ALTSHULER SHAHAM
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Altshuler Shaham Finance Ltd.

2024 Annual Report

ALTSHULER SHAHAM FINANCE LTD.

("the Company" or "the Corporation")

Periodic Report for 2024

This is an English translation of a Hebrew report that was published on March 20, 2025 in "Magna" – ISA official website (reference no.: 2025-01-018597) (the “Hebrew Version”). This English version is only for convenience purposes.
This is not an official translation and has no binding force. Whilst reasonable care and skill have been exercised in the preparation hereof, no translation can ever perfectly reflect the Hebrew Version. In the event of any discrepancy between the Hebrew Version and this translation, the Hebrew Version shall prevail.

Chapter A

Description of Corporate Affairs

December 31, 2024

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Part 1: Description of the General Development of the Corporation's Business Affairs

This chapter offers a description of the Company's business and developments therein as required in the Israeli Securities Regulations (Periodic and Immediate Reports), 1970 and in the Israeli Securities Regulations (Details of Prospectus and Draft Prospectus – Structure and Format), 1969.

1.1 Definitions

"Altshuler Alternative"	–	Altshuler Shaham Alternative Ltd.
"Altshuler Business Credit"	–	Altshuler Shaham Business Credit Ltd. (formerly: CrediTeam Credit 2 Grow Ltd.).
"Altshuler Credit"	–	Altshuler Shaham Credit Ltd. (formerly: Psagot (PBL) Ltd.).
"Altshuler Group"	–	Altshuler Shaham Ltd. and corporations controlled by it.
"Altshuler Investment Funds"	–	Altshuler Shaham Alternative Investment Funds Ltd.
"Altshuler Ltd."	–	Altshuler Shaham Ltd.
"Altshuler Provident"	–	Altshuler Shaham Provident and Pension Ltd.
"Altshuler Shaham Real Estate"	–	Altshuler Shaham Real Estate Ltd.
"Amendment 190"	–	Income Tax Ordinance (New Version), 1961 (Amendment No. 190).
CrediTeam	–	CrediTeam Business and Growth Ltd.
"iFunds"	–	iFunds Capital Ltd.
"Ordinary Shares"	–	Registered Ordinary Shares of NIS 0.01 par value each of the Company.
"The Anti-Money Laundering Law"	–	The Anti-Money Laundering Law, 2000, regulations based there upon, AML Ordinance (mandatory identification, reporting and records maintenance by insurers, insurance agents and managing companies to avoid money laundering and terrorism financing), 2017.
"The Capital Market Authority"	–	The Capital Market, Insurance and Savings Authority at the Ministry of Finance.
"The Children's Savings Fund"	–	Investment provident fund – long-term savings for children.
"The Company"	–	Altshuler Shaham Finance Ltd.
"The Companies Law"	–	The Companies Law, 1999.
"The Distribution Commission Regulations"	–	Supervision of Financial Services Regulations (Provident Funds) (Distribution Commissions), 2006.
"The Direct Expense Regulations"	–	Financial Service Supervision Regulations (Provident Funds) (Direct Transaction Expenses) (Amendment and Temporary Provision), 2018.
"The Group"	–	The Company and the corporations controlled by it as they will be from time to time.
"The Income Tax Ordinance"	–	The Income Tax Ordinance (New Version), 1961.
"The Income Tax Regulations for Approval and Management of Provident Funds"	–	The Income Tax Regulations (Rules for Approval and Management of Provident Funds), 1964.
"The Prospectus"	–	The Company's listing and initial specific public offering prospectus and shelf prospectus of February 28, 2022, as amended on March 30, 2022 (TASE references: 2022-01-023872 and 2022-01-039427).
"The Report Approval Date"	–	March 19, 2025.
"The Reporting/Report Date"	–	December 31, 2024.
"The Reporting Period"	–	The period of 12 months ended December 31, 2024.
"The Return Charging Regulations"	–	Supervision of Financial Services Regulations (Provident Funds) (Charging Returns to New Comprehensive Pension Fund), 2017.
"The Securities Law"	–	The Securities Law, 1968.
"The Senior Officer Remuneration Law"	–	The Law for Remuneration of Senior Officers in Financial Corporations (Special Approval and Disallowance of Tax Expense due to Irregular Remuneration), 2016.
"The Shareholder Equity Regulations and Circular"	–	Supervision of Financial Services Regulations (Provident Funds) (Minimum Equity Required of a Management Company), 2012 and Institutional Investor Circular 2-2012-9 "Equity required of management companies".
"The Supervisor"	–	The Supervisor of the Capital Market, Insurance and Savings Authority.
"Yair Holdings"	–	Lowenstein Yair Holdings Ltd.

1.2 The Company's activities and description of its business development

The Company was incorporated as a private company limited in shares on December 9, 2001 by the name of A.S. Matrat Hanpaka Ltd. and on March 17, 2022 changed its name to the current name – Altshuler Shaham Finance Ltd.

On March 31, 2022, the Company obtained a merger certificate from the Registrar of Companies according to which Altshuler Provident, whose shares had been traded on the Tel-Aviv Stock Exchange ("**the TASE**") until that date, became a wholly owned subsidiary of the Company ("**the Business Restructuring**"). See more details of the business restructuring in paragraph 1.3 below.

As of the Report Approval Date, the control over the Company is held by Yair Holdings (14.89%) and Altshuler Ltd. (55.55%) (together with Yair Holdings – "**the Controlling Shareholders**"). The ultimate controlling shareholders in the Company are Messrs. Yair Lowenstein, Gilad Altshuler and Kalman Shaham. See more information of the holdings of the Company's shares and the control in the Company and of the shareholders' agreement signed between the Controlling Shareholders in Regulation 21A to Chapter D to this periodic report.

See details of a business opportunity agreement signed between the Company and the Controlling Shareholders and its amendment, as approved by the General Meeting of the Company's Shareholders in paragraph 8.13 on Regulation 22 to Chapter D to this periodic report and paragraph 1.6 to the Company's shareholders' meeting notice report of September 22, 2022, as amended on October 19, 2022 (TASE references: 2022-01-121105 and 2022-01-127945, respectively), whose information is hereby included by reference.

The Company is engaged in providing financial services. As of the Report Date, the Company's core activity, which is performed by Altshuler Provident, is managing provident and pension funds. The Company also has other operations which as of the Report Approval Date do not aggregate into reportable segments in the Company's financial statements as follows: (1) managing, initiating, marketing and distributing alternative investments ("**the Alternative Investment Operation**") which consist of managing, marketing and distributing alternative real estate and other investments through Altshuler Real Estate, Altshuler Investment Funds and iFunds; and (2) providing nonbank credit to businesses through Altshuler Business Credit ("**the Credit Operation**") (the Alternative Investment Operation and Credit Operation collectively – "**Other Operations**").

In addition, the Company is looking into entering new markets of operation, whether organically and inorganically by itself or through founding or purchasing subsidiaries, focusing on operations that are synergetic to the Group's operations. The Company's management plans to continue exploring the expansion of its operating segments among others by identifying new business opportunities and prospective business partnerships in the credit markets and in the financial and pension product distribution market.

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

1.3 Major developments in the Company's operations

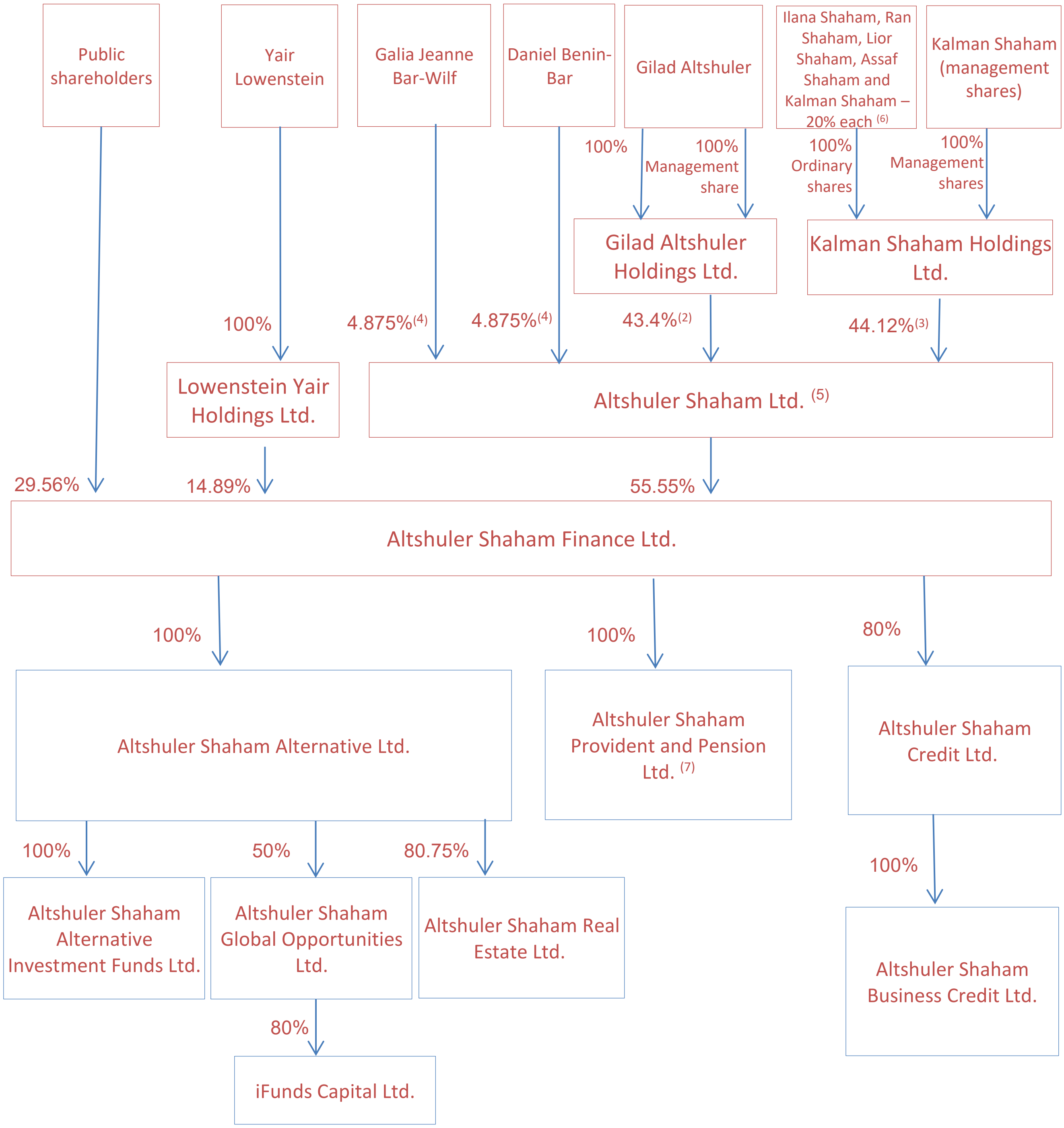
Business restructuring

On January 17, 2022, the Company entered into a merger agreement with A.S. Ya'ad Hanpaka Ltd. ("**the Target Company**") and Altshuler Provident as a result of which on March 31, 2022, the Target Company merged with and into Altshuler Provident ("**the Merger Transaction**").

As per the Merger Transaction and the Company's Prospectus, in return for the shares of Altshuler Provident granted to the Company, each holder of Altshuler Provident share at the end of the trading day of March 31, 2022 ("**the Merger Record Date**") was allocated an Ordinary Share of NIS 0.01 par value of the Company ("**the Allocated Shares**").

Following the closing of the Merger Transaction and the grant of the Allocated Shares, on March 31, 2022, the trading of Altshuler Provident's shares on the TASE was discontinued and the shares were delisted. On April 4, 2022, the Company's shares began trading on the TASE and the Company became a public company, as this term is defined in the Companies Law, and a reporting entity, as this term is defined in the Securities Law. See more information of the service agreement signed between the Company and Altshuler Provident in Note 24 to the financial statements attached in Chapter C to this report. See information of the Company's engagement as another party to a service and cost allocation agreement signed between Altshuler Provident and Altshuler Ltd. (as amended on February 5, 2024 with the approval of the General Meeting (see immediate reports of January 1, 2024 and February 6, 2024 (TASE references: 2024-01-000744 and 2024-01-013725, respectively)) and other agreements signed between Altshuler Provident and other related third parties in Regulation 22 to Chapter D to this report and Note 25 to the financial statements attached in Chapter C to this report.

1.4 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.

1.5 The Company's operating segments

As of the Report Date, the Company mainly operates, through Altshuler Provident, in managing provident and pension funds.

Altshuler Provident is a private company that is wholly owned by the Company and was traded on the TASE between July 22, 2019 and March 31, 2022 until the closing of the Business Restructuring. Altshuler Provident's management operations are conducted in accordance with the Supervision of Financial Services Law (Provident Funds), 2005 ("**the Provident Fund Law**"). In addition, Altshuler Provident has an insurer license as per the Supervision of Financial Services Law (Insurance), 1981 ("**the Insurance Supervision Law**"). Altshuler Provident was incorporated in Israel on December 9, 2001. See more information of the provident and pension fund management operation in paragraph 3.1 below.

Moreover, as explained in paragraph 1.2 above, the Company has Other Operations – the Alternative Investment Operation and the Credit Operation– neither of which aggregates to a reportable operating segment in the financial statements. See details of these operations in paragraph 3.2 below.

1.6 Investments in the Company's equity and share transactions

From January 1, 2023 to the Report Date, there were no material investments in the Company's equity or transactions in its shares by interested parties in an unlisted corporation other than as described below[1]:

Date	Transaction
August 22, 2024	Off-market purchase of 651,854 Ordinary shares of the Company for NIS 4.65 per share by Mr. Yair Lowenstein, the Company's CEO and a controlling shareholder therein. See the Company's immediate report of August 22, 2024 (TASE reference: 2024-01-092557), whose information is hereby included by reference.
October 7, 2024	Off-market purchase of 186,500 Ordinary shares of the Company for NIS 5.57 per share by Mr. Yair Lowenstein, the Company's CEO and a controlling shareholder therein. See the Company's immediate report of October 8, 2024 (TASE reference: 2024-01-608566), whose information is hereby included by reference.
October 9, 2024	Off-market purchase of 255,000 Ordinary shares of the Company for NIS 5.90 per share by Mr. Yair Lowenstein, the Company's CEO and a controlling shareholder therein. See the Company's immediate report of October 10, 2024 (TASE reference: 2024-01-609694), whose information is hereby included by reference.
October 10, 2024	Off-market purchase of 301,000 Ordinary shares of the Company for NIS 5.90 per share by Mr. Yair Lowenstein, the Company's CEO and a controlling shareholder therein. See the Company's immediate report of October 10, 2024 (TASE reference: 2024-01-610011), whose information is hereby included by reference.
October 28, 2024	Off-market purchase of 176,150 Ordinary shares of the Company for NIS 5.90 per share by Mr. Yair Lowenstein, the Company's CEO and a controlling shareholder therein. See the Company's immediate report of October 29, 2024 (TASE reference: 2024-01-612347), whose information is hereby included by reference.

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

1.7 Dividend distributions

1.7.1 Dividends distributed by the Company and distributable profits

From January 1, 2023 to the Report Date, the Company distributed the following dividends:

Date of Board decision	Amount of distributed dividend
March 21, 2023	NIS 32 million
May 23, 2023	NIS 29 million
August 21, 2023	NIS 23 million
November 22, 2023	NIS 28 million
March 20, 2024	NIS 23 million
May 22, 2024	NIS 21 million
August 19, 2024	NIS 21 million
November 20, 2024	NIS 21 million

Moreover, on March 19, 2025, the Company's Board approved the distribution of a dividend based on the Company's financial statements (hereby attached as Chapter C to this report) in a total of NIS 22 million, after having decided that the Company meets the distributable profits test in the Companies Law.

See details of the dividend distributions in Note 14 to the financial statements hereby attached as Chapter C to this report.

1.7.2 Dividend distribution policy

On May 30, 2022, the Company's Board adopted a dividend distribution policy according to which, subject to the provisions of applicable undisputable laws, including the provisions of Article 302 to the Companies Law and the restrictions applicable to the Company as per financing agreements, and at the Company's sole discretion, the Company will annually distribute to its shareholders at least 75% of its distributable profits in the relevant year. It should be noted that if the above mandates and restrictions do not enable the distribution of 75% of the Company's distributable profits in a certain year, subject to the provisions of the Companies Law and at the Company's sole discretion, it will distribute a dividend at the maximum amount permitted by said mandates and restrictions.

1.7.3 Distributable profits

As of December 31, 2024, before the distribution specified in paragraph 1.7.1 above as approved on March 19, 2025 has been made, the Company's distributable profits (within the meaning of this term in Article 302 to the Companies Law) amounted to NIS 276,720 thousand.

1.7.4 Dividend distribution restrictions

As of the Report Date, the Company is not subject to any external restrictions that are likely to affect its ability to distribute a dividend. Notwithstanding the aforesaid, Altshuler Provident's noncompliance with the financial covenants applicable to it by virtue of bank loans would require the banks' consent to a distribution of a dividend by Altshuler Provident to the Company. See details of the financial covenants applicable to Altshuler Provident in Note 18d to the financial statements hereby attached to this report as Chapter C.

Part 2: Other Information

2.1 Financial information of the operating segments

For financial information and other financial data relating to the Group's operating segments, see Note 4 to the financial statements in Chapter C to this report. For explanations of the developments in the financial statement data, see the Board of Directors' Report hereby attached to this report as Chapter B. Following are financial data of the Group's operating segments based on the Company's consolidated financial statements:

Year ended December 31, 2024 (NIS in thousands)

	Provident and pension fund management	Other	Unallocated to operating segments	Total
Revenues from external parties	905,643	15,536	** 8,907	930,086
Cost of operations with external parties	724,113	27,813	15,692	767,618
Fixed costs *	374,568	24,760	15,692	415,020
Variable costs *	349,545	3,053	-	352,598
Segment results	181,530	(12,277)	(6,785)	162,468
Attributable to equity holders of the Company	181,530	(9,914)	(6,785)	164,831
Attributable to non-controlling interests	-	(2,363)	-	(2,363)
Segment assets	921,218	126,684	161,660	1,209,562
Segment liabilities	609,259	48,397	6,596	664,252

Year ended December 31, 2023 (NIS in thousands)

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

Year ended December 31, 2022 (NIS in thousands)

	Provident and pension fund management	Other	Unallocated to operating segments	Total
Revenues from external parties	1,282,992	2,690	** (3,682)	1,282,000
Cost of operations with external parties	932,966	4,175	16,694	953,835
Fixed costs *	449,333	3,736	16,694	469,762
Variable costs *	483,634	439	-	484,073
Segment results	350,026	(1,484)	(20,376)	328,166
Attributable to equity holders of the Company	350,026	(1,198)	(20,376)	328,451
Attributable to non-controlling interests	-	(286)	-	(286)
Segment assets	1,139,674	1,760	186,645	1,328,079
Segment liabilities	814,588	2,109	18,250	834,946

* The distribution between fixed costs and variable costs is based on the principal costs in each category. The expenses that are mostly fixed are included in fixed costs and the expenses that are mostly variable are included in variable costs.

** These revenues represent other income, net gains (losses) from investments and finance income.

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

2.2.1 Capital market trends

The value of assets under management by Altshuler Provident is affected, inter alia, by volatility in capital markets in Israel and overseas. Since investment management for provident funds and pension funds partially involves securities traded on stock exchanges in Israel and overseas, or some whose price is impacted by prices on stock exchanges in Israel and overseas, higher or lower prices on financial markets directly affect the scope of assets in provident funds and pension funds managed by Altshuler Provident. Factors that may result in a change in capital market trends include, inter alia, factors outside Altshuler Provident's control which it is unable to anticipate nor insure, such as: the state of financial markets worldwide, and in particular in the USA, Europe and Asia-Pacific, geopolitical changes (in Israel in particular), economic growth or slowdown in Israel and worldwide, achievement of or deviation from inflation targets, changes to interest rates and so forth.

In the first half of 2024, central banks around the world – in the United States, Europe and in Israel – retained retained relatively high market interest levels. In the second half of the year, this trend was somewhat reversed with the Fed lowering its interest rate three consecutive times in September, November and December of 2024 and kept the interest rate at 4.5% at the end of the year. The ECB also successively lowered its interest rate three times in the course of 2024 to 3.25% at year end. In Israel, on the other hand, the interest was lowered once in January 2024 from 4.75% to 4.5% but remained unchanged throughout the year. In 2024, trade on the TASE was adversely affected by the ongoing war in Israel. The Israeli capital market in 2024 reflected the resilience of the civilians of Israel and the strength of its economy and businesses. Despite the prolongation of the longest war in the country's history and the extreme economic implications of the war, 2024 ended with the extraordinary recovery of a large variety of parameters and improvement in the TASE's leading indices. As a whole, in 2024, most of the channels in which the Company operates internationally and domestically benefited from positive returns.

See details of investment management in the provident and pension fund market in paragraph 3.1.16 below. See information of the war and its potential effects on the capital market and the business environment in which Altshuler Provident operates in paragraph 2.2.4 below.

2.2.2 Regulatory changes

See details of specific regulatory restrictions that apply in the provident and pension fund segment, including updates in the Reporting Period, in paragraph 3.1.19 below.

2.2.3 Changes in the operating scope in the Company's operating segments and their profits

See details of changes in the operating scope in the provident and pension fund segment in paragraph 3.1.1.3 below. See below details of the Alternative Investment Operation and the Credit Operation in paragraphs 3.2.1 and 3.2.2, respectively.

2.2.4 Developments in the Company's macroeconomic environment

USA

As noted above, 2024 began with a stalemate in market interest rates which was then reversed in the second half of the year with the Fed consecutively lowering the interest rate thrice to 4.5% in December 2024. The interest reductions followed improved financial parameters and near achievement of the Fed's targets such as retention of the the country's economic stability, support of the employment market and return of inflation to 2%. The U.S. presidential election noted several fluctuations with Biden still running against Trump in the first half of the year. In July 2024, however, Biden announced his withdrawal from the race less than four months from the election date. His then Vice President, Kamala Harris, failed to win the race against Trump who eventually won the November 2024 elections. Trump reassumed office in January 2025. The U.S. CPI rose in December 2024 by 0.4% and the inflation in all of 2024 grew to 2.9% as per early forecasts.

Per the last national employment report issued for December 2024 by the Biden Administration, an impressive 256 thousand jobs were added to the labor market against the original lower expectation of 155 thousand jobs. The unemployment rate surprisingly dropped to 4.1% compared with 4.2% in November. The first employment report published by the Trump Administration showed an additional 143 thousand jobs in January 2025 – below economist projections. The unemployment rate decreased to 4% compared with the forecasted 4.1% (similarly to December 2024 data).

The leading U.S. stocks ended the fourth quarter of 2024 with rate increases. The S&P 500 grew by about 2.1%, the NASDAQ added about 4.8% and the Dow Jones grew by about 0.5%. At the end of 2024, the S&P 500 grew by about 23.3%, the NASDAQ climbed by about 24.9% and the Dow Jones added about 12.9%.

Europe

Following a consecutive wave of interest hikes to the highest rate since the Euro was launched, the ECB reached the end of the interest hike cycle. In the backdrop of the mitigated inflation in the Eurozone and the expected 2% inflation target in 2025, in June 2024, the ECB lowered the interest rate, for the first time in five years, by 0.25% to 4.25%. In keeping with the inflation cooling, the ECB also lowered the interest in September 2024 by about 0.25% to 3.5%. In October 2024, the interest rate was lowered once more by about 0.25% to 3.25%. In the third quarter of the year, the Eurozone annual inflation rate began displaying markups and increased to 2.4% in December 2024 compared with 2.2% in November of that year, in keeping with early projections.

In the UK, the annual inflation rate significantly dropped throughout 2024. In August 2024, the Bank of England announced the lowering of the interest by 0.25% to 5% for the first time in four years. In September 2024, the Bank of England kept the interest rate unchanged but in November 2024 it was lowered by another 0.25% to 4.75%.

The fourth quarter of 2024 noted a mixed, downward inclining trend in the European stock markets– the Euro Stoxx 50 decreased by 2.1% and the Euro Stoxx 600 dropped by about 2.9%. In annual terms, the leading indices rose with Euro Stoxx 50 gaining about 8.3% and the Euro Stoxx 600 rising by about 6%.

Asia

In March 2024, the Bank of Japan (BOJ) raised its interest from a negative 0.1% to 0% for the first time in 17 years. The BOJ simultaneously announced eliminating its control over Japan 10-Year Government Bonds. In July 2024, the BOJ raised the interest to 0.25% and announced cutting in half its plan to gradually buy these bonds until the first quarter of 2026. Current bond purchases are at about 6 trillion yen a month (about 40 billion USD). The BOJ also clarified its intention to continue raising the interest in the coming months if the data match the forecasts.

The tensions involving the U.S.-China trade war escalated in 2024 with China issuing new guidelines in March 2024 that prohibit use of Intel and AMD semiconductors in its government computers and servers. In November 2024, once elected and reinstated, President Trump declared his intention to impose additional tariffs on importing goods from China, Canada and Mexico. In December 2024, the Trump Administration expanded the Entity List of Chinese AI and semiconductor companies subject to export controls to include 140 companies that manufacture and export key components in an attempt to stop the Chinese government from leveraging U.S. technology to indigenously produce advanced semiconductors for military modernization and repression of human rights. In response, China immediately banned the export of rare metals and minerals such as gallium, germanium and antimony, which are used in military technology including in the manufacture of F35 aircraft.

Israel

The October 7 war

In the first three quarters of 2024, Israel continued to face the challenges of intense warfare in the south of Israel in the Gaza Strip with Hamas terrorists. In the third quarter of 2024, the fighting intensified mainly in the northern borders with Hezbollah. In an attack presumably executed by Israel, thousands of beepers held by Hezbollah's activists in Lebanon and Syria simultaneously exploded, decommissioning an estimated 1,500 terrorists in the organization. In late September 2024, in a series of air strikes, Israel killed senior Hezbollah terrorists including the head of the Radwan Force, the highest ranking military commander and head of the organization's strategic warfare, ultimately also killing Hezbollah's leader, Hassan Nasrallah. In October 2024, the IDF entered Lebanon. In response to Israel's killing of Hassan Nasrallah and an Iranian general, in early October 2024, Iran launched ballistic missiles towards Israel. After long moths of fighting, on November 27, 2024, a ceasefire was agreed between Israel and Lebanon which is designed to stop the fighting in the northern front. On January 19, 2025, a ceasefire was agreed between Israel and Hamas which include the release of Israeli hostages in return for Palestinian security prisoners.

The war involves sustaining significant costs for purchasing military supplies in large scopes and granting compensation to evacuees and businesses but also incurring losses from the market's inactivity. In December 2024, the Israeli Parliament approved the State's updated budget for 2024, which reflects a series of economic decrees that signify thousands of NIS in loss for the average Israeli family due to measures such as suspending the tax brackets and increasing the national insurance fees, raising the VAT rate and more.

The Israeli CPI in December 2024 decreased by 0.3% compared with November of that year. The annual inflation rate dropped to 3.2% in 2024.

Trade on the TASE in Q4 2024 ended with increased rates. The TA-35 index rose by 12.8% and the TA-125 increased by 14.5%. The Tel-Bond 60 increased by 2.1% and the Banks Index leaped by 15.1% in the fourth quarter of 2024. In all of 2024, the stock and bond indices in Israel noted sharp rate increases. For example, in 2024, the TA-125 added 28.6%, the TA-35 rose by 28.4% and the TA 90 soared by about 30.8%. The Tel-Bond 60 rose by 5.8%.

The 2024 State deficit was set at 6.9% of the GDP, below forecasts. The decline in deficit is a result of increased tax payments and in State revenues. The MOF's Accountant General stated that the war related expenses in 2024 totaled some NIS 100 billion, mainly steered towards security needs with a small portion directed at civilian related expenses (mainly evacuating residents of the northern and southern borders).

In February 2024, the international rating agency Moody's announced the lowering of Israel's credit rating from A1 to A2 for the first time in the country's history. Moody's also changed the outlook to negative. The negative forecast was indeed realized with another lowering of Israel's rating by two grades from A2 to Baa1 with a negative outlook, signifying another potential lowering in the short-medium term. In its announcement, Moody's attached a severe report of Israel's economic situation and significantly enhanced geopolitical risk due to the intensified conflict between Israel and Hezbollah and the conclusion of the unrenewed ceasefire in the Gaza Strip. Moody's also mentioned the ineffectiveness of the Israeli government institutions to prevent the impairment of the State's credit parameters.

In August 2024, Fitch announced the lowering of Israel's rating from A+ to A with a negative outlook, reflecting the effect of the war in Gaza, the enhanced geopolitical risks and the ongoing fighting in several fronts.

In early October 2024, S&P announced the lowering of Israel's rating by one grade from A+ to A with a negative outlook. S&P's economists attributed the lowering to the escalation in the Israel-Hezbollah military conflict and the late economic recovery in the country with a 0% growth in 2024 and expected 2.2% growth in 2025.

In view of the aforesaid, there is a risk that a downturn in the capital market and the business environment in which Altshuler Provident operates will lead to decreases in the scope and value of assets managed by it. Notwithstanding the aforementioned, at present, the war as an independent event has not had a material impact on the scope or value of the assets managed by Altshuler Provident or any such effect on the Company, mainly owing to the investment policy and diversity of its investment portfolio whereby in practice, more than 60% of the managed assets are in global capital markets. It should also be noted that the war and its prolongation presently do not have any effect on the Company's financial stability or on Altshuler Provident's compliance with the financial covenants governing finance agreements. See details of financial covenants in Note 18d to the financial statements attached as Chapter C to this report. However, as of the Report Approval Date, the Company is unable to fully and reliably quantify the future effects of the war on the Company's operations among other things due to the current market volatility and uncertainty caused by the duration, intensity and impact of the war on the Group's operating segments or other measures that may be adopted by the Israeli Government.

Effect of inflation and market interest rise

As discussed in paragraph 2.2.1 above, in the fourth quarter of 2024, inflation rates in the local and global markets were mitigated. In Israel, the CPI for November 2024 decreased and annual inflation was at 3.4%. The interest rate hikes and inflation affect business activity in the market which is also expressed by increased costs of operation, raw materials, manpower, financing etc. and by the conditions in the capital market.

General

In the fourth quarter and in all of 2024, substantially all world indices showed positive yields. In annual terms, in the U.S., the S&P 500 gained about 23.3% and the NASDAQ grew by about 24.9%. The European Stoxx 600 added about 6% and the German DAX rose by about 18.9% in the course of 2024. The MSCI WORLD Index grew by about 17%. The global bond market recorded negative yields. In the U.S., the United States 10Y Government Bond yield grew in 2024 from about 3.78% at the beginning of the year to about 4.57% at year end. The Israeli stock market experienced sharp rate increases throughout 2024 with the TA 35 rising by about 28.4%, the TA 125 gaining about 28.6% and the TA 90 climbing by about 30.8%. The Banks Index leaped by about 39.3% in the past year. The Tel-Bond 60 rose by about 5.8% in 2024.

Investments in provident and pension funds managed by Altshuler Provident

In 2024, the Company mitigated the exposure of the assets managed by it to the quoted and unquoted stock component to a level of about 50% in the general channels (from about 54% at the beginning of the year). The main exposure of the stock channel in Israel remains to the banks after reducing the income-producing real estate stocks in the year and the main exposure overseas remains to the leading U.S. indices and underlying stocks. In 2024, the Company increased its exposure to long-term U.S. and Israel government bonds.

The Company's evaluations as presented in paragraph 2.2.4 above represent forward-looking information, as this term is defined in the Securities Law. These evaluations are based, among others, on information that is currently available to the Company and consist of the Company's forecasts or intentions as of the Report Approval Date, yet there is no certainty that these evaluations relating to any of the factors described above or their effects on the Company's operations and business will materialize in whole or in part and therefore their actual effect may be materially different than anticipated. The potential factors underlying the non-materialization of the above evaluations and forecasts include changes in global and local capital markets, regulatory changes and mandatory regulatory approvals as well as the realization of any of the other risk factors to which the Company's operations are subject, as specified in paragraph 4.11 below.

Part 3: Description of the Company's Business Affairs by Operating Segments

3.1 Provident and pension fund management

3.1.1 General information on the operating segment

The Company, through Altshuler Provident, operates in the provident and pension fund management segment in the context of which 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 the Supervisor.

3.1.1.1 Structure of the operating segment and changes therein

Provident funds

Provident funds and study funds are a medium and long-term savings option subject to various tax incentives. The primary goal of provident funds is accrual of savings to be withdrawn upon retirement as a monthly pension, as a lump sum or as partial sums, depending on product type and features. Provident funds are categorized by their objective and savings purpose, and they offer to savers various investment tracks bearing different risk levels. For information about products managed by Altshuler Provident in this operating segment, see paragraph 3.1.2 below.

Pension funds

Pension funds are long-term savings instruments designed to pay out a pension as from the retirement age. Altshuler Provident's pension fund segment consists of two new pension funds – a comprehensive pension fund and a general pension fund. Unlike the provident fund market, the pension fund market is highly concentrated and most of the assets in this sector are managed by insurance companies. Since 2016 and as the reform of designated pension funds became effective, a growth trend appeared in the market share of pension funds managed by investment houses, out of the entire sector. For information about products managed by Altshuler Provident in this operating segment, see paragraph 3.1.2 below.

Overview

In recent years there have been significant reforms and changes to statutory provisions with regard to long-term savings. Underlying these reforms and changes is a deliberate Government policy designed to promote pension savings among the entire population, to ensure that their standard of living is maintained after reaching retirement age. This policy originated, inter alia, due to two prominent trends. Firstly, growing life expectancy, which primarily means that most savers would live longer after retiring than was the case previously. Secondly, changes in saver behavior, primarily late entry into the labor market. Moreover, in recent years there has been a growing trend of consolidation of management companies in this sector, due to the high cost of compliance with requirements, margin erosion due to competition and restrictions imposed on management fees, as well as economies of scale in this sector.

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

For more information about limitations, legislation, standards and special constraints applicable to the operating segment, see paragraph 3.1.19 below.

3.1.1.3 Changes to business volume and profitability of the operating segment

In the Reporting Period, there was an increase in the balance of provident fund and pension fund member assets mainly resulting from positive returns and current contributions. There was also a decrease in transfers of savings to the management of Altshuler Provident's business rivals and an increase in transfers of savings to be managed by Altshuler Provident compared with last year. However, in the Reporting Period, mobilization of savings funds to competitors continued exceeding transfers of savings funds to Altshuler Provident. In the Reporting Period, Altshuler Provident took steps to leverage regaining its position in the top third of the yield table in relation to its competitors in the relevant channels by enhancing its work relations with the various distribution channels such as agencies, banks, employers, independent consultants and direct customers and also initiated marketing campaigns on different channels for enhancing and positioning the brand and pension fund among the Israeli public, for recruiting new members and customers and for retaining existing ones. Altshuler Provident also acted to enhance and expand investment offerings for savers in view of regulatory requirements enacted by the investment track circular and given demands and changes in saver preferences.

. For information about the markets in which Altshuler Provident operates and its market share, see paragraph 3.1.9 below.

3.1.1.4 Market developments and changes to client characteristics in the operating segment

Provident funds

As of December 31, 2024, total provident fund assets in Israel (annuities and rewards, study funds, central severance pay funds, investment provident funds and long-term children's investment provident funds) amounted to approximately NIS 850.40 billion compared with approximately NIS 722.14 billion at the end of 2023, an increase of about 17.76%. In 2024, provident fund assets managed by Altshuler Provident increased from NIS 129.22 billion at the end of 2023 to total assets of NIS 131.78 billion as of December 31, 2024, representing an increase of about 1.98% in total fund assets managed by Altshuler Provident.

Pension funds

As of December 31, 2024, total pension fund assets in Israel (new comprehensive and general funds) amounted to approximately NIS 933.80 billion compared with total assets of approximately NIS 751.42 billion at the end of 2023, an increase of about 24.27%.

In the Reporting Period, pension fund assets managed by Altshuler Provident increased from approximately NIS 27.44 billion at the end of 2023 to approximately NIS 33.77 billion at the end of 2024, an increase of about 23.08%. See more information of the competition in the operating segment and Altshuler Provident's ways of contending with it in paragraph 3.1.9 below.

3.1.1.5 Technological changes which may materially impact the operating segment

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

In the Reporting Period, the Company invested in developing new digital technologies for upgrading customer experience and improving business processes.

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

3.1.1.6 Critical success factors in the operating segment and changes therein

The Company estimates that the critical success factors in the operating segment are as follows:

3.1.1.6.1 Outperformance of other management companies in investment management over the short and long term

Returns are a major consideration for those seeking to enroll as members in Altshuler Provident's products, and a significant component in existing client retention. Note that short-term returns are more significant than long-term returns, due to data accessibility and regular posting of returns to various media. For more information about investment management, see paragraph 3.1.16 below.

3.1.1.6.2 Brand strength

Altshuler Provident is part of Altshuler Shaham Group, which is identified with the Altshuler Shaham brand, which has been created over years in a gradual, complex process and is well known and well regarded in the market. Supporting and enhancing the brand is one of the key factors in Altshuler Provident's success in its business.

3.1.1.6.3 High-quality marketing and distribution systems

Marketing operations carried out by inhouse pension advisory license holders who are employed by the Group, as well as by retirement insurance agents and advisory banks, in addition to direct operations with employers. Moreover, advertising campaigns reinforce the brand strength and increase awareness among potential clients who would wish to enroll with Altshuler Provident and/or among current clients who wish to enroll with additional products offered by Altshuler Provident. For more information about marketing and distribution, see paragraph 3.1.8 below.

3.1.1.6.4 Professional operating system

Efficient, high-quality operational management while providing a rapid response to employers and to clients of Altshuler Provident.

3.1.1.6.5 Customer service and client retention

Altshuler Provident sees great importance in providing a professional, high-quality and highly available response in these areas, to members and to all distribution channels.

3.1.1.6.6 Original and innovative ideas and technology

Introducing computer support for work processes and interfaces, along with constant improvement of services provided through the website. Altshuler Provident sees the website as decisively important, as is the possibility to conduct transactions swiftly and easily, along with current information made available on the website for Altshuler Provident's clients, agents and for the public at large.

3.1.1.6.7 Response capacity

Appropriate, rapid response to events and to market changes with regard to various products and to investment management.

3.1.1.6.8 Reputation

Reputation is of the utmost importance over time, given that members' assets are managed by Altshuler Provident for extended periods of time. Altshuler Provident benefits from the advantage of having a reputation for competitive values and strong brand assets.

3.1.1.7 Changes in suppliers and raw materials in the operating segment

For information about service agreements signed during the Reporting Period with Altshuler Ltd., see paragraph 8.1 to Chapter D attached to this report.

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

3.1.1.8.1 Barriers to entry

Major barriers to entry in the operating segment include compliance with many statutory provisions applicable to the operating segment, including restrictions and conditions stipulated by law for obtaining the licenses, permits and approvals required to engage in this operating segment, including compliance with required significant shareholder equity and maintaining insurance for setting up and managing a company which manages provident funds and pension funds.

A company looking to manage provident funds and pension funds must comply, inter alia, with requirements of the Capital Market Authority with regard to financial resilience of the company and of any individual seeking to control the company, the company's business plan, fit Board members and officers of the company, existence of a stable controlling stake and so forth.

Furthermore, a company engaged in management of provident and pension funds requires skilled, professional, high-quality staff and specific officers in order to comply with requirements of applicable legislation (such as: IT Manager, Information Security Manager, Internal Auditor, Administrative Enforcement Officer and so forth). Companies that manage provident and pension funds are required to invest significant managerial, operating and monetary resources to comply with regulatory requirements. This poses a significant barrier for smaller or newer entities wishing to enter into this field, and is highly onerous for small to medium entities currently operating in the market.

Another significant barrier to entry is the need to develop and operate IT systems appropriate for marketing products in this operating segment. The Company believes that professional skills and familiarity with this area are required in order to operate such systems. Finally, the provident fund segment is highly competitive. The Company believes that the required positive reputation for investment managers and for the management company form another barrier to entry into this segment.

3.1.1.8.2 Barriers to exit

Termination of provident fund and pension fund operations requires such operations to be transferred to another management company. This procedure is governed by the Provident Fund Law and is subject to approval by the Supervisor, including with respect to obtaining a control permit for the acquiring entity, which includes various requirements of the permit recipient, including with regard to maximum leverage, minimum equity of the applicant and so forth.

Moreover, total assets under management by Altshuler Provident and regulatory limitations on maximum long-term savings assets which any controlling shareholder may hold could pose an issue for conducting a transaction to acquire operations of Altshuler Provident and therefore may form a barrier to exit of Altshuler Provident from the operating segment.

3.1.1.8.3 Limitations underlying the control permit

Altshuler Provident's control permit (issued by the Supervisor to the controlling shareholders in Altshuler Provident) sets forth various limitations regarding a change in control and/or holding structure in Altshuler Provident including a requirement to obtain the Supervisor's advance written approval for such change other than the circumstances and conditions specified in the permit. Moreover, the permit proscribes the grant of rights (such as mortgage, foreclosure, debt or other right) to the means of control in Altshuler Provident to any third party other than as specified in the permit. The permit also includes a requirement to report to the Supervisor any change in the cumulative rate of holdings in the various corporations which are part of the control chain in Altshuler Provident and an annual reporting duty (all as specified in the permit).

