenders and levying administrative and criminal sanctions. The Fair Credit Law authorizes the Minister of Justice to apply the law to corporations as well.

When applicable, the Fair Credit Law states that the real cost of credit, as defined in the law, as it is known on the contract signing date, will not exceed the maximum cost of credit as known on that date and that a lender will not enter into a loan contract which sets forth an arrears interest rate that exceeds the maximum known arrears interest rate as of that date.

As of the record date of the Fair Credit Law, the maximum cost of credit per loan which does not exceed NIS 1,197,707.36, other than loans granted to dealers not for personal, household or family use regarding bill discounting which are not withdrawn by the borrower and other than loans granted against assignment of right to receive payment other than bill discounting, is as follows: loans granted in NIS - BoI interest + 15%, loans granted in foreign currency – Libor + 15%, and loans granted in foreign currency which is not subject to Libor – interest of the country's central bank + 15%. As for loans granted by credit providers for a period that does not exceed three months and which cannot be extended or renewed by the parties under similar terms, whether in NIS or in foreign currency, the maximum interest will be as detailed above plus 5%, unless otherwise determined by the Fair Credit Law.

As per the Fair Credit Law, entering into a loan contract whose real cost of credit as known on the signing date exceeds the maximum credit cost (BoI interest + 30%) is considered a criminal offense which is punishable by a maximum of three years imprisonment. In recent years, case law in Israel ceased expanding on the method of calculation of the real cost of credit and instead focused on establishing rules for its calculation and for including the related expenses in the calculation. To the best of the Company's Knowledge, Altshuler Business Credit is in compliance with all the law's provisions that apply to its operations in consultation with its legal counsel.

2.2.7.12 Interest Law, 1957 ("**the Interest Law**")

As stated above, the Fair Credit Law determined a maximum interest threshold for unlinked loans, but loans that are linked to the CPI are subject to maximum interest and arears interest rates as prescribed in the Interest Law and the order issued thereunder which sets forth a maximum annual interest rate of 13% per linked loan and maximum annual arrears interest rate of 17%.

2.2.7.13 Credit Data Law, 2016 ("**the Credit Data Law**")

The Credit Data Law was published in the official government records in April 2016. It is designed to regulate a national pool of credit data which aims to enhance competition in the retail credit market, improve credit access, minimize credit discrimination and create an anonymous database that will be used by the Bank of Israel in performing its duties. To apply the Credit Data Law, the Bank of Israel set up the central credit data pool. The credit data are amassed from the data sources allowed by law, retained and transferred by the Bank of Israel to the credit bureaus that process the data and pass them on to the credit providers in accordance with the law.

The Credit Data Regulations (Amendment), 2021 issued in March 2021 supplement the provisions of the Credit Data Law and outline directives that support arrangements not included in the law. As per the Credit Data Law, certain actions must be taken in advance before receiving credit reports of prospective customers, including obtaining the prospective customer's consent to the report and its format. Altshuler Business Credit is considered a data source as per the Credit Data Law and reports to the credit data pool accordingly.

2.2.7.14 Anti-Money Laundering Law, 2000 ("**the AML Law**") and the orders published thereunder

Published in 2000 as part of international efforts, the AML Law sets forth provisions and proscriptions to prevent money laundering. The AML Law and orders and regulations published thereunder levy certain duties on entities operating in the private sector, including entities in the financial sector (and holders of a credit provider license as per the Financial Services Supervision Law that applies to regulated financial services). These duties are designed to prevent misuse or abuse of the financial system for money laundering purposes. Such misuse or abuse are likely to expose entities to legal, operating and reputation risks. The duties include maintaining customer information authentication and verification, reporting to the Israel Money Laundering and Terror Financing Prohibition Authority, practicing controls, keeping records, appointing an AML officer, supervising, training employees and more.

As a credit service provider, Altshuler Business Credit is subject to the above duties, including under the AML Law and the regulations enacted thereunder, the AML Order (duties of identifying, reporting and managing records of financial asset and credit service providers for preventing anti-money laundering and terrorist funding), 2018 (enacted by virtue of the AML Law and the Counter-Terrorism Law, 2016) as well as other directives and guidelines that are occasionally issued by the Commissioner and the Israel Money Laundering and Terror Financing Prohibition Authority.

The order for prohibition of money laundering by credit service providers became effective in March 2018 (expanding the duties that apply to credit service providers regarding the AML Law which before that date only applied to provision of currency services as per a different money laundering prohibition order applicable to this segment). It should be noted that an amendment to the above order of November 2021 applied Israel's AML/CFT Regime to financial asset service providers (by expanding the order that applies to credit service providers also to financial asset service providers with the necessary adjustments). The title of the order was updated and several of its directives that apply to credit service providers were revised. The revised order levies various duties on anyone that holds a credit provider license as per the Financial Services Supervision Law that applies to regulated financial services, including: recording service recipient identification information, performing a KYC procedure, performing customer information authentication and verification, obtaining beneficiary and controlling shareholder representations, adhering to electronic transfer rules, practicing customer post-transaction controls, keeping and managing records, checking customer identification information against lists of designated terror organizations and terrorists and entities declared as aiding and abetting the distribution and financing of weapons of mass destruction, establishing AML/CFT policies, reporting to the Israel Money Laundering and Terror Financing Prohibition Authority, all as required and specified in the order. It should be noted that some of the duties (such as KYC procedure) only apply to service recipients that are not occasional service recipients as defined in the order (occasional service recipients are those who receive financial asset or credit services for a maximal period of six months by a single service provider in an aggregate maximum amount of NIS 50,000, excluding services that involve a country or territory as listed in the first addendum to the order (heightened risk countries) whose credit amount can exceed NIS 50,000. Note that there is a different definition of occasional service recipients in virtual currency services).

In keeping with the AML Law and various orders discussed above, Altshuler Business Credit established AML/CFT policies and appointed an officer in charge of compliance with these duties and of orienting and training Altshuler Business Credit's employees and executives on complying with these duties and integrating the legal requirements and guidelines into its methodologies.

The Counter-Terrorism Law mainly defines violations and criminal offenses in connection with terrorism and terrorist financing, methods of declaration of terrorist organizations and terrorists and the proper administrative and legal tools for fighting terrorist financing. Altshuler Business Credit strictly adheres to this law, mainly regarding reporting any act involving property that constitutes terrorist property (as defined in the law) to the Israeli Police or any act that enables, promotes or finances an act of terrorism. Moreover, as mandated by the relevant orders, Altshuler Business Credit verifies names and information of prospective customers and all account agents against the Israeli MOD's list of designated terrorist groups.

2.2.7.15 The Reduction of Use of Cash Law, 2018 ("**the Reduction of Use of Cash Law**")

The Reduction of Use of Cash Law was approved in March 2018 and became effective in January 2019. It is designed to reduce the use of black money and assist in countering criminal acts including grave crimes, tax evasion, money laundering and terrorist financing. It sets forth directives and restrictions on use of cash and limits the maximum cash used in transactions, donations, loans, wages and gifts. The restrictions distinguish between the type of action and the parties to a transaction, including various limitations on paying cash in dealer transactions or in transactions between (non-dealer) individuals. It also prescribes limitations and conditions on payment by checks and check endorsement. It requires declaring the means of payment under certain circumstances and documenting means of payment or receipt and prohibits fraud, counterfeit etc. On August 1, 2022, an order was issued for reduction of use of cash (amendment to the first addendum to the Reduction of Use of Cash Law) which reduced the maximum cash amounts that can be used compared with the original law.

As stated above, the Reduction of Use of Cash Law limits the use of cash, also by dealers, as payment or receipt in a transaction, wage, donation or loan that each exceeds NIS 6,000. However, the cash limit pertaining to loans does does apply to loans provided by regulated financial institutions (as defined in the Reduction of Use of Cash Law, including credit service providers). The law also limits the use and endorsement of checks whereby one cannot endorse a check or accept an endorsed check without having the endorser's name and ID number written on the check. Moreover, limitations were imposed on payment via check for a transaction, wage, donation, loan or gift whereby a dealer cannot issue or receive a check for business purposes without the beneficiary's name stated on the check as repaid or endorsed, as applicable. Also, a non-dealer may not accept payment via check in excess of NIS 5,000 without having their name stated on the check as repaid or endorsed, as applicable. A non-dealer cannot issue a dealer a check for business purposes without the dealer's name stated on the check as repaid or endorsed, as applicable. A non-dealer cannot issue another non-dealer a check in excess of NIS 5,000 without the beneficiary's name stated on the check as repaid or endorsed, as applicable, all as specified in the Reduction of Use of Cash Law.

2.2.7.16 Insolvency and Financial Rehabilitation Law, 2018 ("**the Insolvency Law**")

The Insolvency Law became effective in September 2019 and introduces various directives emphasizing the financial rehabilitation of corporations and debtors as a core value. However, the Insolvency Law sets as objectives increasing the debt ratio that is repayable to creditors and appreciating the value of the debtor's assets while minimizing the damage to creditors due to the debtor's insolvency.

The Insolvency Law was amended on January 29, 2025 (amendment no. 8) to update the amounts stated therein (following the change in the CPI rate), including the amount for filing a petition by a corporation for initiating procedures against debtors, the insolvency claim in a creditor's petition, initiating proceedings by individual low-sum debtors and more.

2.2.7.17 Financial Information Service Law, 2021 ("**the Financial Information Service Law**")

This law was published in November 2021 in an aim to regulate the operations of financial information service providers for obtaining financial information of customers from data sources at the customer's consent. The financial information allows the service providers to offer customers tailored services such as financial data collection and referral for prospective engagements, cost comparison, economic behavior consulting and more.

As per the Financial Information Service Law, financial institutions and financial service providers that hold a credit provider license or credit brokerage system operation license, including credit union coops, will be supervised and regulated by the Capital Market, Insurance and Savings Authority, which is promoting supportive regulations and ruled for supervised entities as both information service providers and data sources, in accordance with the definition of these terms in the Financial Information Service Law.

It should be noted that as per Article 79(5) to the Financial Information Service Law, its directives apply to holders of a credit provider license from November 14, 2024. This date was later deferred to May 14, 2025 by the financial information service order (deferral of effective date of the law regarding data source which holds a credit provider license and holder of credit brokerage system operator license), 2024.

Furthermore, in February 2025, the Israeli MOF published a memorandum of the Financial Information Service Law (Amendment no. 3), 2025 which proposes to introduce two main revisions: establishing a transition provision that allows fully authorized signatories to grant access to financial information without the need for a separate authorization process and extending by two years the access to financial information held by corporations using customer information by authorizing the Minister of Finance to extend the period as necessary. The revisions are designed to secure financial service continuity and simplify the process for corporations joining the financial information service pool.

2.2.7.18 Circular for financial information sources that are financial service providers holding a credit provider license or credit brokerage system operator license

The Capital Market, Insurance and Savings Authority issued this order on July 24, 2024 for establishing directives that apply to financial service providers that hold a credit provider license or credit brokerage system operator license which also serve as data sources that provide access to financial information by law. The circular regulates the duties of such entities towards financial information service providers and the actions that they must take as data sources to enhance service level and practice risk management tools in a technological environment. The circular will become effective on the effective date of the Financial Information Service Law of 2021 (which as stated above was deferred to May 14, 2025 for data sources that hold a credit provider license).

2.2.7.19 Privacy Protection Law, 1981 ("**the Privacy Protection Law**") and Privacy Protection Regulations (Data Security), 2017 ("**the Privacy Protection Regulations")**

The Privacy Protection Law and Regulations mandate every company to review its data sources and databases and practice the required level of security. Altshuler Business Credit has databases that are registered as required by the Privacy Protection Law and it complies with the Privacy Protection Regulations to ensure the adequate level of security for protecting the privacy of information held by it. The Privacy Protection Law (Amendment no. 13) 2024, which will become effective on August 14, 2025, introduces the following amendments: expanding the Privacy Protection Authority's administrative and criminal enforcement tools and authorizing the Authority to levy monetary sanctions, reducing red tape by significantly minimizing database registration duties, adapting the legal definitions to current technological developments among others by expanding the terms "information" and "data minimization" to limit the use of personal data to the specific purpose.

In 2022, the Privacy Protection Authority issued several draft position papers and guidelines including an opinion on the interpretation of "information" and "knowledge of personal affairs" in the Privacy Protection Law, a document of recommendations for appointing an officer in charge of privacy protection in organizations, a document on the duty of communication of personal data collected and used, draft guidelines on privacy considerations in monitoring remote employees and draft guidelines on transfer of ownership of database.

2.2.8 Customers

As of the Report Date, Altshuler Business Credit's customer portfolio is comprised of Israeli businesses that are incorporated as companies, partnerships and authorized dealers whose annual turnover does not exceed NIS 1 billion. Total transactions made in the Reporting Period approximate NIS 62.8 million.

As of the Report Date, Altshuler Business Credit has 146 borrowers, of which two individually account for more than 5% of the credit portfolio with a collective outstanding debt of some NIS 22 million.

As of the Report Date, outstanding customer credit provided by Altshuler Business Credit approximates NIS 104 million. In the period after the Report Date through the Report Approval Date, additional customer credit was provided in a total of approximately NIS 25 million.

Altshuler Business Credit estimates that as of the Report Date, it is not dependent on any single customer or limited number of customers whose loss would materially affect its operations given the diversification of the customer portfolio and the fact that Altshuler Business Credit's customers operate in a multitude of different industries.

Following is the diversification of Altshuler Business Credit's ten largest customers by gross credit volume as of March 31, 2025:

Customer	Percentage of customer portfolio
1	10.60%
2	9.84%
3	4.92%
4	4.40%
5	4.28%
6	4.20%
7	2.78%
8	2.48%
9	2.38%
10	1.74%

Following is the diversification of Altshuler Business Credit's trade receivables by operating segment as of March 31, 2025:

Operating segment	Percentage of customer portfolio
Construction and real estate	44.25%
Trade	23.60%
Industrial and manufacturing	9.37%
Transportation and storage, courier and delivery	6.01%
Other business services	5.90%
IT and telecommunications	4.87%
Hotels, hospitality and food	4.04%
Other	0.88%
Electricity	0.84%
Financial services and insurance, excluding credit providers	0.23%
Total	100%

Following is the aging of Altshuler Business Credit's trade receivables by maturity dates as of March 31, 2025:

Days to repayment *	Percentage repaid of customer portfolio
0-30	3.8%
31-60	2.4%
61-90	7.9%
91-120	7.0%
121-180	10.1%
181-365	27.9%
365<	36.5%
Past due refinanced debts **	4.4%
Total	100%

* Number of days from Report Date to contractual maturity date.