For more information about limitations and restrictions applicable to Altshuler Provident in the operating segment, see paragraph 3.1.19 below.

3.1.1.9 Alternatives to the operating segment products and changes therein

Typical alternative products currently available for savings provident funds and pension funds are retirement insurance programs.

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

The Company believes that investment provident funds have 4 major alternatives: Mutual funds and index funds, managed investment portfolios, savings insurance policy and deposits. However, investment provident funds have significant advantages over these alternatives. Thus, for example, investment provident funds allow members aged 60 or older to move the fund to a pension payout track in a pension fund, and to receive a tax-exempt monthly payout, to move between investment tracks without payment of any capital gain tax, and to move the provident fund to another company without this being considered a taxable event.

3.1.1.10 Structure of the competition in the operating segment and changes therein

For more information on competition see paragraph 3.1.11 below.

3.1.2 Products and services

As of the Report Date, the Company, through Altshuler Provident, manages 8 provident funds (including a study fund) and 2 pension funds in the context of which Altshuler Provident manages assets at a scope of some NIS 165.6 billion. Below are the key product types offered by the Company through Altshuler Provident in the operating segment:

Provident funds

a. Savings provident funds, provident funds and personal severance pay provident funds

A provident fund is a long-term savings program designed to accumulate funds to be withdrawn in future, as a lump sum or as a pension, subject to when contributions were made to the fund and how they were designated.

Savings provident funds and provident funds are funds for the self-employed or for a salaried employee, designated as long-term savings and thus are subject to various tax incentive. Since 2008, all contributions to such funds are designated for retirement and would be paid to members as a pension.

In a provident fund where the member is a salaried employee, the member and their employer make regular contributions to the fund at up to 7% and up to 7.5% of the employee's pay, respectively. In addition, the employer makes monthly contributions to the member's fund to secure the member's right to severance pay, at up to 8.33%.

In a provident fund where the member is self-employed, the member makes their own contributions to the fund, without a matching contribution from an employer.

As of the Report Approval Date, Altshuler Provident manages 2 provident funds: Altshuler Shaham Gemel and Altshuler Shaham Gemel LeAmitey Hever, with a total of 21 investment tracks, allowing the saver to invest their money at the appropriate risk level for them.

b. Study funds

A study fund is a provident fund for medium term savings, or for study purposes, for salaried employees and the self-employed, including Kibbutz members and co-operative Moshav members. A study fund allows any member, salaried employee or self-employed, to contribute amounts that would become liquid 6 years after opening the account (and under certain circumstances, even sooner). Savers who contribute to a study fund enjoy tax incentives upon deposit and upon withdrawal, up to a maximum contribution amount specified annually.

Study fund for salaried employees – A study fund into which the employee and the employer make monthly contributions. The tax benefit is granted in proportion to the employer's contributions at a capped rate of 7.5% of the effective salary, up to the maximum allowed (except for teachers, as defined in the Income Tax Ordinance, and doctors subject to a special arrangement, who may make contributions at a higher rate) and for the employee's contributions at a capped rate of 2.5% of the effective salary, up to the maximum allowed, or the rate set forth in a collective bargaining agreement approved pursuant to the Collective Bargaining Agreement Act, and in any case at a rate that is not lower than one third of the employer's contribution.

Study fund for the self-employed – A study fund for individuals earning an income from their business or occupation, including Kibbutz members and co-operative Moshav members which does not mandate making fixed monthly contributions. Pursuant to the Income Tax Ordinance, contributions at a rate of up to 4.5% of taxable income and up to the ceiling amount are deductible expenses for tax purposes.

As of the Report Approval Date, the study fund managed by Altshuler Provident offers 12 different investment tracks, allowing the saver to invest their money at the appropriate risk level for them.

c. Central severance pay provident fund

A central severance pay provident fund is a severance pay provident fund where the member is the employer, making severance pay contributions for their employees. As from January 2008, new central severance pay funds may not be opened and as from January 2011, contributions cannot be made to existing funds. As of the Report Approval Date, Altshuler Provident manages 4 different investment tracks in this fund.

In June and July 2017, Income Tax Circular 4/2017 was issued regarding accruals in central severance pay funds. Moreover, the Capital Market Authority issued an institutional investor circular on transfers of funds from a central provident fund to severance pay funds. Among others, these circulars allow employers to split central fund accruals into individual provident funds in the name of the qualifying employees and under certain conditions withdraw surplus funds.

d. Central sick pay provident fund

A central sick pay provident fund is a fund for employers, who accrue amounts for payment of sick pay in accounts managed in the employer's name – who are the fund members. The fund pays to members amounts to reimburse expenses paid to their employees for any sick leave, as defined in sick pay eligibility provisions of the Income Tax Regulations (Rules for approval and management of provident funds), 1964.

e. Central provident fund for budgetary pension participation

A central provident fund for budgetary pension participation is a fund designated for participation in funding pension payments to employees of the member-employer. As of the Report Approval Date, Altshuler Provident manages 2 investment tracks in this fund.

f. Investment provident funds

An investment provident fund is a savings plan for the medium or long range, designated to pay a lump sum to the self-employed member on a date of the member's choosing, allowing savers to enjoy the benefits of investment through a provident fund. The accrued funds may be withdrawn at any time as a lump sum, subject to payment of capital gain tax on the real gain, or as a tax-exempt pension after age 60, at the member's choice (withdrawal as actual annuity will be made by moving the accrued funds to a pension provident fund). Contributions to the fund are made by the member, and are capped at NIS 70,000 per year, with the cap adjusted for the increase in CPI annually on January 1. As of the Report Approval Date, the cap is at NIS 81,711.

As of the Report Approval Date, the investment provident fund managed by Altshuler Provident offers 9 different investment tracks, allowing the saver to invest their money at the appropriate risk level for them. This product does not include any insurance coverage. The target audience for this operating segment includes anyone seeking alternative savings for the medium and long term.

g. Investment provident fund – long-term savings for children

An investment provident fund – long-term savings for children is a long-term savings product (of unlimited term) into which the National Insurance Institute makes monthly contributions (as from January 1, 2017) on behalf of every child in Israel for which a child allowance is paid by the National Insurance Institute until the child reaches 18, in addition to payment of the regular child allowance for that child. Children are also entitled to bonuses paid out by the National Insurance Institute on specific dates. Parents may also increase the savings amount by matching the National Insurance Institute contribution out of the child allowance paid out by the National Insurance Institute.

Children born before December 31, 2016 were entitled, at age 18, to a bonus of NIS 500; Children born from January 1, 2017 received a bonus of NIS 00 in two installments: NIS 250 at age 3 and NIS 250 at age 12 or 13 (for girls or boys). Should the child continue to save in their account after age 18, they were entitled to another bonus of NIS 500 at age 21, provided that no withdrawals had been made from accrued savings.

These amounts are updated from 2017 on January 1 of each year at the rate of increase in the CPI published before that day compared to the CPI published before January 1, of the previous year. In 2024, the contribution and bonus amounts were as follows: the monthly contribution paid by the National Insurance Institute and the matching monthly contribution by the parent were NIS 57, so the savings amount per month could be up to NIS 114 and total bonuses amounted to NIS 568.

The management fee is payable by the National Insurance Institute through age 21. Upon withdrawal other than as annuity after 60, tax shall be deducted on the profits.

As of the Report Approval Date, the long-term savings for children investment provident fund managed by Altshuler Provident has 4 investment tracks that allow savers to invest their money based on the risk level suitable for them.

Pension funds

a. Comprehensive pension fund

A comprehensive pension fund combines three elements: Retirement pension, disability pension and survivor pension, through regular monthly contributions capped at 20.5% of twice the national average salary.

Eligibility for retirement pension is based on the amount accrued throughout the membership period, which is converted into a retirement pension upon retirement using the appropriate actuarial factor for the retirement features selected by the member (their selected retirement age, assured minimum payment term, eligibility for survivor pension after their death), their gender and age upon retirement. After the retirement pension recipient is deceased, the pension annuity is paid to their survivors as survivor pension, at the rate specified upon retirement.

The policy holder also benefits from insurance coverage for disability and death prior to expiration of the insurance period. This coverage is funded by deducting the cost of risk from the policy holder's pension fund account, with the cost of such insurance coverage not to exceed 35% over the period when the member is insured in the comprehensive pension fund, where the comprehensive pension fund operates on the basis of mutual guarantee among all fund policy holders. The coverage amount is determined based on the pension track selected by the policy holder (out of the range of insurance tracks on offer), on their gender and age upon enrollment in the comprehensive fund and evolution of their pay and the pension fund's regulations.

In conformity with the Increased Contribution to Retirement Insurance Ordinance – the Extension Ordinance for the Mandatory Pension Act, it is obligatory to contribution part of the employee's salary towards retirement. As from January 2017, the mandatory contribution rates are 18.5% in total (6% for employee contribution, 6% for severance pay and 6.5% for employer contribution0.

Moreover, in 2017, the Mandatory Pension Act for Self-employed Members became effective, which stipulates that self-employed members must make contributions as follows: for the portion of income up to one half of the average salary, mandatory contribution at 4.45%; for the portion of income in excess of one half of the average salary, mandatory contribution at 12.55%.

On July 1, 2017, the Return Charging Regulations became effective, changing how designated State-issued Arad type bonds are allocated, so as to prioritize retirees and older members at the expense of allocation to younger members. Note that through 2025, the allocation rate of designated debentures to members who are not pension recipients in a particular fund would be identical.

These regulations also stipulate that the allocation rate to pension recipients in a particular fund may increase, up to a ceiling of 85% of total track assets.

From October 1, 2022, a mechanism to secure stable returns for pension funds, as included in Amendment No. 26 to the Supervision of Financial Services Act (Provident Funds), 2005, became effective. According to this mechanism, instead of the investment of 30% of the pension fund assets in designated bonds, the assets will be invested according to the investment policy of the comprehensive pension fund as per the legally prescribed mechanism and will benefit from a secured annual return of 5.15% (linked to the CPI).

Other current circulars concerning pension fund management directives issued by the Capital Market Authority stipulate additional provisions to those in the Regulations, stipulating that the tariff interest rate, used to calculate the conversion factor upon retirement, will not change despite the higher allocation of designated debentures, yet recipients of new pensions from February 2023 will be entitled to a tariff interest rate of 4.38% (instead of 4.26%). Pensions payable to retirees who retire after the effective start date of these circulars will be linked to the difference between actual return achieved on the retiree portfolio and the return assumption – and any excess or shortfall with respect to this difference may be allotted over up to 3 years. Retirement shall not result in actuarial deficit for the pension fund, the cost of coverage for disability and survivorship insurance shall not incur a shortfall due to discount rates alone, such that the actuarial deficit of the pension fund was significantly reduced compared to previous years. As of the Report Date, the comprehensive pension fund offers 9 investment tracks for members and 3 tracks for pension recipients.

Insurance coverage and insurance tracks in comprehensive pension fund

Insurance coverage covers the policy holders in case of disability (being unable to work) and for survivor (if the policy holder is deceased). The tracks provide different coverage levels for disability and survivorship insurance.

b. Comprehensive pension fund

A comprehensive pension fund incorporates three components: retirement pension, disability pension and survivor pension, through regular or lump-sum contributions.

Altshuler Shaham Keren Pensia Hadasha Clalit ("**the General Fund**") is designated for contributions from salary in excess of 20.5% of twice the national average salary and for lump-sum deposits to purchase pension rights. The fund was established in 2008, jointly with the comprehensive pension fund. Accrual of retirement pension rights in conformity with the bylaws is also based on the accrual amount, similar to the comprehensive pension fund.

Contribution rates to the general pension fund are the same as for the comprehensive pension fund. However, there is no cap on the monthly contribution, and the fund also accepts lump-sum contributions of unlimited amount. Upon making a withdrawal from the pension fund, other than by pension payout, the accrual would be paid out to the policy holder with tax deducted by law.

As of the Report Date, the general pension fund offers 9 investment tracks for members and 3 tracks for pension recipients. The General Fund includes a base track with no insurance coverage. This track is designated entirely for savings for retirement age.

On September 1, 2020, an option was added to purchase insurance coverage for disability and death prior to expiration of the insurance period. This coverage is funded by deducting the cost of risk from the policy holder account, with the cost of such insurance coverage not to exceed 35% over the period when the member is insured in the comprehensive fund, where the General Fund operates on the basis of mutual guarantee among all fund policy holders. The coverage amount is determined based on the pension track selected by the policy holder (out of the range of insurance tracks on offer), on their gender and age upon enrollment in the General Fund and evolution of their pay, based on principles set forth by the Supervisor.

Insurance tracks are identical to those in the comprehensive pension fund, except for the customized insurance track, transfer-in member track providing 85% coverage for the widower, transfer-in member track providing survivor coverage lower than 37.5% and/or 40%.

3.1.3 Changes in products in the Reporting Period

In July 2024, the Company made changes to the names of tracks and/or investment policies of several investment tracks managed by it and completed a merger of the "Bonds to 15% Shares" track into the "60 and Above" provident track to adapt them to the directives of Investment Track Circular 2024-1471 offering a revised list of investment tracks and Institutional Investor Circular 2022-9-30, "Investment Tracks in Provident Funds – Amendment" issued by the Capital Market Authority which set forth the investment tracks that managing companies may manage regarding all pension products and the names of the various investment tracks and their investment policies.

In addition, the following investment tracks were founded:

a. A combined quoted investment track in Altshuler Shaham Study Fund whose assets are exposed to a mix of shares, corporate debentures and government bonds in Israel and overseas at an exposure rate of not less than 75% and not more than 120% of the track's assets. The exposure to assets will be obtained by investing in quoted assets only. The investment can be made directly (in base assets) or through investment in derivatives (including futures, options and warrants and including unquoted derivatives used for hedging and unquoted derivatives whose value is derived from a quoted base asset), ETFs and mutual funds. The remaining assets will be invested in cash and deposits placed for a maximum period of three months from the investment date. Investment in this track is likely to be exposed to currency risks.

b. Flexible index tracker investment track in Altshuler Shaham Study Fund and Altshuler Shaham Saving Plus whose assets use index tracking instruments to track stock indices or corporate debenture or government bond indices, or a mix thereof, at a rate of not less than 75% and not more than 100%, and track at least three dissimilar indices. The tracking will not be less than 10% or more than 50% of the track assets for each of the three above indices which are the largest of total track assets. The remaining track assets will track different indices, other than a percentage of the assets that will be invested as follows: (a) in derivatives used for hedging; (b) to make deposits, withdrawals and money transfers or manage securities in respect of derivatives in one of more of the following: (1) cash; (2) short-term government loans; (3) deposits for a period of less than 12 months from the investment date; (4) Israel State bonds whose maturity date does not exceed 12 months; (5) qualifying foreign state bonds whose maturity date does not exceed 12 months provided that the bonds and derivative ae purchased in the same qualifying foreign state; (6) monetary fund listed in the Mutual Trust Investment Regulations (Fund Assets that can be Purchased and Held and Maximum Rates), 1994. The index tracking will be governed by applicable laws and may be exposed to currency risks.

c. "Halacha" Investment track for annuity recipients in Altshuler Shaham Comprehensive Pension and Altshuler Shaham General Pension – the track assets are exposed to different types of assets as per applicable laws and subject only to Jewish laws (*Halacha*). The investments are the sole authority and responsibility of the Investment Committee. Investments in this track may be exposed to foreign currency risks. As for the comprehensive fund, the track assets exposed to the assets described above will consist of all track assets other than assets invested in Arad type bonds or a yield-secured investment channel as prescribed in the legislative arrangement.

3.1.4 Changes in products after the Reporting Period

In March 2025, Altshuler Shaham Provident and Altshuler Shaham Saving Plus set up integrated quoted tracks whose assets will only be invested in quoted assets that meet the terms stipulated in article 6 to the Institutional Investor Circular 2013-9-13 regarding investment rules that apply to institutional investors, subject to applicable law and at the Investment Committee's discretion.

3.1.5 Breakdown of revenues and profits of products and services

See details of segment results in Note 4 to the financial statements in Chapter C to this report. Following are main data of the provident and pension fund management operating segment:

Year ended December 31, 2024 (NIS in thousands)

	New pension funds		Personal provident funds for rewards and severance pay	Study funds	Investment provident funds	Long-term Savings for Every Child Plan	Central funds	Total
	Comprehensive	General						
Managed assets	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	-	-	-	-	

Year ended December 31, 2023 (NIS in thousands)

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

Year ended December 31, 2022 (NIS in thousands)

	New pension funds		Personal provident funds for rewards and severance pay	Study funds	Investment provident funds	Long-term Savings for Every Child Plan	Central funds	Total
	Comprehensive	General						
Managed assets	25,657,541	662,068	63,557,265	62,409,112	11,029,007	6,112,983	951,724	**170,379,700**
Receipts from fees	4,613,290	272,914	1,172,043	6,931,138	2,367,630	977,946	7,317	**16,342,278**
Of which, nonrecurring fees	-	-	332,721	218,692	1,394,299	41,739	20	**1,987,471**
Annualized fees for newly enrolled members	702,483	98,947	38,052	566,791	112,755	43,088	14	**1,562,130**
Annualized fees for all members	4,229,116	363,437	778,977	6,050,310	804,841	934,933	6,635	**13,168,249**
Accruals transferred to the fund	1,810,817	40,390	614,515	257,500	31,267	4,906	2,402	**2,761,797**
Accruals transferred from the fund	(7,648,040)	(165,376)	(22,237,971)	(23,673,116)	(3,585,997)	(71,386)	(103,239)	**(57,485,125)**
Payments	(188,677)	6,815	(2,971,441)	(3,665,567)	(1,646,676)	(83,912)	(60,890)	**(8,610,348)**
Surplus revenues (losses) over expenses in the period	(2,965,821)	(103,723)	(9,804,670)	(10,261,707)	(2,210,227)	(1,024,014)	(101,418)	**(26,471,580)**
Revenues from accrual management fees	34,798	1,343	514,046	549,872	89,390	13,835	6,350	**1,209,634**
Revenues from deposit management fees	67,273	4,061	4,450	-	-	-	-	**75,784**
Average annual rate of management fees from active assets (%)	0.11	0.18	0.68	0.75	0.67	0.23	0.21	
Average annual rate of management fees from inactive assets (%)	0.12	0.28	0.65	0.70	0.65	0.23	0.64	
Average annual rate of management fees from assets – annuities (%)	0.34	0.33	-	-	-	-	-	
Average annual rate of management fees from deposits (%)	1.45	1.46	0.37	-	-	-	-	

3.1.6 New products

See details of products and changes therein in and after the Reporting Period in paragraph 3.1.3 above.

3.1.7 Clients (members)

Altshuler Provident has a diverse client base. Members of provident funds, study funds and pension funds managed by it include members who are self-employed, salaried employees, employers and collective members (such as Kibbutzim). There is no single client or client group added through an employer agreement, the revenues from which exceeds 10% of total revenues of Altshuler Provident. Furthermore, there is no single client or client group added through an employer agreement, whose managed assets exceed 1% of total assets. Altshuler Provident is not dependent on any individual client or small number of clients, nor on nay client group added through an employer agreement, whose loss would materially impact Altshuler Provident's operations. Altshuler Provident has some 2.2 million clients. See information of balances and movements of managed assets in paragraph 3.1.5 above.

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

	December 31, 2024	December 31, 2023
Comprehensive pension	392,166	376,930
General pension	21,899	21,248
Rewards and severance	811,046	886,535
Study fund	634,090	730,272
Central severance pay fund	1,962	2,024
Investment provident funds	169,845	168,538
Investment provident fund – Savings for Every Child	965,387	981,581
Central provident fund for budgetary pension participation	3,704	4,042
Central sick pay fund	74	77
Total	**3,000,173**	**3,171,247**

3.1.8 Marketing and distribution

Altshuler Provident markets its products through multiple distribution channels, primarily through pension insurance agencies and agents. It has been co-operating for years with leading pension insurance agencies and agents, but it is not dependent on any particular agent or agency.

Altshuler Provident also works with insurance agencies in the Altshuler Group. For more information about marketing agreements between Altshuler Provident and said agencies, see Note 25 to the financial statements in chapter C to this report.

Moreover, Altshuler Provident has contracts in place with all banks involved in providing advisory services, for distribution of its products, as well as agreements and working relations with many independent advisors in the market.

Other than the aforementioned distribution channels, Altshuler Provident allows individuals to enroll in its products through digital tools and/or through pension savings marketing agents and/or pension insurance agents affiliated with the Group. Altshuler Provident constantly strives to enhance the digital enrollment processes, so as to make them simple and accessible and to allow for rapid enrollment in its products. Altshuler Provident also advertises and markets its products through media advertising: TV, internet, billboards, sponsorships and participation in professional conferences.

<u>Information about acquisition costs and annual commissions (NIS in thousands) to external distributors, for provident funds and for pension funds</u>

<u>2024</u>

	Repaid commissions (2)		Target commissions (1)		Total	
	Provident	Pension	Provident	Pension	Provident	Pension
Agent/agency	190,509	3,882	41,399	23,403	231,908	27,285
Party affiliated to and/or controlled by the Company (3)	3,409	-	151	22	3,560	22
Banks	48,389	-	-	-	48,389	-
Non-bank pensionary advisors	467	-	-	-	467	-
Total	242,774	3,882	41,550	23,425	284,324	27,307

<u>2023</u>

	Repaid commissions (2)		Target commissions (1)		Total	
	Provident	Pension	Provident	Pension	Provident	Pension
Agent/agency	212,323	4,397	11,926	2,850	224,249	7,247
Party affiliated to and/or controlled by the Company (3)	3,494	1	116	3	3,610	4
Banks	51,451	-	-	-	51,451	-
Non-bank pensionary advisors	441	-	-	-	441	-
Total	267,709	4,398	12,042	2,853	279,751	7,251

<u>2022</u>

	Repaid commissions (2)		Target commissions (1)		Total	
	Provident	Pension	Provident	Pension	Provident	Pension
Agent/agency	298,137	5,216	5,043	5,692	303,180	10,908
Party affiliated to and/or controlled by the Company (3)	4,119	2	73	40	4,192	42
Banks	62,573	-	-	-	62,573	-
Non-bank pensionary advisors	553	-	-	-	553	-
Total	365,382	5,218	5,117	5,732	370,499	10,950

(1) Note that this does not reflect the annual accounting expenditure for commission on Company accounts, since the expense with respect to target commissions is accounted for over time by the Company.

(2) Net of settlement fees.

(3) For more information about the Company's agreements with related parties for distribution of Company products, see Note 25 to the financial statements in chapter C to this report.

3.1.9 Competition

Provident funds

The provident fund market is characterized by extensive competition and many players operating in this field. Competition is due to both economic and commercial factors, which have dictated the price competition in recent years (such as raising public awareness of retirement savings), and to regulatory processes in the field of insurance, savings and capital market. This competition has eroded margins for companies operating in this segment. Competition has also increased due to entry of new players, which makes the environment in which the Company does business more highly competitive, insurance agents who have changed their business focus, new agents joining this market as well as increased public discourse around retirement.

As of December 31, 2024, the Company is the largest player in the provident fund market, with a market share of about 15.5% of total assets under management in provident funds and study funds, compared to about 17.89% as of December 31, 2023.

To the best of its knowledge, the Company's major competitors in the provident fund market are: Yelin Lapidot Provident Fund Management Ltd.; More Provident and Pension Funds Ltd.; HaPhoenix Pension and Provident Funds Ltd.; Harel Pension and Provident Funds Ltd.; Meitav Provident and Pension Funds Ltd.; Clal Pension and Provident Funds Ltd., Migdal Makefet Provident and Pension Funds Ltd.; Analyst Provident Funds Ltd.; and Menora Mivtachim Pension and Provident Funds Ltd.

Pension funds

In recent years, the pension fund market has seen the inception of default funds ("**designated pension fund**"), which increased competition, primarily with respect to employers. Nevertheless, the pension fund market continues to be highly centralized. In the pension fund segment, there are 9 new pension funds, with those of insurance companies holding nearly 90% of total assets under management in the new pension fund market. As of December 31, 2024, of nine local pension fund managers, the Company is ranked 7th, with a market share of 3.61% of total assets under management in new pension funds.

As noted, the launch of the "default pension fund" reform has somewhat increased competition in this segment. This is further reinforced by the Supervisor's directive, whereby existing agreements which carry a maximum management fee would expire on April 1, 2018 – one year prior to the date specified in the original directive. Furthermore, on April 1, 2019, the existing default agreements between employers and pension funds expired – and this directive also promoted competition and reduced the concentration in this segment. In September 2024, another tender was held for selecting designated pension funds and Altshuler Provident won the title of designated pension fund once more.

To the best of its knowledge, the Company's major competitors in the pension fund market are: Harel Pension and Provident Funds Ltd.; Menora Mivtachim Pension and Provident Funds Ltd.; Clal Pension and Provident Funds Ltd.; Migdal Makefet Pension Funds and Provident Funds Ltd.; HaPhoenix Pension Funds Ltd.; Meitav Provident and Pension Funds Ltd.; More Pension and Provident Funds Ltd.; and Infinity Study, Pension and Provident Funds Ltd.

Major ways to address the competition

Altshuler Provident makes a concerted effort to recruit new clients by highlighting its advantages over the competition and by reinforcing relations and expanding the current distribution system. It also strives to make forms digitally accessible for clients and to improve online enrollment processes for its products, so as to make them simple and user-friendly and takes steps to minimize outbound transfers of members to business rivals and streamline internal work processes.

Due to the concentration in the new pension fund market, as described above, Altshuler Provident directs marketing and advertising resources to increase awareness of its pension funds through, inter alia, participating in employer conferences and holding professional daily seminars for agents.

Altshuler Provident also leverages the selection of its pension fund as a designated pension fund by the Capital Market Authority to recruit new clients for both the pension product and to other products.

Other than the foregoing, Altshuler Provident manages its members' funds professionally and with diligence, while attempting to maintain stability over time and to generate high returns. Concurrently, it applies investment policy designed to reflect a risk-reward ratio that is appropriate for the needs of its clients through, inter alia, geographic and sector diversification, and by focusing on liquid assets that allow Altshuler Provident to change the asset allocation and to respond to market events as required.

3.1.10 Seasonality

Provident funds of salaried members are based on current monthly contributions by their employers. Mandatory Pension Act for Self-employed Members, which became effective in 2017, and the launch of investment provident funds, have brought about significant growth in contributions in November-December, compared to deposits in other months. Self-employed members tend to make contributions in these months in particular, so as to benefit from diverse tax benefits. Furthermore, in November-December, members in investment provident funds tend to make up their contributions to such funds up to the legal annual contribution cap per person (for more information about the cap as of the Report Approval Date, see paragraph 3.1.2 above). In these months, contributions to study funds by self-employed members are also higher.

Note that although some seasonality exists in member contributions to funds managed by Altshuler Provident, this has no direct bearing on the Company's financial results.

3.1.11 Fixed assets

For information of property, plant and equipment as of the Report Date, see Notes 5, 6 and 8 to the financial statements hereby attached to this report as Chapter C. For information about the Company's agreement with provident and pension fund operating system vendors (for managing member rights), see paragraph 3.1.14 below.

3.1.12 Intangible assets

Altshuler Provident has intangible assets consisting of goodwill and customer relations. Moreover, the Group owns various trademarks duly registered with the Ministry of Justice Trademark Registry, some of which are used by Altshuler Provident. For more information about intangible assets owned by the Company, see Note 5 to the financial statements attached in Chapter C to this report.

3.1.13 Human capital

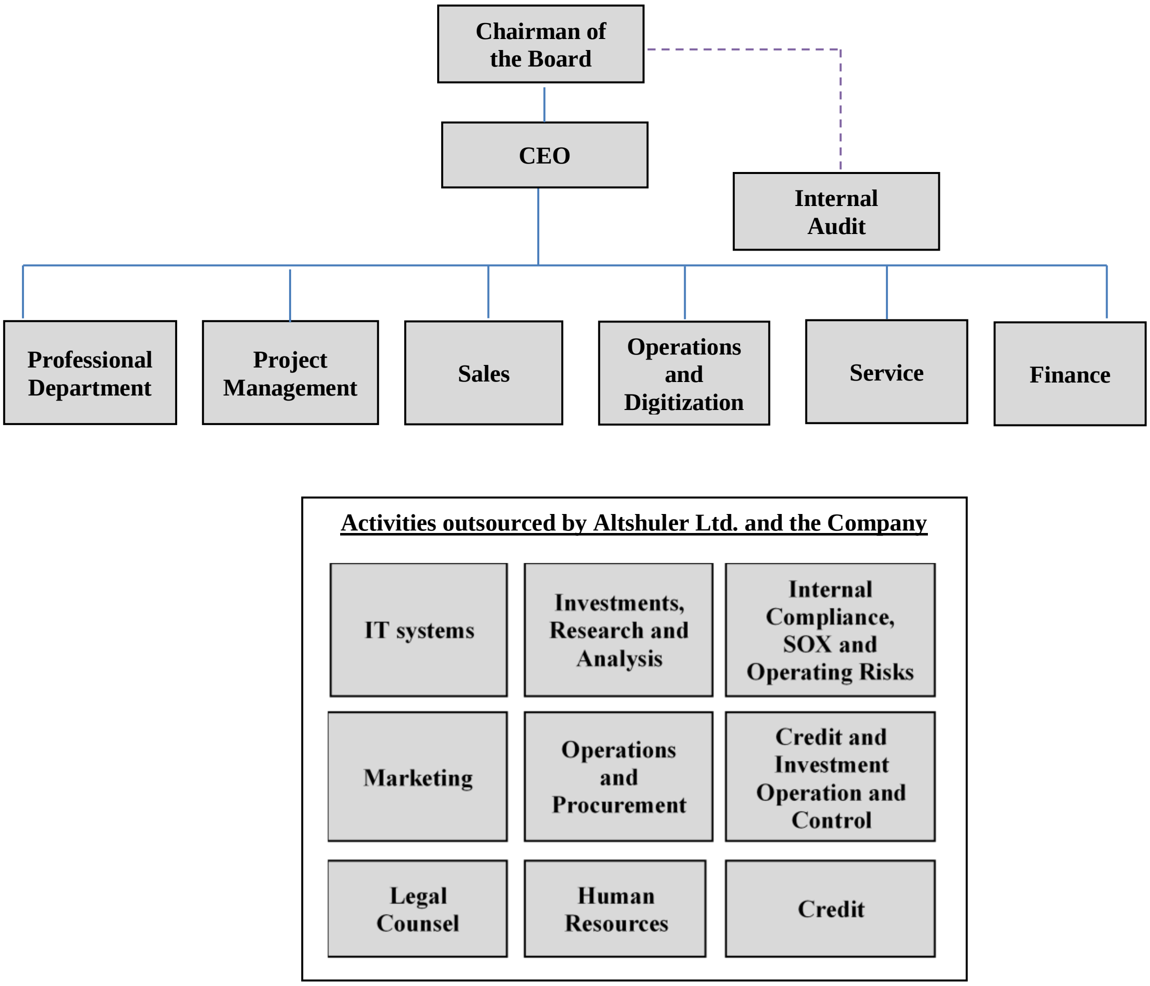
3.1.13.1 Overview

As of the Report Date, total employees in this operating segment employed by the Company and Altshuler Provident and outsourced by subcontractors, including by related parties which provide services to Altshuler Provident, consist of 6 officers and 797 employees (based on position scope). As of December 31, 2024, this segment employed 7 senior officers and 789 employees in total (based on position scope).

Following is the breakdown of employees in the segment as of December 31, 2024 and 2023 by department:

Department	December 2024	December 2023
Operations	206	192
Service	283	277
Sales and marketing	80	89
IT systems	82	89
Investments	63	62
HQ	83	80
Total	**797**	**789**

3.1.13.2 Chart of Altshuler Provident's organizational structure



3.1.13.3 Material changes in employee headcount during the Reporting Period

(a) On January 1, 2024, Ms. Lilach Hirschhorn was appointed as VP Sales instead of Mr. Ronen Golan whose service as VP Sales, Agents and Advisors in Altshuler Provident was terminated.

(b) On September 1, 2024, Mr. Yuval Markovich was appointed as VP of Operations and Digitization instead of Ms. Ifat Porat who served as VP of Operations whose service was terminated.

3.1.14 Suppliers and service providers

3.1.14.1 Provident funds

Bank Leumi (Leumi Capital Market Services Ltd.) ("**Leumi Capital Market**")

On December 29, 2021, Altshuler Provident and Leumi Capital Market signed an agreement for provision of operating services for provident funds and study funds managed by Altshuler Provident (in this paragraph - "the agreement" and "the services", respectively), superseding the agreement between the parties dated March 26, 2012. The agreement term is 7 years, from January 1, 2020 through December 31, 2026. The agreement is automatically renewed for subsequent terms of 12 months each. For services provided by Leumi Capital Market, Altshuler Provident pays the fees agreed by the parties, up to a cap specified in the agreement. Altshuler Provident believes it is somewhat dependent on this provider, as transition to an alternative provider will involve a significant additional cost.

3.1.14.2 Pension funds

Sapiens Technologies (1982) Ltd. ("**Sapiens**")

In December 2020, the Company signed an agreement with Sapiens Software Solutions (Life and Pension) Ltd., then a wholly owned subsidiary of Sapiens, for provision of operating services to the Company's pension fund (in this paragraph - "**the agreement**" and "**the services**", respectively). The agreement was for a period of three years from July 1, 2020 through June 30, 2023. At the end of the agreement period, it is automatically renewed for additional 12-month terms. In return for the services, the Company pays the fees agreed by the parties. On March 31, 2022, the parties signed an addendum to the agreement for upgrading the Company's pension fund operating system (for management of member rights). The agreement was also extended until September 30, 2027 and settles the fee for the system upgrade. In the Reporting Period, Sapiens Software Solutions (Life and Pension) Ltd. was statutorily merged into Sapiens effective from January 1, 2024. In the Reporting Period, the parties signed an amendment to the agreement according to which the comptroller services rendered by Sapiens Software Solutions (Life and Pension) Ltd. (consisting of investment asset management, comptroller and data output services) were assigned to Sapiens. The Company is dependent on this provider, as transition to an alternative provider will involve a significant additional cost.

3.1.14.3 General

Partner Wireline Communications Solutions Limited Partnership ("**Partner**")

In June 2017, Altshuler Provident and Partner signed an agreement for provision of communication and hosting services Altshuler Provident's servers (in this paragraph - "the original agreement" and "the services", respectively). The original agreement was later updated in effect from January 1, 2022 (in this paragraph – "the agreement"). The agreement is for a term of 24 months from the service inception date or until its termination by Altshuler Provident, whichever is later. Altshuler Provident is dependent on this provider, as transition to an alternative provider will involve a significant additional cost.

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

3.1.15 Working capital

Working capital items mainly consist of credit from suppliers and service providers, deferred revenue from management fees, cash and cash equivalents, short-term investments and short-term credit and are managed at the Group level. See more information in paragraph 4.4 below.

3.1.16 Investments

Investment management by Altshuler Provident

Altshuler Provident manages its investments in each channel while considering the best interests of savers, as measured over the long term, and subject to regulatory provisions. Investment management is carried out by the investment arm as follows:

The Investment Committee and investment system

The Investment Committee operates as governed by the investment policy set by Altshuler Provident's Board of Directors and directs the Investment Manager to act accordingly. The Investment Committee determines the exposure to major asset classes, while investment managers select the specific securities for investment subject to the specified policy. The Investment Committee convenes at least once every two weeks to receive an economic overview from the investment managers about the fund performance in the relevant period, holdings of the funds and other matters that require reporting from time to time.

The investment support system

The investment support system is tasked with processing, settlement, transfers and valuation of all financial transactions conducted by the investment arm. The investment support system is also responsible for ensuring that all transactions that have been conducted are logged and valuated accurately and in a timely manner. The support system is also responsible for IT and for process improvement. The investment support system is also responsible for ensuring settlement and required adjustments for various entities, as stipulated by regulatory requirements and controls. The investment support system also conducts ongoing investment control and is in charge of regular monitoring of the compliance of the Investment Manager's performances with the Investment Committee's decisions and with applicable regulatory provisions. The investment control function reports to the Investment Committee and to Altshuler Provident's key management personnel as needed.
It should be noted that the teams of the investment arm and investment support system are employed by Altshuler Ltd. and outsource their services to Altshuler Provident based on the service and cost allocation agreement detailed in Note 25e(2)(a) to the financial statements hereby attached in Chapter C.

The annual investment policy

Once a year, Altshuler Provident's Board sets forth and approves the investment policy for the provident and pension funds managed by Altshuler Provident in the operating segment, after having received and discussed the recommendations of the Investment Committee. The Board also receives ongoing reports from Altshuler Provident's Credit Manager, Bad Debt Center, Investment Manager and Financial Risk Manager. Altshuler Provident's investment policy relies on macroeconomic and microeconomic analyses of capital markets in Israel and overseas and is reviewed from time to time by the Investment Committee and revised as needed. In general, the funds invest in diverse asset classes, such as: shares in Israel and overseas, government bonds, corporate debentures, loans in Israel and overseas, real estate and various equity funds with geographic and sector diversification of the investment portfolio. The funds may also invest, from time to time, in Group products (including hedge funds) or along with other Group companies, all subject to statutory provisions.

Hedging policy

Altshuler Provident uses derivatives and other instruments as hedges against capital market volatility and currency risk and as a means of mitigating the currency exposure of investing in foreign products and securities.

3.1.17 Financing

See more information of Altshuler Provident's financing agreements, loans and borrowings in Note 18 to the financial statements hereby attached to this report as Chapter C.

3.1.18 Taxation

Altshuler Provident is a financial institution, as this term is defined in the Value Added Tax Law, 1975. The tax applicable to a financial institution's income is comprised of corporate tax and capital gains tax. See more information in Note 15 to the financial statements hereby attached to this report as Chapter C.

3.1.19 Restrictions and supervision in the operating segment

Altshuler Provident's operations are subject to a long list of regulatory restrictions and rules specified in legislation and in circulars, to directives and positions from the Capital Market Authority which govern many subjects including, inter alia, directives with regard to structure of the management company, including corporate governance rules, requirements with regard to control and holding of Altshuler Provident, as well as provisions with regard to its on-going operations and conduct in management of provident and pension funds, including restrictions on making investments, management of member rights, AML provisions, directives and restrictions with regard to charging commissions and management fees to members, provisions with regard to business continuity in emergencies and so forth. Below is a concise description of some of the material statutory provisions applicable to Altshuler Provident in its provident fund and pension fund operating segments which, Altshuler Provident believes, have or may have material impact on its operations and results in the operating segment:

a. Primary legislation and regulations which may have material impact on Altshuler Provident's operations

Below is a concise description of legislation and regulations which may materially impact Altshuler Provident's operations and its competitive positioning as of the Report Date; This is not an exhaustive description of all legislation, regulations and circulars applicable to its operations.

(1) Provident Fund Law

The Provident Fund Law became effective in November 2005. It governs management and operations of a provident fund management company, including company registration, requirements regarding shareholder equity and insurance, licensing, board members, board committees, qualifications of board members and investment committee members, restrictions with regard to transfer of means of control over a management company, authority of the board of directors and investment committee and provisions with regard to sanctions and penalties which the Supervisor of Capital Market may impose. Over time, additions were made to the Provident Fund Law in various amendments concerning, for example, new products added to the retirement savings market, rules regarding service provision, calculation of agent commissions and mandatory contributions. Note that the Provident Fund Law imposes certain provisions on a management company pursuant to the Insurance Supervision Law, including with regard to pension fund management and with regard to licensing of a pension fund management company as insurer.

(2) Income Tax Ordinance

Deposits and withdrawals from provident and pension funds of the Company are naturally subject to the Income Tax Ordinance.

Amendment No. 190 to the Income Tax Ordinance, issued on May 14, 2012 (and Amendment No. 8 to the Supervision of Financial Services Law (Provident Funds), 2005 as a consequential amendment) is designed to enable savings at retirement age and their heirs to benefit from tax benefits and fund management through provident funds. Some of the tax advantages included in this amendment are: exemption from capital gain tax when conducting transactions which may constitute a taxable event in other investment channels; allowed transition between investment tracks with no tax payable; exemption from capital gain tax should the member elect to receive their funds as a monthly pension or, alternatively, a one-time conversion of the pension into a lump sum payment, subject to certain conditions, subject to a reduced tax payment at 15% of nominal gain; the amendment also includes tax benefits with regard to heirs of the member. The Company believes that this amendment increased and will continue to increase total contributions to provident and pension funds managed by Altshuler Provident.

(3) Income Tax Regulations

Before the Provident Fund Law was enacted, the Income Tax Regulations were the principal legislation that governed the current operations of provident funds and managing companies. The Income Tax Regulations settle certain rules of managing provident and pension funds and prescribe the rate of contributions to provident funds, the activity of investment committees and the payments and reports to members etc.

(4) Distribution Commission Regulations

The Distribution Commission Regulations became effective in April 2006, requiring provident fund managers, upon fulfillment of certain conditions (such as distribution agreement in place, agreement between advisor and client in place and more) to pay distribution commissions to retirement advisors at a fixed, specified rate not to exceed 0.25%.

(5) Supervision of Financial Services Regulations (Provident Funds) (Attendance of General Meeting by a management company), 2009

On October 8, 2009, regulations became effective, listing cases in which a management company is required to attend a general meeting of a corporation in which it has voting rights, how to form policy with regard to voting and caveats with regard to mandatory voting.

Further to these regulations being issued, a circular was issued regarding increased involvement of institutional investors in the capital market, which governs the obligation of institutional investors to make public their policy and actual voting in corporations in which they have voting rights. These regulations, although they may not impact Altshuler Provident's revenues, do require companies in this field to enhance their analysis and compliance departments and how they are implemented may have an effect on Altshuler Provident's reputation.

(6) Shareholder equity regulations and circular

The shareholder equity regulations and circular became effective on March 29, 2012. Pursuant to provisions of these regulations, the minimum required shareholders equity for a management company would be the higher of the following: (a) NIS 10 million; (b) 0.1% of assets under management, for assets under management amounting up to NIS 15 billion, 0.05% of assets under management over said limit and 25% of annual expenses.

The circular complements the regulations and provides relief for equity requirements for any management company that has obtained professional liability insurance or insurance to cover breach of fiduciary duty of employees thereof, subject to conditions set forth in the circular.

As of the Report Date, Altshuler Provident is in compliance with provisions of the shareholder equity regulations and circular and expects to continue to be in compliance therewith on all of the relevant dates.

(7) Supervision of Financial Services Regulations (Provident Funds) (Management Fee), 2012

The regulations determine the maximum management fees that may be charged from the provident funds managed by Altshuler Provident. The regulations had a material impact on the management fees charged by companies in Altshuler Provident's operating segment. The Company believes that in the future, management fees in this field will continue to trend moderately lower.

(8) Supervision of Financial Services Regulations (Provident Funds) (Investment Rules Applicable to Institutional Investors), 2012 ("**Investment Rules Regulations**")

The Investment Rules Regulations (with complementary provisions set forth in Chapter "Investment Asset Management" in the regulatory codex of the Capital Market Authority) list the rules applicable to investments by provident funds managed by Altshuler Provident and with regard to investment of Altshuler Provident's nostro funds.

(9) Direct Expense Regulations

The Direct Expense Regulations stipulate the types of direct expenses with respect to conducting transactions in provident fund assets, which institutional investors may charge to member accounts. On October 30, 2022, an amendment to these regulations was published which sets forth directives for charging direct expenses based on the various investment tracks set up from January 1, 2023, including how to charge direct expenses in a yield-guaranteed investment channel. According to the amendment, for certain investment tracks, institutional investors must determine in advance for each investment track individually the maximum rate of direct expenses classified as "external management commissions" that they may charge from members during a calendar year. Institutional investors are required to publish on their website the "external management commission" restriction which they may charge by December 31 of the year before the year in which the restriction was set. The "external management commission" restriction cannot include an expense that consists of payment of variable management fees, as defined in the regulations.

(10) Anti-Money Laundering Act

The AML Law in Israel stipulates various provisions applicable to the operating segment, to prevent money laundering and terrorism financing, including provisions with regard to mandatory client identification, conducting a Know Your Client process, information verification, required documents and recording of client information, storing documents, reporting to the AML Authority, mandatory application of current controls, setting policy, tools and risk management with respect to AML and terrorism financing and so forth. Further provisions are included in circulars and publications issued by the Capital Market Authority. Failure to comply with provisions of the AML Law and directives of the Authority may expose Group companies and employees to criminal and civilian sanctions, and require the Company to invest operational resources.

b. Capital Market Authority circulars and ordinances which may have material influence on Altshuler Provident's operations

(1) Designated pension fund – Capital Market Authority Circular 2021-5846 "Process for Selection of Designated Funds"

The Circular stipulates rules with regard to the process to determine the selection of comprehensive funds that will constitute designated funds, from November 1, 2024 through October 31, 2028 ("**the selection period**"), including the management fees they may charge. It also sets forth a distribution mechanism based on ID check digits that will be used by employers to identify the designated fund per employee out of a selection of designated funds. The mechanism becomes effective on June 1, 2025 and applies to employers with at least 50 employees who add to a designated fund employees who have not exercised their right to select a provident fund after having been given the right to do so. The Circular also offers guidelines for optional conversion of management fees from accrual to contribution insofar as the new composition of management fees benefits the member as per article 5 to Institutional Investor Circular 2024-9-6, "Directives for Selecting Provident Fund – Update" (of August 25, 2024). On September 19, 2024, the comprehensive pension funds of the following management companies were announced as their designated funds during the selection period: Altshuler Provident, Meitav Provident and Pension Funds Ltd., Infinity Study and Provident Fund Management Ltd. and More Provident Funds Ltd. It was also decided that as per the distribution mechanism, employees whose ID check digit is 2 or 3 will be enrolled to a managing company's comprehensive pension fund and that the management fees charged by a managing company of a designated fund from enrolled members from November 1, 2024 and as long as the comprehensive pension fund is a designated fund (other than members added as per a default fund agreement selected per article 7 to the Circular) will not exceed the following rate: management fees from contributions – 1% and management fees from accruals – 0.22% for a period of at least 10 years after the enrollment date.

(2) Expansion Ordinance regarding Increased Contributions for Retirement Insurance pursuant to the Collective Bargaining Agreements Act, 1957

Pursuant to the Expansion Ordinance, as from January 2017 the employee contributions to a pension fund and/or non-pension provident fund were increased to 6% and the employer contributions were increased to 6.5%.

(3) Institutional Investor Circular 2017-9-15 "Management fees in retirement savings instruments – Amendment"

The amendment to stipulates, inter alia, that discounted management fees would be granted for at least five years and provisions which govern cases in which the management fees may be increased even prior to end of the five-year period. This amendment reduces Altshuler Provident's flexibility in increasing management fees charged to savers, and therefore may negatively affect revenues of companies in this field.

(4) Circular 2018-9-19 "Outsourcing by Institutional Investors"

On June 3, 2018, the circular 2018-9-19 "Outsourcing by Institutional Investors" was issued, followed by an amendment which is designed to ensure, inter alia, that outsourcing of material operations of institutional investors would be carried out by appropriate service providers, and the relations between such provider and institutional investor would be governed by a well-specified, written agreement. The circular further stipulates control and supervision arrangements and arrangements designed to reduce and address any potential conflict of interest, such that the outsourced operations would not impact the efficiency and independence of the institutional investor's control and supervision mechanisms.

The circular further stipulates rules for use of outsourcing by institutional investors, including the process of outsourcing operations and on-going management thereof. The circular expands the roles of the board of directors and lists criteria to which the outsourcing policy should make reference.

(5) Provisions of consolidated circular, Chapter 2 of Part I, Volume 5 "Board of Directors of an institutional investor"

On August 26, 2018, the circular "Board of Directors of Institutional Investor" was issued, replacing provisions with regard to the board of directors and to board committees in the board of directors and board committee regulations and in the circular "Operating Procedure - Board of Directors and Board Committees". This circular stipulates provisions with regard to composition and qualifications of board members, composition, roles, authority and conduct of the board of directors. The circular became effective on April 24, 2019 and was published in the regulation codex.

Altshuler Provident's assessments with regard to potential impact of legislation, regulations and circulars applicable to its operations constitute forward-looking information, as this term is defined in the Securities Law. Altshuler Provident's assessments, as noted in this section, including with regard to which legislation, regulations and circulars have material impact on its operations, may fail to materialize, or may materialize partially or differently than anticipated due, inter alia, to factors outside of its control, such as changes in public preferences, enforcement policy of enforcement entities and so forth.

3.1.20 Business strategy and targets in the operating segment

Altshuler Provident's strategy is to maintain its position as a leader in the provident and pension fund market in Israel, with emphasis on growing profitability, excellence and leadership position in the capital market, generating optimal returns for its clients over time and strict adherence to transparency, professional attitude, reliability and fairness, improvement of customer service, service and product innovation and technological leadership.

Consequently, Altshuler Provident strives for expansion and business growth, innovation, development and establishing retirement products in response to its clients' needs, identifying new business opportunities, achieving organizational efficiency by reducing expense rates, ensuring that organizational and technological infrastructure is maintained for future growth, reinforcing control systems and maintaining risk management and regulatory compliance systems. In the investment sector, Altshuler Provident focuses on identifying cost-effective investment opportunities for generating returns for its customers. In response, Altshuler Provident allocates a considerable portion of investments to foreign markets. This business strategy minimizes risk and exposure to the local market's economic volatility and diversifies the investment options. In 2025, Altshuler Provident will continue to bolster and preserve the overall brand of the investment house, of pension products and in particular, of the pension fund, through marketing measures available to it, including by way of digital marketing.

Altshuler Provident's strategy, as set forth above, reflects its policy regarding the provident and pension fund management operations as of the Report Approval Date and is based on assessments of the operating segment and Altshuler Provident's position as of said date. Altshuler Provident may decide not to implement the aforementioned strategy, in whole or in part, due to the following reasons: changes to capital markets in Israel and overseas, changes to economic feasibility, changes to competitive market conditions and changes to actual markets, regulatory changes and required regulatory approvals, as well as due to other risk factors applicable to its operations, as set forth in paragraph 4.11 below.

3.1.21 Disclosure of risk factors

See an analysis of the risk factors applicable to Altshuler Provident in paragraph 4.11 below.

3.2 Other Operations – Alternative Investments

3.2.1 The Alternative Investment Operation

As discussed in paragraph 1.5 above, as of the Report Date, the Company manages, initiates, markets and distributes alternative investments through Altshuler Real Estate, Altshuler Investment Funds and iFunds.

As of the Report Date, total alternative assets managed by Altshuler Real Estate and Altshuler Investment Funds and distributed by iFunds in this operation approximate $ 374 million compared with approximately $ 98 million as of December 31, 2023.

After the Report Date, the transfer of Altshuler Real Estate under Altshuler Alternative was completed and therefore as of the Report Approval Date, the Company considers the entire activities mentioned above as part of the Alternative Investment Operation. Also, in the Reporting Period, Mr. Tzafrir Zanzuri was appointed as CEO of Altshuler Alternative.

3.2.1.1 Overview

3.2.1.1.1 Alternative Real Estate

On June 28, 2022, Altshuler Real Estate was founded as a private company limited in shares which is 80.75% controlled by the Company and owned by Ms. Sharon Gerszbejn (7%), who serves as Deputy CEO and CFO in the Company, and Mr. Earl Zinn (12.25%), who serves as CEO of Altshuler Real Estate (in this paragraph - "**the shareholders**"). On August 1, 2022, the shareholders entered into an agreement which settles their business relationship, including the management of Altshuler Real Estate, share dispositions and Buy Me Buy You mechanisms. See also paragraph 3.2.1.11.4 below.

After the Report Date, an agreement was closed for the transfer of the Company's interests in Altshuler Real Estate and in entities related thereto to Altshuler Alternative. Accordingly, as of the Report Date, the Company indirectly holds 80.75% of Altshuler Real Estate's issued and outstanding share capital through Altshuler Alternative.

In the context of its alternative real estate investment management and development activities, Altshuler Real Estate identifies potential real estate investments independently or through third parties, conducts an analysis of potential investments through due diligence studies and term sheets, studies the business plan, visits the property and analyzes the real estate developer and the material underlying risks. After completing the due diligence studies, insofar as the prospective investment gets the green light, Altshuler Real Estate acts to raise capital and/or debt from private investors by incorporating them in a specific or several investment entities.

Altshuler Real Estate serves as the general partner and/or manager of the investment entity. The agreements for incorporating the private investment entities settle Altshuler Real Estate's rights as a GP and/or manager and/or investment developer. The agreements may include mechanisms setting forth management fees, development fees, carried interest that is contingent on minimum annual return to investors and reimbursement of expenses in connection with Altshuler Real Estate's activities. The Company or Altshuler Real Estate may also invest and participate in investments at their sole discretion and as permitted by law.

Concurrently with the equity and debt raising process, Altshuler Real Estate prepares and signs investment documents, including legal agreements of capital and/or debt investments by the investment entities. Once the investment agreements have been signed and the funds have been raised, the investment entities provide the necessary funds for the investments after which Altshuler Real Estate also monitors and assists the investment by the local real estate developer.

On February 5, 2024, the General Meeting of Shareholders approved an amendment to the service agreement with Altshuler Real Estate according to which the Company and Altshuler Real Estate interchange services. See also paragraph 8.2 to Chapter D to this report.

In the Reporting Period, Altshuler Real Estate completed raising three investments in the United States and two investments in Europe totaling approximately $ 35 million and € 23 million, respectively, of which the Company's share of the investments was approximately $ 2.5 million.

As of the Report Date, total assets managed by Altshuler Real Estate approximate $ 130 million under 10 investment entities compared with $ 71 million in 2023 under 5 investment entities. The investment entities invest in assets in the U.S. and Europe in partnership with leading real estate groups and developers: two investment entities invest in residential properties in the U.S. One investment entity invests in commercial centers in the U.S. One investment entity invests in office properties in the U.S., four investment entities invest in office properties in Europe (including two through investments in REITs) and two investment entities invest in industrial properties in the U.S.

After the Report Date, Altshuler Real Estate closed two more investments in the U.S. in a total of approximately $ 24.3 million in which the Company's share is approximately $ 1.25 million, representing about 5% of the investments. As of the Report Approval Date, total assets managed by Altshuler Real Estate approximate $ 155 million.

3.2.1.1.2 Altshuler Investment Funds

On January 26, 2023, Altshuler Investment Funds was incorporated as a private company limited in shares. It is wholly owned by Altshuler Alternative, which is a wholly owned subsidiary of the Company. Altshuler Investment Funds serves as GP in limited partnerships and/or special purpose funds for which it raises capital privately and from the public. This operation is performed concurrently with the alternative real estate investment management operation as detailed in paragraph 3.2.1.1.1 above.

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

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

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

In the Reporting Period, the first investment round which began in 2023 was closed at approximately $ 11.4 million (bringing the total initial investment raised to approximately $ 36.4 million). As of the Report Date, total assets managed by Altshuler Investment Funds approximate $ 36.4 million compared with approximately $ 25 million as of December 31, 2023.

After the Report Date, Altshuler Investment Funds began raising an additional investment of approximately $ 26.6 million as of the Report Approval Date, which has not yet been closed. The Company's share of the investment was approximately $ 500 thousand. As of the Report Approval Date, total assets managed by Altshuler Investment Funds approximate $ 63 million.

3.2.1.1.3 iFunds

On February 12, 2024, after obtaining the approvals of the Company's Audit Committee, Board and General Meeting, the Company, through a wholly owned subsidiary, Altshuler Alternative, completed the acquisition of the shares of Altshuler Shaham Global Opportunities Ltd. ("**A.S. Global**"), which had been held by Altshuler Ltd. and account for 50% of the issued and outstanding share capital of A.S. Global ("**the acquisition agreement**"). A.S. Global holds 80% of the issued and outstanding share capital of iFunds so that as of the Report Date, Altshuler Alternative indirectly holds about 40% of the issued and outstanding share capital of iFunds. It should be noted that iFunds plans to allocate its officers shares or options that are convertible into shares accounting for up to 5% of its issued share capital.

According to the acquisition agreement, Altshuler Alternative also purchased the shareholders' loan provided by Altshuler Ltd. to iFunds whose balance as of February 12, 2024 was approximately NIS 6,372 thousand and as of the Report Date amounts to approximately NIS 10,346 thousand. The shareholders' loan bears annual interest at the minimum rate prescribed in the Income Tax Ordinance.

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

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

After closing, the Company, Altshuler Alternative and iFunds signed an agreement according to which the Company and/or Altshuler Alternative (themselves or through employees or service providers on their behalf) will provide iFunds various services for its current operations. See also paragraph 3.2.1.11.6 below.

3.2.1.2 Marketing and distribution

Marketing is performed by the Company's marketing and sales department and in collaboration with other sales departments of the Altshuler Group. The Company also entered into marketing and lead agreements with outside distributors based on predetermined distribution agreements. See details of distribution agreements signed with the insurance agencies of the Altshuler Group in paragraphs 7.9 and 7.10 to Chapter D to this report. See details of iFunds' agreement with Bank Leumi in paragraph 3.2.1.1.3 above.

3.2.1.3 Breakdown of revenues and profits of products and services

Altshuler Real Estate is entitled to origination fees from investment entities. Moreover, in return for managing the investment entities, Altshuler Real Estate and Altshuler Alternative qualify for annual management fees and carried interest subject to obtaining a minimum annual rate of return for the investors. The origination fees are paid on the transaction closing date, the management fees are paid on a regular basis, and the carried interest is paid individually based on each agreement with an investment entity.

In 2024 and 2023, the Company recognized current management fees of NIS 6,095 thousand and NIS 1,646 thousand and origination fees of NIS 6,421 thousand and NIS 4,300 thousand, respectively.

As of the Report Date, the Company has invested by itself in four investment transactions managed by Altshuler Real Estate at a scope of 5% of each investment transaction and in an aggregate total of approximately $ 2.5 million.

See details of carried interest from investments closed from the inception date of the Operation that were not recognized in the Company's financial statements in paragraph 1.4 to the Board of Directors' Report hereby attached to this report as Chapter B.

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

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

A major limitation that applies to the operation of the limited partnerships and special purpose funds derives from the Securities Law and ISA guidelines (or corresponding provisions in the Mutual Trust Investments Law). The distribution of a participation unit of limited partnerships without a prospectus may be construed as a public offering of securities and therefore, in the absence of a prospectus, is only permitted to qualified entities as listed in the First Addendum to the Securities Law or to a limited number of unqualified optionees. On July 17, 2019, the ISA issued a Staff Position on the respective application of both the Mutual Trust Investments Law and the Securities Law according to which a limited partnership that invests in securities and has more than 50 unqualified investors as partners is governed by the Mutual Trust Investments Law as per Article 2 to this law.

This means that limited partnerships and/or special purpose funds that invest in securities may be disallowed to utilize the exemption in Article 15D to the Securities Law which permits making an offering to up to 35 unqualified optionees over a period of 12 months more than once (unless as a result of the offering/sale to another group of 35 investors the number of unqualified investors in the fund reaches 50). In addition, the distribution of participation units of limited partnerships and/or special purpose funds incorporated outside of Israel that invest in non-real assets (such as securities) may be governed by the Law for Regulating the Engagement in Investment Counseling, Investment Marketing and Investment Portfolio Management, 1995 and the ISA's guidelines by virtue thereof.

3.2.1.5 Success factors

(a) As the exclusive representative of iCapitalNetwork in Israel, iFunds benefits from a clear business advantage granting it access to information and distribution of alternative investments to qualifying customers.

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

(c) Having the knowhow, experience and expertise for selecting suitable developers and/or funds and investment projects and to guarantee beneficial returns for the investors.

(d) Using the knowhow and expertise to analyze business plans, perform developer/fund DD studies and assess the risk and exposure of the project and/or base assets.

(e) The local developer and/or fund investment manager has proven experience in the operation that allows optimal management of the project/fund's investments to appreciate returns and profits and manage any crises.

(f) Ongoing management and monitoring of the project vis-a-vis the local developer and/or the fund's investment manager which include frequent communications with the developer's or the fund's investment manager's representatives and ongoing updates on project progress, receiving current reports, budget/business plan analysis, project/fund investment Gantt charts, cash flow analysis, loan follow-up, as applicable.

3.2.1.6 Human capital

In the Reporting Period, Mr. Tzafrir Zanzuri was appointed as CEO of Altshuler Alternative. See information of the human capital in this operation in paragraph 4.3 below.

3.2.1.7 Financing

See details of a credit facility received by Altshuler Real Estate in Note 18c(2) to the financial statements attached to Chapter C to this report.

See details of a credit facility extended by the Company to Altshuler Real Estate in paragraph 17.3.1 to Chapter D to this report.

3.2.1.8 Disclosure of risk factors

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

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

Foreign currency – the majority of the Company's revenues are in foreign currency which exposes the Company's income to fluctuations in exchange rates. The Company does not enter into foreign currency hedges.

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

Interest hikes and negative revaluation of real estate properties – interest hikes in Israel and worldwide might affect the finance expenses of the investments managed by the Company, reduce cash inflows from investments and create negative revaluation of assets (real estate properties). A reduction in the cash inflow of the investments managed by the Company will reduce the Company's profits. Moreover, negative revaluations of real estate properties following increase in WACC rates are likely to impair their fair value and reduce it to below the original investment as a result of which the Company will not receive any carried interest.

Dependence on suppliers – alternative investment funds may be materially dependent on suppliers and partners as elaborated in their partnership agreements, including dependence on developers. Insolvency, damage to reputation or failed supplier relationship are all occurrences that might adversely affect the success of alternative investment funds, damage their reputation and jeopardize their business plans.

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

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

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

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

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

(d) Acquaintance with various professional entities for assistance in identifying prospective projects and allowing the planned deal flow.

(e) Experience and knowledge in close monitoring of several ongoing projects simultaneously and managing teams of experienced professionals and outside advisors with vast professional background.

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

(a) Meeting real estate project deadlines which may become shorter or longer than expected due to delaying factors such as obtaining building permits, prolongation of construction, slowdown in sales, resale potential, credit terms in the financing market etc.

(b) Alternative investments are by nature not for the short term. Selling the investment for a profit as derived from meeting project deadlines and milestones to allow return of the investment with a margin may be extended and require making additional investments, particularly during economic crises.

(c) Ability to find appropriate buyers which is also affected by objective factors such as the state's economy, unemployment and real estate prices, supply and demand, competition, policy mandates etc.

3.2.1.10 Competition

The main competition for the operations of iFunds, Altshuler Real Estate and Altshuler Investment Funds is experienced from real estate and other alternative investment groups of investors including public and family-owned companies, investment funds and institutional investors, all of which benefit from a solid financial structure. These groups also purchase real estate for appreciation purposes as investment property, establish international feeder funds and are likely to compete for property buying opportunities and for importing international products.

There is also competition in the Alternative Investment Operation for raising capital from investors that offer a diversity of investment funds that invest both locally and internationally or competition for real estate transactions. The alternative investment funds offer a substitute for the traditional investments in the capital market such as mutual funds, portfolio management, foreign currency despots and more.

Major ways to address the competition

The Company benefits from the track record, experience and expertise of its managers that enable identifying, analyzing and purchasing high-yield business opportunities and maintaining and utilizing extensive business relations with developers and other important market players and direct access to some of the world's leading fund managers and alternative investment managers. During the investment management stage, the companies' managers strive for efficient management and optimal cost reduction concurrently with resource investment for achieving higher returns. During the divestiture stage, the business relations and local market understanding are harnessed into optimal property divestiture terms and improved investor profits.

3.2.1.11 Material agreements

3.2.1.11.1 Real estate service agreement

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

3.2.1.11.2 Alternative service agreement

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

3.2.1.11.3 Distribution agreements

See details of distribution agreements with insurance agencies of the Altshuler Group in paragraphs 8.18 and 8.19 to Chapter D to this report.

3.2.1.11.4 Shareholders' agreement in Altshuler Real Estate

On August 1, 2022, Altshuler Real Estate's shareholders entered into a shareholders' agreement for settling their business relationship as shareholders in Altshuler Real Estate. The agreement sets forth guidelines for appointing directors on the board, convening general meetings and making decisions that require the consent of 100% of the board members. The agreement also includes provisions regarding share dispositions (first refusal, tag along and drag along rights), capital raising, financing, sale or transfer of shares between the shareholders and Buy Me Buy You mechanisms. The agreement is in effect as long as the shareholders or their transferees are shareholders in Altshuler Real Estate, unless the agreement is terminated at the decision of the entire shareholders or in the event of Altshuler Real Estate's winding up or liquidation.

3.2.1.11.5 Shareholders' agreement between A.S. Global shareholders

According to the shareholders' agreement which settles the relationship between Altshuler Alternative and the other shareholder of A.S. Global regarding the ownership of A.S. Global's shares (including the control of iFunds) and in connection with each party's role in managing A.S. Global and iFunds, Altshuler Alternative is the controlling shareholder in A.S. Global and iFunds (indirectly). As per the shareholders' agreement, the Company (through Altshuler Alternative) undertook to provide iFunds shareholders' loans in addition to the shareholders' loan which Altshuler Alternative purchased from Altshuler Ltd. in the acquisition agreement. See also paragraph 3.2.1.11.7 below.

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

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

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

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

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

3.2.1.11.7 Financing agreement

As per the shareholders' agreement entered into between Altshuler Alternative and MWI (as detailed in paragraph 3.2.1.1.3 above), Altshuler Alternative undertook to provide iFunds during 2024-2026 (inclusive) shareholders' loans in addition to the shareholders' loan purchased in the acquisition agreement as required by iFunds from time to time to meet the annual budget targets in the business plan approved by the board of A.S. Global and under the terms stipulated in the shareholders' agreement. The Company estimates the maximum aggregate scope of loans to be provided to iFunds (through Altshuler Alternative) during 2024, 2025 and 2026 at NIS 4,000 thousand each year. The shareholders' loans bear annual interest at the minimum rate prescribed in the Income Tax Ordinance.

See details of the additional loans and their terms in paragraph 7.2.1.3(a) to a meeting notice report of January 1, 2024 (TASE reference: 2024-01-000744) whose information is hereby included by reference.

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

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

3.2.1.11.8 <u>Lead generation agreements between iFunds and Altshuler Investment Funds and iFunds and Altshuler Real Estate</u>

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

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

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

3.2.1.11.9 <u>Service agreement between iFunds and HTS Investments Ltd. ("**HTS**") through Mr. Moshe Weingarten for providing active COB services to iFunds</u>

See details in paragraph 8.3 - Regulation 22 to Chapter D to this report.

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

3.2.2 The Credit Operation

3.2.2.1 Overview

On August 19, 2024, the Company, through Altshuler Credit, completed the acquisition of the operation of CrediTeam and of the entire issued and outstanding share capital of Altshuler Business Credit and officially launched the Credit Operation ("**the closing date**"). On the closing date, Altshuler Credit allocated 20% of its issued and outstanding share capital to CrediTeam's founders, Hagar Peretz Dayan and Gil Topaz, in equal parts. 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.).

3.2.2.2 Structure of the operation and changes therein

The players in the lending market targeting small and medium sized businesses include banks, insurance companies, pension and provident funds, credit card companies and nonbank lenders. The Company estimates that this market, as well as the nonbank loan market, will continue to grow in the near future due to the innovativeness, quickness and flexibility that characterize the processes and players in this market. The continued growth in the business credit market is sustained by the prevailing business culture that demands long credit terms both for suppliers and for customers. 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 large 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.

3.2.2.3 Changes in the operation volumes and profits

The Company estimates that the current financial conditions in the Israeli economy such as aggravated Capital Market Authority requirements applicable to banks regarding capital adequacy and the current commercial credit terms in the market will enhance the need to find nonbank financing sources and accordingly increase the volumes in the local nonbank credit market. The capital adequacy and financial ratio requisites applicable to banks coupled with the evolution of the nonbank credit market and its improved image among prospective customers are causing existing and prospective customers to refer to nonbank credit. The Company evaluates that the fact that Altshuler Credit is a member of a large reputable group creates business opportunities for companies to challenge their competitors in the credit market since customers are likely to prefer advantages such as economies of scale, financial stability and reputation.

The profitability of the loan market faces numerous challenges. The availability of nonbank resources which benefited from continuing growth in recent years until 2022 owing to the low interest environment in the Israeli market encouraged many players to enter the market and increased the competition in the market as a result of which the effective cost per customer decreased and the segment's profits sustained erosion. On the other hand, the increased risk environment in the market in the past year caused by the high interest environment and the economic ramifications of the ongoing war in Israel resulted in enhanced risk in the small and medium business segment. Notwithstanding the aforesaid, there is an evident trend of increased demand by companies for nonbank credit as a viable alternative for banks. To date, Altshuler Credit has focused on small and medium businesses which make up the bulk of its customer portfolio.

As of the Report Date, the balance of loans provided to customers by Altshuler Credit approximates NIS 65 million. After the Report Date and through the Report Approval Date, additional loans were provided to customers which less customer repayments totaled NIS 24 million.

Moreover, after the Report Date, Altshuler Credit began designing a platform for providing construction loans and as of the Report Approval Date it is also exploring offering loans to other segments.

3.2.2.4 Material agreements

3.2.2.4.1 Acquisition agreement

On June 6, 2024, the Company's Board approved the Company's go-to-market strategy for the Credit Operation through the agreement signed by Altshuler Credit, then a private company wholly owned by the Company, for the acquisition of the business operation of livrCrediTeam and of the entire issued and outstanding share capital of CrediTeam Credit, then a private company wholly owned by CrediTeam, which holds an extended credit provider license from the Capital Market Authority (in this paragraph – "**the acquisition agreement**" or "**the CrediTeam transaction**").

The acquisition agreement was signed on June 19, 2024. In the context of the CrediTeam transaction, Altshuler Credit allocated to each of the two founders of CrediTeam shares in Altshuler Credit. Accordingly, from the closing date, each founder holds about 10% of Altshuler Credit's issued and outstanding share capital. The CrediTeam transaction was closed on August 19, 2024.

3.2.2.4.2 Shareholders' agreement

On August 19, 2024, Altshuler Credit and CrediTeam's founders entered into a shareholders' agreement and the CrediTeam transaction was closed. The shareholders' agreement settles the business relationship between the Company and the founders in relation to Altshuler Credit's operations, including: (a) material decisions that require the consent of at least one of the two founders; (b) provisions regarding the employment of the founders as co-CEOs of Altshuler Credit; (c) provisions regarding the financing of Altshuler Credit, including by the Company; (d) grant of put option to the founders to sell up to one third (1/3) of their interests in Altshuler Credit based on a predetermined mechanism.

3.2.2.4.3 Service agreement

Upon closing of the CrediTeam transaction, the Company and Altshuler Credit entered into a service agreement according to which the parties exchange various services for their operating activities as follows: (i) professional services such as procurement, marketing, legal counsel and IT systems in return for quarterly management fees. The allocation of related costs is based on the mechanism set forth in the agreement; (ii) quarterly mutual reimbursement of onetime expenses that do not exceed NIS 90,000 a quarter as agreed upon between the parties; (iii) general services and jobs as may be needed by either party in connection with their operating activities at a maximum gross annual scope of NIS 1 million.

According to the service agreement, the Company provides Altshuler Credit management services in return for cost plus a fixed margin of 6% plus VAT.

See more information of the CrediTeam transaction in the Company's immediate reports of June 9, 2024, June 19, 2024 and August 20, 2024 (TASE references: 2024-01-058201, 2024-01-062326 and 2024-01-090592, respectively), whose information is hereby included by reference, and Notes 4b and 6 to the financial statements hereby attached in Chapter C to this report.

3.2.2.5 Financing

On October 1, 2024, the Company signed an agreement with a bank for receiving two credit facilities in a total of NIS 100 million as follows: (1) a credit facility of NIS 50 million; and (2) on call credit of up to NIS 50 million (which is commission free). See more information of the credit facilities provided to the Company, the commissions chargeable in their respect and the lien which the Company undertook to record in favor of the lending bank in an immediate report of October 1, 2024 (TASE reference: 2024-01-607531), whose information is hereby included by reference, and Note 9m to the financial statements hereby attached in Chapter C to this report.

On March 19, 2025, after the Report Date, the Company's Board approved assuming additional credit facilities in an aggregate of NIS 300 million for providing loans to Altshuler Business Credit's customers. See also Notes 28e and 28f to the financial statements hereby attached in Chapter C to this report.

It should be noted that as of the Report Approval Date, the Company has yet to sign agreements with lending banks for receiving the additional credit mentioned above and in Notes 28e and 28f to the financial statements hereby attached in Chapter C to this report. Accordingly, the information presented above relies on understandings reached with banks and the approval of the credit terms by the Company's Board. This information and the Company's evaluations in connection with the above credit facilities represent forward-looking information, as defined in the Securities Law, which is presently uncertain and may not materialize or may materialize differently than anticipated as it depends on factors outside the Company's control.

3.2.2.6 Critical success factors in the operation

The critical success factors in the Credit Operation depend on a variety of factors such as effective risk management, compliance with regulatory requirements, technological innovation, advanced underwriting models, risk dispersion, effective practice of controls and procedures, availability and service efficiency. In addition, companies with substantial equity and attractive debt raising capabilities are likely to be able to increase their customer portfolios and maintain high profits and quality customers. As a member of the Altshuler Group, Altshuler Credit is able to readily and cost-effectively raise capital in comparison to its rivals in the different channels which include lending banks, public issuers, commercial issuers etc.

3.2.2.7 Main barriers to entry and exit in the operation and changes therein

The Company evaluates that the main barriers to entry in the Credit Operation are as follows:

a. Obtaining a financial service provider license – the need for an appropriate license as per the Financial Service Supervision Law (Regulated Financial Services), 2016 is the principal barrier to entry into the nonbank credit market.

b. Regulation and regulatory oversight – nonbank credit providers are subject to oversight by the Capital Market Authority as well as other regulators. They are also required to comply with various legislative and statutory provisions such as the Anti-Money Laundering Act and the orders published thereunder and with reporting, disclosure and registration duties.

c. Capital requirements – entering the nonbank credit market requires extensive capital resources to raise financing from outside sources.

d. Outside financing sources – a credit provider mainly relies on attractive and substantially extensive credit sources.

e. Technological investments and costs – investing in technological and digital platforms and systems for loan management, data analytics and integration with various entities which could be quite costly for new market players.

f. Marketing – building a network of connections and agreements with leading brands in different industries to provide loans to different businesses.

The Company believes there are not major barriers to exit in the Credit Operation since its contracts legally allow it to assign its rights to third parties.

3.2.2.8 Alternatives to the services in the operation

Alternative services to the Company's credit services consist of other nonbank service providers.

3.2.2.9 Competition

The main competition which Altshuler Credit faces in the market is by large nonbank credit providers such as the Nawi Group, Jacob Finance & Investments, the Peninsula Group, SR Accord and credit card companies.

There are also small and medium sized companies operating in this market that pose less of a competition as they often struggle to compete with the credit terms and volumes offered by their rivals due to high financing costs.

The competition in the nonbank credit market is characterized by several main parameters: reputation, credit volume per single borrower, average credit term, interest rates, commission size and service quality.

3.2.2.10 Main ways to cope with competition

Altshuler Credit benefits from the Company's long standing track record and reputation and from the experience and expertise of its managers that afford it flexibility and allow it to offer tailored customer service, raise cost-effective capital to offer customers attractive commercial terms in the market, extend loans in substantial scopes and optimize credit, interest and commission terms.

3.2.2.11 Marketing and distribution

Distribution agreements in the credit market allow the Company to expand its outreach to attract new customers and retain existing ones. The Company uses its own sales teams and outsources professionals (mainly business consultants) in return for loan origination fees. The Company also has an inhouse sales department and agents that recruit prospective customers and retain existing customers.

3.2.2.12 Restrictions and supervision in the operation

Altshuler Business Credit offers loans to businesses in keeping with its extended credit provider license in compliance with the Financial Service Supervision Law (Regulated Financial Services), 2016 and the Anti-Money Laundering Act of 2000 and the orders enacted thereunder. It should be noted that there are numerous statutes and legislations that regulate the operations in the nonbank credit market such as the Financial Service Supervision Law mentioned above and the regulations enacted thereunder, various circulars published by the Capital Market Authority that apply to regulated financial service providers regarding managing money laundering and terrorist funding and other risks, credit reporting, managing cyber risks and more, the Fair Credit Law of 1993 and the Banking Law (Licensing) of 1981.

3.2.2.13 Human capital

See details of the human capital in the Credit Operation in paragraph 4.3 below.

3.2.2.14 Disclosure of risk factors

See details of the risk factors that apply to the entire Group and the degree of their effect in paragraph 4.11 below. Following are the specific risk factors that apply to the Company's activities in the Credit Operation:

Credit risk - the risk that a borrower or group of borrowers fail to meet their obligations to the Company such as failure to pay principal and/or interest as a result of which the Company's profits will be impaired. Credit risk is the main risk in this operation. It can be mitigated using several means cush as professional underwriting, collaterals and portfolio dispersion. Credit concentration risk may occur when a loan portfolio is highly, directly or indirectly, exposed to one or more of the following: large borrowers or groups of borrowers; specific industry, market or economic segment; geographical area; credit provided to parties whose financial performances are interrelated as a result of joint business operations. Due to the preliminary stage of the activities in the credit market and the size of the loan portfolio, the Company expects challenges in mitigating concentrations of credit risks that will be dissipated if it achieves a major growth in its portfolio.

Liquidity risk – the risk that the Company's lenders will terminate its credit facilities and demand repayment of its liabilities at volumes that exceed free cash flow, which will impair the Company's business development and operations. This risk is mitigated through diversification of available bank financing sources. Management closely monitors cash inflows and outflows and also relies on related party loans.

Interest risk – the risk of unexpected changes in interest rates adversely affecting the Company's financial position. All the loans extended by the Company to customers bear variable interest of Prime and the bank loans assumed by the Company also bear Prime interest.

Operational risk – the risk of loss sustained from failed internal processes, human acts or errors, system failures or outside events. This risk also consists of risk of fraud and embezzlement. With the Group's support, the Company practices controls, procedures and systems for managing operational risks, including data security, business continuity and fraud and embezzlement detection. Altshuler Credit has put in place systems of controls and segregation of duties, authorization restrictions, ongoing employee screening, monitoring and surveillance, a hotline for anonymous reporting, customer authentication and verification processes, strict underwriting procedures for credit applications and more. The Company has appointed a risk manager and is expected to complete a comprehensive risk survey in 2025.

Legal risk – the risk of misinterpretation of legal provisions, litigations and criminal proceedings launched against the Company. The Company has legal counsel functions who oversee all written engagements, and it also relies on outside consultants and leading law firms as necessary.

Outsourcing risk – this risk arises from potential violation of laws by outside vendors and suppliers, noncompliance or harm to service quality due to loss of control or data security issues. The Company has outsourcing policies and two main software vendors and has adopted outsourcing diversification means by using the parent company's services.

Regulatory noncompliance risk – noncompliance with regulatory requisites, mainly pertaining to anti-money laundering and terrorist funding, could result in legal sanctions, financial losses and damage to reputation. The Company adheres to a strict regulatory compliance policy that is annually approved by the Board. It also has a CISO and AML supervisor who follow an annual workplan. The Company also practices and oversees regulated work processes and supervises regulatory developments using its legal department and also practices risk materialization scenarios. The Company expects to complete a compliance survey in the first half of 2025.

Part 4: Matters pertaining to the Group's Operations as a Whole

4.1 Fixed assets

See details of property, plant and equipment in Note 8 to the financial statements hereby attached to this report as Chapter C.

4.2 Intangible assets

See details of intangible assets in Note 5 to the financial statements hereby attached to this report as Chapter C.

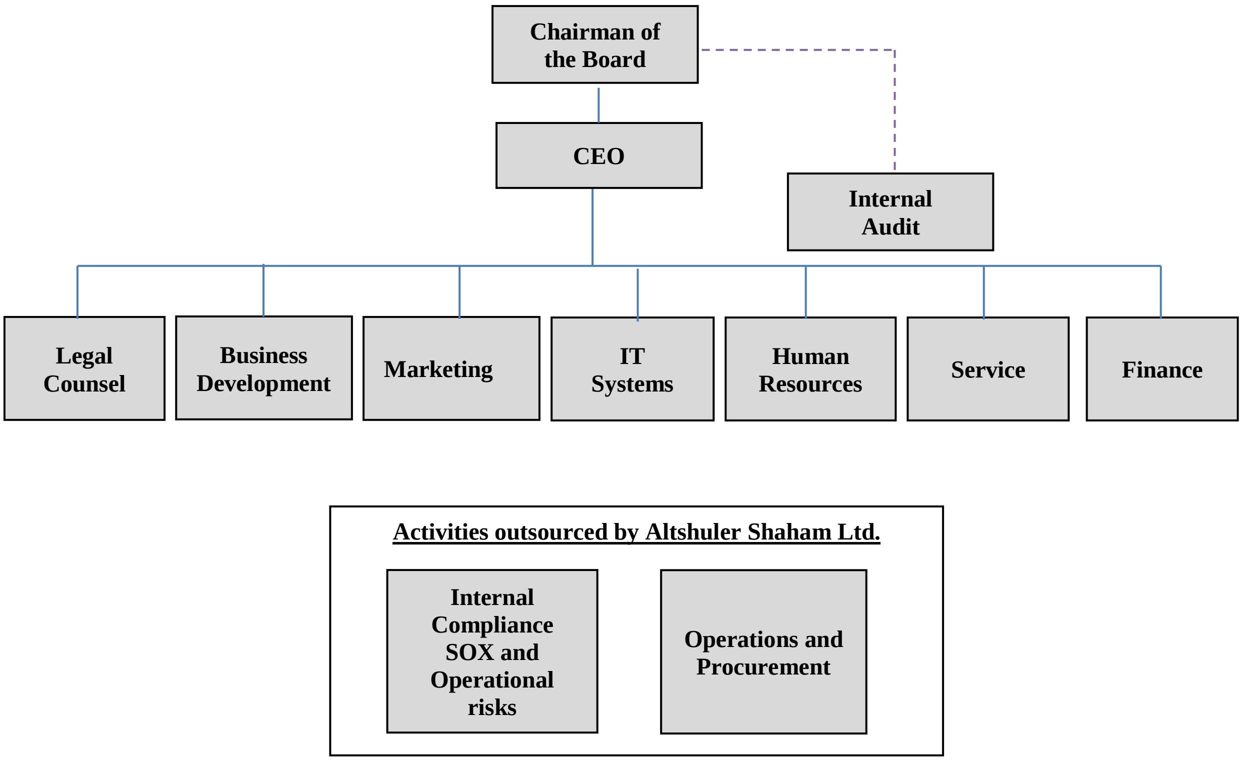
4.3 Human capital

4.3.1 <u>Overview</u>

The Company considers the human resource as instrumental in its potential of enhancing its profits and therefore invests extensively in recruiting and retaining quality personnel with the required experience and expertise. The Company also invests financial and administrative resources in training its teams as needed for its operating activities and for rendering services to the Group companies. As of the Report Date, the Company has 11 senior officers (excluding directors) and 864 employees in total. As of December 31, 2023, the Company had 11 senior officers and 825 employees. Some of the Company's employees focus on a specific operation while others provide services to more than one operation. See details of senior officers in the Company in paragraph 14 to Chapter D to this report.