** Of which approximately NIS 793 thousand carried to allowance for expected credit losses.

The average maturity profile of the credit portfolio as of March 31, 2025 is about 1.1 years.

See more information of customer credit including the borrowing rate, types of collaterals and allowance for ECLs in Note 4 to the Financial Statements hereby attached.

2.2.9 Working capital

Working capital items mainly consist of cash and cash equivalents, loans to customers, short-term investments, short-term credit and trade payables and are managed at the Group level. See also paragraph 4.4 to Chapter A to the Periodic Report.

2.2.10 Taxation

The credit operation's income is taxed at the Israeli corporate income tax rate – 23%. See also Note 15 to the Company's annual financial statements for 2024.

2.2.11 Update to paragraph 2.1 to Chapter A to the Periodic Report - financial data of the operating segments

Following are financial data of the Group's operating segments based on the Company's consolidated financial statements:

For the period of three months ended March 31, 2025:

	Provident and pension und management	Credit operation	Other	Unallocated to operating segments	Total
Revenues from external customers	227,686	2,840	4,755	-	235,281
Cost of revenues from external customers	183,956	5,824	6,242	4,207	200,229
Fixed costs	96,090	5,742	5,100	4,207	111,139
Variable costs	87,866	82	1,142	-	89,090
Segment results	43,729	(2,983)	(1,487)	(4,207)	35,052
Attributable to equity holders of the Company	43,729	(2,232)	(964)	(4,207)	36,326
Attributable to non-controlling interests	-	(751)	(523)	-	(1,274)
Segment assets	1,049,850	136,195	53,651	7,474	1,247,170
Segment liabilities	(579,397)	(70,220)	(27,197)	(22,642)	(699,456)

2.3 Litigation

For information on updates in the Reporting Period, see Note 6 to the Financial Statements hereby attached.

2.4 Effects of inflation and market interest rises

As described in paragraph 1.3 above, in the first quarter of 2025, the Bank of Israel and the Fed in the United States kept their benchmark interest rates relatively high, with no major change. While the BoI and Fed interest rates remained at 4.5% in the first quarter of 2025, the ECB continued rapidly lowering its Euro Zone interest rate and in Q1 2025 lowered it twice to 2.5% at quarter end.

Provident and pension fund management

Due to the nature of its operations, Altshuler Provident is exposed to capital market fluctuations. It should be noted that the bulk of Altshuler Provident's financial debt bears unindexed fixed interest and therefore its 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 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.

The credit operation

The inflationary environment indirectly affects the market for providing credit to small and medium businesses, yet given the nature of Altshuler Business Credit's portfolio of entirely bearing variable interest of Prime and being unindexed, the level of direct exposure to inflationary fluctuations is limited. The credit portfolio is characterized by an average short term which contributes to minimizing sensitivity to changes in macroeconomic parameters. In addition, using variable interest based on Prime allows updating the interest rate on a regular basis to adapt to the changes in the market interest environment and eliminates the risk of direct linkage to the inflation rate. The Company believes that continuously extremely high inflation rates are liable to raise the market's risk profile due to the challenges that small businesses will face in maintaining the level of their operating expenses and the value of their money. The Company takes regular steps to manage those risks and adapt its underwriting policy to the changes in the business environment.

Disclaimer - the Company's evaluations of the future effects of the inflation acceleration and interest increase trends on 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 management 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 paragraphs 4.11 and 3.2.2.1.4 to Chapter A to the Periodic Report.

2.5 The war in Israel

See details of the ongoing war in paragraph 1.3 above.

2.6 Issue of options to employees and officers

2.6.1 On January 9, 2025, the Company allocated 9,245,436 options that are exercisable into 9,245,436 ordinary shares of the Company to employees, service providers and officers in the Company and in companies that are wholly or partially owned by it and to employees, service providers and officers in Altshuler Ltd. and in companies that are wholly or partially owned by Altshuler Ltd. Assuming full exercise, the options account for 4.33% of the Company's issued and outstanding share capital (post allocation on a fully diluted basis). See more information in a meeting notice report of January 2, 2025 and in a shelf offering report of January 9, 2025 (TASE references: 2025-01-000917 and 2025-01-003207, respectively), whose information is hereby included by reference.

2.6.2 On March 26, 2025, the Company allocated 226,100 nonmarketable options that are exercisable into 226,100 ordinary shares of the Company to employees in the Company and to employees in Altshuler Ltd. and in companies that are wholly or partially owned by Altshuler Ltd. Assuming full exercise on a cashless basis, the options account for about 0.11% of the Company's issued and outstanding share capital (post allocation on a fully diluted basis). See more information in a shelf offering report of March 26, 2025 (TASE reference: 2025-01-020852), whose information is hereby included by reference.

2.6.3 Near the date of publication of this report, the Company plans to issue a shelf offering report for allocating 110,970 nonmarketable options that are exercisable into 110,970 ordinary shares of NIS 0.01 par value each of the Company. Assuming full exercise on a cashless basis, the options account for about 0.05% of the Company's issued and outstanding share capital (post allocation on a fully diluted basis).

2.7 General meetings

2.7.1 On January 7, 2025, a special annual general meeting of the Company's shareholders approved the following resolutions: (1) increasing the pool of options that may be granted to the controlling shareholder; (2) allocating options from time to time to employees of the Company or of companies that are wholly or partially owned by it who provide services to the controlling shareholder based on an approved cost allocation mechanism or to employees whose grant may create a personal interest for the Company's controlling shareholders; (3) allocating options from time to time to employees of the controlling shareholder group who provide services to the Company under service agreements based on an approved cost allocation mechanism; (4) allocating options from time to time to employees of the controlling shareholder group who do not provide services to the Company under service agreements. See also the meeting notice report issued by the Company on November 21, 2024, as amended on January 2, 2025 (TASE references: 2024-01-617519 and 2025-01-000917, respectively), whose information is hereby included by reference.

2.7.2 After the Report Date, on May 19, 2025, the Company's Board approved convening a special annual general meeting with the agenda of reappointing Ms. Yael Naftali and Ms. Adi Blumenfeld as external directors in the Company for a second term of three years from the general meeting approval date and approving the Company's engagement in an amended service agreement with Altshuler Shaham Properties Ltd. (indirectly) in whose approval the controlling shareholders in the Company have a personal interest.

For more information of significant events during and after the Reporting Period, see Notes 7 and 8 to the 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.

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 124,758 thousand whereas the VaR of these assets is NIS 339 thousand, accounting for 0.3% of the fair value of short-term investments.

Ran Shaham **Chairman of the Board of Directors**	**Yair Lowenstein** **CEO**

Report Approval Date: May 19, 2025

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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;
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.

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

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

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

In August 2024, closing was achieved for the transaction entered into by Altshuler Shaham Credit Ltd. (which is controlled by the Company) for the purchase of the entire issued share capital of CrediTeam Credit 2 Grow Ltd. ("**the transaction**" and "**CrediTeam**", respectively), as detailed in paragraph 3.2.2.1 to Chapter A to the Company's Periodic Report.

The evaluation of the effectiveness of internal control over financial reporting and disclosure performed by the Company's Management with the supervision of the Board of Directors did not include the evaluation of the effectiveness of internal control over financial reporting and disclosure in Altshuler Shaham Credit Ltd.

Report of Internal Control over Financial Reporting and Disclosure

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 evaluate 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.

Since closing of the acquisition, the Company has been taking steps to complete mapping the risks and identifying and testing the processes and controls in Altshuler Shaham Credit for the purpose of financial reporting and disclosure.

In the annual report on the effectiveness of internal control over financial reporting and disclosure attached to the periodic report for the period ended December 31, 2024 ("**the latest annual report of internal control**"), the Company's Board of Directors and Management evaluated the internal control in the Company and found it to be effective. Based on this evaluation, the Company's Board of Directors and Management concluded that internal control in the Company as of March 31, 2025 is effective.

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

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

Report of Internal Control over Financial Reporting and Disclosure

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

I, Yair Lowenstein, hereby certify that:

1. I have reviewed the interim report of Altshuler Shaham Finance Ltd. ("**the Company**") for the first quarter of 2025 ("**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

May 19, 2025

Report of Internal Control over Financial Reporting and Disclosure

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

I, Sharon Gerszbejn, hereby certify that:

1. I have reviewed the interim financial statements and other financial information included in the interim reports of Altshuler Shaham Finance Ltd. ("**the Company**") for the first quarter of 2025 ("**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, CFO

May 19, 2025

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ALTSHULER SHAHAM FINANCE LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 2025

UNAUDITED

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

Introduction

We have reviewed the accompanying financial information of Altshuler Shaham Finance Ltd. and its subsidiaries ("**the Company**"), which comprises the consolidated statement of financial position as of March 31, 2025 and the related consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three months then ended. The Company's board of directors and management are responsible for the preparation and presentation of interim financial information for this period in accordance with IAS 34, "Interim Financial Reporting", and are responsible for the preparation of this interim financial information in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

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

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

Tel-Aviv, Israel
May 19, 2025

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31,		December 31,
	2025	2024	2024
	Unaudited		Audited
	NIS in thousands		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	81,073	100,077	83,988
Short-term investments	124,783	174,389	130,329
Loans to customers	64,793	-	42,021
Accounts receivable	61,067	29,158	45,655
Net lease investment	15,274	12,919	13,323
Current taxes receivable	-	1,893	176
Total current assets	346,990	318,436	315,492
NON-CURRENT ASSETS:			
Long-term investments	4,972	5,543	3,114
Receivables	5,410	5,730	4,964
Loans to customers	39,635	-	22,294
Deferred acquisition costs	233,967	225,432	233,766
Net lease investment	19,376	33,128	29,895
Investment in associated partnerships	12,500	636	8,653
Right-of-use assets	34,928	43,623	36,157
Property, plant and equipment	22,590	27,597	24,253
Intangible assets	512,239	523,553	518,256
Deferred tax assets	14,563	7,111	12,718
Total non-current assets	900,180	872,353	894,070
Total assets	1,247,170	1,190,789	1,209,562

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31,		December 31,
	2025	2024	2024
	Unaudited		Audited
	NIS in thousands		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Current maturities of loans from banks	188,934	79,390	141,910
Current maturities of lease liabilities	20,862	20,634	18,665
Accounts payable	131,408	133,943	121,981
Current taxes payable	3,732	2,493	2,050
Total current liabilities	344,936	236,460	284,606
NON-CURRENT LIABILITIES:			
Loans from banks	277,744	327,134	290,092
Payables	2,879	2,879	2,879
Lease liabilities	53,350	74,522	65,189
Employee benefit liabilities, net	1,487	2,504	1,461
Deferred tax liabilities	19,060	24,745	20,025
Total non-current liabilities	354,520	431,784	379,646
Total liabilities	699,456	668,244	664,252
EQUITY:			
Share capital	2,025	2,022	2,024
Share premium	242,705	240,604	242,008
Capital reserve from transaction with controlling shareholder	(5,123)	(4,330)	(4,671)
Capital reserve from share-based payment transactions	34,434	33,344	33,099
Capital reserve from financial assets measured at fair value through other comprehensive income	(33)	(4)	(35)
Foreign currency translation reserve	105	-	(115)
Retained earnings	278,311	253,564	276,720
Total equity attributable to equity holders of the Company	552,424	525,200	549,030
Non-controlling interests	(4,710)	(2,655)	(3,720)
Total equity	547,714	522,545	545,310
Total liabilities and equity	1,247,170	1,190,789	1,209,562

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

May 19, 2025			
Date of approval of the financial statements	Ran Shaham Chairman of the Board of Directors	Yair Lowenstein CEO	Sharon Gerszbejn Deputy CEO, CFO

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Three months ended March 31, 2025	Three months ended March 31, 2024	Year ended December 31, 2024
	Unaudited	Unaudited	Audited
	NIS in thousands (except per share data)		
Revenues from management fees, net	230,212	228,602	911,738
Revenues from commissions	2,229	1,036	7,629
Finance income in respect of nonbank credit	2,840	-	2,399
Total revenues	235,281	229,638	921,766
Marketing, operating, general and administrative expenses	198,011	187,552	754,691
Expenses in respect of credit losses	1,045	-	1,342
Finance expenses in respect of nonbank credit	542	-	83
Total expenses	199,598	187,552	756,116
Operating income	35,683	42,086	165,650
Finance income	2,704	2,525	10,765
Finance expenses	3,398	3,150	14,228
Other income	23	17	473
Company's share of earnings (losses) of associated partnerships accounted for at equity	40	(2)	(192)
Income before taxes on income	35,052	41,476	162,468
Taxes on income	12,449	14,086	52,147
Net income	22,603	27,390	110,321
Other comprehensive income (loss) (net of taxes):			
Amounts that will be or have been reclassified to profit or loss when specific conditions are met:			
Gain (loss) from investments in financial instruments measured at fair value through other comprehensive income	2	(13)	(44)
Foreign currency translation reserve for foreign operations	220	-	(115)
Total components of other comprehensive income (loss), net that will be subsequently reclassified to profit or loss	222	(13)	(159)
Amounts that will not be subsequently reclassified to profit or loss:			
Gain from remeasurement of defined benefit plan	-	-	824
Total components of other comprehensive income, net that will not be subsequently reclassified to profit or loss	-	-	824
Total other comprehensive income (loss) (net of taxes)	222	(13)	665
Total comprehensive income	22,825	27,377	110,986
Net income (loss) attributable to:			
Equity holders of the Company	23,593	27,733	113,065
Non-controlling interests	(990)	(343)	(2,744)
	22,603	27,390	110,321
Comprehensive income (loss) attributable to:			
Equity holders of the Company	23,815	27,720	113,730
Non-controlling interests	(990)	(343)	(2,744)
	22,825	27,377	110,986
Basic net earnings per share attributable to equity holders of the Company (NIS)	0.12	0.14	0.57
Diluted net earnings per share attributable to equity holders of the Company (NIS)	0.12	0.14	0.57