As part of the Business Restructuring in 2022, the majority of Altshuler Provident's employees and officers were transferred to the Company with retention and continuation of the employer-employee rights and these employees now provide services to the Group companies including the services to Altshuler Provident as specified in paragraph 3.1.13 above. It should be noted that as required by capital market regulations, Altshuler Provident retained certain key management personnel. Moreover, as explained in Regulation 22 to Chapter D to this report and in paragraphs 3.2.1.11.2 and 3.2.2.4.3 above, the Company provides Altshuler Real Estate, Altshuler Investment Funds, iFunds and Altshuler Credit services for their operating activities through the Company's employees, officers and service providers.

4.3.2 Chart of the Group's organizational structure



4.3.3 Employee headcount

As of December 31, 2024 and 2023, the Group had a total of 864 and 825 employees, respectively.

Breakdown of employee headcount as of December 31, 2024:

Department/operation	Pension and Provident Fund Operation	Alternative Investment Operation	Credit Operation	In the Company (HQ)	Total
Operations	206	4	8	0	218
Service	283	6	0	0	289
Sales and marketing	80	9	3	3	95
IT systems	82	2	0	1	85
Investments	63	4	0	0	67
HQ	83	11	4	12	110
Total	**797**	**36**	**15**	**16**	**864**

Breakdown of employee headcount as of December 31, 2023:

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

4.3.4 Dependence on employees

As of the Report Date, the Company believes neither it nor Altshuler Provident has any material dependence on a specific employee or officer.

4.3.5 Investments in training and learning

The Group's employees undergo training and on-the-job training in the issues that are needed in their line of work, including for compliance with laws and regulations that govern their profession as well as an onboarding orientation workshop for new hires. Also, in conformity with the Company's training program, as part of the onboarding and professional learning processes in the Company, employees receive the proper training for fulfilling their positions including applicable statutes and regulations. All the Company's employees are hired under personal labor contracts and are not governed by any collective or special labor agreements.

4.3.6 Employee remuneration, benefits and nature of employment contracts at the Group

The employment terms of all Group employees are governed by individual contracts. Such employment terms include, inter alia, a monthly salary, overtime pay, paid leave, notice period, monthly travel allowance (or company car or reimbursement of car maintenance expenses) and other social benefits by law, including contributions towards retirement savings. These employment contracts also include nondisclosure undertakings with respect to information which the employee has received in conjunction with and during their employment by the Group.

Moreover, the Company typically provides incentives to staff in various departments, by way of an annual bonus at the Company's discretion, or through employee performance incentives, such as commissions for achieving sales targets, achieving service targets and so forth.

In keeping with a pre-ruling received from the Israel Tax Authority in connection with the Business Restructuring, the conversion of the options allocated as per Altshuler Provident's option plan to its employees and officers into Company shares was conducted while adhering to the existing tax rulings as per the provisions of Section 102 to the Income Tax Ordinance under the current version. See more information in paragraph 9.3 to Chapter D to this report and paragraphs 3.5-3.6 to the Prospectus, hereby included for reference only.

On January 9, 2025, the Company allocated 9,245,436 options that are exercisable into 9,245,436 ordinary shares of NIS 0.01 par value each 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.

See more information on the option terms and on the distribution of options allocated under a shelf offering report based on optionee type in paragraph 8.11 to Chapter D to this report and in the shelf offering report of January 9, 2025 (TASE reference: 2025-01-003207), whose information is hereby included by reference.

4.3.7 Remuneration of key officers

The remuneration of key officers in the Company are governed by the Company's remuneration policy. See more information in the Company's shareholders' meeting notice report of September 22, 2022, as amended on October 19, 2022 (TASE references: 2022-01-121105 and 2022-01-127945, respectively), whose information is hereby included by reference.

See details of the employment agreement of Mr. Yair Lowenstein, the Company's CEO and a Controlling Shareholder, in paragraph 6.3.2 to Chapter D to this report. See also paragraph 4 to a meeting notice report of January 1, 2024 (TASE reference: 2024-01-000744) whose information is hereby included by reference.

4.4 Working capital

Composition of the Company's working capital as of December 31, 2024

Current assets – include cash and securities (including liquid assets for compliance with the minimum equity requirement) totaling NIS 217.4 million, deferred revenue totaling NIS 16.2 million, other receivables totaling NIS 29.9 million and loans to customers totaling NIS 64.3 million – total current assets of NIS 328 million.

Current liabilities – include current maturities of loans from banks and others totaling NIS 109.8 million, trade payables totaling NIS 4 million, other short-term payables totaling NIS 115.2 million, deferred tax liability of NIS 1.4 million and current maturities of lease liability totaling NIS 13.2 million – total current liabilities of NIS 238.9 million.

As of December 31, 2024, the Company has a positive working capital of NIS 89.1 million (including liquid assets for compliance with the minimum equity requirement).

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

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

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

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

4.5 Financing

As of the Report Approval Date, the Company finances its operations using its own resources and loans and borrowings provided to the Group companies by banks. See more information of loans and borrowings provided to the Group companies in Note 18 to the financial statements hereby attached to this report as Chapter C.

4.6 Taxation

See information in Note 15 to the financial statements hereby attached to this report as Chapter C.

4.7 Material agreements and collaboration agreements

Service agreement between the Company and Altshuler Provident

On July 31, 2022, the Company and Altshuler Provident signed a service agreement, amended on December 27, 2022, according to which the Company provides Altshuler Provident various services needed for Altshuler Provident's ongoing operations such as legal, finance, marketing and investment services ("**the provident services**") and Altshuler Provident provides the Company predetermined sales management services for the Real Estate Investment Operation ("**the sale services**").

The agreement is in effect indefinitely from April 1, 2022 as long as the Company is the sole shareholder in Altshuler Provident, subject to each party's right to terminate the agreement by providing an advance written notice of 180 days. Altshuler Provident also has the right to terminate the agreement effective immediately without providing advance notice in the occurrence of any of the events stipulated in the agreement such as conflict of interests between the companies, the Company's insolvency, the Supervisor's demand or a material change in the Company's holding structure.

In return for the provident services, Altshuler Provident pays the Company annual management fees at a rate derived from the former's revenues from management fees in the relevant period and at least in a total that is equivalent to the relative portion attributed to Altshuler Provident for the cost of employment of the senior officers providing the services to it, as approved by its managers. In return for the sale services, Altshuler Provident receives from the Company fees in the amount of the cost of employment of the salespeople based on the scope of position attributed to the sale services with the relevant commissions and offset from the fees received by the Company for the provident services.

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

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

See details of the Company's agreements with interested parties and a service agreement signed in the Reporting Period between the Company and Altshuler Real Estate in paragraph 8 to Chapter D to this report.

4.8 Litigation

On December 29, 2024, the Regional Labor Court in Tel-Aviv rendered a judgment in a motion for approval of class action filed on August 4, 2021 against Altshuler Provident in an estimated amount of millions of NIS. The Court accepted the motion and defined the group of plaintiffs, grounds for the claim, sought remedies, mandatory disclosure etc. See more information in an immediate report of December 31, 2024 (TASE reference: 2024-01-628633), whose information is hereby included by reference.

See information of material litigations against the Company or other Group members in Note 27 to the financial statements hereby attached to this report as Chapter C.

4.9 Business strategy and targets

The Company regularly explores the possibility of branching out into new operating segments that are synergetic to its operations in general and specifically to managing provident and pension funds, whether by itself or by founding SPVs, all subject to applicable legal requirements. In keeping with this business strategy, the Company initiates, manages, markets and distributes alternative real estate and other investments through Altshuler Real Estate, Altshuler Investment Funds and iFunds (see paragraph 3.2.1 above) and extends loans to businesses through Altshuler Credit (see paragraph 3.2.2 above), this in order to extend its service and investment channel offerings to customers into areas that are less affected by the volatile capital market.

Notwithstanding the aforesaid, the Company will continue to act to identify new business opportunities and invest resources and management inputs into business expansion, growth and innovation in its core operating segment of managing provident and pension funds through Altshuler Provident, while focusing on enhancing its profits. Simultaneously, the Company strives to strengthen and retain the brand name of its investment house and of Altshuler Provident's saving products and specifically the pension funds managed by it by using diverse digital and other marketing channels and by investing inputs in the constant improvement of customer service and provision of comprehensive and professional responses to customers by changing or diversifying the saving tracks and by designing an all-encompassing platform of service and product offerings.

The Company's strategy, as set forth above, reflects Company policy as of the Report Approval Date and is based on assessment of the Company's operating segments and position and of the capital markets as of the Report Date. The Company may decide not to implement the aforementioned strategy, in whole or in part, due inter alia to the following reasons: Changes to capital markets in Israel and overseas, changes to economic feasibility, changes to competitive market conditions and changes to actual markets, regulatory changes and required regulation approvals, as well as due to the materialization of any of the other risk factors applicable to Company operations, as set forth in paragraph 4.11 below.

4.10 Anticipated developments in the coming year

In the coming year, the Company expects to continue developing its business ventures by enhancing the platform of services and products offered by the Group companies with emphasis on:

1. Strengthening and expanding the alternative real estate investment operation, substantiating the other alternative investment operation including by identifying business prospects for developing the operation and its investment channels and reinforcing and expanding the alternative investment marketing and distribution operation through iFunds.

2. Expanding the credit operation, focusing on extending business loans and construction loans.

The Company is also exploring branching out into other operating segments by identifying business opportunities and potential business partnerships such as distributing financial and pension products.

The Company's assessments as above represent forward-looking information, as this term is defined in the Securities Law, which is based on Company assessments, which may fail to materialize, or may materialize partially or differently than anticipated due, inter alia, to factors outside of the Company's control, such as the need for regulatory approvals, demand for Company services and investment channels (current and future, as they may be), lower returns achieved by the Company and changes to economic markets as well as due to the materialization of any of the other risk factors applicable to Company operations, as set forth in paragraph 4.11 below.

4.11 Risk factors

As of the Report Date, the Company's core operation is managing pension and provident funds which is performed by Altshuler Provident and accordingly, the risk factors applicable to the Company mainly involve the exposures in this operating segment. See details of the specific risk factors associated with the Company's activities in the alternative investment operation and the nonbank credit operation in paragraphs 3.2.1.8 and 3.2.2.14, respectively. See more information of the exposure to and management of market risks in paragraph 3 to the Board of Directors' Report attached to this report as Chapter B and in Note 11d to the financial statements attached to this report as Chapter C.

4.11.1 Macro and market risks

4.11.1.1 Dependence on market conditions, employment levels and the capital market

Risks arising from market conditions and unemployment levels – economic recession and deterioration in the global security situation are likely to lead to increases in unemployment rates and decrease in free cash for savings as well as result in a decline in contributions to long-term savings channels and withdrawal of pension savings for daily consumption. In turn, these conditions might increase the risk of default and insolvency by the Company's credit customers and make it difficult to collect debts. Moreover, an economic slowdown is likely to reduce demand for credit, impair profits of companies in the market and minimize deals and business partnerships.

The local and global capital markets are characterized by extreme volatility and are exposed to stock price drops due to the effect of factors which are not controlled by the Company on the financial markets. Such factors are likely to result in deterioration in market stability and adversely affect the Group's business results through the decline in the scope of assets managed by the Group and the withdrawal of member funds, which directly affect the Group's revenues.

Moreover, the prolongation of the state of war in Israel since October 2023 has led to economic slowdown in the local markets due to the temporary shutdown of enterprises in the south and north of Israel, the damage to infrastructures and the indefinite drafting of army reservists. In April 2024, S&P lowered Israel's credit rating to A+ and in October 2024 lowered it again to A. In September 2024, Moody's lowered Israel's credit rating by two grades from A2 to Baa1 with a negative outlook. As of the Report Date, the Group is unable to assess whether the above factors will materialize and if so how and to what extent.

The management of the capital market's sensitivity to the economic environment, capital market and different financial risks is incorporated in the management of the provident and pension fund assets through the use of adequate risk management, supervision and control systems that are implemented in the management of the fund investments and overall, in the Group's entire operations. The mechanisms are used to design Althsuler Provident's annual investment policy and practice regular control and monitoring of the implementation of the investment policy by the Investment Committee. As part of the control process, the Investment Committee sets forth current guidelines for the investment managers regarding the desired mix of investments, the ratio of equity instruments to debt instruments, the exposure to foreign currency, the average life of the instruments etc. The Group's investment policy is to diversify the investment portfolio by choosing different investment tracks and multiple issuers and market sectors.

4.11.1.2 Inflation and interest risks

The global and local inflation environments continued in the Reporting Period, with changes in inflation and interest rates in Israel and around the world potentially having a negative impact on the Group's business activity, including operating costs, labor costs, finance cost structure and the value of the assets managed at the provident and pension funds and accordingly the business results of Altshuler Provident.

This risk is managed as per the guidelines of Altshuler Provident's Investment Committee, which receives forecasts and studies regarding macroeconomic variables, interest rates, exchange rates and other variables expected to result in changes to interest rates. The Committee instructs the investment managers with regard to changes required to be made to investments in debentures, in terms of debenture duration, and with regard to hedging transactions required to address interest rate risk. The Investment Committee periodically updates the scope of exposure to linkage bases (NIS, CPI-linked) and the average life. The investment control department monitors the investments and alerts any incidents of approaching deviation from standard parameters. The Company uses derivatives to hedge some of the inflation and interest rate risks and also examines the exposure to interest rate changes in the occurrence of extreme scenarios.

In the nonbank credit operation, a rise in inflation and interest rates could potentially improve interest income but also increase finance costs, reduce credit demand and enhance credit risk, which may impair the operation's profits and capital.

4.11.1.3 Exchange rate risks

The funds' investment policy allows for investment in financial markets overseas. Thus, the funds invest in shares and debentures in various currencies. Investment in diverse currencies results in exposure to changes in exchange rates, which may impact the NIS value of fund holdings in various currencies.

The management of the funds' exchange rate risks is performed as per the guidelines of the Investment Committee and investment managers based on forecasts with regard to exchange rates that are communicated to them for hedging the exchange rate risk: which currencies, hedge duration and volume of hedge transactions. The investment manager decides on hedge timing and method.

4.11.1.4 Credit risks

This involves the risk of financial loss due to insolvency or lowered credit rating of issuers of securities, loan debtors or contract counterparties. The members' assets are exposed to actual or potential default by debtors due to credit failure and to extended losses from the materialization of credit risks due to concentration of the investments in a specific sector or exposure to individual borrower or a group of borrowers.

Altshuler Provident's policy with regard to credit and debt is to invest in debentures and in providing customized loans, capital notes and deposits of companies and entities, mostly with a credit rating which reflects credit risk in line with the policy set by Altshuler Provident's Board, and some not rated but also included in the credit policy specified by the Board and subject to the relevant regulation. The funds maintain exposure to issuers in conformity with the Investment Regulations and guidelines of the Board. Investments and loans are carried out after analysis and assessment by the credit department of the borrower's / issuer's debt service capacity in compliance with loan terms and conditions.

When required, a credit application is submitted to Altshuler Provident's Credit Committee, which provides its recommendations as to credit quality and debt service capacity, and if needed includes a recommendation for adding credit terms, for the Investment Committee to make a decision. The Investment Committee has approval authority for extending loans, with reference to recommendation made by the Credit Committee, to interest rates and to credit spreads inherent in loans and debentures. Altshuler Provident's Investment Committee also refers to alignment of the investment with the investment policy as set forth by Altshuler Provident's Board.

Note that Altshuler Provident does not enter into hedging transactions with regard to credit risk in customized loans and debentures. Credit risk in customized loans is practically always mitigated through the required terms and conditions for credit. Altshuler Provident does not hedge any negotiable debentures invested in by it.

Altshuler Provident has established adequate management, oversight and control mechanisms for managing the credit risks arising from investment activity. Altshuler Provident's Board has determined limits to risk exposure that arises from providing credit and control procedures for regular monitoring of the policy's practice. The credit activity is supervised by Altshuler Provident's Investment Committee, the Credit Committee, the credit department, the investment control department and financial risk manager. They monitor borrower compliance with loan terms and financial covenants, changes in macro data and credit margins, hold meetings to discuss the research department's reviews, supervise high margin or distressed bonds and study extreme scenarios.

See details of the credit risks and their mitigation efforts in the nonbank credit operation in paragraph 3.2.2.14 above.

4.11.1.5 Counterparty risks

A counterparty risk is the risk of erosion of the value of the Company's assets arising from a counterparty's failure to meet its contractual obligations. The risk considers the probability of default and loss given default of the counterparty. The funds managed by Altshuler Provident invest members' funds through banks, brokers and custodians whereby the securities are held by the custodians and the monetary deposits are held by banks. Transactions in negotiable derivatives (options and futures) are performed by the local bank. Nonnegotiable OTC transactions (such as currency and interest options, forwards, swaps) are conducted with local and international banks with which the Company has ISDA agreements in place. Transactions to buy and sell securities are conducted through brokers and banks, in Israel and overseas. Banks and brokers pose counterparty risk, as operational risk or as financial risk.

Altshuler Provident manages this risk by entering into ISDAs and monitoring the financial stability of custodians, brokers and reinsurers. In times of accelerated inflation, interest rise and capital market volatility which affect the financial stability of banks and financial institutions, as is the case today in the U.S. and Europe, the risk manager enhances the frequency and extent of tests of the financial stability of financial institutions and communicates all developments to the Company's management.

4.11.1.6 Liquidity risks

Liquidity risk arises from Altshuler Provident's uncertainty as to the timing of payment or mobilization of accruals of readily available quoted assets and cash. Moreover, market illiquidity or unexpected and immediate need for free cash pose challenges in exposure mitigation or rapid major asset divestiture for prices below market value.

The funds may make nonnegotiable investments such as in real estate, private equity funds and customized loans. They may also invest in instruments with low negotiability, such as shares or debentures issued in a small volume. The Investment Committee has set investment restrictions on investments with low negotiability or illiquid investments. The investment control unit monitors compliance with these restrictions on daily basis. Any breach is reported to the Investment Committee and to Altshuler Provident's Board.

Liquidity risk is incorporated in the considerations underlying the design of the investment management policy and is managed on a regular basis and at the level of liquid assets in relation to expected volatility and with respect to the scope and use of financial instruments such as derivatives and preparation for extreme scenarios.

See details of the liquidity risks and their mitigation efforts in the nonbank credit operation in paragraph 3.2.2.14 above.

4.11.2 Sectoral risks

4.11.2.1 Competition risks

The provident and pension fund sector in Israel is highly competitive. Competition is expressed both in management fees and returns achieved by investment managers and in service quality. Competition for management fees may impact Company revenues and profitability. Furthermore, excess returns achieved over the competitors may increase the accrual growth rate, by increase in number of members and in total assets under management, whereas returns that are inferior by comparison to the competitors may slow-down the accrual growth rate and may even decrease the number of members and total assets under management.

Altshuler Provident manages this risk by developing a diversified portfolio of specialized investment tracks, direct and external distribution channels, advertising and branding, developing service systems such as digital channels and customer retention.

The nonbank credit operation is subject to high competition with the existence of several main market players, including the banking system. Customers have a choice between credit providers, which affects the Company's market share.

4.11.2.2 Regulatory risks (compliance and enforcement)

The Group's activities are primarily governed by regulation in the market and subject to frequent regulatory oversight and changes. Regulatory changes that restrict the Group's operations or modify its business environment are likely to adversely affect its business results. They include changes in barriers to entry of potential competitors and costs of integrating regulatory changes which may burden the Group's activities and increase its operating costs. The Group's, and specifically Altshuler Provident's inability to adjust to frequent regulatory changes is likely to impair its business activity. In this context, and to minimize exposure to regulatory risks and monetary sanctions for noncompliance, the Group practices an internal enforcement system consisting of methodologies and control and reporting processes for managing compliance risk. These include an internal enforcement plan, compliance, control and audit functions, methodologies, control and compliance risk procedures, work process and procedure updates and employee training programs. The legal department monitors changes in legislation and regulations and assists in preparing for them, to the extent possible, to allow the Group to meet operational, administrative and digital requirements arising from such changes and the regulations in the Company's fields of operation.

4.11.3 Company specific risks

4.11.3.1 Human capital

The Group's human capital is a fundamental resource which dictates the Group's competition skills, profits and professional capabilities. The Company and other Group companies have several valuable managers and employees who form an important nucleus for the operations. The Company strives to remunerate these managers and employees as customary in the market for similar positions, so as to achieve stability in high quality staff, duly noting existing restrictions on remuneration of officers and key employees in the Group, pursuant to the Executive Remuneration Law and to statutory provisions. The Company invests considerable resources in improving customer experience, training programs and knowhow development and retention and in building a work environment that fosters innovation and creativity.

4.11.3.2 Damage to reputation

The Group's operating segments are characterized by significant media exposure, a multitude of clients and long-lasting business relationships. Reputation is critical for preserving existing clients and for engaging new ones. Impact to the Group's reputation may detrimentally impact its business results.

The Group allocates resources to building and supporting its reputation and adheres to its code of ethics in conducting itself with integrity, transparency and availability. The Group holds regular seminars for employees on its code of ethics, implements an internal enforcement program and has an anonymous email platform for reporting irregular events and a public complaints unit.

4.11.3.3 Fraud and embezzlement risks

The Group manages extensive business activities and is therefore exposed to a broad spectrum of fraud and embezzlement risks that are liable to cause financial losses and damage to reputation. These risks include insider trading, security fraud, misuse of payment means information and financial losses of Altshuler Provident's members and so on. The Company has put in place controls for managing these risks which are inherent to its operations such as stock trading and money wiring for fund members.

The Company's procedures take into account fraud and embezzlement risks by designing automated systems that maintain segregation of duties and controls, conduct regular fraud and embezzlement surveys and update internal controls and methodologies based on survey results as well as an internal control function and error and customer complaint functions.

4.11.3.4 Operational and IT risks

The management of the funds by Altshuler Provident is organically exposed to operational risks which are likely to cause damages and adversely affect its ongoing activity both in respect of members and in respect of investments. These risks include human errors, computer system malfunctions, IT system malfunctions, frauds and embezzlements and noncompliance with regulations. The Group's methodologies require the Group companies to invest resources in identifying and categorizing each operational and IT risk in terms of severity, develop means of mitigation and prevention and design alternative methodologies in the event of disruption to normal activity.

IT system malfunctions are a material risk to the Group as these systems critically support not only Altshuler Provident's operations but the Group's entire operations. The Group manages an ITGC program for monitoring IT system risks and practices enhanced control for sensitive processes. The Group has a backup site that reduces the risk of shutdown.

Altshuler Provident entered into operating agreements with two management companies for the ongoing operation of the provident and pension funds. It also has a CRM system for monitoring and documenting member rights. It has departments that support and supervise the services of these management companies. Some of the operational risks are covered by the operating agreements signed with the management companies (Leumi Capital Market Services and Tiful Gemel). Every year, Altshuler Provident receives SSAE 18 reports from the management companies that set forth ITGC targets and tests of the effectiveness of the planning, implementation and operation of ITGCs to achieve the control targets.

Altshuler Provident has appointed a business continuity process owner and approved a business continuity procedure under which it simulates scenarios and responses and decision making by the relevant functions.

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

4.11.3.5 Cyber and data security risks

The Group's computer systems are protected by a variety of means such as firewall, logical segregation, access control, passwords and more. Systems and databases are backed on a daily basis. Data are also backed on a separata server farm. Due to the developments in the local capital market, cyberthreats have become a serious risk for market players due their exposure to shutdowns, disruptions or damages to their systems, leakage of information of the Group and/or its suppliers and service providers using its operating and CRM systems. To contend with technological challenges of this modern age, the Group companies practice a risk policy that consists of integrating technological means and processes designed to improve the monitoring, prevention and control of cyber risks, conducting regular cyber security surveys and tests of internal and external penetrations and use of experts both for routine and for emergency operations. The Group is constantly preparing for assimilating and customizing its systems in keeping with regulatory and technological changes in cyber and data security. In this context, the Company has strict rules governing the extraction of data and automated processes for surveillance and physical blocking to prevent data leakage.

There are also detailed work procedures put in place to regulate management of cyber risks, management of users of the Company's systems and cyber and data security procedures for outsourced services. The entire procedures are reviewed and reapproved annually.

The Group takes various steps to enhance the awareness and alertness of its employees and teach them about phishing, delivery of sensitive information and cyberattacks through its web-based learning programs, podcasts and sample testing conducted throughout the year.

The Group invests considerable efforts and resources in continuing to meet the highest data security standards and regulations that apply to it by law. It has appointed a CISO who is in charge of cyber risk policy and management with the help of an exert team in charge of policy compliance control.

As part of the Group's proactive preparations for cyberattacks, the Company simulates mock cyberattacks which require management and tactical response appointed teams to practice cyber events based on the cyber risk management policy. The Group practices process and technological means for improving the ability to detect, prevent and control cyber risks through an SOC team that monitors irregular activity 24/7. The Group has certifications of compliance with the strict ISO 27001 regarding cyber and data security, ISO 27770 regarding privacy protection and ISO 27032 regarding cyber management.

4.11.3.6 Legal risks and class actions

The Group's operations are governed by numerous laws, regulations, orders and circulars and accordingly, the Group is exposed to litigation from members and various supervisory authorities and to binding case studies underlying its operations and class actions.

These risks mainly pertain to compliance with applicable laws and legislations as well as risks arising from class and other legal actions involving fund members which are likely to have a material impact on the Company and its results. The Group operates under ongoing legal counsel which governs the engagements and agreements of the Group companies and their activities.

The Group strictly adheres to the laws applicable to its operations and invests considerable resources in maintaining enforcement, compliance and internal control systems. The Group manages these risks through its internal enforcement program, and by holding code of ethics seminars and using an anonymous email platform for reporting irregular events and a public complaints unit.

See details of material litigation against the Company or Group companies in Note 27 to the financial statements hereby attached to this report as Chapter C.

4.11.4 Insurance risks

4.11.4.1 Actuarial risks involving pension funds

Pension funds are exposed to risk such as: risk of change in life expectancy, actuarial model risk and risk of parameter choice for the actuarial model. There are also regulatory risks and changes to member behavior (for example: selection of the assured pension duration). Relevant risks for comprehensive and general pension funds are demographic returns, which is impacted by member claims for death or disability and the issue of designated debentures by the Israeli Government.

Altshuler Provident monitors and controls all risks in collaboration between the actuary and the CISO. It has also contracted a reinsurer to insure member activity in the comprehensive pension fund and in the general pension fund against death and/or disability claims.

4.11.5 Table of risk factors

The following table summarizes the Group's risk factors based on the degree of their effect on its business if they materialize:

Risk	Large effect	Medium effect	Small effect
Macro and market risks			
Dependence on the capital market	X		
Inflation and interest risks		X	
Exchange rate risks		X	
Credit risks		X	
Counterparty risks			X
Liquidity risks		X	
Sectoral risks			
Competition risks	X		
Regulatory risks (compliance and enforcement)		X	
Company specific risks			
Human capital	X		
Damage to reputation	X		
Fraud and embezzlement		X	
Operational and IT risks	X		
Cyber and data security risks	X		
Legal risks and class actions		X	
Insurance risks			
Actuarial risks of pension funds			X

It should be noted that notwithstanding the aforesaid, the materialization of several risk factors on an aggregate basis is likely to have a cumulative effect which will have much more major ramifications on the Company's operations than described above.

The Company's assessment of the aforementioned risk factors, including their impact on the Group, and on the assets managed by it, is based on information available to the Group and globally as of the report date and includes estimates and intentions by the Group, considering the current state of affairs. Note that the Company may be exposed in future to other risk factors and/or the aforementioned risk factors may evolve differently than anticipated by the Group and the impact of each risk factors, should it materialize, may differ from the Group's assessments.

See additional information in Note 11 to the financial statements attached to this report as Chapter C.

ALTSHULER SHAHAM FINANCE LTD.

Board of Directors' Report on the State of Corporate Affairs

For the Year ended December 31, 2024

Board of Directors' Report for the Year ended December 31, 2024

Altshuler Shaham Finance Ltd. ("**the Company**") is pleased to present the Report of the Board of Directors for the year ended December 31, 2024 ("**the Reporting Period**"). The review presented herein is limited in scope and solely addresses events and changes in the Company's business affairs in the Reporting Period whose effect is material. In certain cases, to paint a complete picture, the Company includes additional information that is not necessarily material. The Board of Directors' Report is an integral part of the periodic report for 2024 which should be read as a whole.

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

1.1 Overview

The Company was incorporated in Israel as a private company limited in shares on December 9, 2001 by the name of A.S. Matrat Hanpaka Ltd. and on March 17, 2022 changed its name to the current name – Altshuler Shaham Finance Ltd. See a description of the Company's business environment and its effect on the Company's operations in Chapter A to this report.

1.2 Financial position

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

	December 31,		Company's explanations
	2024	2023	
Assets	992,131	936,433	The increase in the balance of assets compared to 2023 mainly stems from the recognition of loans to customers and investments in associated partnerships as assets totaling approx. NIS 64.3 million and approx. NIS 8.7 million in the Reporting Period, respectively. The increase is also a result of the increase in DAC, other accounts receivable and deferred tax assets against a decrease in intangible assets, right-of-use asset, net investment in lease, property, plant and equipment and deferred tax assets. The change in DAC in the Reporting Period arises from the payment of agent commissions totaling approx. NIS 74,367 thousand less amortizations of approx. NIS 72,482 thousand.
Financial investments	133,433	140,656	The decrease in financial investments compared to 2023 mainly arises from a decrease in unquoted debt assets and decrease in other financial investments arising from the decrease in minimum mandatory liquidity applicable to Altshuler Provident and a decrease in revaluation of other debt asset (see details in Note 11g(3) to the Company's financial statements for 2024) against an increase in quoted debt assets.
Cash and cash equivalents	83,988	115,856	The decrease in cash and cash equivalents in the Reporting Period compared to 2023 arises from net cash provided by operating activities and net cash used in investing activities of approx. NIS 123.5 million and approx. NIS 39.7 million, respectively, against an increase in net cash used in financing activities of approx. NIS 115.7 million.
Total assets	**1,209,562**	**1,192,945**	---
Equity	545,310	519,637	The increase in equity in the Reporting Period derives from comprehensive income of approx. NIS 111 million and capital reserve from share-based payment of approx. NIS 1 million against a dividend distribution of NIS 86 million and acquisition of non-controlling interests in a total of NIS 0.3 million.
Liabilities	664,252	673,308	The decrease in the balance of liabilities compared to 2023 mainly arises from a decrease in lease liability and deferred tax liability. The decrease also stems from a decrease in current tax liability and employee benefit liabilities against an increase in financial liabilities and other accounts payable.
Total liabilities and equity	**1,209,562**	**1,192,945**	---

1.3 Operating results

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

	2024	2023	2022	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023
Revenues:								
From management fees of provident and pension funds, net	911,738	985,999	1,283,097	229,200	229,054	224,882	228,602	229,727
Revenues from commissions	6,421	4,300	2,507	1,670	1,625	2,386	740	66
Net investment gains (losses) and finance income	7,846	8,920	(5,361)	316	2,457	2,869	2,204	2,531
Revenues from nonbank credit operation	2,399	-	-	1,929	470	-	-	-
Other income	1,682	15,399	1,757	747	314	306	315	270
Total revenues	**930,086**	**1,014,618**	**1,282,000**	**233,862**	**233,920**	**230,443**	**231,861**	**232,594**
Expenses:								
Commissions, marketing expenses and other acquisition costs	322,133	354,542	454,246	80,361	79,272	80,525	81,975	82,322
Expenses in respect of credit losses	1,342	-	-	790	552	-	-	-
General and administrative expenses	406,181	414,724	456,564	104,291	104,494	98,367	99,029	97,506
Other expenses	26,377	25,611	27,512	6,163	6,256	7,408	6,550	5,987
Finance expenses	11,393	12,628	15,513	3,030	2,702	2,832	2,829	2,841
Total expenses	**767,426**	**807,505**	**953,835**	**194,635**	**193,276**	**189,132**	**190,383**	**188,656**
Company's share of losses of associated partnerships accounted for at equity	**192**	**-**	**-**	**181**	**9**	**-**	**2**	**-**
Income before taxes on income	**162,468**	**207,113**	**328,165**	**39,046**	**40,635**	**41,311**	**41,476**	**43,938**
Taxes on income	52,147	69,564	115,306	10,477	13,930	13,654	14,086	13,913
Net income	**110,321**	**137,549**	**212,859**	**28,569**	**26,705**	**27,657**	**27,390**	**30,025**
Other comprehensive income (loss)	665	(706)	2,718	662	36	(20)	(13)	1,187
Comprehensive income	**110,986**	**136,843**	**215,577**	**29,231**	**26,741**	**27,637**	**27,377**	**31,212**
Net income (loss) attributable to:								
Equity holders of the Company	113,065	137,930	213,121	29,596	27,570	28,166	27,733	30,353
Non-controlling interests	(2,744)	(381)	(262)	(1,027)	(865)	(509)	(343)	(328)
	110,321	**137,549**	**212,859**	**28,569**	**26,705**	**27,657**	**27,390**	**30,025**
Comprehensive income (loss) attributable to:								
Equity holders of the Company	113,730	137,224	215,839	30,258	27,606	28,146	27,720	31,540
Non-controlling interests	(2,744)	(381)	(262)	(1,027)	(865)	(509)	(343)	(328)
	110,986	**136,843**	**215,577**	**29,231**	**26,741**	**27,637**	**27,377**	**31,212**

Revenues

Revenues from management fees, net – the decrease in revenues from management fees in the Reporting Period compared with 2023 mainly arises from a decrease in average assets managed by Altshuler Provident and a decrease in the average rate of management fees charged by it. In addition, in 2023, the Company received NIS 8.5 million in connection with refunds to members in 2020. Revenues from management fees from the real estate operation compared to last year grew owing to an increase in managed assets.

Revenues from commissions – the increase in revenues from commissions in the Reporting Period against 2023 derives from the increase in capital raised for alternative real estate investment management performed by Altshuler Real Estate.

Net gains (losses) from investments and finance income – the decrease in finance income in the Reporting Period compared to 2023 mainly arises from a loss from revaluation of other asset (see details in Note 11g(3) to the Company's financial statements for 2024) against an increase in gains from financial investments in the Reporting Period.

Revenues from nonbank credit operation – revenues from the nonbank credit operation which was launched in the Reporting Period. The increase in revenues compared to last year mainly derives from the increase in operation.

Other income – the decrease in other income in the Reporting Period compared to 2023 is a result of income of approximately NIS 12.9 million recognized in 2023 as a result of a settlement agreement signed between Altshuler Provident and Himalaya FS Ltd. ("**the seller**") following disputes that arose between the parties in connection with the price adjustment mechanisms in the transaction for the purchase of the entire issued and outstanding share capital of Psagot Investment House Ltd. by Altshuler Provident from the seller and from income of approximately NIS 1.2 million recognized in 2023 for a settlement agreement in a mediation proceeding involving the Company.

Expenses

Commissions, marketing expenses and other acquisition costs – the decrease in commissions, marketing expenses and other acquisition costs in 2024 compared with 2023 is a result of a decrease in current commissions due to the decrease in assets managed by Altshuler Provident against an increase in current commissions from the real estate operation due to the increase in assets managed by Altshuler Real Estate.

Expenses in respect of credit losses – expenses relating to the credit operation which was launched in the Reporting Period. The increase in expenses compared to last year mainly derives from the increase in operation.

G&A expenses – the decrease in G&A expenses in the Reporting Period compared to 2023 is mainly due to the decrease in advertising and marketing expenses and wages and related expenses in the provident and pension fund operation against an increase in wages and related expenses and other general and administrative expenses following the launching of the credit operation and the acquisition of iFunds in the Reporting Period.

Other expenses – the increase in other expenses in 2024 compared with 2023 mainly stems from a capital loss on a lease.

Finance expenses – the decrease in finance expenses in 2024 compared with 2023 mainly stems from a decrease in bank interest expenses following a decrease in the average carrying amount of financial liabilities in the Reporting Period and a decrease in finance expenses on leases.

1.4 Disclosure of carried interest not recognized as revenue in the Company's periodic report

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 December 31, 2024:

	Total mount raised (USD in millions)	**Expected carried interest range (USD in millions)**
Investments raised in investees	166	16-23

As of the report date, the Company has invested in investees approximately $ 2.5 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, 1968. 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 Liquidity

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

	2024	2023	2022
Cash flows from operating activities:			
Net income in the period	110,321	137,549	212,859
Adjustments to income	44,727	95,395	16,891
Net cash provided by operating activities	**155,048**	**232,944**	**229,750**
Net cash provided by (used in) investing activities	**(40,563)**	**46,048**	**(23,207)**
Net cash used in financing activities	**(146,353)**	**(259,657)**	**(406,592)**
Increase (decrease) in cash and cash equivalents	**(31,868)**	**19,335**	**(200,049)**
Cash and cash equivalents at beginning of year	**115,856**	**96,521**	**296,570**
Cash and cash equivalents at end of year	**83,988**	**115,856**	**96,521**

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

Cash flows provided by (used in) investing activities – the decrease in cash flows used in investing activities in 2024 compared with cash flows provided by investing activities in 2023 is mainly a result acquisitions of subsidiaries, investment in associated partnerships, grant of loans to associated partnerships less repayments, decrease in net sales of financial investments and decrease in contingent consideration receivable from acquisition of investees which was recognized in 2023 against a decrease in investments in intangible assets and in property, plant and equipment.

Cash flows used in financing activities – the decrease in cash flows used in financing activities in 2024 compared with 2023 is mainly a result of increase in receipt of bank loans and decrease in dividend payments against increase in repayment of bank loans.

1.6 Financing resources

As of the report publication date, the Group finances its operations mostly using its own resources as well as using loans and borrowings provided to Altshuler Provident by banks. In the Reporting Period, the Company received new bank loans for expanding its operations. The average scope of long-term and short-term loans (including current maturities) from banks approximated NIS 345.8 million and NIS 74.3 million, respectively.

See more information of the Group's financing resources, including loan agreements entered into by the Group, in Note 18 to the Company's financial statements hereby attached to this report.

2. Material events during and after the Reporting Period

2.1 Dividend distributions

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

2.2 Acquisition of iFunds

See details of the acquisition of the shares of iFunds and the related agreements signed by the Company as part of the acquisition, as approved by the General Meeting of Shareholders on February 5, 2024 after obtaining the approval of the Company's Audit Committee and Board, in paragraph 3.2.1 to Chapter A to this report and in paragraph 8.3 to Chapter D to this report.

2.3 Service agreement with the Company's CEO

See details of the service agreement signed between the Company and its CEO, as approved by the General Meeting of Shareholders on February 5, 2024 in paragraph 6.3.2 to Chapter D to this report.

2.4 Service agreements

See details of: (1) the renewal of the service agreement and recharge mechanism between the Company and Altshuler Ltd.; (2) the revision of the service agreement between the Company and Altshuler Real Estate; (3) the lead agreement with Financial Services Ltd., which is controlled by Altshuler Ltd., a controlling shareholder in the Company, for referral of customers of the Company, all of which were approved by the General Meeting of Shareholders on February 5, 2024 after obtaining the approval of the Company's Audit Committee and Board, in paragraph 8 to Chapter D to this report.

2.5 Launching the Credit operation

See details of the Company's expansion into the credit market and the agreement signed through Altshuler Credit to purchase the business operation of CrediTeam in paragraph 3.2.2 to Chapter A to this report.

2.6 Approval of allocation of options to Company employees or employees of the controlling shareholder group and increase of the option pool to Altshuler Ltd.

See details of the decision of the General Meeting of Shareholders of January 7, 2025, in keeping with the approvals of the Company's Audit Committee and Board, to increase the options at the disposal of Altshuler Ltd. and the allocation of options to Company employees or employees of the controlling shareholder group in paragraph 8.7 to Chapter D to this report, in the Company's meeting notice report of November 21, 2024, as amended on January 2, 2025 (TASE references: 2024-01-617519 and 2025-01-000917, respectively) and the Company's shelf offering report issued on January 29, 2025 (TASE reference: 2025-01-003207), whose information is hereby included by reference.