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium	Capital reserve from transaction with controlling shareholder	Capital reserve from share-based payment transactions	Capital reserve from financial assets measured at fair value through other comprehensive income	Foreign currency translation reserve	Retained earnings	Non-controlling interests	Total equity
	Unaudited								
	NIS in thousands								
Balance at January 1, 2025 (audited)	2,024	242,008	(4,671)	33,099	(35)	(115)	276,720	(3,720)	545,310
Net income (loss)	-	-	-	-	-	-	23,593	(990)	22,603
Other comprehensive income (loss) (net of taxes):									
Gain from investments in financial instruments measured at FVOCI	-	-	-	-	2	-	-	-	2
Foreign currency translation reserve for foreign operations	-	-	-	-	-	220	-	-	220
Total comprehensive income (loss)	-	-	-	-	2	220	23,593	(990)	22,825
Transactions with owners carried directly to equity:									
Cost of share-based payment	-	-	(452)	2,033	-	-	-	-	1,581
Exercise of employee options	1	697	-	(698)		-	-	-	-
Dividend to equity holders of the Company	-		-	-	-	-	(22,002)	-	(22,002)
Balance at March 31, 2025	2,025	242,705	(5,123)	34,434	(33)	105	278,311	(4,710)	547,714

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium	Capital reserve from transaction with controlling shareholder	Capital reserve from share-based payment transactions	Capital reserve from financial assets measured at fair value through other comprehensive income	Retained earnings	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)	-	-	-	-	-	27,733	(343)	27,390
Other comprehensive income (loss) (net of taxes):								
Loss from investments in financial instruments measured at FVOCI	-		-	-	(13)	-		(13)
Total comprehensive income (loss)	-		-	-	(13)	27,733	(343)	27,377
Transactions with owners carried directly to equity:								
Cost of share-based payment	-	-	(66)	266	-	-	-	200
Non-controlling interests arising from newly consolidated company	-	-	-	-	-	-	(1,669)	(1,669)
Exercise of employee options	1	365	-	(366)	-	-	-	-
Dividend to equity holders of the Company	-	-	-	-	-	(23,000)	-	(23,000)
Balance at March 31, 2024	2,022	240,604	(4,330)	33,344	(4)	253,564	(2,655)	522,545

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium	Capital reserve from transaction with controlling shareholder	Capital reserve from share-based payment transactions	Capital reserve from financial assets measured at fair value through other comprehensive income	Foreign currency translation reserve	Retained earnings	Non-controlling interests	Total equity
	Audited								
	NIS in thousands								
Balance at January 1, 2024	2,021	240,239	(4,264)	33,444	9	-	248,831	(643)	519,637
Net income (loss)	-	-	-	-	-	-	113,065	(2,744)	110,321
Other comprehensive income (loss) (net of taxes):									
Gain from remeasurement of defined benefit plan	-	-	-	-	-	-	824	-	824
Loss from investments in financial instruments measured at FVOCI	-	-	-	-	(44)	-	-	-	(44)
Foreign currency translation reserve for foreign operations	-	-	-	-	-	(115)	-	-	(115)
Total comprehensive income (loss)	-	-	-	-	(44)	(115)	113,889	(2,744)	110,986
Transactions with owners carried directly to equity:									
Cost of share-based payment	-	-	(407)	1,427	-	-	-	-	1,020
Non-controlling interests arising from newly consolidated companies	-	-	-	-	-	-	-	(333)	(333)
Exercise of employee options	3	1,769	-	(1,772)	-	-	-	-	-
Dividend to equity holders of the Company	-	-	-	-	-	-	(86,000)	-	(86,000)
Balance at December 31, 2024	2,024	242,008	(4,671)	33,099	(35)	(115)	276,720	(3,720)	545,310

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended March 31, 2025	Three months ended March 31, 2024	Year ended December 31, 2024
	Unaudited	Unaudited	Audited
	NIS in thousands		
Cash flows from operating activities:			
Net income for the period	22,603	27,390	110,321
Items not involving cash flows:			
Finance income in respect of nonbank credit	(2,840)	-	(2,399)
Other finance expenses (income), net	1,865	423	2,391
Finance expenses in respect of nonbank credit	542	-	83
Loss (gain) from disposal of property, plant and equipment and derecognition of right-of-use asset	(56)	16	872
Cost of share-based payment	1,581	200	1,020
Expenses in respect of credit losses	1,045	-	1,342
Company's share of losses (earnings) of associated partnerships accounted for at equity	(40)	2	192
Depreciation and amortization:			
Right-of-use assets	2,069	2,209	8,566
Property, plant and equipment	2,166	2,192	8,581
Intangible assets	10,927	13,376	53,474
Taxes on income	12,449	14,086	52,147
	29,708	32,504	126,269
Changes in other balance sheet items:			
Change in deferred acquisition costs, net	(201)	6,449	(1,885)
Change in loans to customers	(41,068)	-	(47,297)
Change in loans from banks received to provide nonbank credit	33,855	-	32,000
Change in accounts receivable	(7,827)	(7,333)	(11,503)
Change in accounts payable	(17,574)	(8,213)	(12,528)
Change in employee benefit liabilities, net	22	15	75
	(32,793)	(9,082)	(41,138)
Cash paid and received during the period for:			
Interest paid	(2,695)	(2,269)	(11,965)
Interest received	3,106	1,155	5,974
Taxes paid	(9,737)	(12,405)	(45,152)
Taxes received	-	10,686	10,686
Dividend received	-	-	53
	(9,326)	(2,833)	(40,404)
Net cash provided by operating activities	10,192	47,979	155,048

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended March 31, 2025	Three months ended March 31, 2024	Year ended December 31, 2024
	Unaudited	Unaudited	Audited
	NIS in thousands		
Cash flows from investing activities:			
Receipts from lease	4,176	4,438	8,317
Grant of loan to associated partnerships	(43,985)	-	(50,329)
Repayment of loan from associated partnerships	34,254	-	41,392
Acquisition of newly consolidated subsidiaries	-	(6,246)	(26,833)
Receipt of contingent consideration for acquisition of subsidiaries	2,070	-	-
Acquisition of associated partnerships	(3,025)	(614)	(9,034)
Purchase of property, plant and equipment	(387)	(105)	(1,465)
Investment in intangible assets	(4,384)	(4,322)	(15,271)
Purchase (sale) of financial investments, net	4,566	(37,576)	12,660
Net cash used in investing activities	(6,715)	(44,425)	(40,563)
Cash flows from financing activities:			
Repayment of lease liability	(6,332)	(6,985)	(19,420)
Receipt of bank loans	48,041	-	93,829
Repayment of bank loans	(48,101)	(12,348)	(134,762)
Divided paid to equity holders of the Company	-	-	(86,000)
Net cash used in financing activities	(6,392)	(19,333)	(146,353)
Decrease in cash and cash equivalents	(2,915)	(15,779)	(31,868)
Cash and cash equivalents at the beginning of the period	83,988	115,856	115,856
Cash and cash equivalents at the end of the period	81,073	100,077	83,988
Material non-cash transactions:			
Dividend declared	22,002	23,000	-

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 the 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. As of the date of approval of the financial statements, the Company has two operations which are classified as separate operating segments for accounting purposes in the financial statements: (1) managing provident and pension funds and (2) extending nonbank credit to customers. The second operation is presented as a separate operating segment for accounting purposes for the first time in these interim consolidated financial statements as of March 31, 2025. The Company has another operation which does not aggregate to a reportable segment which consists of managing, initiating, marketing and distributing alternative real estate and other investments through Altshuler Shaham Real Estate Ltd. ("**Altshuler Real Estate**"), Altshuler Shaham Alternative Investment Funds Ltd. ("**Altshuler Investment Funds**") and iFunds Capital Ltd. ("**iFunds**").