2.7 Approval of allocation of options after the Reporting Period

Shortly after the publication of this report, the Company plans to issue a shelf offering report for allocating 226,100 nonmarketable options that can be exercised into 226,100 ordinary shares of NIS 0.01 par value each of the Company which after the allocation date will account for about 0.11% of the Company's issued and outstanding share capital (on a fully diluted basis) under the theoretical assumption of full exercise on a cash basis. See also paragraph 8.6 to Chapter D to this report.

2.8 Approval of class action certification motion against Altshuler Provident

On December 29, 2024, the Tel-Aviv Regional Labor Court approved the class action certification motion filed on August 4, 2021 against Altshuler Provident in an amount estimated by the plaintiff at millions of NIS. The Court's decision defines the group of plaintiffs, the grounds for the claim, the sought remedies, the manner of publication of the decision etc. See also an immediate report of December 31, 2024 (TASE reference: 2024-01-628633), whose information is hereby included by reference.

2.9 Extension of shelf prospectus

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

2.10 Financing agreements

See details of the agreement signed by the Company with an Israeli bank for receiving a credit facility of NIS 100 million in Note 18c(3) to the financial statements attached as Chapter C to this report. See details of the Board's approval of the Company signing credit agreements with two Israeli banks for receiving NIS 300 million, which was obtained after the report date, in Note 28 to the financial statements attached as Chapter C to this report.

2.11 Developments in the Company's economic environment and their effect on the Company's operations

2.11.1 Effects of the October 7 war

On October 7, 2023, following a surprise attack of the Hamas terror organization on the settlements in the south of Israel, war broke out between the parties which later escalated to the northern border of Israel. Israel was attacked with missiles and UAVs fired by Iran and the Houthis from Yemen. From the third quarter of 2023 and in the course of 2024, the war has had a major impact on the entire local economy mainly expressed by an economic slowdown in the market due to the temporary shutdown of businesses, the widespread drafting of reservists and the evacuation of civilians from war ridden areas.

The war has also had local economic ramifications such as increased budgetary deficit, lowering of Israel's credit rating by Moody's and S&P and volatility in the NIS exchange rate in relation to foreign currencies.

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

2.11.2 Effects of inflation and market interest hikes

In the Reporting Period, central banks around the world maintained their benchmark interest rates relatively high in view of the effect of the "sticky inflation" which remained quite high despite the trend of decline. As opposed to the Bank of Israel which decided to retain the benchmark interest at 4.5% throughout the Reporting Period, similarly to the decision of the European Central Bank (ECB) to keep the interest unchanged, the Fed in the United States announced in September 2024 a sharp lowering of interest by 0.5%. In 2024, the inflation rate in Israel was about 3.2% compared with about 3% in 2023.

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

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

See more information of events after the Reporting Period in Note 28 to the Company's financial statements hereby attached in Chapter C to this report.

3. Exposure to market risks

The Group's core operations are performed by Altshuler Provident and therefore expose it to various market risks. In addition, Altshuler Credit has analyzed the potential market risks of its existing credit portfolio and concluded that due to its characteristics, the exposure to market risks is miniscule. 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. See also Note 11d to the Company's financial statements hereby attached in Chapter C to this report.

3.1.1 The Group's CISO

The officer in charge of managing market risks in Altshuler Provident is CPA Yuval Dror who serves as the Group's CISO. He has a BA in Business Administration and Accounting from the Tel-Aviv College of Management Academic Studies, is a graduate of the CRM financial risk management program and is a CISA of IT systems. In his former position, he served as risk controller of Meitav Trade Stock Exchange Member and of Meitav Brokerage and as a member of Meitav Provident and Pension's internal credit committee. He has more than 15 years of experience in local and global capital market investments and risk management.

3.1.2 Description of market risks

The Company's asset management operations, which include Altshuler Provident's management of provident and pension funds, are exposed to the various market risks. See details of the Group's entire risk factors in paragraph 4.11 to Chapter A to this report.

3.1.3 The Group's market risk management policy

Market risks inherent to Altshuler Provident's operations 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.

3.1.4 The supervision and implementation of the Group's market risk management policy

See information of the supervision and implementation of the market risk management policy in paragraph 4.11 to Chapter A to this report and in Note 11 to the Company's financial statements hereby attached to this report.

3.1.5 Linkage bases report

See information of the linkage bases report in respect of the Group's financial assets and liabilities as of December 31, 2024 and 2023 in Note 11 to the Company's financial statements hereby attached in Chapter C to this report.

3.1.6 Sensitivity tests

See information of sensitivity tests to changes in market factors in Note 11 regarding financial instruments in the Company's financial statements hereby attached to this report in Chapter C.

3.1.7 Use of the Value at Risk ("VaR") model

Following are details of the adoption of the VaR model by the Company in accordance with the Reporting Regulations.

<u>The VaR model</u>

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.

<u>Model description</u>

To supervise market risks inherent to Altshuler Provident's operations, the Company uses the analytical VaR which relies on actual yields of the investment portfolio with the standard deviation on the weighted portfolio yields. The Company uses daily quoted market prices for quoted securities.

<u>Model assumptions</u>

The measurement metric uses the following assumptions:

(a) The measurement outlook is one day.

(b) the probability is 95%, which means the VaR used is the value that represents the 5% loss probability (a historic timeframe of three years which translates into 750 observations and therefore the VaR represents the 37-38 worst observation).

(c) The portfolio yield distribution is normal.

(d) The model contains the entire risk factors inherent to the investment portfolio: stock rates, interest rates and exchange rates.

(e) The assets in the investment portfolio.

VaR method of calculation of assets

The Company measures the VaR using a designated risk management system by Hedge-Tech Financial Engineering Ltd. If available, daily data are used for all quoted assets and if not, the assets are attributed to the proper benchmarks for which daily data are used. For unquoted assets with monthly quotes, the yields are normalized to daily levels.

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

Bonds – the fair value of bonds is calculated based on the expected discounted cash flows generated to their holders (interest + principal) based on the average term and discount rates derived from the relevant interest curve with the addition of the credit margin as of the calculation date. For distressed debts, quotes are obtained based on the research department's analysis.

Model limitations

The VaR relies on a sensitivity analysis of categories of assets held by the Group as of the model adoption date but attributes values for periods during which these assets are not necessarily held by the Group or were held by the Group at different rates (sometimes materially different from the holding rates on the calculation date). For example, a specific share in constant decline, whose trend changes after it is purchased by the Company and is now on the rise could result in a negative VaR which would be misleading.

The VaR model calculates future theoretical change based on past data even when there is no direct connection between the two. Since the simulation is performed based on the behavior of financial instruments one year back, the data may be affected by unusual events that occurred and do not represent similar future prognosis and are not reflected by the model.

The model may also be limited when measuring new risk factors in the absence of historic data.

VaR results as of the report date

As of the report date, the fair value of the Company's short-term investments is NIS 329,130 thousand. The VaR of these assets is NIS 275 thousand, representing 0.2% of the fair value of the short-term investments.

4. Information about highly material valuations (Regulation 8B) of the Securities Regulations (Periodic and Immediate Reports), 1970

Identity of valuation subject	Valuation date (validity date)	Value of the valuation subject shortly prior to the valuation date (had generally accepted accounting principles, including with respect to depreciation and amortization, had not required it to be marked down to valuation)	Value of valuation subject determined in the valuation	Valuator identity and attributes, including experience providing valuations for accounting purposes to reporting entities on a similar scale to those of the reported valuation or higher, and dependence on the entity commissioning the valuation, including reference to any indemnification agreements with the valuator	Valuation model applied by the valuator	Assumptions used by the valuator for the valuation, based on the valuation model
Testing the impairment of deferred acquisition costs (DAC)	December 31, 2024	DAC in respect of provident funds and pension funds amounted to NIS 136,495 thousand and NIS 96,639 thousand, respectively	No impairment needs to be recognized for DAC in respect of provident funds and pension funds	The valuation was prepared by a team headed by Mr. Shalom Sofer, CPA, partner at Kesselman & Kesselman PricewaterhouseCoopers and expert in financing and valuations. Mr. Sofer holds an undergraduate degree in Accounting and Economics, Magna cum Laude, and a graduate degree in Economics, Magna cum Laude – both from Tel Aviv University	Discounted cash flow (DCF)	• Altshuler Provident pays its sales agents commissions for new customers enrolling the provident funds and pension savings plans. The costs are capitalized to an asset in Altshuler Provident's books to maintain the income-expense matching principle. The asset is depreciated over a period of 6 years for provident funds and 10 years for pension funds. • The impairment testing was performed for each quarter individually based on two scenarios: o Scenario 1: in 2025, portfolio yield of 3% based on the budget received from Altshuler Provident's Management and from 2026 average yield in the segment. For outbound transfers, continuing withdrawals were assumed based on the historical average of each portfolio tier. o Scenario2: in 2025-2026, portfolio yield of 3% based on the budget received from Altshuler Provident's Management and in the next years average yield in the segment. For outbound transfers, continuing withdrawals were assumed based on the

						rate in the last eight quarters of 2025-2026 and in 2027 return to the historical average of each portfolio tier (including 2025-2026). • The carrying amount of each tier is the DAC received from Altshuler Provident's management. • The impairment testing of DAC relied on the outstanding amount of each portfolio tier which the entity expects to receive for the services of the underlying asset less the costs directly attributable to the provision of the services. • The amount was measured based on a valuation of the cash flows of each portfolio tier for a period of 15 years from January 1, 2025 to the end of 2039 ("**the forecast period**") using the DCF method as of the valuation date. The WACC used to discount the free cash flow reflecting the corporate business risk level was set at 11.5% (after taxes).

5. Mandatory reporting of directors with accounting and financial expertise and independent directors in the Company

The Company's Board has resolved that the minimum number of directors with accounting and financial expertise on the Company's Board will be two (2) in conformity with the provisions of Article 92(a)(12) to the Companies Law based on the Company's type, size, operating scope and complexity of operation.

As of the report date, the Company's Board decided that the following directors - Mr. Ran Shaham, Mr. Yair Lowenstein, Mr. Reuven Elkes, Mr. Tomer Cohen, Ms. Adi Blumenfeld-Pinchas, Ms. Meirav Segal and Ms. Yael Naftali - have such expertise.

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

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

6. Disclosure of Internal Auditor

Name – Shai Aharoni.

Start of term in office – March 31, 2022.

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

Compliance of the Internal Auditor with statutory requirements – to the best of the Company's knowledge, as stated by the Internal Auditor, the Internal Auditor is in compliance with provisions of Article 146(b) of the Companies Law and with provisions of Articles 3(a) and 8 of the Internal Audit Law, 1992 ("**Internal Audit Law**").

Other roles of the Internal Auditor – the Internal Auditor has no business relations with the Company nor with any entity affiliated there with. The Internal Auditor is employed by the Company and has no other roles with the Company. The Internal Auditor also serves as Internal Auditor of Altshuler Shaham Group companies affiliated with the Company.

Appointment – the appointment of the Internal Auditor in the Company was approved on February 27, 2022 by the Board after in-depth review of his education and vast experience.

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

Internal Auditor's work plan – the Company's annual audit plan is derived from the multiannual audit plan which relies on a risk survey conducted in the Company to determine the multiannual audit plan. Planning of audit tasks, priorities and frequency is impacted by the following: likelihood of managerial and administrative deficiencies, risk exposure of activities and operations, topics where Management requested an audit, topics required by law, by provisions of internal or external procedures. The annual work plan is determined at the Internal Auditor's recommendation following consultation with the Company's Management and Audit Committee. The plan is approved by the Company's Audit Committee and Board annually, ahead of the next fiscal year. The Internal Auditor may deviate from the work plan, subject to reporting to the Audit Committee. The Audit Committee monitors the implementation of the Internal Audit annual work plan through quarterly reporting to the Committee, and any changes and/or updates required are made in coordination with the Committee.

Scope of work of Internal Auditor – in 2024, a total of 1,127 internal audit hours were performed at the Company with respect to its operations. The total audit hours were determined by the Audit Committee and approved by the Board.

In 2023, a total of 848 internal audit hours were performed. The increase arises from an audit conducted in an investee.

Conducting the audit – the Internal Auditor and his team are required to conduct the audit with strict adherence to required benchmarks for conducting a professional, reliable, independent audit of the audited entity. The Company's Board is satisfied that the Internal Auditor is in compliance with professional standards of the Institute of Internal Auditors used by the Internal Auditor to conduct the audit, based on certification by the Internal Auditor.

Access to information and documents – the Internal Auditor has free access, as set forth in Article 9 of the Internal Audit Law including constant, direct access to Company information systems, including its financial data.

Internal Auditor's report – the Internal Auditor's reports were submitted in writing to the Chairman of the Audit Committee and the Chairman of the Board and discussed in the Audit Committee's meetings, as listed below[1]:

Month	Delivered to the Company	Discussed in the Audit Committee
March 2024	1	1
May 2024	1	1
August 2024	3	3
December 2024	1	1

Board' assessment of the Internal Auditor's function – the Company's Board believes that the scope, nature and continuous operation of the Internal Auditor and his work plan are reasonable and are adequate for achieving the internal audit objectives at the Company.

Remuneration of the Internal Auditor – the remuneration of the Internal Auditor is determined in a personal employment contract and approved by the Remuneration Committee and by the Board. The remuneration is both fixed and equity-based (Company stock options) and also variable in conformity with the Company's remuneration policy. The Company's Board believes that this remuneration does not influence or impair the Internal Auditor's professional judgment.

[1] The discussions include reviewing the Internal Auditor's report based on the work plan for 2023. A meeting reviewing some of the audit reports for 2024 was held in early 2025.

Holding of Company securities – the Company's Internal Auditor holds unquoted stock options of the Company. The Company's Board believes that this holding does not impair the quality of the Internal Auditor's work.

7. Disclosure of independent auditors

7.1 The Company's independent auditors

The independent auditors of the Company and its subsidiaries are Kost Forer Gabbay & Kasierer, CPAs.

7.2 The independent auditors' professional fees

The following table presents the professional fees paid to the independent auditors for audit, audit-related, tax and other services provided to the entire Group companies in 2024 and 2023 (NIS in thousands):

Year	For audit services	For special tax services	For other services
2024	775,000	172,250	336,050
2023	820,000	328,580	267,000

7.3 The principles underlying the independent auditors' professional fees and required approvals

The independent auditors' professional fees are determined in negotiations between the independent auditors and the Company's Management and are deemed by Management to be reasonable and appropriate in accordance with the nature and scope of the Company's operations. The independent auditors' professional fees are approved by the Company's Board in keeping with its authorization in the Company's articles of association. The principles underlying the independent auditors' professional fees rely on actual labor hours based on the scope and complexity of each audited entity.

Ran Shaham	Yair Lowenstein
Chairman of the Board of Directors	CEO

Report Approval Date: March 19, 2025.

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ALTSHULER SHAHAM FINANCE LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2024

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Building a better working world

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AUDITORS' REPORT

To the Shareholders of

ALTSHULER SHAHAM FINANCE LTD.

We have audited the accompanying consolidated statements of financial position of Altshuler Shaham Finance Ltd. ("**the Company**") as of December 31, 2024 and 2023 and the related consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2024. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Israel, including those prescribed by the Auditors' Regulations (Auditor's Mode of Performance), 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the board of directors and management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2024 and 2023 and their results of operations, changes in equity and their cash flows for each of the three years in the period ended December 31, 2024, in conformity with IFRS Accounting Standards and with the provisions of the Israeli Securities Regulations (Annual Financial Statements), 2010.

Key Audit Matters

The key audit matters described below are those matters that were communicated, or should have been communicated, to the Company's board of directors and that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters include, among others, any matter: (1) which relates, or may relate, to significant accounts or disclosures in the financial statements and (2) that involved our professional judgment that was challenging, subjective or especially complex. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon. The communication of these matters below does not change our opinion on the consolidated financial statements as a whole nor do we provide through such communication a separate opinion on these matters or on the accounts or disclosures to which they relate.

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

As described in Notes 2 and 7 to the consolidated financial statements, as of December 31, 2024, the carrying amount of the Company's deferred acquisition costs ("**DAC**") in respect of the provident and pension fund management operation is NIS 233,134 thousand. Moreover, as described in Note 2 to the consolidated financial statements, the Company examines the recoverable amount of DAC when there are indicators of impairment in relation to the entire provident and pension fund portfolios. Possible impairment is identified by comparing the amount which the Company expects to receive for DAC in its books. If the carrying amount exceeds the amount receivable, an impairment loss is recognized in the amount of the surplus. The testing for impairment of DAC relies on the amount receivable for the services underlying the asset less the costs that are directly attributable to the provision of the services. This amount is determined based on a valuation of the cash inflow of income from the assets less the costs that are directly attributable to the provision of the services using the discounted cash flow ("**DCF**") method based on forecasts received from the Company's management as of the valuation date.

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

How we addressed the matter in our audit

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

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

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

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

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

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

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

Tel-Aviv, Israel
March 19, 2025

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31, 2024	December 31, 2023
		NIS in thousands	
Assets:			
Intangible assets	5	518,256	529,312
Right-of-use assets	6	36,157	45,265
Investment in lease, net	6	43,218	49,913
Deferred acquisition costs	7	233,766	231,881
Property, plant and equipment	8	24,253	29,567
Accounts receivable	9	50,619	27,520
Current tax assets	15	176	16,869
Deferred tax assets	15	12,718	6,106
Loans to customers	10	64,315	-
Investment in associated partnerships	13	8,653	-
Financial investments:	11		
Quoted debt assets		22,609	-
Unquoted debt assets		-	22
Other		110,834	140,634
Total financial investments		133,443	140,656
Cash and cash equivalents	12	83,988	115,856
Total assets		1,209,562	1,192,945
Equity:	14		
Share capital		2,024	2,021
Share premium		242,008	240,239
Capital reserve from transaction with controlling shareholder		(4,671)	(4,264)
Capital reserve from share-based payment transactions		33,099	33,444
Capital reserve from financial assets measured at fair value through other comprehensive income		(35)	9
Foreign currency translation reserve		(115)	-
Retained earnings		276,720	248,831
Total equity attributable to equity holders of the Company		549,030	520,280
Non-controlling interests	13	(3,720)	(643)
Total equity		545,310	519,637
Liabilities:			
Deferred tax liabilities	15	20,025	29,761
Employee benefit liabilities, net	16	1,461	2,490
Current tax liabilities	15	2,050	5,251
Accounts payable	17	124,860	116,307
Lease liability	6	83,854	100,627
Financial liabilities	18	432,002	418,872
Total liabilities		664,252	673,308
Total equity and liabilities		1,209,562	1,192,945

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

March 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

		Year ended December 31,		
		2024	2023	2022
	Note	NIS in thousands		
Revenues from management fees, net	19	911,738	985,999	1,283,097
Revenues from commissions	13b	6,421	4,300	2,507
Net investment gains (losses) and finance income	20	7,846	8,920	(5,361)
Revenues from nonbank credit operation		2,399	-	-
Other income	13e	1,682	15,399	1,757
Total revenues		930,086	1,014,618	1,282,000
Commissions, marketing expenses and other acquisition costs	21	322,133	354,542	454,246
Expenses in respect of credit losses	10	1,342	-	-
General and administrative expenses	22	406,181	414,724	456,564
Other expenses	23	26,377	25,611	27,512
Finance expenses	24	11,393	12,628	15,513
Total expenses		767,426	807,505	953,835
Company's share of losses of associated partnerships accounted for at equity	13	192	-	-
Income before taxes on income		162,468	207,113	328,165
Taxes on income	15	52,147	69,564	115,306
Net income		110,321	137,549	212,859
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		(44)	(46)	1,345
Foreign currency translation reserve for foreign operations		(115)	-	-
Amounts carried to profit or loss from sale of investments in debt instruments at fair value through profit or loss		-	(1,840)	-
Total components of other comprehensive income (loss), net that will be subsequently reclassified to profit or loss		(159)	(1,886)	1,345
Amounts that will not be subsequently reclassified to profit or loss:				
Gain from remeasurement of defined benefit plan	16	824	1,180	1,373
Total components of other comprehensive income, net that will not be subsequently reclassified to profit or loss		824	1,180	1,373
Total other comprehensive income (loss) (net of taxes)		665	(706)	2,718
Total comprehensive income		110,986	136,843	215,577

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Year ended December 31, 2024	2023	2022
		NIS in thousands (except per share data)		
Net income (loss) attributable to:				
Equity holders of the Company		113,065	137,930	213,121
Non-controlling interests	13	(2,744)	(381)	(262)
		110,321	137,549	212,859
Comprehensive income (loss) attributable to:				
Equity holders of the Company		113,730	137,224	215,839
Non-controlling interests	13	(2,744)	(381)	(262)
		110,986	136,843	215,577
Basic net earnings per share attributable to equity holders of the Company (NIS)		0.57	0.7	1.08
Diluted net earnings per share attributable to equity holders of the Company (NIS)		0.57	0.69	1.07

The accompanying notes are an integral part of the 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
					NIS in thousands				
Balance at January 1, 2022	2,013	235,669	(1,805)	29,867	550	-	285,227	-	551,521
Net income (loss)	-	-	-	-	-	-	213,121	(262)	212,859
Other comprehensive income (loss) (net of taxes):									
Gain from remeasurement of defined benefit plan	-	-	-	-	-	-	1,373	-	1,373
Gain from investments in financial instruments measured at FVOCI	-	-	-	-	1,345	-	-	-	1,345
Total comprehensive income (loss)	-	-	-	-	1,345	-	214,494	(262)	215,577
Transactions with owners carried directly to equity:									
Cost of share-based payment	-	-	(1,863)	5,898	-	-	-	-	4,035
Exercise of employee options	5	2,953	-	(2,958)	-	-	-	-	-
Dividend to equity holders of the Company	-	-	-	-	-	-	(278,000)	-	(278,000)
Balance at December 31, 2022	2,018	238,622	(3,668)	32,807	1,895	-	221,721	(262)	493,133
Net income (loss)	-	-	-	-	-	-	137,930	(381)	137,549
Other comprehensive income (loss) (net of taxes):									
Gain from remeasurement of defined benefit plan	-	-	-	-	-	-	1,180	-	1,180
Loss from investments in financial instruments measured at FVOCI	-	-	-	-	(46)	-	-	-	(46)
Amounts reclassified to profit or loss for sale of investments in debts instruments measured at FVOCI	-	-	-	-	(1,840)	-	-	-	(1,840)
Total comprehensive income (loss)	-	-	-	-	(1,886)	-	139,110	(381)	136,843
Transactions with owners carried directly to equity:									
Cost of share-based payment	-	-	(596)	2,257	-	-	-	-	1,661
Exercise of employee options	3	1,617	-	(1,620)	-	-	-	-	-
Dividend to equity holders of the Company	-	-	-	-	-	-	(112,000)	-	(112,000)
Balance at December 31, 2023	2,021	240,239	(4,264)	33,444	9	-	248,831	(643)	519,637

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

CONSOLIDATED STATEMENTS OF 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
					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 from 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 created in newly consolidated subsidiary	-	-	-	-	-	-	-	(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 consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2024	2023	2022
	NIS in thousands		
Cash flows from operating activities:			
Net income for the year	110,321	137,549	212,859
Items not involving cash flows:			
Net losses (gains) from financial investments:			
Quoted debt assets	(1,105)	(2,983)	5,971
Unquoted debt assets	-	(1,382)	-
Other	(4,439)	(1,979)	646
Other income	-	(12,857)	-
Other finance expenses, net	8,018	10,399	15,575
Loss from disposal of property, plant and equipment and right-of-use asset	(2,399)	45	749
Cost of share-based payment	872	1,661	4,035
Change in DAC, net	1,020	57,877	63,813
Expenses in respect of credit losses	(1,885)	-	-
Company's share of losses of associated partnerships accounted for at equity	1,342	-	-
Depreciation and amortization:	192		
Right-of-use assets	8,566	8,592	9,797
Property, plant and equipment	8,581	8,405	7,872
Intangible assets	53,474	52,701	52,696
Taxes on income	52,147	69,564	115,306
	124,384	190,043	276,460
Changes in other balance sheet items:			
Change in loans to customers	(47,297)	-	-
Change in bank loans for providing nonbank credit	32,000	-	-
Change in accounts receivable	(11,503)	7,808	20,095
Change in accounts payable	(12,528)	(48,312)	(122,698)
Change in employee benefit liabilities, net	75	214	(301)
	(39,253)	(40,290)	(102,904)
Cash paid and received during the year for:			
Interest paid	(11,965)	(11,487)	(12,823)
Interest received	5,974	3,416	213
Taxes paid	(45,152)	(46,287)	(144,055)
Taxes received	10,686	-	-
Dividend received	53	-	-
	(40,404)	(54,358)	(156,665)
Net cash provided by operating activities	155,048	232,944	229,750

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2024	2023	2022
	NIS in thousands		
Cash flows from investing activities:			
Receipts from lease	8,317	10,157	9,164
Receipt (payment) of contingent consideration for acquisition of investees	-	21,956	(37,348)
Grant of loans to associated partnerships	(50,329)	-	-
Repayment of loans to associated partnerships	41,392	-	-
Acquisition of newly consolidated subsidiaries (see Note 3)	(26,833)	-	-
Acquisition of associates	(9,034)	-	-
Investment in property, plant and equipment	(1,465)	(3,505)	(21,619)
Investment in intangible assets	(15,271)	(17,707)	(39,762)
Net sales of financial investments	12,660	35,147	66,358
Net cash provided by (used in) investing activities	(40,563)	46,048	(23,207)
Cash flows from financing activities:			
Receipt of bank loans	93,829	205	75,650
Repayment of lease liability	(19,420)	(19,314)	(18,155)
Repayment of loans from banks	(134,762)	(128,548)	(186,087)
Divided paid to equity holders of the Company	(86,000)	(112,000)	(278,000)
Net cash used in financing activities	(146,353)	(259,657)	(406,592)
Increase (decrease) in cash and cash equivalents	(31,868)	19,335	(200,049)
Cash and cash equivalents at the beginning of the year	115,856	96,521	296,570
Cash and cash equivalents at the end of the year	83,988	115,856	96,521
Material non-cash transactions:			
Right-of-use asset recognized against lease liability	3,602	6,987	43,871
Purchase of intangible assets	863	1,509	5,538

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

NOTE 1:- GENERAL

a. General description of the Company and its operations:

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

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

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

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

As of the date of 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. The Company also has other operations which do not aggregate into reportable segments which consist of the following: (1) managing, initiating, marketing and distributing alternative real estate and other investments ("**the Alternative Investment Operation**") through Altshuler Shaham Real Estate Ltd. ("**Altshuler Real Estate**"), through Altshuler Shaham Alternative Investment Funds Ltd. ("**Altshuler Investment Funds**") and through iFunds Capital Ltd. ("**iFunds**"), in which about 40% of the issued and outstanding share capital was indirectly purchased by the Company on February 12, 2024 (see information of the acquisition of iFunds in Note 3a below); (2) providing nonbank credit to businesses through Altshuler Shaham Credit Ltd. (formerly: Psagot (P.B.L.) Ltd., "**Altshuler Credit**"), in keeping with the Company's Board's approval of June 6, 2024 of the Company's go-to-market strategy for the credit market ("**the Credit Operation**") and the completion of the acquisition of the business operation of CrediTeam Business and Growth Ltd. ("**CrediTeam**") and of the entire issued and outstanding share capital of CrediTeam Credit 2 Grow Ltd. on August 19, 2024.

NOTE 1:- GENERAL (Cont.)

CrediTeam Credit 2 Grow Ltd. changed its name to Altshuler Shaham Business Credit Ltd. ("**Altshuler Business Credit**"). It holds an extended credit provider license from the Israel Capital Market, Insurance and Savings Authority ("**the CrediTeam transaction**"). See details of the Credit Operation and the CrediTeam transaction in Notes 3b and 13e below.

b. The Israel-Hamas war:

In the reporting period, Israel continued to face intense warfare in the Gaza Strip in its efforts to eradicate Hamas' rule over the Gaza Strip and simultaneously ward off the threats and attacks of Hezbollah along the northern border of Israel. Israel also had to face other threats occasionally arising from other fronts. On April 14, 2024, Iran launched a massive airstrike against Israel from its territory and from other adjacent territories.

In May 2024, the IDF embarked on a military operation in Rafah and in September 2024, in an operation entitled "New Order", Hezbollah's Secretary-General, Hassan Nasrallah, was eliminated, leading to severe counterattacks.

On November 27, 2024, the ceasefire reached between Israel and Lebanon to put an end to the fighting in the northern front came into force.

Moreover, on January 19, 2025, the ceasefire agreement signed between Israel and Hamas for the IDF's withdrawal from the Gaza Strip and the release of Israeli hostages in return for Palestinian prisoners came into effect following which some of the Israeli hostages held in the Gaza Strip were released.

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

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

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

NOTE 1:- GENERAL (Cont.)

c. Effects of inflation and market interest rises:

In the reporting period, central banks around the world maintained their benchmark interest rates relatively high in view of the effect of the "sticky inflation" which remained quite high despite the trend of decline. While the Bank of Israel decided to keep the interest at 4.5% over the reporting period, similarly to the ECB's decision to maintain the interest unchanged, in September 2024, the Fed announced the lowering of the interest by a sharp 0.5%.

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

d. Definitions:

In these financial statements:

The Company	- Altshuler Shaham Finance Ltd.
The Group	- The Company and the companies controlled by it.
Holders of significant influence	- Altshuler Shaham Ltd. and Lowenstein Yair Holdings Ltd.
Investees	- Subsidiaries.
Related parties	- As defined in IAS 24.
Interested parties/controlling shareholder	- As defined in the Securities Regulations (Annual Financial Statements), 2010.
Income Tax Regulations	- Income Tax Regulations (Rules for Approval and Management of Provident Funds), 1964.

NOTE 2:- ACCOUNTING POLICIES

The following accounting policies have been applied consistently in the financial statements for all periods presented, unless otherwise stated.

a. Basis of presentation of the financial statements:

1. Measurement basis:

The Company's financial statements have been prepared on a cost basis, except for employee benefit liabilities and certain financial instruments that are measured at fair value through profit or loss ("**FVPL**") or at fair value through other comprehensive income ("**FVOCI**") and cost of share-based payment.

2. Preparation format of the financial statements:

These financial statements have been prepared in accordance with IFRS Accounting Standards.

Furthermore, the financial statements have been prepared in conformity with the provisions of the Israeli Securities Regulations (Annual Financial Statements), 2010.

3. Consistent accounting policies and initial adoption of IFRS Accounting Standards:

The accounting policies presented in these financial statements have been applied consistently for all periods presented, unless otherwise stated.

4. Current reporting format:

The statements of financial position, which comprise the Company's assets and liabilities, have been presented in the order of liquidity without distinguishing between current and non-current. This presentation offers more reliable and relevant information as required by IAS 1.

The Company has elected to present the profit or loss items using the nature of expense method.

b. Consolidated financial statements:

The consolidated financial statements comprise the financial statements of companies that are controlled by the Company (subsidiaries). Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Potential voting rights are considered when assessing whether an entity has control.

NOTE 2:- ACCOUNTING POLICIES (Cont.)

c. Business combinations and goodwill:

Business combinations are accounted for by applying the acquisition method. The cost of the acquisition is measured at the fair value of the consideration transferred on the acquisition date with the addition of non-controlling interests in the acquiree.

Direct acquisition costs are carried to the statement of profit or loss as incurred.

Goodwill is initially measured at cost which represents the excess of the acquisition consideration and the amount of non-controlling interests over the net identifiable assets acquired and liabilities assumed.

d. Functional currency, presentation currency and foreign currency:

The presentation currency of the financial statements is the New Israeli Shekel ("**NIS**"), which is the functional currency of the Company and its investees.

e. Significant accounting judgments, estimates and assumptions used in the preparation of the financial statements:

<u>Judgments:</u>

In the process of applying the significant accounting policies, the Company has made the following judgments which have the most significant effect on the amounts recognized in the financial statements:

1. Discount rate for a lease liability:

   When the Company is unable to readily determine the discount rate implicit in a lease in order to measure the lease liability, the Company uses an incremental borrowing rate. That rate represents the rate of interest that the Company would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. When there are no financing transactions that can serve as a basis, the Company determines the incremental borrowing rate based on its credit risk, the lease term and other economic variables deriving from the lease contract's conditions and restrictions. In certain situations, the Company is assisted by an external valuation expert in determining the incremental borrowing rate.

NOTE 2:- ACCOUNTING POLICIES (Cont.)

2. Development costs:

The Company reviews the criteria for recognition of costs in respect of development projects as intangible assets.

The Company capitalizes costs for development projects. Initial capitalization of costs is based, among others, on management's judgement that technological and economic feasibility are confirmed, usually when a development project has achieved the milestone defined by management. In determining the amount to be capitalized, management makes assumptions regarding the future cash flows expected from the project, the discount rate and the expected period of the benefits from the project.

<u>Estimates and assumptions</u>

The key assumptions made in the financial statements concerning uncertainties at the reporting date and the critical estimates computed by the Company that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

1. Lawsuits:

There are various lawsuits and class action certification motions pending against the Group. In estimating the likelihood of outcome of legal claims filed against the Group companies, the Group relies on the opinion of its legal counsel. These estimates are based on the legal counsel's best professional judgment, taking into account the stage of proceedings and legal precedents in respect of the different issues. Since the outcome of the claims will be determined in courts, the results could differ from these estimates. See Note 27 below.

Other than the aforementioned lawsuits, the Company is exposed to complaints/claims that have yet to be asserted/filed due, inter alia, to doubts with regard to interpretation of agreements and/or statutory provisions and/or their application. The Group is made aware of such exposure in multiple ways, including through clients who contact the Group, and in particular the Group's Ombudsman, by way of customer complaints addressed to the Public Inquiries Unit of the Capital Market Authority, and through lawsuits (other than class action lawsuits) filed with the courts. These matters are brought before the Group's management whenever the handling party identifies that such claims may have wider implications. In assessing the risk associated with unasserted claims, the Group relies on internal assessment by the handling entities and by Management, which weigh the estimated probability of a claim being made and the chances of such claim, if made.

Such assessment is based on past experience with regard to claims filed, and on analysis of the actual allegations. By nature, in view of the preliminary stage of elaboration of the legal allegation, the actual outcome may differ from assessment conducted prior to filing of the claim.

NOTE 2:- ACCOUNTING POLICIES (Cont.)

2. Determination of DAC as recoverable:

DAC with respect to sale of pension funds and provident funds are amortized over the expected period for receiving management fee revenues. The Group reviews for recoverability by estimating the revenue period whenever there are indications of impairment, based on the overall portfolio of pension and provident fund contracts. If there is no recoverability, amortization of deferred amortization expenses may need to be accelerated, or deferred amortization expenses may need to be written off. See more information in Note 7 below.

3. Deferred tax assets:

Deferred tax assets are recognized for unused carryforward tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the timing and level of future taxable profits against which carryforward losses can be offset, their source and the tax planning strategy.

f. DAC:

1. Commissions paid for acquisition of asset management contracts for provident funds and pension funds are recognized under DAC if they may be individually identified and reliably measured, and if they are expected to be recovered by way of management fee. DAC are amortized over the expected period for receipt of management fee revenues. According to Company estimates, the amortization period, as determined, is 6 years for provident fund contracts and 6 years for pension fund contracts through September 30, 2018, and 10 years for pension fund contracts as from October 1, 2018.

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

NOTE 2:- ACCOUNTING POLICIES (Cont.)

g. Investments in associated partnerships:

Associated partnerships are partnerships in which the Group has significant influence over the financial and operating policies without having control. The investment in associated partnerships is accounted for using the equity method.

The Company has investments in several associated partnerships in which it serves as limited partner (LP). In addition, the Company serves as general partner (GP) indirectly through investees and is therefore entitled to receive carried interest, among others. The GP is entitled to receive carried interest when the comprehensive income per LP exceeds the predetermined rate of return. The Company has adopted the hypothetical liquidation at book value (HLBV) method to measure its share of the carried interest.

The Company's associated partnerships are investment entities operating in U.S. and Europe. The Company directly holds less than 20% of the investment entities but since it controls the GP, it exercises significant influence over the investment entities.

The accounting treatment in the financial statements of associated partnerships has been applied on a consistent and uniform basis with the accounting treatment in the Company's financial statements.

h. Financial instruments:

1. Financial assets:

Financial assets are measured upon initial recognition at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets, except for financial assets measured at fair value through profit or loss in respect of which transaction costs are recorded in profit or loss.

The Company classifies and measures debt instruments in the financial statements based on: (i) the Company's business model for managing financial assets; and (ii) the contractual cash flow terms of the financial asset.

a) Debt instruments are measured at amortized cost when:

The Company's business model is to hold the financial assets in order to collect their contractual cash flows, and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. After initial recognition, the instruments in this category are measured according to their terms at amortized cost using the effective interest rate method, less any provision for impairment.

NOTE 2:- ACCOUNTING POLICIES (Cont.)

b) Debt instruments are measured at fair value through other comprehensive income when:

The Company's business model is to hold the financial assets in order to both collect their contractual cash flows and to sell the financial assets, and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

c) Debt instruments are measured at fair value through profit or loss when:

A financial asset which is a debt instrument does not meet the criteria for measurement at amortized cost or at fair value through other comprehensive income. After initial recognition, the financial asset is measured at fair value and gains or losses from fair value adjustments are recognized in profit or loss.

2. Impairment of financial assets:

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

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

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

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

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

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

NOTE 2:- ACCOUNTING POLICIES (Cont.)

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

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

3. Financial liabilities:

<u>Financial liabilities measured at amortized cost</u>

Financial liabilities are initially recognized at fair value less transaction costs that are directly attributable to the issue of the financial liability. After initial recognition, the Company measures all financial liabilities at amortized cost using the effective interest rate method.

4. Derecognition of financial liabilities:

If the terms of an existing financial liability are substantially modified or a liability is exchanged for another liability from the same lender with substantially different terms, the modification or exchange is accounted for as an extinguishment of the original liability and the recognition of a new liability. The difference between the carrying amounts of the above liabilities is recognized in profit or loss.

If the modification in the terms of an existing liability is not substantial or if a liability is exchanged for another liability from the same lender whose terms are not substantially different, the Company recalculates the carrying amount of the liability by discounting the revised cash flows at the original effective interest rate and any resulting difference is recognized in profit or loss.

i. Property, plant and equipment:

Property, plant and equipment are measured at cost, including directly attributable costs, less accumulated depreciation and less accumulated impairment losses and excluding day-to-day servicing expenses.

NOTE 2:- ACCOUNTING POLICIES (Cont.)

Depreciation is calculated at constant annual rates on a straight-line basis over the useful life of the assets as follows:

	%
Motor vehicles	15
Office furniture and equipment	7
Computers and peripheral equipment	33
Leasehold improvements	see below

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term (including the extension option held by the Group and intended to be exercised) and the expected life of the improvement.

j. Intangible assets:

Separately acquired intangible assets are measured on initial recognition at cost including directly attributable costs. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Expenditures relating to internally generated intangible assets, excluding capitalized development costs, are recognized in profit or loss when incurred.

1. Software development costs:

Software development costs are capitalized only if the development costs can be measured reliably, the technical and commercial feasibility of the software can be demonstrated; future economic benefits are expected from the development, and the Company has the intention and resources to complete the development and use the software. Capitalized costs include cost of materials, direct labor costs and overheads that can be directly attributable to preparing the asset for its intended use. Other development expenses are carried to profit or loss as incurred.

When an internally developed intangible asset cannot be recognized, the development costs are recognized as an expense in profit or loss as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

2. Software and technology:

The Group's assets include computer systems comprising hardware and software. Software forming an integral part of the hardware to the extent that the hardware cannot function without the programs installed on it is classified as property, plant and equipment. In contrast, stand-alone software that adds functionality to the hardware is classified as an intangible asset.

NOTE 2:- ACCOUNTING POLICIES (Cont.)

3. Amortization:

The estimated useful life for the current period and for comparison periods is as follows:

a) Future management fee - original difference with regard to expected future management fee upon acquisition of provident funds and pension funds is amortized in conformity with the expected period for receiving the management fee. See details of change in estimate of the amortization period of customer relations purchased in the Psagot transaction in Note 5 below.

b) Software - is amortized using the straight-line method over 3-6 years.

c) Technology –purchased in the acquisition of the Credit Operation and amortized using the straight-line method over 9 years. See also Note 3b.

The estimates used for the depreciation methods, useful life and residual value are reviewed at least at the end of each reporting year.

k. Provisions:

A provision in accordance with IAS 37 is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects part or all of the expense to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense is recognized in the statement of profit or loss net of any reimbursement.

Following are the types of provisions included in the financial statements:

Legal claims

A provision for legal claims is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources embodying economic benefits will be required by the Group to settle the obligation and a reliable estimate can be made of the amount of the obligation.

NOTE 2:- ACCOUNTING POLICIES (Cont.)

l. Revenue recognition:

Revenue from contracts with customers is recognized when the control over the goods or services is transferred to the customer. The transaction price is the amount of the consideration that is expected to be received based on the contract terms, excluding amounts collected on behalf of third parties (such as taxes).

Revenues are recognized in profit or loss when the revenues can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income

Interest income on loans is recognized over the loan period using the effective interest method. Revenue from credit line and loan origination commissions is recognized over the credit period using the effective interest method.