NOTE 1:- GENERAL (Cont.)

b. These financial statements have been prepared in a condensed format as of March 31, 2025 and for the three months then ended ("**interim consolidated financial statements**"). These financial statements should be read in conjunction with the Company's annual consolidated financial statements as of December 31, 2024 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 ongoing war in Israel:

In the first quarter of 2025, Israel and Hamas reached a ceasefire agreement which became effective on January 19, 2025 and consisted of the IDF's withdrawal from the Gaza Strip, the return of Palestinians to their homes in the north of the Strip and the release of 33 Israeli hostages in several steps. On March 17, 2025, in view of Hamas' refusal to release more Israeli hostages, the ceasefire collapsed and the IDF launched a widespread maneuver in the Gaza Strip. The ceasefire agreement with Hezbollah in the northern border with Lebanon became effective on November 27, 2024 and has lasted through the date of approval of the consolidated financial statements.

The above developments have the potential of adversely affecting the domestic capital market and impair the scope and value of the assets managed by Altshuler Provident. Moreover, the geopolitical events are likely to negatively affect the business environment in which the Group operates. Altshuler Credit concluded that the risk level of small and medium businesses in the credit market has risen due to the war and has adjusted its credit policy accordingly. 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. Furthermore, the Company estimates that at present, the war has not had a material effect on the Company's operations or on the Group'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 first quarter of 2025, the Bank of Israel and the Fed in the United States kept their benchmark interest rates relatively high, with no major change. While the BoI and Fed interest rates remained at 4.5% in the first quarter of 2025, the ECB continued rapidly lowering its interest rate and in Q1 2025 lowered it twice to 2.5% at quarter end.

Due to the nature of its operations, Altshuler Provident is exposed to capital market fluctuations. It should be noted that the bulk of Altshuler Provident's financial debt bears unindexed fixed interest and therefore its 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 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.

Moreover, the current inflationary environment indirectly affects the credit market for small and medium businesses, yet given the nature of Altshuler Business Credit's credit portfolio, which is entirely unindexed and bears variable interest of Prime, the level of direct exposure to changes in inflation is limited. The credit portfolio consists of loans with short terms on average, which contributes to reducing their sensitivity to changes in macroeconomic parameters. In addition, using variable interest based on Prime allows updating the interest rate on a regular basis to adapt to the changes in the market interest environment and eliminates the risk of direct linkage to the inflation rate. The Company believes that continuously extremely high inflation rates are liable to raise the market's risk profile due to the challenges that small businesses will face in maintaining the level of their operating expenses and the value of their money. The Company takes regular steps to manage those risks and adapt its underwriting policy to the changes in the business environment.

NOTE 2:- ACCOUNTING POLICIES

a. Change in the structure of the financial statements:

Through the annual consolidated financial statements, the Group presented its statement of financial position based on order of liquidity without distinguishing between current and non-current assets and liabilities and also presented its profit or loss items in keeping with the disclosures provided by Altshuler Provident in its reports, which adhere to the disclosure requirements of the Israeli Director General of the Capital Market, Insurance and Savings Authority as per the Law for Supervision of Financial Services (Provident Funds), 2005. From the first quarter of 2025, given management's method of analyzing the Group's business activities as a result of initially reporting the nonbank credit operation as an operating segment and in view of common practices in the industry, the Company changed the reporting format of its statement of financial position to distinguish between current and non-current assets and liabilities and of its profit or loss items to apply the nature of expense method (and consequently restructured the statements of financial position and profit or loss and other comprehensive income for comparative periods).

NOTE 2:- ACCOUNTING POLICIES (Cont.)

For the purpose of restructuring the statements of financial position and profit or loss and other comprehensive income, the Company selected the most useful information for the users of the financial statements based on common practices in the market (among others to allow comparability with other market players) and adjusted the financial reporting to its internal management reporting according to which it measures its operating and business results.

As per management, the restructuring provides a detailed presentation which is more reliable and relevant in accordance with the provisions of IAS 1, "Presentation of Financial Statements".

It should be noted that the change in the presentation of the financial statements has no effect on the reported results or the various profit margins recorded by the Company.

Below is the presentation of the consolidated statements of financial position as of December 31, 2023 by order of liquidity with distinction between current and non-current assets and liabilities (as included in the comparative figures in the annual consolidated financial statements):

	December 31, 2023
	Audited
	NIS in thousands
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	115,856
Short-term investments	134,869
Accounts receivable	21,260
Net lease investment	12,882
Current taxes receivable	16,869
Total current assets	301,736
NON-CURRENT ASSETS:	
Long-term investments	5,787
Receivables	6,260
Deferred acquisition costs	231,881
Net lease investment	37,031
Right-of-use assets	45,265
Property, plant and equipment	29,567
Intangible assets	529,312
Deferred tax assets	6,106
Total non-current assets	891,209
Total assets	1,192,945

NOTE 2:- ACCOUNTING POLICIES (Cont.)

	December 31, 2023
	Audited
	NIS in thousands
LIABILITIES AND EQUITY	
CURRENT LIABILITIES:	
Current maturities of loans from banks	49,390
Current maturities of lease liabilities	20,847
Accounts payable	113,428
Current taxes payable	5,251
Total current liabilities	188,916
NON-CURRENT LIABILITIES:	369,482
Loans from banks	2,879
Payables	79,780
Lease liabilities	2,490
Employee benefit liabilities, net	29,761
Deferred tax liabilities	484,392
Total non-current liabilities	369,482
Total liabilities	673,308
EQUITY:	
Share capital	2,021
Share premium	240,239
Capital reserve from transaction with controlling shareholder	(4,264)
Capital reserve from share-based payment transactions	33,444
Capital reserve from financial assets measured at fair value through other comprehensive income	9
Retained earnings	248,831
Total equity attributable to equity holders of the Company	520,280
Non-controlling interests	(643)
Total equity	519,637
Total liabilities and equity	1,192,945

NOTE 2:- ACCOUNTING POLICIES (Cont.)

b. 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.

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

   Management of provident funds, including study funds, and pension funds. The segment's 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, New Comprehensive Pension Fund and New General Pension Fund.

2. Credit

   Provision of credit to small and medium businesses in Israel. This segment is presented as a reportable segment for the first time in these interim consolidated financial statements.

   Until December 31, 2024, the Company reported two segments: provident fund and pension fund management and other. Following a quantitative analysis, from the first quarter of 2025, the Company also reports the credit operation as a separate operating segment. Accordingly, comparative figures have been restated.

3. Other

   Management, initiation, marketing and distribution of alternative investments in the real estate and other markets.

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:

	Three months ended March 31, 2025				
	Provident and pension fund management	**Credit operation**	**Other**	**Adjustments**	**Total**
	Unaudited				
	NIS in thousands				
Revenues from external customers	227,686	2,840	4,755	-	235,281
Inter-segment revenues	-	-	-	-	-
Total revenues	227,686	2,840	4,755	-	235,281
Company's share of earnings of associated partnerships accounted for at equity	-	-	40	-	40
Segment income (loss)	43,729	(2,983)	(1,487)	-	39,259
Expenses not allocated to segments					3,536
Finance income					2,704
Finance expenses					3,398
Other income, net					23
Income before taxes on income					35,052
Additional information					
Commissions, marketing expenses and other acquisition expenses	79,988	82	1,142	-	81,212
General and administrative and other expenses	103,955	4,154	5,154	-	113,263
Total expenses allocated to segments	183,943	4,236	6,296	-	194,475
Expenses not allocated to segments					3,536
Total marketing, operating, general and administrative expenses					198,011

NOTE 5:- OPERATING SEGMENTS (Cont.)

	Three months ended March 31, 2024			
	Provident and pension fund management	Other	Adjustments	Total
	Unaudited			
	NIS in thousands			
Revenues from external customers	227,450	2,188	-	229,638
Inter-segment revenues	-	-	-	-
Total revenues	227,450	2,188	-	229,638
Company's share of losses of associated partnerships accounted for at equity	-	2	-	2
Segment income (loss)	46,622	(1,580)	-	45,042
Expenses not allocated to segments				2,958
Finance income				2,525
Finance expenses				3,150
Other income, net				17
Income before taxes on income				41,476
Additional information				
Commissions, marketing expenses and other acquisition expenses	81,494	481	-	81,975
General and administrative and other expenses	99,334	3,285	-	102,619
Total expenses allocated to segments	180,828	3,766	-	184,594
Expenses not allocated to segments				2,958
Total marketing, operating, general and administrative expenses				187,552

NOTE 5:- OPERATING SEGMENTS (Cont.)

	Year ended December 31, 2024				
	Provident and pension fund management	Credit operation (*)	Other	Adjustments	Total
			Audited		
			NIS in thousands		
Revenues from external customers	905,642	2,399	13,725	-	921,766
Inter-segment revenues	-	-	-	-	-
Total revenues	905,642	2,399	13,725	-	921,766
Company's share of losses of associated partnerships accounted for at equity	-	-	192	-	192
Segment income (loss)	192,024	(3,685)	(8,206)	-	180,133
Expenses not allocated to segments					14,675
Finance income					10,765
Finance expenses					14,228
Other income, net					473
Income before taxes on income					162,468
Additional information					
Commissions, marketing expenses and other acquisition expenses	319,080	104	3,053	-	322,237
General and administrative and other expenses	394,479	4,557	18,743	-	417,779
Total expenses allocated to segments	713,559	4,661	21,796	-	740,016
Expenses not allocated to segments					14,675
Total marketing, operating, general and administrative expenses					754,691

(*) Restated.

NOTE 4:- LOANS TO CUSTOMERS

a. Composition:

	March 31, 2025	December 31, 2024
	Unaudited	Audited
	NIS in thousands	
Credit to customers	67,903	43,663
Less – expected credit losses	(2,387)	(1,342)
Add – interest income receivable	950	637
Less – deferred revenue (*)	(1,673)	(937)
Total short-term loans to customers	64,793	42,021
Total long-term loans to customers	39,635	22,294
	104,428	64,315

(*) Receipts from origination fees are recognized as revenue using the effective interest method. Outstanding origination fees from customers that have not yet been recognized as revenue are carried as deferred revenue.

b. Movement in allowance for expected credit losses:

	12 month expected credit losses	Lifetime expected credit losses	Originated credit impaired assets	Total
	March 31, 2025			
	Unaudited			
	NIS in thousands			
Opening balance	881	12	449	1,342
Charge during the period	706	(5)	344	1,045
Closing balance	1,587	7	793	2,387

	12 month expected credit losses	Lifetime expected credit losses	Originated credit impaired assets	Total
	December 31, 2024			
	Audited			
	NIS in thousands			
Opening balance	-	-	-	-
Charge during the year	881	12	449	1,342
Closing balance	881	12	449	1,342

NOTE 4:- LOANS TO CUSTOMERS (Cont.)

c. Composition of allowance for expected credit losses:

		12 month expected credit losses	Lifetime expected credit losses	Originated credit impaired assets	Total
		March 31, 2025			
		Unaudited			
		NIS in thousands			
Loans collateralized by personal guarantees	Gross carrying amount	50,936	137	809	51,882
	Loss allowance	1,121	7	228	1,356
	Expected loss rate	2.2%	5.1%	28.2%	3.1%
Loans to customers collateralized by immobile collaterals (real estate and/or plant)	Gross carrying amount	51,740	-	3,916	55,656
	Loss allowance	466	-	565	1,031
	Expected loss rate	0.9%	-	14.43%	1.85%
Total	Gross carrying amount	102,676	137	4,725	107,538
	Loss allowance	1,587	7	793	2,387
	Expected loss rate	1.4%	5.1%	11.3%	2.22%

As of March 31, 2025, Altshuler Credit has collaterals whose value is estimated at approximately NIS 73,836 thousand.

		12 month expected credit losses	Lifetime expected credit losses	Originated credit impaired assets	Total
		December 31, 2024			
		Audited			
		NIS in thousands			
Loans collateralized by personal guarantees	Gross carrying amount	26,844	236	887	27,967
	Loss allowance	584	12	52	648
	Expected loss rate	2.2%	5.1%	5.9%	2.3%
Loans to customers collateralized by immobile collaterals (real estate and/or plant)	Gross carrying amount	34,887	-	3,103	37,990
	Loss allowance	297	-	397	694
	Expected loss rate	0.9%	-	12.8%	1.8%
Total	Gross carrying amount	61,731	236	3,990	65,957
	Loss allowance	881	12	449	1,342
	Expected loss rate	1.4%	5.1%	11.3%	2%

As of December 31, 2024, Altshuler Credit has collaterals whose value is estimated at approximately NIS 47,822 thousand.

NOTE 4:- LOANS TO CUSTOMERS (Cont.)

d. Breakdown of loans to customers collateralized by immobile collaterals (real estate and/or plant) based on collateral type and LTV ratio:

	LTV of 30%-50%	LTV of 50%-70%	LTV above 70%	Total
	March 31, 2025			
	Unaudited			
	NIS in thousands			
Loans to customers	5,709	12,666	37,281	55,656

	LTV of 30%-50%	LTV of 50%-70%	LTV above 70%	Total
	December 31, 2024			
	Audited			
	NIS in thousands			
Loans to customers	654	12,063	25,273	37,990

NOTE 5:- FINANCIAL INSTRUMENTS

a. Fair value:

Financial liabilities

	March 31, 2025		March 31, 2024		December 31, 2024	
	Carrying amount *)	Fair value **)	Carrying amount *)	Fair value **)	Carrying amount *)	Fair value **)
	Unaudited					Audited
	NIS in thousands					
Bank loans	466,678	427,527	406,851	354,116	432,379	390,514
Total financial liabilities	466,678	427,527	406,851	354,116	432,379	390,514

*) Including accrued interest.