Revenue from rendering of services

Revenue from rendering of services is recognized over time, during the period the customer simultaneously receives and consumes the benefits provided by the Company's performance. Revenues are recognized in the reporting periods in which the services are rendered.

Costs of obtaining a contract

In order to obtain certain contracts with customers, the Company incurs incremental costs in obtaining the contract (such as sales commissions which are contingent on making binding sales). Costs incurred in obtaining the contract with the customer which would not have been incurred if the contract had not been obtained and which the Company expects to recover are recognized as an asset and amortized on a systematic basis that is consistent with the provision of the services under the specific contract.

m. Net investment gains, finance income and finance expenses:

Net investment gains and finance income include interest income and linkage differences with respect to debt assets, as well as changes to fair value of financial assets presented at FVPL.

Interest income is recognized as it accrues, using the effective interest method.
Gains or losses from exchange rate differences and changes to fair value of investments are reported on a net basis.

Finance expenses include interest expenses, linkage differences and exchange rate differences for loans received, as well as changes to time value with respect to provisions. Borrowing costs which are not capitalized are recognized in profit or loss using the effective interest method.

NOTE 2:- ACCOUNTING POLICIES (Cont.)

n. Leases:

The Company accounts for a contract as a lease when the contract terms convey the right to control the use of an identified asset for a period of time in exchange for consideration.

1. The Company as lessee:

For leases in which the Company is the lessee, the Company recognizes on the commencement date of the lease a right-of-use asset and a lease liability, excluding leases whose term is up to 12 months and leases for which the underlying asset is of low value. For these excluded leases, the Company has elected to recognize the lease payments as an expense in profit or loss on a straight-line basis over the lease term. In measuring the lease liability, the Company has elected to apply the practical expedient in IFRS 16 and does not separate the lease components from the non-lease components (such as management and maintenance services, etc.) included in a single contract.

Leases which entitle employees to a company car as part of their employment terms are accounted for as employee benefits in accordance with the provisions of IAS 19 and not as subleases.

On the commencement date, the lease liability includes all unpaid lease payments (excluding variable lease payments) discounted at the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the Company's incremental borrowing rate. After the commencement date, the Company measures the lease liability using the effective interest rate method.

On the commencement date, the right-of-use asset is recognized in an amount equal to the lease liability plus lease payments already made on or before the commencement date and initial direct costs incurred. The right-of-use asset is measured applying the cost model and depreciated over the shorter of its useful life and the lease term.

The Company tests for impairment of the right-of-use asset whenever there are indications of impairment pursuant to the provisions of IAS 36.

2. Lease extension and termination options:

A non-cancelable lease term includes both the periods covered by an option to extend the lease when it is reasonably certain that the extension option will be exercised.

In the event of any change in the expected exercise of the lease extension option or in the expected non-exercise of the lease termination option, the Company remeasures the lease liability based on the revised lease term using a revised discount rate as of the date of the change in expectations. The total change is recognized in the carrying amount of the right-of-use asset until it is reduced to zero, and any further reductions are recognized in profit or loss.

NOTE 2:- ACCOUNTING POLICIES (Cont.)

3. Subleases:

In a transaction in which the Company is a lessee of an underlying asset (head lease) and the asset is subleased to a third party, the Company assesses whether the risks and rewards incidental to ownership of the right-of-use asset have been transferred to the sub-lessee, among others, by evaluating the sublease term by reference to the useful life of the right-of-use asset arising from the head lease.

When substantially all the risks and rewards incidental to ownership of the right-of-use asset have been transferred to the sub-lessee, the Company accounts for the sublease as a finance lease, otherwise it is accounted for as an operating lease.

If the sublease is classified as a finance lease, the leased asset is derecognized on the commencement date and a new asset, "finance lease receivable" is recognized at an amount equivalent to the present value of the lease payments, discounted at the interest rate implicit in the lease. Any difference between the carrying amount of the leased asset before the derecognition and the carrying amount of the finance lease receivable is recognized in profit or loss.

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

1. Amendment to IAS 1, "Presentation of Financial Statements":

In January 2020, the IASB issued an amendment to IAS 1, "Presentation of Financial Statements" regarding the criteria for determining the classification of liabilities as current or non-current ("the Original Amendment"). In October 2022, the IASB issued a subsequent amendment ("the Subsequent Amendment").

According to the Subsequent Amendment:

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

- In respect of a liability for which compliance with financial covenants is to be evaluated within twelve months from the reporting date, disclosure is required to enable users of the financial statements to assess the risks related to that liability. The Subsequent Amendment requires disclosure of the carrying amount of the liability, information about the financial covenants, and the facts and circumstances at the end of the reporting period that could result in the conclusion that the entity may have difficulty in complying with the financial covenants.

According to the Original Amendment, the conversion option of a liability affects the classification of the entire liability as current or non-current unless the conversion component is an equity instrument.
The Original Amendment and Subsequent Amendment are both applied retrospectively for annual periods beginning on January 1, 2024.
The above Amendments did not have a material impact on the Company's consolidated financial statements.

NOTE 2:- ACCOUNTING POLICIES (Cont.)

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

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

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

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

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

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

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

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

NOTE 3:- BUSINESS COMBINATIONS

a. Acquisition of iFunds

On February 12, 2024, the Company, through a wholly owned subsidiary, Althsuler Shaham Alternative Ltd. ("**Altshuler Alternative**"), completed the acquisition of the shares of Althsuler Shaham Global Opportunities Ltd. ("**A.S. Global**"), which had been held by Altshuler Ltd. and accounted for 50% of the issued and outstanding share capital of A.S. Global. As of the approval date of the financial statements, A.S. Global holds 80% of the issued and outstanding share capital of iFunds. Accordingly, Altshuler Alternative indirectly holds about 40% of the issued and outstanding share capital of iFunds and is the controlling shareholder therein. See also Note 13d below.

The Company recognized the fair value of the assets acquired and liabilities assumed in the business combination. As of the date of approval of the financial statements, a final purchase price allocation (PPA) of the fair value of the assets acquired and liabilities assumed in the business combination has been obtained.

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

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

NOTE 3:- BUSINESS COMBINATIONS (Cont.)

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

From the acquisition date, A.S. Global contributed a loss of approximately NIS 2,615 thousand to the consolidated net income and approximately NIS 1,786 thousand to the consolidated revenue turnover. If the business combination had been completed at the beginning of the year, the consolidated net income would have been affected by a loss of approximately NIS 2,958 thousand and the consolidated revenue turnover would have been affected by approximately NIS 1,930 thousand without proforma adjustments.

b. Acquisition of the Credit Operation

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

According to the acquisition agreement, in return for the acquired operation, Altshuler Credit paid CrediTeam approximately NIS 26,421 thousand in cash. The purchase price is subject to certain adjustment mechanisms as determined in the acquisition agreement in respect of which Altshuler Credit recognized in its books an asset, "receivables for contingent consideration", whose carrying amount as of the acquisition date was approximately NIS 1,643 thousand. As of the financial statement date, the contingent consideration amounts to approximately NIS 2,070 thousand. On February 12, 2025, after the reporting date, Altshuler Credit received the contingent consideration. The payment was financed using an interest-bearing capital note issued by the Company.

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

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

NOTE 3:- BUSINESS COMBINATIONS (Cont.)

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

	Fair value August 19, 2024 NIS in thousands
Cash and cash equivalents	5,834
Loans to customers	18,660
Receivables	1,692
Deferred tax assets, net	1,243
Intangible assets	13,202
Property, plant and equipment	52
	40,683
Payables	(531)
Financial liability	(22,504)
	(23,035)
Net identifiable assets	17,648
Non-controlling interests	(1,336)
Goodwill arising on acquisition	10,109
Total purchase price	26,421
Cash used in the acquisition:	
Cash and cash equivalents in acquiree on acquisition date	5,834
Cash paid for the acquisition	(26,421)
Net cash	20,587

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

The goodwill created in the acquisition totaling NIS 10,109 thousand is allocated to the expected benefits from the purchase of the skilled workforce of CrediTeam comprising employees that will be hired by the Company in the acquisition agreement and the synergy of the operations of the Company and the acquiree. The recognized goodwill is expected to be deductible for income tax purposes.

From the acquisition date, Altshuler Credit contributed a loss of approximately NIS 4,011 thousand to the consolidated net income and approximately NIS 2,399 thousand to the consolidated revenue turnover. If the business combination had been completed at the beginning of the year, the consolidated net income would have been affected by a loss of approximately NIS 5,604 thousand and the consolidated revenue turnover would have been affected by approximately NIS 6,882 thousand without proforma adjustments.

NOTE 4:- OPERATING SEGMENTS

a. General:

Operating segments were determined based on information reviewed by the Chief Operating Decision Maker (CODM) for the purpose of making decisions concerning resource allocation and performance evaluation. Therefore, for management purposes, the Company operates in the following operating segments:

1. Provident fund and pension fund management

Provident funds - management of provident funds, including study funds. Provident fund products include provident and severance pay funds, study funds, central severance pay funds, central sick pay provident fund, central provident fund for budgetary pension participation, investment provident funds and investment provident funds – Savings for Every Child.

Pension funds - management of pension funds. Pension fund products include New Comprehensive Pension Fund and New General Pension Fund.

In the provident fund and pension fund segments, revenues from management fees, commissions, marketing expenses and other acquisition expenses, as well as operating expenses were directly attributed to the operating segment. All other revenues and expenses were not attributed to operating segments, since the Company's CODM does not attribute these expenses to a specific segment during decision making at the Company. At the requisite of the Israel Capital Market Authority, the provident and pension fund management segment was split into two operations.

2. Other – management, initiation, marketing and distribution of alternative investments in the real estate and other markets and the credit operation.

Segment performance is evaluated based on earnings before taxes on income excluding expenses and income not attributed to segments, as presented on the financial statements.

NOTE 4:- OPERATING SEGMENTS (Cont.)

b. Operating segment reporting:

	Year ended December 31, 2024				
	Pension	Provident	Other	Unallocated to operating segment	Total
	NIS in thousands				
Revenues from management fees, net	98,186	807,457	6,095	-	911,738
Revenues from commissions	-	-	6,421	-	6,421
Net gains from investments and finance income	-	-	195	7,651	7,846
Revenues from nonbank credit operation	-	-	2,399	-	2,399
Other income	-	-	426	1,256	1,682
Total revenues	98,186	807,457	15,536	8,907	930,086
Commissions, marketing expenses and other acquisition expenses	16,747	302,333	3,053	-	322,133
Operating fees	6,307	24,158	-	-	30,465
Total joint expenses	23,054	326,491	3,053	-	352,598
Segment income	75,132	480,966	12,483	8,907	577,488
G&A, credit losses, finance and other expenses allocated to the segment	374,568		24,760	15,692	415,020
Income (loss) after expense allocation	181,530		(12,277)	(6,785)	162,468

NOTE 4:- OPERATING SEGMENTS (Cont.)

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

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

**) Includes income of approximately NIS 12.9 million in connection with a settlement agreement reached in the reporting period. See also Note 13e below.

NOTE 4:- OPERATING SEGMENTS (Cont.)

	Year ended December 31, 2022				
	Pension	Provident	Other	Unallocated to operating segment	Total
	NIS in thousands				
Revenues from management fees, net	106,793	1,176,199	105	-	1,283,097
Revenues from commissions	-	-	2,507	-	2,507
Net gains (losses) from investments and finance income	-	-	78	(5,439)	(5,361)
Other income	-	-	-	1,757	1,757
Total revenues (losses)	106,793	1,176,199	2,690	(3,682)	1,282,000
Commissions, marketing expenses and other acquisition expenses	18,284	435,523	439	-	454,246
Operating fees	4,820	25,007	-	-	29,827
Total joint expenses	23,104	460,530	439	-	484,073
Segment income (loss)	83,689	715,669	2,251	(3,682)	797,927
G&A, finance and other expenses allocated to the segment	449,332		3,736	16,694	469,762
Income (loss) after expense allocation	350,026		(1,485)	(20,376)	328,165

NOTE 5:- INTANGIBLE ASSETS

	Future management fees	Goodwill	Computer software and technology	Total
	NIS in thousands			
Cost:				
Balance as of January 1, 2023	278,510	297,290	147,404	723,204
Additions *)	-	-	*)19,216	19,216
Balance as of December 31, 2023	278,510	297,290	166,620	742,420
Initial consolidation **)		**) 12,724	**) 13,560	26,284
Additions *)	-	-	*) 16,134	16,134
Balance as of December 31, 2024	278,510	310,014	196,314	784,838
Accumulated amortization and accumulated impairment losses:				
Balance as of January 1, 2023	(78,178)	(934)	(81,295)	(160,407)
Amortization in the year	(22,405)	-	(30,296)	(52,701)
Balance as of December 31, 2023	(100,583)	(934)	(111,591)	(213,108)
Amortization in the year	(22,465)	-	(31,009)	(53,474)
Balance as of December 31, 2024	(123,048)	(934)	(142,600)	(266,582)
Net book value:				
As of December 31, 2024	155,462	309,080	53,714	518,256
As of December 31, 2023	177,927	296,356	55,029	529,312

*) Additions for computer software include additions for internally developed software in the amount of NIS 11,410 thousand and NIS 13,144 thousand in 2024 and 2023, respectively.

**) See Note 3 regarding business combinations.

Impairment of goodwill and intangible assets with an indefinite useful life

On December 31, 2024, the Company measured the fair value of the provident and pension operation (including goodwill and future management fees) based on the Company's market price with the necessary adjustments.

The estimated recoverable amount of the unit is higher than the carrying amount and therefore no provision for impairment is needed.

Estimate of future management fees

As per the Company's estimate, until March 31, 2022, the period of amortization of customer relations acquired in the Psagot transaction was 16 years for members of the Psagot Gadish Provident Fund merged into the Altshuler Shaham Provident Fund and 11 years for members of the Psagot Si Study Fund merged into the Altshuler Shaham Study Fund.

From April 1, 2022, based on an examination of the estimated period for generating income from management fees conducted by it, the Company updated the estimated amortization period of customer relations for members of the Psagot Gadish Provident Fund and for members of the Psagot Si Study Fund to 11 and 10 years, respectively.

NOTE 6:- LEASES

Disclosures for leases in which the Company acts as lessee

The Company has entered into leases of buildings and motor vehicles which are used for the Group's current operations.

Leases of buildings have lease terms of between 2 and 7 years whereas leases of motor vehicles have lease terms of up to 3 years.

Some of the leases entered into by the Company include extension options.

a. Information on leases:

	Year ended December 31,	
	2024	2023
	NIS in thousands	
Interest expense on lease liabilities	2,931	3,321
Finance income from subleasing right-of-use assets	1,587	1,764
Total cash outflow for leases, net	12,460	9,157

b. Lease extension options:

Lease of building on 19 HaBarzel Street in Tel-Aviv

The Company has entered into multiple leases with respect to right-to-use assets on HaBarzel Street in Tel-Aviv that include extension options. These options afford the Company flexibility in managing the lease transactions and adapting them to the Company's business needs.

The Company exercises significant judgement in deciding whether it is reasonably certain that the extension and termination options will be exercised.

The lease of the building on HaBarzel Street in Tel-Aviv is until December 31, 2030. Moreover, the lease stipulates that the Company may lease additional areas from the lessor, subject to availability of areas for lease offered by the lessor from time to time, for a 3-year term with an optional extension for a further 3-year term with respect to each additional area, or through December 31, 2030, whichever is sooner, in conformity with terms and conditions to be agreed by the parties at that time, which would also be part of the lease.

The lease further stipulates that the Company may shorten the lease term with respect to the leasehold areas, in whole or in part, including the additional areas, if any, such that the lease will expire on June 30, 2028, subject to restrictions, terms and conditions as set forth in the lease. The lease further stipulates that the lessor will provide a budget to the lessee, as contribution towards refurbishment and adaptation work in the leasehold areas, as set forth in the lease. On July 1, 2023, the Company leased another space in the building for a period of 18 months with an option for extension by another three years.

NOTE 6:- LEASES (Cont.)

Lease of floor on 1 HaBarzel Street in Tel-Aviv

On July 1, 2024, the Company leased an additional space in the building on 1 HaBarzel Street in Tel-Aviv for a period of two years with an option for an additional two years.

Lease of building on Yohanan HaSandlar Street in Haifa

Pursuant to an agreement from December 2014 and revisions thereof, the Company leases a building from a company controlled by Ms. Galia Bar Wilf (a shareholder in the parent company) for operating the Company's service center in Haifa. The Company vacated the building in August 2022.

Lease of building on Sapir Street in Haifa

In March 2022, the Company entered into lease of an office building on Sapir Street in Haifa instead of the building on Yohanan HaSandlar Street in Haifa described above for performing some of its current operations. The lease is for a period of 5 years with an option for extension by another 5 years.

On May 1, 2024, the Company signed an agreement for terminating part of the leases for the property on Sapir Street in Haifa. As part of the lease termination, the Company paid a nonrecurring fee of NIS 1,107 thousand.

c. Net lease investment:

As part of the acquisition and merger of Psagot, Altshuler Provident entered into an agreement for the lease of Beit Psagot located on 3 Rothschild Street in Tel-Aviv until December 31, 2027 ("**the original lease**"). On August 26, 2021, Altshuler Provident entered into a sublease with Value Capital One Management Ltd. ("**the sublessee**") for some of the floors in the building. The sublease is from August 2021 through actual expiration of Altshuler Provident's lease, i.e. through December 31, 2027. In consideration for the sublease, the sublessee shall pay Altshuler Provident monthly rent linked to the CPI, as well as additional payments as stipulated in the original lease. On May 9, 2022, Altshuler Provident signed an addendum to the sublease with Value Capital One Management Ltd., Psagot Securities Ld. and Psagot Funds Ltd. for leasing additional floors in Beit Psagot. Also, on September 1, 2022, Altshuler Provident signed another addendum to the sublease with Rani Zim Shopping Centers Ltd. for subleasing the other floors in Beit Psagot to the latter.

NOTE 6:- LEASES (Cont.)

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

2024

	Buildings	Vehicles	Total
	NIS in thousands		
Cost:			
Balance as of January 1, 2024	53,944	13,336	67,280
Additions during the year:			
Additions to right-of-use assets for new leases in the period	348	2,599	2,947
Adjustments for indexation	512	143	655
Disposals during the year:			
Terminated leases	(4,069)	(2,361)	(6,430)
Balance as of December 31, 2024	50,735	13,717	64,452
Accumulated depreciation:			
Balance as of January 1, 2024	13,476	8,539	22,015
Additions during the year:			
Depreciation	5,533	3,033	8,566
Disposals during the year	(845)	(1,441)	(2,286)
Balance as of December 31, 2024	18,164	10,131	28,295
Depreciated cost at December 31, 2024	32,571	3,586	36,157

2023

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

See details of the maturity dates of lease liabilities in Note 11e below.

NOTE 7:- DEFERRED ACQUISITION COSTS

a. Composition:

	December 31, 2024	December 31, 2023
	NIS in thousands	
Pension	96,639	83,844
Provident	136,495	147,834
Alternative investment funds	632	203
	233,766	231,881

b. Movement in DAC:

	Pension *)	Provident *)	Alternative investment funds **)	Total
	NIS in thousands			
Balance as of January 1, 2023	93,112	196,646	-	289,758
Additions	4,072	19,007	212	23,291
Current amortization	(13,340)	(67,819)	(9)	(81,168)
Balance as of December 31, 2023	83,844	147,834	203	231,881
Additions	25,652	48,201	514	74,367
Current amortization	(12,857)	(59,540)	(85)	(73,482)
Balance as of December 31, 2024	96,639	136,495	632	233,766

*) As of the reporting date, the Company estimated the expected useful life of the asset, see details in Note 2f(1) above.

Moreover, as required in IFRS 15, "Revenue from Contracts with Customers", the Company conducted a test of impairment for the asset as of December 31, 2024. As of the valuation date, the amount of the outstanding consideration which the Company expects to receive less the costs directly attributable to the provision of the services is higher than the carrying amount of the DAC and therefore no impairment loss was recorded. The calculation of the consideration relied on the value in use of each portfolio tier which reflects its recoverable amount. The value in use is determined in a valuation of the cash flows of each portfolio tier for a period of 15 years from January 1, 2025 through the end of 2039 using the DCF method based on forecasts obtained from the Company's Management as of the valuation date using a WACC of 11.5% (after taxes). Regarding the assumptions underlying the calculation of the consideration which the Company expects to receive, Management believes that there are no potential changes in the key assumptions underlying the calculation which are likely to cause the carrying amount of DAC to significantly exceed the value of the consideration which the Company expects to receive less the costs directly attributable to the provision of the services.

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

NOTE 8:- PROPERTY, PLANT AND EQUIPMENT

2024

	Motor vehicles	Office furniture and equipment	Computers and peripheral equipment	Leasehold improvements	Total
	NIS in thousands				
Cost:					
Balance at January 1, 2024	154	7,131	40,071	34,754	82,110
Initial consolidation	-	-	107	-	107
Additions during the year	-	92	1,774	1,294	3,160
Balance at December 31, 2024	154	7,223	41,952	36,048	85,377
Accumulated depreciation:					
Balance at January 1, 2024	154	3,344	33,090	15,955	52,543
Additions during the year	-	439	4,708	3,434	8,581
Balance at December 31, 2024	154	3,783	37,798	19,389	61,124
Depreciated cost at December 31, 2024	-	3,440	4,154	16,659	24,253

2023

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

NOTE 9:- OTHER ACCOUNTS RECEIVABLE

	December 31,	
	2024	2023
	NIS in thousands	
Income receivable *)	16,196	12,156
Prepaid expenses	12,347	8,777
Prepaid agent commissions (1)	2,045	2,842
Related parties	1,537	1,413
Loans to employees	111	219
Bridge loans to partnerships **)	8,998	-
Contingent consideration	2,070	-
Other receivables	7,322	2,274
(1) Less allowance for doubtful accounts	(7)	(161)
	50,619	27,520

*) Income receivable from management fees from provident and pension funds and from the Alternative Investment Operation for 2024 and 2023.

**) See also Note 18c(2)(b).

See information of linkage bases of assets and liabilities in Note 11d(3).

NOTE 10:- LOANS TO CUSTOMERS

a. Composition:

	December 31, 2024
	NIS in thousands
Credit to customers	65,957
Less – expected credit losses	(1,342)
Add – interest income receivable	637
Less – deferred revenue (1)	(937)
Total loans to customers (2)	64,315

(1) 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.

(2) As of December 31, 2024, an amount of approximately NIS 22,294 thousand of this balance represents long-term credit.

NOTE 10:- LOANS TO CUSTOMERS (Cont.)

b. Movement in allowance for expected credit losses:

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

c. Composition of allowance for expected credit losses:

		12 month expected credit losses	Lifetime expected credit losses	Originated credit impaired assets *)	Total
		December 31, 2024			
		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%

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

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

NOTE 10:- 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 as of December 31, 2024:

	LTV of 30%-50%	LTV of 50%-70%	LTV above 70%	Total
	December 31, 2023			
	NIS in thousands			
Loans to customers	654	12,063	25,273	37,990

NOTE 11:- FINANCIAL INSTRUMENTS

a. General:

The Group's core operation, which is performed by Altshuler Provident, is managing provident and pension funds. The Group also operates in the alternative investment segment and in the nonbank credit segment. The Group's activities expose it to the following risks: market risks, credit risks (counterparty risk), liquidity risks, interest risks and operational risks.

b. Description of risk management procedures and methods:

Risk management is an inherent part of the Group's day-to-day operations in making investments. In risk management, the Group strives to identify, measure and analyze the risk facing the Group, to set appropriate limitations and controls for such risk and to supervise both the risk and compliance with such limitations. The risk management methodology is regularly reviewed so as to reflect changes in market conditions and in Group operations. The Group, through training, procedures and controls, strives to develop an efficient control environment, where all employees understand their role and commitment.

c. Legal requirements

The Group has appointed a Financial Risk Officer for provident funds managed by Altshuler Provident, as an objective, independent party for creating appropriate infrastructure at the management company for understanding, identifying and measuring the aforementioned risk types, for regular monitoring thereof, for decision making and for setting policy based there upon. The Financial Risk Officer conducts regular measurements and controls, which are reported to the Board of Directors and to Board committees as required.

As per the Capital Market, Insurance and Savings Authority Circular no. 2024-10-2, as a holder of an extended credit provider license, Altshuler Credit is legally mandated to include operational, outsourcing and business continuity risks in its risk management activities. Moreover, Altshuler Credit chose to also manage credit risks.

NOTE 11:- FINANCIAL INSTRUMENTS (Cont.)

d. Market risks:

1. Market risk is the risk that the future fair value or cash flows of financial assets and financial liabilities will change due to changes to market prices. Market risks include, inter alia, risk due to changes to interest rates, share prices and financial instruments, the Consumer Price Index and currency exchange rates, other price risk and fair value in respect of interest rate risk.

   Market risks affect the fair value of the Group's assets, mainly the Group's securities portfolio which is held for nostro investments and the Group's income component which is derived from the value of the provident and pension fund assets managed by by Altshuler Provident.

2. Sensitivity tests regarding market risks:

   Below is the assessment of sensitivity and changes to carrying amount of financial assets, representing the various categories of debt assets, due to changes in interest rate. These calculations assume that all other variables that affect asset value (such as credit rating) are kept constant.

   Note that this sensitivity is not linear, so that larger or smaller changes than the changes described below may not be simply extrapolated from the effect of such changes.

	Market factor: change in interest rate (a)		
	Loss from change in market factor	Fair value of assets	Gain from change in market factor
	+1%		-1%
	NIS in thousands		
December 31, 2024			
Mutual fund participation certificates	(198)	107,696	198
Fixed interest government bonds	(1,671)	22,609	1,671
	(1,869)	130,305	1,869
December 31, 2023			
Mutual fund participation certificates	(274)	134,801	274
Unquoted debt asset	(3)	22	3
	(277)	134,823	277

(a) Sensitivity analysis to change in interest rate applies to instruments bearing variable interest. The exposure is with regard to cash flow from the financial instrument. To calculate sensitivity, the Company accounts for a change in interest rate since the start of the year, even for assets acquired during the year.

(b) The sensitivity analysis of comprehensive income accounts for the effect on pretax income (loss) in the period.

(c) The sensitivity analyses are based on the carrying amount and not the economic value.

NOTE 11:- FINANCIAL INSTRUMENTS (Cont.)

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

	December 31, 2024			
	Unlinked	Linked to CPI	Non-financial and other items	Total
	NIS in thousands			
Assets:				
Intangible assets	-	-	518,256	518,256
Right-of-use assets	-	-	36,157	36,157
Net investment in lease	-	43,218	-	43,218
DAC	-	-	233,766	233,766
Property, plant and equipment	-	-	24,253	24,253
Other accounts receivable	38,029	243	12,347	50,619
Current tax assets	-	176	-	176
Deferred tax assets	-	-	12,718	12,718
Loans to customers	64,315	-	-	64,315
Investments in associated partnerships	-	-	8,653	8,653
Financial investments:				
Quoted debt assets	22,609	-	-	22,609
Other	110,834	-	-	110,834
Total financial investments	133,443	-	-	133,443
Cash and cash equivalents	83,988	-	-	83,988
Total assets	319,775	43,637	846,150	1,209,562
Total equity	-	-	545,310	545,310
Liabilities:				
Deferred tax liabilities	-	-	20,025	20,025
Employee benefit liabilities	-	-	1,461	1,461
Current tax liabilities	-	2,050	-	2,050
Other accounts payable	121,333	3,527	-	124,860
Lease liabilities	-	83,854	-	83,854
Financial liabilities	432,002	-	-	432,002
Total liabilities	553,341	89,431	21,486	664,252
Total equity and liabilities	553,335	89,431	566,796	1,209,562
Total balance sheet exposure	(233,560)	(47,431)	280,991	-

NOTE 11:- FINANCIAL INSTRUMENTS (Cont.)

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

NOTE 11:- FINANCIAL INSTRUMENTS (Cont.)

e. Liquidity risk:

Liquidity risk is the risk that the Group will be required to sell assets at a lower price, in order to meet its obligations. For example, a potential need to raise resources unexpectedly and within a short period of time, may require rapid disposal of assets at prices below the market value for such assets.

As of December 31, 2024, the Group has positive working capital of NIS 87 million (December 31, 2023 – positive working capital of NIS 109 million). The Group does not anticipate any liquidity risk with respect to meeting any of its obligations.

Future maturities

The table below provides a summary of anticipated maturities of the Company's financial liabilities. As these amounts include future interest payments, they do not match the carrying amount of the financial liabilities in the statement of financial position.

Maturities of financial liabilities were included based on contractual maturities. In contracts where the counterparty may select the timing of any payment, the liability was included based on the earliest date when the Company may be required to settle its liability.

	Up to 1 year	1-5 years	5-10 years	Total
	NIS in thousands			
December 31, 2024				
Financial liabilities	141,911	197,561	92,530	432,002
Lease liabilities	9,461	59,867	14,526	83,854
December 31, 2023				
Financial liabilities	79,390	197,561	141,921	418,872
Lease liabilities	18,398	66,678	15,551	100,627

f. Interest risks:

Interest risk is the risk that the fair value of or future cash flows from a financial instrument will change as a result of changes in market interest rates.

Altshuler Credit is exposed to changes in market interest rates that mainly relate to loans provided by it and to the Company's liabilities that bear variable interest. Altshuler Credit estimates that since the majority of loans are provided for the short term and the base interest sources are adjusted to their uses, the exposure to changes in market interest rates is immaterial.

NOTE 11:- FINANCIAL INSTRUMENTS (Cont.)

g. Credit risks:

As of December 31, 2024, the Group held monetary mutual funds participation units with an average life that is lower than 0.25 years and also held unquoted and unrated corporate debt assets whose carrying amount was adjusted to nil.

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

The Group's off-balance sheet instruments consist of the Company's guarantee to secure office leases. This guarantee is not rated. See also Note 27e below.

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

	December 31, 2024	
	Balance sheet credit risk	
	Amount in NIS in thousands	% of total
Mutual funds	107,696	80.44
Government bonds	22,609	16.89
Other financial asset	3,138	2.67
Total	133,443	100

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

NOTE 11:- FINANCIAL INSTRUMENTS (Cont.)

Information of financial investments:

1. Composition:

	December 31, 2024	December 31, 2023
	NIS in thousands	
Quoted debt assets at FVPL *)	22,609	-
Unquoted debt assets at FVOCI **)	-	22
Other financial investments at FVPL (see 2 below)	110,834	140,634
	133,443	140,656

*) Government bonds and short-term government loans bearing unlinked fixed interest which are presented at fair value through profit or loss.

**) Corporate debentures which are presented at fair value through other comprehensive income.

2. Classification of financial instruments as per the fair value hierarchy:

The carrying amount of cash and receivables approximates their fair value.

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

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

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

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

NOTE 11:- FINANCIAL INSTRUMENTS (Cont.)

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

The fair value of expected future gains plus income receivable as of December 31, 2024 and 2023 was estimated at approximately NIS 3.1 million and NIS 5.8 million, respectively. In 2024 and 2023, expected future gains plus income receivable were discounted using a 7% discount rate.

In 2024, the Company recognized a loss from revaluation of another debt asset amounting to NIS 2,673 thousand. In 2023, the Company recognized a gain from revaluation of another debt asset amounting to NIS 436 thousand. In 2022, the Company recognized a loss from revaluation of another debt asset amounting to NIS 646 thousand. These gains (losses) were charged to net investment gains (losses) and finance income.

<u>Major assumptions used to calculate expected future gains as of December 31, 2024</u>

Real discount rate: 7%.
Annual cancellation rate between 8.5%-17.6% and annual redemption rate between 9.6%-14.8%.
Premiums and reinsurer premiums were determined based on tariff tables for different insurance coverages.
Reinsurance rate of 90% and claims at 75% of reinsurance premium.
Commissions and expenses based on various agreements with insurance agents and insurance portfolio operator.

<u>In the nonbank credit segment</u>

Credit risk is the risk that a counterparty will fail to meet its obligations as a borrower and cause the Group losses. Altshuler Credit is exposed to credit risk as a result of its operating activities (mainly trade receivables) and financing activities, including deposits in banks and other financial institutions.

Altshuler Credit systematically acts to minimize credit risks by practicing regular controls, gathering and analyzing information and monitoring warning indicators of increased credit risk of borrowers using the traffic light system (red light=highly risky). Altshuler Credit also applies processes that underlie continual and consistent optimization of portfolio quality over time in combination with advanced banking and risk management methodologies. Among others, the risk management and control processes consist of ongoing compilation and analysis of various data sources, detection and discussion of red light borrowers (drop in turnover, loss of large customer or past due debt in excess of normal credit days, deteriorated bank account behavior, known legal action that may significantly affect the borrower's financial position etc.). The credit analysis assesses the borrower's credit risk and transaction risk using a comprehensive approach for analyzing the exposure and the borrower's obligations. A product of the type which is sold by Altshuler Credit relies on current and updated information that is provided by the customer before a loan is extended and throughout the loan period. Altshuler Credit validates and revises its credit policy once a year or when material events occur.

NOTE 11:- FINANCIAL INSTRUMENTS (Cont.)

Altshuler Credit also promotes designing a segment-based financing policy with emphasis on segment specific financing channels, collaterals and trends. Altshuler Credit consistently invests in building a behavior based database and technology that will support the portfolio's risk assessment model and allow updating it on a regular basis. In addition, to provide loans based on the specific risk level, Altshuler Credit demands collaterals as a prerequisite for extending credit.

Altshuler Credit has a credit risk in respect of loans whose carrying amount in the statement of financial position as of December 31, 2024 approximates NIS 65 million. See details of the allowance for expected credit losses in Note 10 above.

Credit concentration risk – excess concentration is created when the credit portfolio is not properly dispersed between different borrowers in different business sectors. As of December 31, 2024, Altshuler Credit has 112 borrowers of which three are customers that individually account for more than 5% of its overall credit portfolio and whose outstanding debt collectively aggregates to NIS 27,685 thousand.

NOTE 12:- CASH AND CASH EQUIVALENTS

	December 31,	
	2024	2023
	NIS in thousands	
Cash and deposits for immediate withdrawal	83,988	115,856

As of the reporting date, cash in banks earns current interest based on the interest rate on daily bank deposits of 3.73%-4.13% (December 31, 2023 – 4.11%-4.37%).

As for linkage terms of cash and deposits for immediate withdrawal, see Note 11d(3).

NOTE 13:- INVESTMENTS IN INVESTEES

Investments in subsidiaries

a. Altshuler Provident:

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

b. Altshuler Real Estate:

On June 28, 2022, Altshuler Real Estate was founded as a private company limited in shares which is 80.75% controlled by the Company and owned by Ms. Sharon Gerszbejn (7%), who serves as Deputy CEO and CFO in the Company, and Mr. Earl Zinn (12.25%), who as of the financial statement date serves as CEO of Altshuler Real Estate (in this paragraph - "**the shareholders**"). On August 1, 2022, the shareholders entered into an agreement which settles their business relationship, including the management of Altshuler Real Estate, share dispositions and Buy Me Buy You mechanisms.

In the alternative real estate investment management and development operation, Altshuler Real Estate identifies potential real estate investments independently or through third parties, conducts a preliminary analysis of potential investments through due diligence studies and term sheets, studies the business plan, visits the property and analyzes the real estate developer and the material underlying risks. After completing the due diligence studies, insofar as the prospective investment gets the green light, Altshuler Real Estate acts to raise capital and/or debt from private investors by incorporating them in a specific or several investment entities.

Altshuler Real Estate serves as the general partner and/or manager of the investment entity and may, by itself or through the Company, invest and participate in investments at its sole discretion and as permitted by law. The agreements for incorporating the private investment entities settle Altshuler Real Estate's rights as a GP and/or manager and/or investment developer. The agreements may include mechanisms setting forth management fees, development fees, carried interest and reimbursement of expenses in connection with Altshuler Real Estate's activities.

Concurrently with the equity and debt raising process, Altshuler Real Estate prepares and signs investment documents, including legal agreements of capital and/or debt investments by the investment entities. Once the investment agreements have been signed and the funds have been raised, the investment entities provide the necessary funds for the investments after which Altshuler Real Estate also monitors and assists the investment by the local real estate developer.

In the reporting period, Altshuler Real Estate completed raising four investments in the United States in an aggregate of approximately $ 43 million and completed an investment transaction in Europe totaling approximately € 8 million. As of the financial statement date, the balance of assets managed by Altshuler Real Estate approximates $ 130 million compared with approximately $ 74 million at the end of 2023. After the reporting date, Altshuler Real Estate closed two more investments in this field in the U.S. in a total of approximately $ 24.3 million. See details of the Company's investments in these transactions as a limited partner in Note 13(2).

NOTE 13:- INVESTMENTS IN INVESTEES (Cont.)

In 2024 and 2023, the Company recognized approximately NIS 6,421 thousand and NIS 4,300 thousand in revenues from project development commissions and approximately NIS 2,912 thousand and NIS 1,422 thousand in revenues from current project management fees, respectively.

c. Altshuler Investment Funds:

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

In the reporting period, Altshuler Investment Funds completed investment fund raising in an aggregate of approximately $ 25 million. As of the financial statement date, the balance of assets managed by Altshuler Investment Funds approximates $ 36 million compared with managed assets of approximately $ 25 million in 2023. After the reporting date, Altshuler Investment Funds raised approximately $ 26.6 million. See details of the Company's investments in the transaction as a limited partner in Note 13(2).

In 2024 and 2023, the Company recognized approximately NIS 1,397 thousand and NIS 224 thousand in revenues from current investment management fees, respectively.

d. iFunds:

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

In addition to the acquisition of the shares, Altshuler Alternative also purchased the shareholders' loan provided by Altshuler Ltd. to iFunds whose balance as of February 12, 2024 was approximately NIS 6,372 thousand. The shareholders' loan bears annual interest at the minimum rate prescribed in the Income Tax Ordinance. As of the financial statement date, the shareholders' loan balance is approximately NIS 10,346 thousand.

NOTE 13:- INVESTMENTS IN INVESTEES (Cont.)

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

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

From the closing date through the financial statement date, the Company recognized revenue from current management fees totaling approximately NIS 1,786 thousand.

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

e. The Credit Operation:

According to the acquisition agreement described in Note 3b, in return for the acquired operation, Altshuler Credit paid CrediTeam approximately NIS 26,421 thousand in cash. The purchase price is subject to certain adjustment mechanisms as determined in the acquisition agreement in respect of which Altshuler Credit recognized in its books an asset, "receivables for contingent consideration", whose carrying amount as of the acquisition date approximated NIS 1,643 thousand. As of the financial statement date, the carrying amount of the contingent consideration approximates NIS 2,070 thousand. On February 12, 2025, after the reporting date, Altshuler Credit received the contingent consideration. The payment was financed using an interest-bearing capital note issued by the Company.

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

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

NOTE 13:- INVESTMENTS IN INVESTEES (Cont.)

Altshuler Credit is a private company that holds an extended credit provider license from the Capital Market Authority which extends loans to small and medium-sized businesses.

As of the closing date, Altshuler Credit managed a credit portfolio of approximately NIS 24 million.

As of the financial statement date, the scope of business credit assets managed by Altshuler Credit approximates NIS 65 million.

From the CrediTeam transaction closing date through the reporting date, Altshuler Credit recognized interest income of approximately NIS 2,399 thousand and credit losses of approximately NIS 1,342 thousand.

See more information of the acquisition of the Credit Operation in Note 3b.

Investment in associated partnerships

Composition of investment in associated partnerships:

	December 31, 2024	
	Company's equity rights in the investment amount	**Amount in NIS in thousands**
ASR Huntsville Blue Origin L.P (1)	5%	1,550
ASR Cape Canaveral L.P (2)	5%	2,693
ASR Santander C.V (3)	5%	1,408
ASP LRW L.P (4)	5%	3,002
Balance of investment in associated partnerships		8,653

(1) Investment in property located in Alabama, USA, near an international airport. The property is leased under a long term contract to Blue Origin, a leading American space technology company and security subcontractor.

(2) Investment in property located in Merritt Island, Florida, near Cape Canaveral. It consists of five buildings that have been occupied since 2011 by Arnott Industries, a global leader in aftermarket suspension products.

(3) Investment in four Class A office buildings occupied by Banco Santander, Spain's largest banking institution and one of Europe's five largest banks, located in Mönchengladbach, Germany.

(4) Investment in land purchased by ECI Group in October 2022. The complex will include several buildings located in Atlanta, Georgia, USA. The complex is part of a residential development for senior citizens and retail center with anchor tenants such as Walmart and Kohls.

NOTE 14:- EQUITY

a. Composition of share capital:

	December 31,			
	2024		2023	
	Authorized	Issued and outstanding	Authorized	Issued and outstanding
	Number of shares			
Ordinary shares of NIS 0.01 par value each	400,000,000	197,570,075	400,000,000	197,570,075

b. Movement in share capital:

Issued and outstanding share capital:

	Number of shares	NIS par value
Balance at January 1, 2023	197,290,963	0.01
Exercise of employee options	279,112	0.01
Balance at December 31, 2023	197,570,075	0.01
Exercise of employee options	298,664	0.01
Balance at December 31, 2024	197,868,739	0.01

c. Rights attached to shares:

1. Voting rights at the general meeting, right to dividend, rights upon deemed liquidation of the Company.

2. Quoted on the TASE.

d. Dividend distribution policy:

On May 30, 2022, the Company's Board adopted a dividend distribution policy according to which, subject to the provisions of applicable undisputable laws, including the provisions of Article 302 to the Companies Law and at the Company's sole discretion, the Company will annually distribute to its shareholders at least 75% of its distributable profits in the relevant year as a dividend.

NOTE 14:- EQUITY (Cont.)

e. Dividends:

1. On March 20, 2024, in keeping with the Company's dividend distribution policy, the Company's Board approved the distribution of a dividend of NIS 23,000 thousand, representing approximately NIS 0.12 per share.

2. On May 22, 2024, in keeping with the Company's dividend distribution policy, the Company's Board approved the distribution of a dividend of NIS 21,000 thousand, representing approximately NIS 0.11 per share.

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

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

5. After the reporting date, on March 20, 2025, in keeping with the Company's dividend distribution policy, the Company's Board approved the distribution of a dividend of NIS 22,000 thousand, representing approximately NIS 0.11 per share.

f. Capital reserves:

With respect to share-based payment to employees of Altshuler Shaham Ltd. for exercise at the Group - in 2024, 2023 and 2022, the Group recognized expenses with respect to share-based payment with regard to options of employees of Altshuler Shaham Ltd. amounting to NIS 407 thousand, NIS 596 thousand and NIS 1,863 thousand, respectively, which were charged to capital reserve.

NOTE 15:- TAXES ON INCOME

a. Details of the tax environment in which the Group operates:

1. Corporate tax rate:

The Israeli corporate tax rate is 23%. A company is taxable on its real capital gains at the corporate tax rate in the year of sale.

2. Profit tax:

Some of the Group companies are financial institutions, as this term is defined in the Value Added Tax Law, 1975. According to this law, in addition to corporate tax (23%), financial institutions are also subject to profit tax.

In 2025, the profit tax rate will be 18% and the statutory tax rate applicable to financial institutions will be 34.75%. Through 2024, the profit tax rate was 17% and the statutory tax rate applicable to financial institutions was 34.19%.

b. The Company, Altshuler Real Estate, Altshuler Alternative, Altshuler Investment Funds, iFunds and Altshuler Business Credit have not been issued final tax assessments since inception date. Altshuler Provident and Altshuler Credit have been issued final tax assessments through the 2019 tax year.

c. Carryforward tax losses:

Altshuler Provident has capital losses for tax purposes that are carried forward to future years totaling approximately NIS 58.7 million as of December 31, 2024. Deferred tax assets of approximately NIS 10.8 million were recorded in the financial statements in respect of capital losses totaling approximately NIS 2.7 million. No deferred taxes were recorded in respect of capital losses totaling approximately NIS 47.9 million.

As of December 31, 2024, the Group has carryforward business losses of approximately NIS 222.9 million arising from carryforward business losses of Altshuler Provident totaling approximately NIS 194.4 million as a result of the Psagot merger, carryforward business losses of Altshuler Real Estate in a total of approximately NIS 7.2 million, carryforward business losses of Altshuler Investment Funds of approximately NIS 8.4 million, carryforward business losses of iFunds in a total of approximately NIS 8.8 million and carryforward business losses of Altshuler Business Credit of approximately NIS 4.1 million.

Deferred tax assets of approximately NIS 30.6 million were recorded in the financial statements in respect of carryforward business losses totaling approximately NIS 133 million. No deferred taxes were recognized in respect of business losses totaling approximately NIS 61.4 million.

NOTE 15:- TAXES ON INCOME (Cont.)

d. Taxes on income included in profit or loss:

	Year ended December 31,		
	2024	2023	2022
	NIS in thousands		
Current taxes	43,663	48,275	85,159
Taxes in respect of previous years	3,759	(1,196)	(352)
Deferred taxes	(14,206)	768	13,248
VAT on intragroup management fees	18,931	21,717	17,251
	52,147	69,564	115,306

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

	Year ended December 31,		
	2024	2023	2022
	NIS in thousands		
Tax expense for actuarial gain or loss on defined benefit plans	279	412	649
Tax benefit on loss from foreign currency translation differences	(34)	-	-
	245	412	649

NOTE 15:- TAXES ON INCOME (Cont.)

f. Deferred taxes:

	DAC	Employee benefits	Goodwill and intangible assets	Right-of-use assets	Lease liabilities	Property plant and equipment	Investment in securities	Employee options	Carry-forward capital loss	Carry-forward business loss	Payables	Allowance for doubtful accounts	Lease asset receivable	Investment in associated partnerships	Total
	NIS in thousands														
Balance of deferred tax assets (liabilities) at January 1, 2023	12,264	2,699	(75,334)	(11,660)	31,517	2,835	2,144	1,700	4,215	25,419	1,037	-	(19,311)	-	(22,475)
Changes carried to profit or loss	(1,047)	(52)	7,220	533	(2,451)	(3,649)	(2,672)	(75)	(1,341)	463	57	-	2,246	-	(768)
Changes carried to other comprehensive income	-	(412)	-	-	-	-	-	-	-	-	-	-	-	-	(412)
Balance of deferred tax assets (liabilities) at December 31, 2023	11,217	2,235	(68,114)	(11,127)	29,066	(814)	(528)	1,625	2,874	25,882	1,094	-	(17,065)	-	(23,655)
Initial consolidation	-	-	-	-	-	-	-	-	-	1,144	-	1,243	-	-	2,387
Changes carried to profit or loss	(2,919)	152	6,218	2,119	(4,134)	(702)	(184)	449	(143)	10,213	846	244	2,047	-	14,206
Changes carried to other comprehensive income	-	(279)	-	-	-	-	-	-	-	-	-	-	-	34	(245)
Balance of deferred tax assets (liabilities) at December 31, 2024	8,298	2,108	(61,896)	(9,008)	24,932	(1,516)	(712)	2,074	2,731	37,239	1,940	1,487	(15,018)	34	(7,307)

NOTE 15:- TAXES ON INCOME (Cont.)

g. Theoretical tax:

The reconciliation between the tax amount that would have applied, assuming that all the income and expenses, gains and losses in profit or loss were taxed at the statutory tax rate, and the taxes on income recorded in profit or loss as follows:

	Year ended December 31,		
	2024	2023	2022
	NIS in thousands		
Income before taxes on income	162,468	207,113	328,165
Statutory tax rate	23%	23%	23%
Tax computed at the statutory tax rate	37,368	47,636	75,478
Increase (decrease) in taxes on income arising from the following factors:			
Cost of share-based payment	(497)	247	2,028
Effect of creation of deferred taxes at different rate than statutory rate	883	1,124	353
Taxes in respect of previous year	3,759	(1,196)	(352)
Nondeductible expenses	590	851	3,578
Utilization of carryforward losses for which deferred taxes were not recorded in the past	-	-	(3,303)
Gain for tax purposes for which no deferred tax was recognized	(2,306)	(900)	-
Increase (decrease) in carryforward losses for which deferred taxes were not recorded in the period	(8,680)	(3,878)	(1,596)
Differences in respect of different tax rate applicable to Group companies (financial institutions)	21,187	25,828	38,100
Other	(157)	(148)	1,020
Taxes on income	52,147	69,564	115,306
Effective tax rate	32.10%	33.57%	35.14%

NOTE 16:- EMPLOYEE BENEFIT ASSETS AND LIABILITIES

Employee benefits consist of short-term benefits, post-employment benefits, other long-term benefits and termination benefits.

a. Post-employment benefits:

According to the labor laws and Severance Pay Law in Israel, the Company is required to pay compensation to an employee upon dismissal or retirement or to make current contributions in defined contribution plans pursuant to Section 14 to the Severance Pay Law, as specified below. The Company's liability is accounted for as a post-employment benefit. The computation of the Company's employee benefit liability is made in accordance with a valid employment contract based on the employee's salary and employment term which establish the entitlement to receive the compensation.

The post-employment employee benefits are normally financed by contributions classified as defined benefit plans or as defined contribution plans, as detailed below.

1. Defined contribution plans:

Section 14 to the Severance Pay Law, 1963 applies to part of the compensation payments, pursuant to which the fixed contributions paid by the Group into pension funds and/or policies of insurance companies release the Group from any additional liability to employees for whom said contributions were made. These contributions and contributions for compensation represent defined contribution plans.

	Year ended December 31,		
	2024	2023	2022
	NIS in thousands		
Expenses in respect of defined contribution plans	8,821	8,685	7,980

2. Defined benefit plans:

The Group accounts for that part of the payment of compensation that is not covered by contributions in defined contribution plans, as above, as a defined benefit plan for which an employee benefit liability is recognized and for which the Group deposits amounts in central severance pay funds and in qualifying insurance policies.

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

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

2024:

		Expenses carried to profit or loss				Gain from remeasurement in OCI					
	Balance as of January 1, 2024	Current service cost	Net interest expense	Total expense recognized in profit or loss for the period	Payments from the plan	Actuarial gain arising from changes in financial assumptions	Actuarial gain arising from experience adjustments	Total effect on other comprehensive income for the period	Payroll tax of financial institution	Contributions by employer	Balance as of December 31, 2024
	NIS in thousands										
Defined benefit obligation	14,336	758	756	1,514	(1,751)	57	(138)	(81)	(34)	-	13,984
Fair value of plan assets	11,846	-	640	640	(1,746)	-	1,022	1,022	(4)	765	12,523
Net defined benefit liability (asset)	2,490	758	116	874	(5)	57	(1,160)	(1,103)	(30)	(765)	1,461

2023:

		Expenses carried to profit or loss				Gain from remeasurement in OCI					
	Balance as of January 1, 2023	Current service cost	Net interest expense	Total expense recognized in profit or loss for the period	Payments from the plan	Actuarial gain arising from changes in financial assumptions	Actuarial gain arising from experience adjustments	Total effect on other comprehensive income for the period	Payroll tax of financial institution	Contributions by employer	Balance as of December 31, 2023
	NIS in thousands										
Defined benefit obligation	14,099	894	745	1,639	(624)	(449)	(340)	(789)	12	-	14,336
Fair value of plan assets	10,229	-	563	563	(628)	-	741	741	60	881	11,846
Net defined benefit liability (asset)	3,870	894	182	1,076	4	(449)	(1,081)	(1,530)	(48)	(881)	2,490

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

b) The plan assets:

The plan assets consist of assets held by a long-term employee benefit fund (provident fund for employees and pension funds) and the appropriate insurance policies.

c) The principal assumptions underlying the defined benefit plan:

	2024	2023
	%	
Discount rate (1)	5.73	5.77
Expected rate of salary increase	5.53	5.62

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

NOTE 17:- OTHER ACCOUNTS PAYABLE

	December 31,	
	2024	2023
	NIS in thousands	
Agent commissions payable	51,346	48,430
Employees and payroll accruals	25,927	22,975
Accrued expenses	10,381	12,068
Government institutions	3,527	7,083
Accrued vacation and recreation pay	7,131	6,399
Related parties	5,152	5,357
Trade payables	4,079	4,459
Legal claims	10,479	3,196
Interest payable	376	334
Other	6,462	6,006
	124,860	116,307

As for linkage terms of assets and liabilities, see Note 11d(3).

NOTE 18:- FINANCIAL LIABILITIES

This Note provides information concerning the contractual terms of financial liabilities. For additional information about the Company's exposure to interest rate, foreign currency and liquidity risks, see Note 11 with regard to financial instruments.

a. Information of financial liabilities:

	December 31,			
	Carrying amount *)		Fair value **)	
	2024	2023	2024	2023
	NIS in thousands			
Financial liabilities presented at amortized cost:				
Bank loans	432,379	419,206	390,514	362,407
Total financial liabilities	432,379	419,206	390,514	362,407

*) Includes accrued interest.

**) The fair value relies on future discounted cash flows (principal and interest) of each loan with the proper market interest in accordance with the Company's credit rating and the life of the relevant loan.

b1. Financial liabilities presented at amortized cost – interest and linkage:

	Effective interest	
	2024	2023
	%	
Linkage basis:		
NIS	1.95-6.4	1.95-4.8

b2. Maturity dates:

	December 31,	
	2024	2023
	NIS in thousands	
First year	141,911	79,390
Second year	49,390	49,390
Third year	49,390	49,390
Fourth year	49,390	49,390
Fifth year and thereafter	141,921	191,312
Total	432,002	418,872

NOTE 18:- FINANCIAL LIABILITIES (Cont.)

c. Additional information:

1. Bank loans and credit facilities – Altshuler Provident:

See below	Date of loan receipt	Original loan amount	Interest rate	Balance at December 31, 2024 *)	Balance at December 31, 2023 *)	Original maturity date
		NIS in thousands		NIS in thousands		
(a)	September 14, 2021	250,000	2%	170,750	195,144	September 14, 2031
(a)	September 14, 2021	250,000	1.95%	168,912	193,936	September 14, 2031
(b)	November 28, 2022	30,000	4.8%	-	30,126	November 28, 2024
(b)	September 18, 2024	20,000	P-0.5%	20,042	-	September 18, 2025
(b)	November 28, 2024	30,000	P-0.5%	30,153	-	November 28, 2025
				389,857	419,206	

*) Includes accrued interest.

Credit facilities:

The Company has a bank credit facility of NIS 1,500 thousand bearing annual interest of Prime. As of December 31, 2024, this credit facility has not yet been utilized.

(a) Loan agreement with Bank 1:

Altshuler Provident received a loan of NIS 250 million on September 14, 2021 bearing fixed NIS interest of 2%. The loan principal is repayable in equal quarterly instalments over an amortization schedule of 10 years from the loan grant date and the interest is payable quarterly.

In 2024, 2023 and 2022, finance expenses incurred on this loan amounted to NIS 3,720 thousand, NIS 4,207 thousand and NIS 4,695 thousand, respectively.

NOTE 18:- FINANCIAL LIABILITIES (Cont.)

(b) Credit agreements with Bank 2:

(1) Altshuler Provident received a loan of NIS 250 million on September 14, 2021 bearing fixed NIS interest of 1.95%. The loan principal is repayable in equal quarterly instalments over an amortization schedule of 10 years from the loan grant date and the interest is payable quarterly.

(2) On September 7, 2023, Altshuler Provident received an extension of a credit facility from March 20, 2022 instead of unutilized credit facilities in a total of NIS 120 million which were in effect until June 30, 2024. On June 25, 2024, Altshuler Provident signed an agreement for renewal of credit facilities of NIS 150 million for a period of one year from the end of the previous facility under the same terms. The credit bears variable NIS interest of Prime less 0.5%. On September 18, 2024, Altshuler Provident utilized NIS 20 million of the credit facility bearing variable NIS interest of Prime less 0.5% for one year. On November 28, 2024, Altshuler Provident repaid NIS 30 million of the credit facility and utilized NIS 30 million bearing variable NIS interest of Prime less 0.5% for one year. As of the date of the financial statements, the utilized credit amounts to approximately NIS 50 million.

In 2024, 2023 and 2022, finance expenses incurred on the above loans and credit facilities amounted to NIS 5,300 thousand, NIS 6,485 thousand and NIS 5,425 thousand, respectively.

(c) Credit agreements with Bank 3:

On November 2, 2021, Altshuler Provident received a credit facility of NIS 100 million bearing variable annual interest of Prime less 0.24% which is paid monthly and replaces the credit facility of NIS 80 million received on August 16, 2020. As of December 31, 2021, NIS 70 million of the credit facility had been utilized. On November 28, 2022, Altshuler Provident repaid the entire utilized credit.

Finance expenses incurred in respect of the credit facility totaled NIS 1,187 thousand in 2022.

NOTE 18:- FINANCIAL LIABILITIES (Cont.)

(d) Financial covenants:

To secure the entire credit facilities received by Altshuler Provident from banks as above, it undertook to meet the following financial covenants:

(1) Altshuler Provident's revenues from management fees per quarter shall be at least NIS 200 million. Altshuler Provident's revenues from management fees in Q4 2024 approximated NIS 229 million.

(2) Altshuler Provident's shareholders' equity net of capital reserves shall be at least NIS 245 million. As of the report date, Altshuler Provident's shareholders' equity net of capital reserves amounted to approximately NIS 419 million.

(3) Debt coverage ratio - the balance of Altshuler Provident's debt and obligations towards banks, divided by EBITDA as recognized for the four most recent quarters, shall not exceed 2.8. As of the report date, the debt coverage ratio is 2.02.

(4) Debt service ratio - the ratio of EBITDA net of investments in fixed assets and software and net of tax for the four most recent calendar quarters, to debt service (the cumulative amount of interest expenses and linkage differentials plus payments of current maturities, principal and interest (except for principal payments with respect to credit extended to finance compliance with regulatory requirements regarding liquidity requirements for a company which manages provident funds and principal repayment for any credit with a term of up to 12 months, but only interest payments with respect to such credit) payable by the Company to banks in the four calendar quarters subsequent to the report date, except for credit repaid in a single installment at the end of the term) shall be at least 1.5. As of the report date, the debt coverage ratio is 3.04.

As of December 31, 2024, Altshuler Provident is in compliance with these financial covenants.

NOTE 18:- FINANCIAL LIABILITIES (Cont.)

2. Bank loans and credit facilities – Altshuler Real Estate:

See below	Date of loan receipt	Original loan amount	Interest rate	Balance at December 31, 2024*)	Original maturity date
				NIS in thousands	
(a)	December 19, 2024	NIS 500K	P+0.4%	501	March 19, 2025
(b)	December 25, 2024	NIS 1,000K	P+0.4%	1,001	March 25, 2025
(b)	November 11, 2024	€ 3,850K	5.8%	8,937	February 2, 2025
				10,439	

*) Includes accrued interest.

Loan agreements with Bank 2:

(a) On November 7, 2022, Altshuler Real Estate received a credit facility of NIS 4.5 million bearing interest of Prime +1% that can be utilized until August 31, 2023. In December 2022, Altshuler Real Estate utilized NIS 2,650 thousand of the credit facility. On August 30, 2023, Altshuler Real Estate repaid the credit facility.

In 2023 and 2022, finance expenses incurred on the above loans and credit facilities amounted to NIS 8 thousand and NIS 8 thousand, respectively.

(b) In the reporting period, Altshuler Real Estate and Altshuler Alternative entered into credit agreements with two Israeli banks for receiving credit facilities totaling NIS 100 million to be used as interim financing for completing investment rounds. On March 20, 2024, the Company's Board approved placing a guarantee in an unlimited amount to secure the liabilities of Altshuler Real Estate and Altshuler Alternative under the credit facilities.

In the reporting period, Altshuler Real Estate utilized approximately NIS 51.5 million of the credit facility and repaid approximately NIS 41 million by the financial statement date.

Moreover, in the reporting period, Altshuler Real Estate provided bridge financing totaling approximately NIS 50 million to partnerships, of which Altshuler Real Estate has been repaid approximately NIS 41 million by the financial statement date. In respect of the bridge financing, Altshuler Real Estate charges from the partnerships the interest paid to the lending bank on a back-to-back basis.

In 2024, finance expenses incurred on the above loans and credit facilities amounted to NIS 85 thousand.

See details of the extension of the credit facility after the reporting date in Note 28c.

NOTE 18:- FINANCIAL LIABILITIES (Cont.)

3. Bank loans and credit facilities – the Company:

Date of loan receipt	Original loan amount	Interest rate	Balance at December 31, 2024*)	Original maturity date
			NIS in thousands	
November 7, 2024	NIS 32,000K	P-0.25%	32,083	September 30, 2025
			32,083	

*) Includes accrued interest.

Loan agreement with Bank 3:

On September 30, 2024, the Company entered into a credit agreement with an Israeli bank for receiving a credit facility of NIS 100 million to be provided by Altshuler Credit as loans to its customers. The facility includes on call credit of NIS 50 million for a period of one year and a credit line of NIS 50 million for a period of one year according to which loans can be withdrawn for up to one month. Any amounts withdrawn will bear variable NIS interest of Prime less 0.25%. Unutilized credit bears interest of 0.5%.

To secure the credit facility, the Company provided the lending bank a senior fixed lien limited to NIS 100 million (plus interest and linkage differences and expenses) on its entire (existing and future) rights in Altshuler Provident as per a service agreement signed between the two companies. On December 11, 2024, the Company utilized NIS 32,000 thousand of the credit facility. On January 26, 2025, after the reporting date, it utilized another NIS 9,000 thousand of the credit facility.

Finance expenses incurred on the above credit facilities amounted to approximately NIS 83 thousand in 2024.

On December 22, 2023, an amount of NIS 2 million of the credit facility was assigned by the Company to Altshuler Business Credit.

See details of the Board's approval of March 19, 2025 to increase the credit facility and enter into another credit agreement with Bank 2 in Notes 28e and 28f, respectively.

NOTE 19:- REVENUES FROM MANAGEMENT FEES, NET

	Year ended December 31,		
	2024	2023	2022
	NIS in thousands		
Revenues from management fees from provident funds	814,379	885,674	1,177,943
Revenues from management fees from pension funds	96,906	93,804	107,475
Less – reimbursement of management fees to members	(5,642)	*) 4,875	(2,426)
Revenues from management fees from the Alternative Investment Operation	6,095	1,646	105
	911,738	985,999	1,283,097

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

NOTE 20:- NET GAINS (LOSSES) FROM INVESTMENTS AND FINANCE INCOME

	Year ended December 31,		
	2024	2023	2022
	NIS in thousands		
Changes in net fair value of assets held for trading	7,977	4,527	(7,089)
Changes in net fair value of unquoted assets	(2,673)	934	(646)
Income from income tax interest	243	231	765
Income from interest and linkage differences on financial assets at FVPL	-	884	1,118
Other	2,299	2,344	491
	7,846	8,920	(5,361)

NOTE 21:- COMMISSIONS, MARKETING EXPENSES AND OTHER ACQUISITION COSTS

	Year ended December 31,		
	2024	2023	2022
	NIS in thousands		
Current commissions	251,440	276,399	376,000
Amortization of DAC	72,482	81,168	83,511
Less – payment settlement fees	(1,789)	(3,025)	(5,265)
	322,133	354,542	454,246

NOTE 22:- GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31,		
	2024	2023	2022
	NIS in thousands		
Wages and related expenses	189,368	189,339	213,279
Expenses to related parties, net	62,989	62,101	72,598
Depreciation and amortization	50,817	47,303	49,188
Operating fees (1)	30,795	29,667	29,827
Professional fees	9,925	10,462	12,010
Advertising and marketing including commissions	343,723	381,562	486,727
IT and communications	25,609	24,122	22,271
Office maintenance	15,900	15,871	16,183
Donations	-	4,928	7,194
Other	15,914	20,937	16,378
Total	745,040	786,292	925,655
Less – amounts classified in commissions, marketing expenses and other acquisition costs	(322,133)	(354,542)	(454,246)
Participation in Company expenses by:			
Altshuler Shaham Ltd. (2)	(16,726)	(17,026)	(12,372)
Others (3)	-	-	(2,473)
	406,181	414,724	456,564

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

(2) See Note 25e(2) below.

(3) On August 26, 2021, Altshuler Provident signed a mutual service agreement with Psagot Mutual Funds Ltd., Psagot Securities Ltd. and Value Capital One Management Ltd. which stipulates the various services to be provided by each party to the other, and the consideration. The services include staff, joint IT systems, information databases and other current settlements, if any. The service agreement ended in late 2022.

NOTE 23:- OTHER EXPENSES

	Year ended December 31,		
	2024	2023	2022
	NIS in thousands		
Amortization of intangible assets	22,950	22,405	21,142
Other expenses relating to payment settlement fees	2,304	3,161	5,554
Capital loss on lease	1,123	45	816
	26,377	25,611	27,512

NOTE 24:- FINANCE EXPENSES

	Year ended December 31,		
	2024	2023	2022
	NIS in thousands		
Liabilities to banks and others	9,216	10,513	11,478
Commissions and other finance expenses	826	577	2,456
Finance expenses on lease, net	1,351	1,556	1,579
	11,393	12,628	15,513

NOTE 25:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES

a. Balances with interested and related parties:

December 31, 2024

	For terms see Note	Holder of material influence	Interested party and other related parties
		NIS in thousands	
Receivables (1) (2)	25e	-	1,537
Payables (2)	25e	4,105	1,047

December 31, 2023

	For terms see Note	Holder of material influence	Interested party and other related parties
		NIS in thousands	
Receivables (1) (2)	25e	-	1,418
Payables (2)	25e	4,756	603

(1) The highest balance of receivables in respect of interested party and other related parties in 2024 and 2023 amounted to approximately NIS 2,814 thousand and NIS 9,047 thousand, respectively.

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

NOTE 25:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (Cont).

b. Transactions with interested and related parties:

Year ended December 31, 2024

	For terms see Note	Holder of material influence	Interested party and other related parties
		NIS in thousands	
Other income	25e	(1,177)	-
General and administrative expenses	25e	67,869	6,645
Commissions, marketing expenses and acquisition costs	25e	-	3,380
Receipts from Altshuler Shaham Ltd.	25e	(19,213)	-
Capitalization of DAC	25e	-	172
Cost of share-based payment to employees of Altshuler Shaham Ltd. for exercise at the Company	26c	407	-
		47,886	10,197

Year ended December 31, 2023

	For terms see Note	Holder of material influence	Interested party and other related parties
		NIS in thousands	
Other income	25e	(1,200)	-
General and administrative expenses	25e	66,751	4,186
Commissions, marketing expenses and acquisition costs	25e	-	3,463
Receipts from Altshuler Shaham Ltd.	25e	(20,201)	-
Capitalization of DAC	25e	-	119
Cost of share-based payment to employees of Altshuler Shaham Ltd. for exercise at the Company	26c	596	-
		45,946	7,768

NOTE 25:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (Cont).

Year ended December 31, 2022

	For terms see Note	Holder of material influence	Interested party and other related parties
		NIS in thousands	
Other income	25e	(1,583)	-
General and administrative expenses	25e	67,966	10,962
Commissions, marketing expenses and acquisition costs	25e	-	4,121
Receipts from Altshuler Shaham Ltd.	25e	(12,372)	-
Capitalization of development costs to intangible assets	25e	-	5,738
Capitalization of DAC	25e	-	113
Cost of share-based payment to employees of Altshuler Shaham Ltd. for exercise at the Company	26c	1,863	-
		55,874	20,934

c. Benefits to related and other interested parties:

	Year ended December 31,					
	2024		2023		2022	
	Number of people	Amount	Number of people	Amount	Number of people	Amount
		NIS in thousands		NIS in thousands		NIS in thousands
CEO's salary *)	1	1,943	1	1,940	1	1,933

*) The remuneration does not include payroll tax.

NOTE 25:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (Cont).

d. Benefits to related and other interested parties not employed by the Company:

	Year ended December 31,					
	2024		2023		2022	
	Number of people	Amount	Number of people	Amount	Number of people	Amount
		NIS in thousands		NIS in thousands		NIS in thousands
Directors not employed by the Company *)	9	1,844	10	2,140	10	1,681

*) The remuneration does not include VAT.

e. Income and expenses with related parties and interested parties:

1. Terms and conditions of transactions with related parties:

Some of the Company's financial activity is with related parties and interested parties, in the normal course of business and at market terms. Outstanding balances at end of year are not secured, do not bear interest and are to be settled in cash. No guarantees were received nor provided with respect to amounts receivable or payable.

2. Agreements for settling accounts with related parties:

As of the date of this report, the Company has cooperation agreements with related parties, as follows:

a) Agreements with the parent company ("**Altshuler Shaham**"):

(1) On February 27, 2022, the service agreement between Altshuler Provident and Altshuler Shaham (the controlling shareholder in the Company) was revised, as were other agreements between Altshuler Provident and third parties in whose approval the controlling shareholders have a personal interest (Altshuler Shaham and said third parties jointly: "**the related parties**"), such that the Company will become party to these agreements, such that the services provided by the related parties to Altshuler Provident will be provided to the Company and to Altshuler Provident, as the case may be, and such that the services provided by Altshuler Provident will be provided by the Company to the related parties.

NOTE 25:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (Cont).

In this regard, the following agreements were revised: (1) service and expense allocation agreement between Altshuler Provident and Altshuler Shaham dated May 15, 2019; ("**the provident service agreement**"); (2) unilateral commitment letter provided by Altshuler Ltd. to Altshuler Provident on December 30, 2021, whereby Altshuler Ltd. committed to provide the services pursuant to the service agreement, in conformity with statutory provisions and specific regulation applicable to Altshuler Provident, for no additional consideration; (3) service agreement between Altshuler Provident and Altshuler Shaham Properties Ltd. ("**Altshuler Properties**") dated May 15, 2019, which governs the relations between the parties and purchase of various services by Altshuler Properties; (4) agreement between Altshuler Provident and Altshuler Shaham Mutual Fund Management Ltd. ("**Altshuler Mutual Funds**") dated March 20, 2013, whereby Altshuler Provident will pay Altshuler Mutual Funds 50% of any expense incurred by Altshuler Mutual Funds with respect to participation in sports sponsorship to which Altshuler Provident has consented, on behalf of Altshuler Shaham Group; (5) service agreement between Altshuler Provident and Altshuler Shaham Trustees Ltd. dated August 20, 2019, for providing trustee service for share option plans for employees and officers; (6) service agreement between Altshuler Provident and Generics Ltd. dated October 10, 2010, for receiving IT operation services, IT training and troubleshooting with regard to computer-based CRM system for administration of provident fund member rights.

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

The consideration for services provided to the Group by Altshuler Ltd. in 2024, 2023 and 2022 amounted to NIS 19,213 thousand, NIS 20,201 thousand and NIS 12,372 thousand, respectively. The payment for the services received by the Group from Altshuler Ltd. in 2024, 2023 and 2022 amounted to NIS 67,869 thousand, NIS 66,751 thousand and NIS 67,966 thousand, respectively. The services provided to the Group by Altshuler Ltd. include, inter alia, investment managers, human resources, IT, marketing communications and other services.

NOTE 25:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (Cont).

(2) Agreement between Altshuler Provident and Altshuler Ltd. for marketing the latter's products by Altshuler Provident. This agreement was terminated with regard to future referrals, but Altshuler Provident continues to be entitled to commissions with respect to prior referrals, as agreed by the parties. On July 19, 2021, Altshuler Provident entered into a new agreement which settles the referral services with Altshuler Ltd. according to which Altshuler Provident is entitled to commissions per referral for receiving portfolio management services. The consideration for these services in 2024, 2023 and 2022 amounted to NIS 1,177 thousand, NIS 1,200 thousand and NIS 1,583 thousand, respectively.

b) Agreement between Altshuler Provident and Altshuler Shaham Insurance Agency Ltd. ("**the Insurance Agency**"), specifying the services provided by the Insurance Agency to Altshuler Provident. For these services, Altshuler Provident paid in 2024, 2023 and 2022 NIS 5,764 thousand, NIS 6,144 thousand and NIS 6,295 thousand, respectively.

c) Agreement between the Group and Altshuler Shaham Mutual Fund Management Ltd., specifying the settlement of accounts between the companies with respect to services provided to the Group by Altshuler Shaham Mutual Fund Management Ltd. and vice versa. For these services, the Company paid in 2024, 2023 and 2022 NIS 843 thousand, NIS 1,347 thousand and NIS 1,707 thousand, respectively. See details of the addition of the Company as a party to the agreements in paragraph (a)(1) above.

d) IT expenses to Generics Software Ltd. (a company wholly owned by Perfect (Y.N.A) Capital Markets Ltd., "**Generics**") with respect to software, maintenance and IT system operation services. On March 3, 2019, Altshuler Provident's board approved an amendment to the agreement with Generics, revising the service tariff. See details of the addition of the Company as a party to the agreements in paragraph (a)(1) above. For these services, Altshuler Provident paid in 2022 NIS 10,713 thousand (out of this amount, NIS 5,783 thousand was capitalized to an intangible asset). From January 1, 2023, Generics discontinued its operation.

e) In May 2019, Altshuler Provident entered into an agreement with Altshuler Properties, which governs the relationship between the parties and purchase of various services from the Group by Altshuler Properties, as from January 2019. The consideration for these services in 2022 amounted to NIS 582 thousand. See details of the addition of the Company as a party to the agreements in paragraph (a)(1) above.

NOTE 25:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (Cont).

f) Agreements between Altshuler Provident and Altshuler Shaham Retirement Guidance Insurance Agency Ltd., governing retirement planning services for members of Altshuler Provident and marketing of its products to clients of Altshuler Shaham Retirement Guidance Insurance Agency Ltd. For these services, Altshuler Provident paid in 2024, 2023 and 2022 current commissions amounting to NIS 1,768 thousand, NIS 1,622 thousand and NIS 1,821 thousand, respectively and target commissions amounting to NIS 172 thousand, NIS 119 thousand and NIS 113 thousand, respectively.

g) Agreement between Altshuler Provident and Altshuler Shaham Finance Retirement Insurance Agency Ltd., governing their relationships with regard to marketing Altshuler Provident's pension products to clients of Altshuler Shaham Finance Retirement Insurance Agency Ltd. For these services, Altshuler Provident paid in 2024, 2023 and 2022 NIS 1,482 thousand, NIS 1,841 thousand and NIS 2,198 thousand, respectively.

h) Service agreement between Altshuler Real Estate and Altshuler Properties dated July 1, 2022 according to which the former will provide the latter some of the services granted to it by the Company back-to-back during a transition period until Altshuler Properties terminates its operation and Altshuler Properties will provide Altshuler Real Estate various services as well as a license to use its IP. The consideration for the services rendered by Altshuler Real Estate in 2024 and 2023 amounted to NIS 3,309 thousand and NIS 2,826 thousand, respectively and from July 1, 2022 to December 31, 2022 amounted to approximately NIS 1,471 thousand.

i) On February 5, 2024, the General Meeting approved the Company's engagement in a customer lead generation agreement with Altshuler Shaham Financial Services Ltd. ("**A.S. Financial**") for the provision of financial services for assets managed/owned by A.S. Financial and specifically deposit services and/or financial asset exchange services. In return, the Company is entitled to receive lead commissions. In the reporting period, the Company recognized revenue of approximately NIS 32 thousand from lead commissions.

j) On December 26, 2023, the Company's Board approved the signing of a term sheet which sets forth the Company's right to make nostro investments in transactions managed by Altshuler Real Estate and/or Altshuler Investment Funds, both subsidiaries of the Company. In 2024, the Company invested approximately $ 2,466 thousand in real estate transactions out of an investment commitment of approximately $ 2,546 thousand and received refunds of some $ 61 thousand on these investments. In the reporting period, the Company recognized a loss of approximately NIS 192 thousand from the investments in associated partnerships accounted for at equity.

NOTE 26:- SHARE-BASED PAYMENT TRANSACTIONS

a. Expenses recognized in the financial statements:

The expense recognized in the financial statements for employee services received is shown in the following table:

	Year ended December 31,		
	2024	2023	2022
	NIS in thousands		
Equity-settled share-based payment plans in the Company allocated in 2019-2021 (b)	377	1,661	4,035
Equity-settled share-based payment plan in the Company approved by the Board on November 20, 2024 and allocated after the reporting date (c)	643	-	-
Total expense arising from share-based payment transactions	1,020	1,661	4,035

b. Equity-settled share-based payment plans in the Company allocated in 2019-2021:

On July 9, 2019, the Company's Board approved an outline for allocating 12,226,334 options to officers, employees and service providers in the Company and in related companies. On April 26, 2021, the Board approved an outline for allocating 1,000,000 options to officers, employees and service providers in the Company. In 2019-2021, the Company allocated a total of 12,740,819 options under the outline.

The options vested in lots, over 3 years from the award date, contingent on the continued employment by the Company and on achievement of KPIs, as set forth in the option letters.

The contractual term of the options, if vested, is 10 years after the award date. The options were allocated under the capital gains track of Section 102(b)(2) to the Israeli Income Tax Ordinance (Revised), 1961 ("the Ordinance").

The fair value of the options as of the award date was estimated using the binomial model, based on conditions and data used in awards of these instruments. As of the reporting date, all the options awarded under this outline had vested.

NOTE 26:- SHARE-BASED PAYMENT TRANSACTIONS (Cont.)

c. Equity-settled share-based payment plan in the Company approved by the Board on November 20, 2024 and allocated after the reporting date ("the plan"):

On November 20, 2024, subject to the approval of the Company's general meeting for the grant of options in which Altshuler Ltd. (in this paragraph - "**the controlling shareholder**") has personal interest as the controlling shareholder, the Company's Board approved the grant of options that are exercisable into Company shares as follows. The plan was communicated to the employees on November 21, 2024 and approved by the general meeting on January 9, 2025.

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

2. Grant of 2,961,209 options to employees of the controlling shareholder and of companies controlled by or related to the controlling shareholder who do not provide services to the Company under any service agreement and to employees of the Company and of companies that are wholly or partially owned by the Company who grant services to the controlling shareholder.

The options shall be granted based on the following terms:

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

- 50% of the options will vest within two years from the Board's meeting approval date, another 25% will vest the following year and the remaining 25% the year thereafter. Vesting is 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 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.

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

NOTE 26:- SHARE-BASED PAYMENT TRANSACTIONS (Cont.)

Below is data used to measure the fair value of the options upon the award date, based on the binomial model for pricing options, for the plan:

	Officers	General employees and service provider
Share dividend yield	0%	0%
Expected share price volatility	34.05%	34.05%
Risk-free interest rate	4.37%	4.37%
Expected contractual term of the options (years)	10	10
Share price (NIS)	6.38	6.38

Based on the above parameters, the fair value of the options granted to officers and general employees on the grant date was NIS 2,719 thousand and NIS 22,215 thousand, respectively.

As of reporting date, the number of options held by the controlling shareholder that have been approved but not yet granted (or had been granted and returned to the pool after having expired unexercised) is 2,123,033 ("**the old option pool**"). On January 7, 2025, the Company's general meeting approved increasing the controlling shareholder's old option pool by another 1,303,127 options ("**the new option pool**"). Moreover, the controlling shareholder was allocated 2,961,209 options from the above pools so that after the grant, the old option pool became zero and the new option pool has 464,951 options. For the grant of options from the new option pool, the controlling shareholder paid the Company NIS 2,397 thousand based on their fair value on the grant date.

NOTE 26:- SHARE-BASED PAYMENT TRANSACTIONS (Cont.)

Movement in the year:

The following table presents the changes in the number of share options and the weighted average exercise prices of share options:

	2024	
	Number of options	Weighted average exercise price *)
		NIS
Share options outstanding at beginning of year	7,436,571	6.08
Share options forfeited during the year	(340,975)	2.89
Share options exercised during the year	716,774	2.93
Share options granted during the year	6,367,414	6.39
Share options outstanding at end of year	14,179,784	6.29

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

*) Adjusted for dividend distribution.

The weighted average remaining contractual life for the share options outstanding as of December 31, 2024 and 2023 was 6.37 years and 6.08 years, respectively.

The range of exercise prices for share options outstanding as of December 31, 2024 was NIS 2.66-NIS 15.17.

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

NOTE 27:- CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS

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

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

Class action certification motions filed against Altshuler Provident:

	Number of claims	Amount of claim in NIS in millions
Pending class action certification motions:		
Claim amount unspecified	1	-
Pending class action certification motions:		
Claim amount specified	-	-
Claim amount unspecified	4	-

1. Motion for approval of class action filed on May 12, 2020 with the Tel-Aviv District Court against 14 respondents. Briefly, the motion concerns the calculation of tax liability with respect to contributions by members to study funds managed by the respondents which, as alleged in the motion, has resulted in unlawful tax liability for members of the class which the plaintiff seeks to represent. The plaintiffs did not quantify their claim but believe it amounts to hundreds of millions of NIS for all of the respondents. The remedies sought in the motion include, inter alia, a request for the respondents to be ordered to cease this unlawful denial of the tax benefit, and to order restitution and/or compensation to be paid to all class members, as will be instructed by the Court. Altshuler Provident and the other respondents in this proceeding filed their responses to the motion, and also filed motions for permission to file third party notice by Altshuler Provident and by the other respondents against the Israel Tax Authority.

   On February 4, 2022, the Court ruled that the Israel Tax Authority should be added as respondent in this proceeding, and that at this stage the motion for permission to file third party notice against the ITA will not be heard. The parties filed a notice according to which they reached an understanding to apply to mediation which is currently underway. Based on the opinion of legal counsel obtained by Altshuler Provident, noting all of the arguments, including the ITA's position, whereby the cap should be calculated on a monthly basis and that any tax withheld was transferred to the ITA but, on the contrary, the new allegation included in the response with regard to "cumulative monthly" which, if elaborated, may cloud the likelihood of denying this motion, it is more likely than not that the class action will be denied.

NOTE 27:- CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (Cont.)