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

b. Bank loans:

As of March 31, 2025, Altshuler Provident is in compliance with all the financial covenants determined with banks.

NOTE 5:- FINANCIAL INSTRUMENTS (Cont.)

c. Classification of financial instruments by fair value hierarchy:

	March 31, 2025		
	Level 1	Level 3	Total
	Unaudited		
	NIS in thousands		
Short-term investments	124,758	25	124,783
Long-term investments	-	*) 4,972	4,972
Total	124,758	4,997	129,755

	March 31, 2024		
	Level 1	Level 3	Total
	Unaudited		
	NIS in thousands		
Short-term investments	174,349	40	174,389
Long-term investments	-	*) 5,543	5,543
Total	174,349	5,543	179,932

	December 31, 2024		
	Level 1	Level 3	Total
	Audited		
	NIS in thousands		
Short-term investments	130,305	24	130,329
Long-term investments	-	*) 3,114	3,114
Total	130,305	3,138	133,443

	December 31, 2024			
	Level 1	Level 2	Level 3	Total
	Audited			
	NIS in thousands			
Quoted debt assets	22,609	-	-	22,609
Other	*) 107,696	-	*) 3,138	110,834
Total	130,305	-	3,138	133,443

*) Mainly comprising expected future gains of approximately NIS 3,177 thousand, NIS 5,543 thousand and NIS 3,114 thousand as of March 31, 2025, March 31, 2024 and December 31, 2024, respectively. See also paragraph d below.

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

The expected future gains plus income receivable were discounted using a 7% discount rate.

In the reporting period, the Company recognized a gain from revaluation of other financial investments amounting to NIS 63 thousand, which was charged to finance income.

NOTE 6:- 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
Claims approved as class actions:		
Claims whose amount is specified	-	-
Claims whose amount is not specified	1	-
Pending class action certification motions:		
Claims whose amount is specified	-	-
Claims whose amount is not specified	4	-

In keeping with the matters discussed in Note 27a(4) to the annual consolidated financial statements, the parties submitted notice to the Court whereby they had reached understandings for concluding the case outside the court yet as of the financial statement date, no settlement agreement has been signed.

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:

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

In the reporting period, other than as described above, no material developments occurred compared to the information disclosed in Note 27 to the Company's annual consolidated financial statements.

The overall provision recorded as of March 31, 2025 in respect of claims filed against the Company, Psagot and Psagot Provident less amounts receivable from Altshuler Provident's insurers amounts to approximately NIS 6,089 thousand.

NOTE 7:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

a. On March 19, 2025, in keeping with the Company's dividend distribution policy, the Company's Board declared the distribution of a dividend of approximately NIS 22,000 thousand to the Company's shareholders, representing approximately NIS 0.11 per share. The dividend was paid after the reporting period.

b. In continuation of the matter discussed in Note 13 to the annual consolidated financial statements, the Company exercised its right to make nostro investments in transactions managed by Altshuler Real Estate and Altshuler Investment Funds, both subsidiaries of the Company. In the reporting period, the Company invested approximately $ 878 thousand out of an investment commitment of approximately $ 1,038 thousand, as a limited partner in real estate ventures. The remaining investment was made through the date of approval of the interim consolidated financial statements. The Company also invested approximately $ 500 thousand, representing its entire investment commitment, as a limited partner in an investment fund transaction.

c. In keeping with the matters discussed in Note 18c(2)(b) to the annual consolidated financial statements, in the reporting period, Altshuler Real Estate utilized about NIS 44 million of its credit facilities to provide bridge loans to partnerships, of which it repaid approximately NIS 34 million by the reporting date. Also, in the reporting period, Altshuler Real Estate utilized approximately NIS 4.5 million of the credit facility, of which it repaid approximately NIS 1.5 million by the reporting date.

d. In keeping with the Company's Board approval of March 19, 2025, on April 22, 2025, the Company signed agreements with banks to receive additional credit facilities totaling approximately NIS 300 million as follows: (1) NIS 100 million will be provided as follows: NIS 50 million as on call credit for one year and the other NIS 50 million as binding credit for one year (in respect of which the Company will be charged non-utilization commission of 0.5%). The interest on the above credit will be Prime less 0.2%-0.25%; (2) NIS 200 million will be provided by another bank as on call credit under which the Company may request loans bearing interest of Prime less 0.2%-0.25% for one year. As of the reporting date, the unutilized credit amounts to approximately NIS 66 million.

As stated above, as of the financial statement publication date, the Company has credit facilities totaling NIS 400 million that can be used to provide loans to customers by Altshuler Business Credit. The credit facility of NIS 100 million granted to the Company by the first bank on October 1, 2024 ends on September 30, 2025.

e. In keeping with the matters discussed in Note 26c to the annual consolidated financial statements, on March 19, 2025, the Company's Board approved the grant of another 226,100 options of the Company to employees in the Company and in related companies by virtue of a shelf offering report issued by the Company based on the following terms:

- The exercise price of the options will be 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 contingent on the optionee's continued employment in the Company and on the Company's compliance with the KPIs specified in the option letters.

NOTE 7:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (Cont.)

- 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 (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 8:- SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

a. In keeping with the matters discussed in Note 6c to the annual consolidated financial statements, on April 30, 2025, Altshuler Provident and subtenants signed an agreement that cancels the rent of certain floors of the Psagot House from the building's owners in return for compensation to be paid to the building owners by Altshuler Provident and/or the subtenants. Any rental fees paid by Altshuler Provident will be fully reimbursed by the subtenants. The cancelation of the rent has no material effect on the Company's operating results.

b. In keeping with the matters discussed in Note 7b above, after the reporting period, Altshuler Real Estate repaid approximately NIS 11.5 million of the bridge loan and also repaid approximately NIS 2 million of the on call loans.

c. On May 18, 2025, Altshuler Business Credit entered into an agreement with an Israeli residential developer and contractor ("the borrower") according to which Altshuler Business Credit undertook to provide the borrower a credit facility of NIS 47 million for financing the purchase of lands in the central region of Israel. The borrower may withdraw the loan facility in instalments, subject to the prerequisites of the loan agreement and as customary in this type of agreement. Any amount withdrawn under the loan facility will bear unindexed variable interest of Prime plus 1%-2%, plus VAT and plus commissions as commonly practiced by Altshuler Business Credit. The loan principal is repayable in a lump sum at the end of 18 months from the loan grant date. To secure the credit, the borrower will record a senior fixed mortgage on the land rights, on the rights of the borrower's shareholder and on the borrower's rights as per land agreements. Moreover, its shareholders will guarantee the fulfillment of the borrower's liabilities towards the Company.

d. On May 19, 2025, in keeping with the Company's dividend distribution policy, the Company's Board declared the distribution of a dividend of NIS 18,000 thousand to the Company's shareholders, representing approximately NIS 0.09 per share.

NOTE 8:- SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD (Cont.)

e. In keeping with the matters discussed in Note 26c to the annual consolidated financial statements, on May 19, 2025, the Company's Board approved the grant of another 110,970 options of the Company to employees in the Company and in related companies by virtue of a shelf offering report that will be issued by the Company based on the following terms:

- The exercise price of the options will be 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 contingent 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 (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.

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