2. Motion for approval of class action filed on April 12, 2021 with the Tel-Aviv District Court. The motion was filed against 14 other respondents (banks, insurance companies, credit companies and investment houses) (jointly: "**the respondents**"). The motion alleges that Altshuler Provident and the other respondents provided personal information of users of the personal zone on their website, without their consent, to Google in conjunction with Altshuler Provident's use of the Google Analytics service; Thus, the plaintiffs allege, Altshuler Provident and the other respondents impacted their privacy, acted in breach of their fiduciary and confidentiality duty, with unlawful enrichment, acted with lack of good faith in fulfilling the agreement and were in breach of agreement, in breach of statutory obligation, impact to their autonomy and so forth. The plaintiffs believe that the total damage caused by all the respondents amounts to millions of NIS, and in any case more than NIS 2.5 million, and the individual amount claimed is NIS 2,000 per each plaintiff. On June 23, 2022, Altshuler Provident submitted a response to the motion. The parties agreed to refer to mediation which did not yield any outcome as a result of which the parties continue managing the case in proof hearings. In the proof hearings, witnesses on behalf of the parties were interrogated. Based on the opinion of legal counsel obtained by the Company, it is more likely than not (more than 50% probable) that the Court will dismiss the class action certification motion.

3. Motion for approval of class action filed with the Regional Labor Court in Tel-Aviv on August 4, 2021, against Altshuler Provident, alleging that it is not in compliance with statutory provisions that stipulate the timeframe for actions, upon request from members, in funds accumulated in provident funds, which causes the members to incur significant monetary loss. The plaintiff alleges that Altshuler Provident does not proactively compensate its members for any delay in conducting transactions in their funds accumulated in provident funds, in violation of statutory provisions. The plaintiff also alleges that Altshuler Provident is in breach of its duty to provide proper disclosure to its members, by not informing them of their eligibility to receive compensation for any delay, and how such compensation is calculated. The plaintiff alleges that Altshuler Provident also deliberately misleads by providing a response to member enquiries designed to cause members to believe that they are not entitled to compensation, or that they have not properly completed the fund transfer requests. Thus, the plaintiff alleges, Altshuler Provident is in breach of statutory and regulatory provisions, and of its statutory fiduciary duty. The plaintiff quantifies the individual damage they have incurred at NIS 1,311 and alleges that the class damage cannot be quantified at this stage. On February 27, 2022, Altshuler Provident filed its response to the motion for class action status. A proof hearing was held in which additional documents were requested from the parties, including from the regulator. The Court approved a judicial arrangement reached between the parties regarding the date for submitting their summations. On December 29, 2024, the Court rendered a judgment which accepted the motion as a class action against Altshuler Provident and defined the group of plaintiffs, grounds for the claim, claimed remedies etc. Based on the opinion of Altshuler Provident's legal counsel, it is more likely than not (more than 50% probable) that Altshuler Provident will be required to compensate members that qualify for such compensation as per the outcome.

NOTE 27:- CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (Cont.)

4. Motion for approval of class action filed with the Regional Labor Court in Tel-Aviv on July 18, 2023 against Altshuler Provident in which the petitioner argues that Altshuler Provident opens a new provident fund for customers who mobilize their provident fund from Altshuler Provident to other companies and continues to use the authorization granted to it by the customers in the past for charging their bank account in respect of management fees without their knowledge or consent. The petitioner did not quantify the overall damage but estimated it in excess of NIS 2.5 million and set the personal claim at NIS 134.91 per plaintiff. The parties are holding a mediation proceeding for resolving their disputes outside the courthouse. Altshuler Provident responded to the class action certification motion and the petitioner submitted a counterresponse. On November 7, 2024, a proof hearing was held in the case and the parties are at the stage of submitting their summations. Based on the opinion of Altshuler Provident's legal counsel, due to the preliminary stage of this motion, it is currently not possible to assess the likelihood of its approval as class action.

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

b. Legal proceedings filed against Altshuler Provident concluded in the reporting period:

Motion for approval of class action filed with the Regional Labor Court in Tel-Aviv on January 4, 2024 against Altshuler Provident. The petitioner argues that Altshuler Provident is in constant violation of management fee relief agreements signed by Bank HaPoalim with the members of Gadish provident fund during the period in which the Bank managed the provident fund before it was transferred to the management of Psagot Gadish in 2008 and later merged into Altshuler Provident. The petitioner seeks to approve a class action to represent all the members of the Gadish provident fund who were direct or indirect beneficiaries of a long-term or indefinite relief agreement but had been nonetheless charged by Psagot Provident and/or Altshuler Provident management fees at a rate that exceeds the maximum rate set forth in the relief agreement.

NOTE 27:- CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (Cont.)

The group of plaintiffs does not include members of the Gadish provident fund whose management fees had been raised on January 1, 2010 and only on that date since those members have waived their right to claim in a settlement agreement reached in a former legal process held against Psagot Provident which was approved by the Court. The petitioner argues that the overall class action amount cannot be quantified. The Court is asked by the petitioner to order the following remedies: (1) refunding the difference between the management fees actually charged and the relief rate from the date of violation of the relief agreement through the date of actual recovery including interest and linkage differences; (2) forbidding Altshuler Provident from raising the management fees for any of the members of the group of plaintiffs; (3) alternatively, granting compensation for failure to notify the members of the raising of the management fees in the amount of the difference between the actual management fees charged from each member and the rate of management fees determined in the relief agreement. Altshuler Provident filed a motion for dismissal of the claim in limine and a petition for deferral of the date for submitting its response to the motion until after a decision is rendered in the motion for dismissal in limine. On October 21, 2024, at the Court's recommendation, the petitioner submitted a motion for withdrawal of the class action certification motion and on October 28, 2024, the Court rendered a judgment that approves the petitioner's motion for withdrawal without an order for expenses and ordered to close the case.

c. Legal and other proceedings pending against Psagot Provident which was merged into Altshuler Provident:

Class action certification motions filed against Psagot Provident:

	Number of claims	**Amount of claim in NIS in millions**
Pending class action certification motions:		
Claim amount specified	-	-
Claim amount unspecified	2	-

1. Motion for approval of class action filed on May 12, 2020 with the Tel-Aviv Yafo District Court against Altshuler Provident, Psagot Provident and other management companies. For more information about this lawsuit, see paragraph a(1) above on pending lawsuits against Altshuler Provident. In addition to filing Psagot Provident's response to the motion for approval of class action and motion to request permission to file a third-party notice against the ITA, as set forth in paragraph a(1) above, Psagot Provident also filed a motion to dismiss the motion for approval in limine due, inter alia, to material information not disclosed in the motion for approval and in the plaintiff's statement. Furthermore, the Court ruling dated January 25, 2022 stipulates that the motion by Psagot Provident to dismiss the motion for approval in limine should be decided, if need be, later on based on the written material. The parties applied to a mediation proceeding. Based on the opinion of Altshuler Provident's legal counsel, due to the preliminary stage of the proceeding regarding the motion for approval, as well as matters raised in the Court ruling dated January 25, 2022 and the completion of a first mediation session between the parties, it is not possible at this stage to assess the likelihood and risk associated with the motion for approval of class action and the likelihood of the actual lawsuit to prevail (should class action status be granted).

NOTE 27:- CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (Cont.)

2. On November 16, 2020, a motion for approval of class action was filed with the Regional Labor Court in Tel-Aviv Yafo, in a lawsuit brought against Psagot Provident, alleging Psagot Provident is liable for a fraud case in which the previous Chief Investment Manager of Gadish provident fund, which eventually was managed by Psagot Provident, was convicted. The plaintiff is a former member of Psagot Gadish provident fund, alleging that when the Investment Manager worked at Psagot Provident, he purchased for Psagot Provident members securities that were artificially inflated and sold securities at artificially reduced prices, and even stole from member accounts. The plaintiff alleges that Psagot Provident is liable and should compensate members thereof with respect to the criminal conduct of the Investment Manager, given both its direct liability and vicarious liability. The class lawsuit amount cannot be estimated but is over NIS 2.5 million. Psagot Provident filed its response to the motion for approval. On July 25, 2024, the parties asked the Court to approve a settlement agreement reached between them. It should be noted that the compensation payable to the group of plaintiffs and all the payments relating to the settlement agreement such as legal representative fees, petitioner's remuneration and execution costs will be made by Altshuler Provident's insurers. As of the reporting date, the settlement agreement has been approved.

d. During the reporting period, the following legal proceedings brought against Psagot were concluded:

1. Motion for approval of class action filed on October 10, 2016 with the Regional Labor Court in Jerusalem against Psagot Provident. The plaintiff alleges that Psagot Provident was not entitled to deduct from member assets direct expenses with respect to transactions in provident fund assets, in which they had been a member through January 1, 2016. The remedy sought is reimbursement of the direct expenses charged with respect to transactions in provident fund assets. The plaintiff estimated their individual damage incurred at NIS 114.7, and the damage incurred by the group of plaintiffs was estimated at NIS 324.2 million. The parties filed their statements with the Court, including summaries and the position statement by the Supervisor of Capital Market, Insurance and Savings. The parties filed a hearing arrangement, where a decision was made to postpone the date for filing the plaintiffs' response summaries and to allow the respondents to make additional claims so as to be able to refer to the position of the Attorney General, filed on August 13, 2020 in a concurrent proceeding to which Psagot Provident is not party, concerning direct expenses in individual insurance (Appeal Motion 6388/19 HaPhoenix et al v. Hoffman et al - motion to appeal the District Court ruling) and the Supreme Court ruling, once given in that proceeding, which may impact the proceeding involving Psagot Provident.

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

On June 22, 2023, the Supreme Court rendered a decision in the corresponding proceeding held in connection with the direct expenses in personal insurance. Following the Court's decision, the Court ordered the parties to submit their position on the future management of the proceedings in question. Altshuler Provident announced that in view of the Supreme Court's judgment, it believes the class action motion should be dismissed whereas the petitioner requested to file a brief supplemental plea regarding the implications of the Supreme Court's decision. Accordingly, the Court ordered the parties to submit supplemental summations addressing the implications of the Supreme Court's decision and the parties obliged. The petitioner filed a mutual petition for withdrawal of the class action certification motion which was approved on March 27, 2024 in a court verdict.

2. Motion for approval of class action filed on October 6, 2016 with the Regional Labor Court in Jerusalem against Psagot Provident. The plaintiff alleges that Psagot Provident was not entitled to deduct from member assets direct expenses with respect to transactions in study fund assets, in which they are a member. The remedy sought is reimbursement of the direct expenses charged with respect to transactions in fund assets. The plaintiff estimated their individual damage incurred at NIS 356, and the damage incurred by the group of plaintiffs was estimated at NIS 106.8 million. The parties filed their statements with the Court, including summaries and the position statement by the Supervisor of Capital Market, Insurance and Savings. The parties filed a hearing arrangement, where a decision was made to postpone the date for filing the plaintiffs' response summaries and to allow the respondents to make additional claims so as to be able to refer to the position of the Attorney General, filed on August 13, 2020 in a concurrent proceeding to which Psagot Provident is not party, concerning direct expenses in individual insurance (Appeal Motion 6388/19 HaPhoenix et al v. Hoffman et al - motion to appeal the District Court ruling) and the Supreme Court ruling, once given in that proceeding, which may impact the proceeding involving Psagot Provident.

   On June 22, 2023, the Supreme Court rendered a decision in the corresponding proceeding held in connection with the direct expenses in personal insurance. Following the Court's decision, the Court ordered the parties to submit their position on the future management of the proceedings in question. Altshuler Provident announced that in view of the Supreme Court's judgment, it believes the class action motion should be dismissed whereas the petitioner requested to file a brief supplemental plea regarding the implications of the Supreme Court's decision. Accordingly, the Court ordered the parties to submit supplemental summations addressing the implications of the Supreme Court's decision and the parties obliged. The petitioner filed a mutual motion for withdrawal of the class action certification motion, which was approved on March 27, 2024 in a court verdict.

NOTE 27:- CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (Cont.)

3. Motion for approval of class action status, filed on January 26, 2017 with the Regional Labor Court in Jerusalem against Psagot Provident. The plaintiff alleges that Psagot Provident was not entitled to deduct from member assets direct expenses with respect to transactions in pension fund assets managed by Psagot Provident. The monetary remedy sought in the motion is reimbursement of direct expenses charged to pension fund assets with respect to transactions in fund assets. Allegedly, the claim value cannot be estimated at this stage. The parties filed their statements with the Court, including the position statement by the Supervisor of Capital Market, Insurance and Savings. According to the Court's decision of November 1, 2022, and at the parties' request, the continued hearing of the proceeding has been suspended until the Supreme Court issues a decision in a concurrent proceeding to which Psagot Provident is not party, concerning direct expenses in individual insurance (Appeal Motion 6388/19 HaPhoenix et al v. Hoffman et al - motion to appeal the District Court ruling). On June 22, 2023, the Supreme Court rendered a decision in the appeal. Following the Court's decision, the Court ordered the parties to submit their position on the future management of the proceedings in question. Altshuler Provident announced that in view of the Supreme Court's judgment, it believes the class action motion should be dismissed whereas the petitioner insisted on pursuing the proceedings. The parties informed the Court that they have agreed on filing a mutual motion for withdrawal of the class action certification motion and have until April 4, 2024 to file it to the Court. On June 5, 2024, a mutual motion was filed for withdrawal of the class action certification motion, which was approved as a court verdict on July 2, 2024.

Owing to its field of operation, in the ordinary course of business, Altshuler Provident becomes exposed to various complaints from customers, some of which may result in litigation against it. As of the report approval date, there are no material claims pending against Altshuler Provident other than as described above.

The total provision with respect to lawsuits brought against Psagot and Psagot Provident, as set forth above, less amounts receivable from Altshuler Provident's insurers, amounted to NIS 5,579 thousand as of December 31, 2024.

NOTE 27:- CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (Cont.)

e. Guarantees provided:

1. Guarantee amounting to NIS 1,164 thousand to Bank 1 with respect to Altshuler Provident's management of the long-term fund, Savings for Every Child.

2. Guarantee of NIS 1,590 thousand to Bank 2 to secure the lease of the Company's headquarters on 19 HaBarzel Street in Tel-Aviv.

3. Guarantee of NIS 1,105 thousand to Bank 2 to secure the lease of the Company's offices on Sapir Street in Haifa.

4. Guarantee of NIS 87 thousand to Bank 2 to secure the lease of the Company's offices on 1 HaBarzel Street in Tel-Aviv.

5. Guarantee of NIS 500 thousand to Bank 2 to secure credit.

6. Guarantee of NIS 500 thousand to Bank 3 to secure credit.

7. As of the financial statement date, historical guarantees had been provided by Bank 2 and/or Bank 1 in respect of a closed list of qualifying members of the Altshuler Shaham provident fund and Altshuler Shaham study fund to secure payment of all the receipts in their accounts, accounting for the nominal principal only (excluding allowed deductions), subject to the terms of each fund's articles of association. In April 2024, the guarantee by Bank 2 was replaced with a guarantee by Bank 1 following the release of Bank 2 from any guarantee. Bank 1's guarantees are not time limited whereby if the Bank is required to pay any funds by virtue of the guarantees, Altshuler Provident will indemnify the Bank for any amount paid by the latter in connection with the guarantees. Based on the cumulative yields in the provident fund sector accrued from the date of enrolment of the qualifying members through the financial statement date, Altshuler Provident estimates that the exercise of the guarantees would require the materialization of highly extreme circumstances which are very unlikely to occur.

f. Commitments:

1. Altshuler Provident has entered into agreements with multiple operators, for current operation of provident and pension funds.

2. See details of agreements with related parties in Note 25.

NOTE 28:- EVENT AFTER THE REPORTING DATE

a. On March 19, 2025, in keeping with the Company's dividend distribution policy, the Company's Board approved the distribution of a dividend of NIS 22,000 thousand to the Company's shareholders, representing approximately NIS 0.11 per share.

b. For details of investment rounds completed in the Alternative Investment Operation after the reporting period in an aggregate of some $ 50.9 million and the Company's LP investments in transactions, see Notes 13(1)(b) and 13(1)(c).

c. In keeping with the matters discussed in Note 8c(2)(b) above, in January 2025, Altshuler Real Estate utilized $ 11.4 million of its credit facilities to provide bridge loans to partnerships which were repaid in February 2025. In February 2025, Altshuler Real Estate utilized $ 3.2 million and € 1.7 million of credit facilities to provide bridge loans to partnerships. On March 10, 2025, it utilized NIS 2 million of the credit facilities.

d. In keeping with the matters discussed in Note 18c(3) above, on March 19, 2025, the Company's Board approved an increase in the credit facility received from an Israeli bank for providing loans to Altshuler Credit's customers by another NIS 100 million. The increased facility includes on call credit of NIS 50 million for a period of one year and a credit line of NIS 50 million for a period of one year according to which loans can be withdrawn for up to one month. Any amounts withdrawn will bear variable NIS interest of Prime less 0.25%.

e. On March 19, 2025, the Company's Board approved receiving a credit facility of NIS 200 million from another Israeli bank for providing loans to Altshuler Credit's customers. The facility consists of on call credit of NIS 200 million for a period of one year Any amounts withdrawn will bear variable NIS interest of Prime less 0.2%-0.25%.

f. In keeping with the matters discussed in Note 26c above, 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 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 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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ALTSHULER SHAHAM FINANCE LTD.

FINANCIAL INFORMATION FROM

THE CONSOLIDATED FINANCIAL STATEMENTS

ATTRIBUTABLE TO THE COMPANY

AS OF DECEMBER 31, 2024

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

Dear Sirs/Mmes.,

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

We have audited the accompanying separate financial information presented pursuant to Regulation 9C to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970 of Altshuler Shaham Finance Ltd. ("the Company") as of December 31, 2024 and 2023, and for each of the three years the last of which ended on December 31, 2024, as included in the Company's periodic report. This separate financial information is the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on this separate financial information based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Israel, including those prescribed by the Auditors' Regulations (Auditor's Mode of Performance), 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the separate financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the separate financial information. An audit also includes assessing the accounting principles used and significant estimates made by the board of directors and management, as well as evaluating the overall separate financial information presentation. We believe that our audits provide a reasonable basis for our opinion.

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

Tel-Aviv, Israel
March 19, 2025

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

Special Report Pursuant to Regulation 9C

Financial Data and Financial Information from the

Consolidated Financial Statements Attributable to the Company

Below are separate financial data and financial information attributable to the Company from the Company's consolidated financial statements as of December 31, 2024, published as part of the periodic reports ("consolidated financial statements"), presented pursuant to Regulation 9C to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970.

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

Investees are defined in the consolidated financial statements.

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

	Note	December 31, 2024	December 31, 2023
		NIS in thousands	
Assets:			
Investment in investees		478,987	499,263
Intangible assets		20,691	15,203
Right-of-use assets		34,608	43,435
Property, plant and equipment		20,211	21,929
Accounts receivable	4	14,419	4,912
Loans to investees	7	85,613	12,210
Deferred tax assets	6	4,662	3,963
Cash and cash equivalents	3	10,843	29,578
Total assets		670,034	630,493
Equity:			
Share capital		2,024	2,021
Share premium		242,008	240,239
Capital reserve from transaction with controlling shareholder		(4,671)	(4,264)
Capital reserve from share-based payment transactions		33,099	33,444
Capital reserve from financial assets measured at fair value through other comprehensive income		(35)	9
Foreign currency translation reserve		(115)	-
Retained earnings		276,720	248,831
Total equity		549,030	520,280
Liabilities:			
Employee benefit liabilities, net		984	1,794
Current tax liabilities	6	1,432	5,199
Accounts payable	5a	48,281	55,513
Lease liability		38,224	47,707
Financial liabilities	5b	32,083	-
Total liabilities		121,004	110,213
Total equity and liabilities		670,034	630,493

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

March 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

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

		Year ended December 31,		
		2024	2023	2022
	Note	NIS in thousands (except per share data)		
Revenues from management fees from investees	7	373,357	389,731	249,846
Finance income		2,918	1,292	80
Other income		79	-	18
Total revenues		376,354	391,023	249,944
General and administrative expenses		272,336	276,516	155,145
Other expenses		970	45	-
Finance expenses		1,738	3,250	1,893
Total expenses		275,044	279,811	157,038
Equity in earnings of investees, net		34,934	53,309	142,804
Income before taxes on income		136,244	164,521	235,710
Taxes on income	6	23,179	26,591	22,589
Net income attributable to the Company		113,065	137,930	213,121
Other comprehensive income (loss) attributable to the Company (net of taxes):				
Gain from remeasurement of defined benefit plan		675	910	289
Equity in other comprehensive income (loss), net attributable to investees		105	(1,616)	2,429
Total other comprehensive income (loss) attributable to the Company (net of taxes)		(115)	(706)	2,718
Total comprehensive income attributable to the Company		113,730	137,224	215,839
Basic net earnings per share (in NIS)		0.57	0.70	1.08
Diluted net earnings per share (in NIS)		0.57	0.69	1.07

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

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

	Year ended December 31,		
	2024	2023	2022
	NIS in thousands		
Cash flows from operating activities of the Company:			
Net income attributable to the Company	113,065	137,930	213,121
Items not involving cash flows:			
Equity in earnings of investees	(34,934)	(53,309)	(142,804)
Finance expenses, net	1,087	2,017	1,889
Loss from sale of right-of-use asset	970	45	-
Cost of share-based payment	940	1,661	2,366
Depreciation and amortization:			
Right-of-use assets	7,466	8,410	(5)
Property, plant and equipment	4,624	3,557	362
Intangible assets	7,522	2,919	-
Taxes on income	23,179	26,591	22,589
	10,854	(8,109)	(115,603)
Changes in other balance sheet items:			
Change in accounts receivable	(8,183)	69,121	(74,033)
Change in accounts payable	(8,806)	(135)	41,023
Change in employee benefit liabilities, net	66	131	293
	(16,923)	69,117	(32,717)
Cash paid and received during the year for:			
Interest paid	(1,545)	(1,399)	-
Interest received	541	74	-
Taxes paid	(27,812)	(22,106)	(21,481)
	(28,816)	(23,431)	(21,481)
Net cash provided by operating activities of the Company	78,180	175,507	43,320

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

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

	Year ended December 31,		
	2024	2023	2022
	NIS in thousands		
<u>Cash flows from investing activities of the Company:</u>			
Purchase of property, plant and equipment	(1,214)	(3,325)	(9,626)
Investment in intangible assets	(12,425)	(15,389)	(1,224)
Grant of loans to investees	(87,172)	(12,083)	-
Repayment of loans to investees	13,651	-	-
Acquisition of associate	(9,034)	-	-
Grant of capital notes to subsidiaries	(36,923)	-	-
Dividend received from investees	100,000	60,606	250,000
Net cash provided by (used in) investing activities of the Company	(33,117)	29,809	239,150
<u>Cash flows from financing activities of the Company:</u>			
Repayment of lease liability	(9,798)	(9,514)	382
Receipt of bank loans	32,000	-	-
Repayment of loans from investees	-	(59,076)	-
Divided paid to equity holders of the Company	(86,000)	(112,000)	(278,000)
Net cash used in financing activities of the Company	(63,798)	(180,590)	(277,618)
<u>Increase (decrease) in cash and cash equivalents</u>	(18,735)	24,726	4,852
<u>Cash and cash equivalents at the beginning of the year</u>	29,578	4,852	-
<u>Cash and cash equivalents at the end of the year</u>	10,843	29,578	4,852
<u>Material non-cash transactions:</u>			
Right-of-use asset recognized against lease liability	3,246	6,983	-

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

NOTE 1:- GENERAL

a. General description of the Company and its operations:

Altshuler Shaham Finance Ltd. ("**the Company**") was incorporated in Israel as a private company limited in shares on December 9, 2001 by the name of A.S. Matrat Hanpaka Ltd. and on March 17, 2022 changed its name to the current name – Altshuler Shaham Finance Ltd. The Company operates out of its offices on 19a HaBarzel Street, Ramat HaChayal, Tel Aviv. See more information in Note 1a to the consolidated financial statements.

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

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

Although from a legal standpoint the Company acquired the shares of Altshuler Provident, since on the share purchase transaction closing date, Altshuler Provident's shareholders became holders of voting rights in the Company, the share purchase transaction was accounted for in the financial statements as a reverse acquisition. Accordingly, the Company's interests in investees are presented in the comparative figures as if they had always been held by the Company.

b. Definitions:

In these financial statements:

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

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

Preparation format of the separate financial information:

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

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

NOTE 3:- CASH AND CASH EQUIVALENTS

	December 31,	
	2024	2023
	NIS in thousands	
Cash and deposits for immediate withdrawal *)	10,843	29,578

*) As of the reporting date, cash in banks earns current interest based on the interest rate on daily bank deposits of 4.13% (December 31, 2023 – 4.37%).

NOTE 4:- ACCOUNTS RECEIVABLE

	December 31,	
	2024	2023
	NIS in thousands	
Receivables from investees *)	3,478	-
Prepaid expenses	8,924	4,143
Loans to employees	111	177
Other receivables	1,906	592
	14,419	4,912

*) See also Note 7e below.

NOTE 5:- FINANCIAL LIABILITIES

a. Accounts payable:

	December 31, 2024	December 31, 2023
	NIS in thousands	
Employees and payroll accruals	27,974	25,247
Accrued expenses	7,451	8,997
Government institutions	5,106	8,453
Liabilities to related parties *)	3,361	4,120
Payables to investees **)	-	3,865
Other payables	4,389	4,831
	48,281	55,513

*) See information in Note 25e(2)(a)(1) to the consolidated financial statements.
**) See information in Notes 7d(1)(a) and 7e below.

b. Credit from banks:

See information in Note 18c(3) to the consolidated financial statements.

NOTE 6:- TAXES ON INCOME

a. Tax assessments attributable to the Company:

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

b. Deferred taxes attributable to the Company:

	Employee benefits	Right-of-use assets	Lease liability	Property, plant and equipment	Employee options	Foreign currency translation reserve for foreign operations	Total
	NIS in thousands						
Balance of deferred tax assets (liabilities) at January 1, 2023	1,965	(11,660)	11,905	250	1,421	-	3,881
Changes carried to profit or loss	(35)	1,161	(933)	223	(62)	-	354
Changes carried to other comprehensive income	(272)	-	-	-	-	-	(272)
Balance of deferred tax assets (liabilities) at December 31, 2023	1,658	(10,499)	10,972	473	1,359	-	3,963
Changes carried to profit or loss	155	1,926	(1,804)	170	420	-	867
Changes carried to other comprehensive income	(202)	-	-	-	-	34	(168)
Balance of deferred tax assets (liabilities) at December 31, 2024	1,611	(8,573)	9,168	643	1,779	34	4,662

NOTE 6:- TAXES ON INCOME (Cont.)

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

	Year ended December 31, 2024	Year ended December 31, 2023
	NIS in thousands	
Current taxes	24,046	26,858
Deferred taxes	(867)	(354)
Taxes in respect of previous years	-	87
	23,179	26,591

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

a. Balances with investees:

	Note	December 31, 2024	December 31, 2023
		NIS in thousands	
Receivables:			
Loans to investees	7d	85,613	12,210
Investees	7e(1)	3,478	-
Payables:			
Investees	7d(1),7e	-	3,865

b. Transactions with investees:

	Note	Year ended December 31, 2024	Year ended December 31, 2023
		NIS in thousands	
Revenues from management fees from investees	7e	373,357	389,731

c. Finance income and expenses from transactions with investees:

	Note	Year ended December 31, 2024	Year ended December 31, 2023
		NIS in thousands	
Finance expenses	7d(1)	-	1,424
Finance income	7d(2)(3)	2,377	180

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

d. Loans to investees:

1. Loan agreements with Altshuler Credit (formerly: PBL (Psagot) Ltd.) (in this paragraph - "**PBL Psagot**"):

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

In June 2021, the board of PBL Psagot approved the grant of another loan of NIS 16 million to Psagot Provident Ltd. under the same terms as the loan received on December 30, 2020, as described above. The loan was received in practice on June 29, 2021 and was extended in January 2021 until December 31, 2022.

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

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

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

At December 31, 2023, the Company had a current balance of NIS 1,724 thousand with PBL Psagot including accrued interest of NIS 25 thousand. In 2023, finance expenses recorded by the Company in respect of the above loans amounted to approximately NIS 1,399 thousand. The balance was repaid in full in 2024.

b) In keeping with the matters discussed in Note 1a to the consolidated financial statements, on August 19, 2024, the CrediTeam Transaction was closed and PBL Psagot's name was changed to Altshuler Credit. On December 24, 2024, the board of Altshuler Credit approved the grant of a credit facility of NIS 10 million to the Company bearing interest of Prime and in effect until late 2026.

As of the financial statement date, the Company's debt to Altshuler Credit approximates NIS 4,786 thousand. In respect of this balance, the Company recognized finance income of approximately NIS 28 thousand in 2024.

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

2. Capital note agreement with Altshuler Credit:

   On August 19, 2024, Altshuler Credit issued a capital note of approximately NIS 26,421 thousand to the Company. The capital note is unlinked and bears annual interest as prescribed in Section 3(j) to the Ordinance. The issuer may repay the capital note (in whole or in part) at any time at the discretion of the issuer's board. As of the reporting date, the interest accrued on the capital note approximates NIS 502 thousand.

3. Capital note agreement with Altshuler Business Credit:

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

4. Credit agreement with Altshuler Business Credit:

   On August 19, 2024, the Company and Altshuler Business Credit signed a credit agreement according to which Altshuler Business Credit will be granted a credit facility of up to NIS 100 million which can be utilized in whole or in part for its operating activities in the ordinary course of business. The credit facility bears interest of Prime. Unutilized credit bears interest of 0.5%. The agreement is for one year.

   As of December 31, 2024, Altshuler Business Credit has utilized approximately NIS 63,617 thousand of the credit facility. In 2024, the Company recognized interest income of approximately NIS 830 thousand.

5. Loan agreement with Altshuler Real Estate:

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

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

As of December 31, 2024, Altshuler Real Estate utilized the entire credit facility and has to pay the Company the interest accrued on the credit facility totaling approximately NIS 0.6 million (December 31, 2023 – approximately NIS 5.7 million of the credit facility has been utilized). After the reporting date, Altshuler Real Estate repaid the Company another NIS 5 million. In 2024 and 2023, the Company recognized interest income of approximately NIS 536 thousand and NIS 85 thousand in respect of the credit facility, respectively.

6. Loan agreement with Altshuler Investment Funds:

On August 23, 2023, a credit agreement was signed between the Company and Altshuler Investment Funds according to which the former will provide the latter a credit facility of NIS 9,000 thousand that can be fully or partially utilized by Altshuler Investment Funds for its operating activities in the ordinary course of business. The credit facility was increased on December 24, 2024 to NIS 20,000 thousand. Any amount transferred by the Company to Altshuler Investment Funds within the credit facility will bear variable annual interest of Prime + 0.8% to be paid every quarter from the end of the first quarter after the date of utilization of the credit facility, in whole or in part. An interest instalment that is not paid when due will accrue compounded interest. Total amounts transferred by the Company to Altshuler Investment Funds within the credit facility will be repaid to the Company by December 31, 2025. As of December 31, 2024 and 2023, Altshuler Investment Funds utilized approximately NIS 8,997 thousand and NIS 6,308 thousand of the credit facility, respectively. In 2024 and 2023, the Company recognized interest income of approximately NIS 513 thousand and NIS 95 thousand in respect of the credit facility, respectively.

e. Agreements with investees:

1. Service agreement with Altshuler Provident:

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

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

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

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

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

In 2024, 2023 and 2022, the receipts from the services amounted to approximately NIS 357,170 thousand, NIS 376,143 thousand and NIS 244,534 thousand, respectively.

2. Service agreement with Altshuler Real Estate:

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

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

In 2024 and 2023, the receipts from the services amounted to approximately NIS 11,977 thousand and NIS 9,417 thousand, respectively. In the period from July 1, 2022 to December 31, 2022, the receipts from the services amounted to approximately NIS 5,312 thousand.

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

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

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

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

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

In 2024, the receipts from the services amounted to approximately NIS 2,823 thousand. From July 1, 2023 to December 31, 2023, the receipts from the services amounted to approximately NIS 4,171 thousand.

4. Service agreement with Altshuler Alternative and iFunds:

On February 12, 2024, the Company entered into an agreement with Altshuler Alternative and iFunds according to which the Company and/or Altshuler Alternative (by themselves or through their employees or service providers) will provide various services to iFunds for its operating activities including: payroll and accounting, bookkeeping, legal consulting, comptroller, office rent and maintenance, business development through the Company's management, sales and sales management (collectively – "**the services**"). In return, iFunds will pay the Company and/or Altshuler Alternative monthly management fees plus VAT (if applicable) based on the cost allocation mechanism in the agreement. From February 12, 2024 to December 31, 2024, the receipts from the services amounted to approximately NIS 482 thousand.

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

5. Service agreement with Altshuler Credit:

On August 19, 2024, the Company entered into an agreement with Altshuler Credit according to which each party may provide the counterparty various services through their own personnel or vendors on their behalf, including: management, IT and telecommunications, HR, finance, legal consulting, internal audit, compliance, operation and servicing, sales, marketing, procurement and logistics, rent and related expenses, insurance and any other nonrecurring services and contracts as required. In return, Altshuler Credit will pay the Company monthly management fees plus VAT (if applicable) based on the cost allocation mechanism in the agreement. From August 19, 2024 to December 31, 2024, the receipts from the services amounted to approximately NIS 905 thousand.

NOTE 8:- EVENTS AFTER THE REPORTING DATE

On January 1, 2025, an agreement was closed for the transfer of the Company's interests in Altshuler Real Estate and in entities related thereto in the context of which the Company transferred its interests in Altshuler Real Estate to Altshuler Alternative. Accordingly, as of the financial statement date, the Company indirectly holds 80.75% of the issued and outstanding share capital of Altshuler Real Estate through Altshuler Alternative.

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ALTSHULER SHAHAM FINANCE LTD.

("the Company" or "the Corporation")

Chapter D

Additional Information regarding the Corporation

As of December 31, 2024

Chapter D - Additional Information about the Corporation

Contents

Chapter D - Additional Information about the Corporation

Chapter D - Additional Information about the Corporation

1. **Regulation 10A – Summary of the Company's Comprehensive Income for each of the Quarters ended March 31, 2024, June 30, 2024, September 30, 2024 and December 31, 2024**

For condensed statements of comprehensive income for 2024 on a quarterly basis, see paragraph 1.3 to the Board of Directors' Report in Chapter B to this report.

2. **Regulation 11 – List of Investments in Material Subsidiaries and Associates**

	Share class and par value	Number of shares	Carrying amount in the separate financial information as of December 31, 2024 in NIS in millions	Equity and voting rights	Rights to appoint directors	Loan balance as of December 31, 2024 in NIS in millions	Loan terms and maturity date
Altshuler Shaham Provident and Pension Ltd.	Ordinary, NIS 0.01	1	449	100%	100%	389	See Note 18c(1) to the financial statements in Chapter C to this report
Altshuler Shaham Credit Ltd.	Ordinary, NIS 0.01	2.5 ordinary shares, 10 preferred shares	24	80%	80%	32	See Note 18c(3) to the financial statements in Chapter C to this report

3. **Regulation 12 – Changes in Investments in Material Subsidiaries and Associates**

On August 19, 2024, the Company, through Altshuler Credit, closed the acquisition of the entire operation of CrediTeam and of the entire issued and outstanding share capital of Altshuler Business Credit and officially began operating in the credit market ("**the closing date**"). See information of changes in investments in associates in Note 3b to the financial statements in Chapter C to this report.

4. **Regulation 13 – Earnings of Material Subsidiaries and Associates and the Company's Share therein**

	Comprehensive income (NIS in millions)		Dividend (NIS in millions)		Management fees (NIS in millions)		
	Net income	Other comprehensive loss	Received in 2024	Received or receivable after the reporting period for 2024	Received in 2024	Received or receivable after the reporting period for 2024	Interest income
Altshuler Shaham Provident and Pension Ltd.	44.2	0.1	100	33	354.1	3	-
Altshuler Shaham Provident and Pension Ltd.	4.0	-	1.8	-	0.209	0.68	0.83

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

In 2024 and through the financial statement approval date, the following Ordinary shares of NIS 0.01 par value each of the Company were listed for trade on the TASE:

421,145 shares from the exercise of options allocated by the Company to employees, officers and service providers in the Group pursuant to shelf offering reports issued by Altshuler Provident.

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

6.1 The Company's remuneration policy

The remuneration paid to the senior officers in the Company is in keeping with the Company's officer remuneration policy. See details of the Company's officer remuneration policy in the Company's general meeting notice report of October 18, 2022 (TASE reference: 2022-01-127845), whose information is hereby included by reference.

Chapter D - Additional Information about the Corporation

Following are details of the remuneration paid to each of the five highest paid officers in the Company or in a company controlled by it who include the three highest paid officers in the Company whose remuneration was paid in connection with their service in the Company or in a company controlled by it in the period of 12 months ended December 31, 2024, as recognized in the financial statements for 2024 in terms of the Company's cost (NIS in thousands):

Details of remuneration recipient				Remuneration for services							Other remuneration			Total	Part allocated to the Company out of the control group (%)
Name	Position	Position scope	Equity interests	Salary cost (1)	Bonus (2)	Share-based payment (3)(4)	Management fees	Consulting fees	Commission	Other	Interest	Rent	Other		
Yair Lowenstein (5)	CEO and Director	100%	14.89%	1,944	-	-	-	-	-	-	-	-	-	1,944	100%
Tzafrir Zanzuri	Deputy CEO, Head of Sales and Business Development	100%	-	1,421	86	19	-	-	-	-	-	-	-	1,526	100%
Sharon Gerszbejn	Deputy CEO, CFO	100%	-	1,415	86	19	-	-	-	-	-	-	-	1,520	100%
Osnat Antebi	VP, Legal Counsel	100%	-	1,385	86	19	-	-	-	-	-	-	-	1,490	100%
Anat Knafo-Tavor	CEO of Altshuler Provident	100%	-	1,351	86	19	-	-	-	-	-	-	-	1,456	100%

The data in the table above do not include VAT and/or payroll tax.

(1) The salary cost of officers may include, in addition to their monthly salary: fixed bonus, contribution towards auto maintenance or a company car (including expenses), cell phone maintenance and use expenses, per diem expenses, healthcare insurance, contributions to pension fund and study fund, in conformity with terms and conditions of their employment contracts. The employment contracts of Company officers also include provisions with regard to their eligibility for annual paid leave, as agreed, vacation allowance days, advance notice period and nondisclosure commitment.

(2) In conformity with the remuneration policy, the threshold conditions for payment of annual bonuses for 2024 to officers were fulfilled. According to individual bonus plans for 2024, the annual bonus determined for Ms. Knafo-Tavor, Mr. Zanzuri, Ms. Gerszbejn and Ms. Antebi is in conformity with the Company's performance evaluation process based on qualitative criteria and capped at three months' salary.

(3) Pursuant to paragraph 6.2 below, on September 16, 2019, the Company allocated options to purchase shares in Altshuler Provident, which vested in three lots and were converted into share options in the Company upon completion of the merger transaction. The fair value of these options as of the award date was estimated using the binomial model, based on conditions and data used in award of these instruments. The weighted average contractual term of the share options as of December 31, 2024 was 4.71 years and the exercise price as of December 31, 2024 was NIS 2.66.

(4) Pursuant to paragraph 6.2 below, on January 9, 2025, the Company allocated options to purchase shares in the Company, which vest over four (4) years as follows: 50% vest two years from the Board's approval date (November 20, 2024), another 25% vest in the following year and another 25% in the year thereafter. The exercise price of the options is NIS 6.387, and they are exercisable on a cashless basis only. The fair value of the options as of the award date was estimated using the binomial model, based on conditions and data used in award of these instruments. The weighted average contractual term of the share options as of December 31, 2024 was 9.89 years.

(5) For more information about the employment contract of Mr. Yair Lowenstein, Company CEO and a controlling shareholder therein, and about a general meeting notice report issued by the Company on January 1, 2024 (TASE reference: 2024-01-000744), see paragraph 20 below.

6.2 Allocation of options to officers in the Company

See details of allocations of share options by the Company to officers and employees in the Company in Note 26c to the Company's financial statements in Chapter C to this report, in paragraphs 8.8 and 8.9 below and in a shelf offering report issued by the Company on January 9, 2025 (TASE reference: 2025-01-003207).

6.3 Remuneration of interested parties in the Company

Following are details of remuneration paid to interested parties in the Company who are not included in the officers listed in paragraph 6.1 above, in connection with services rendered by the interested parties as key personnel in the Company or in a company controlled by them, regardless of the existence of employer-employee relations and although the interested parties are not senior officers:

6.3.1 Directors' remuneration

The overall amount paid in 2024 to directors in the Company for their service was approximately NIS 451 thousand, of which NIS 22 thousand was paid to external directors in the Company and NIS 25 thousand was paid to regular directors as follows:

a) Directors whose office on the Company Board is in addition to being officers or managers in Group companies or in the control group, some of whom receive no additional remuneration for their office on the Company Board, and some of whom are entitled only to remuneration for attending meetings, at the maximum amount allowed by Addendum III to the Companies Regulations (Rules for Remuneration and Expense Reimbursement for Independent Directors), 2000 ("**the Remuneration Regulations**"). Note that some of the aforementioned directors were eligible for allocation of share options of the Company with respect to their office as officers of the parent company, as set forth in Note 26 to the financial statements in Chapter C to this report.

b) Directors other than external directors who do not serve as officers or managers in Group companies or I the control group, who are entitled only to remuneration for attending meetings at the maximum amount allowed by Addendum III to the Remuneration Regulations.

c) External directors – remuneration paid to external directors is in conformity with the Company's remuneration policy at the maximum amount allowed by Addendums II and III to the Remuneration Regulations, based on the Company's classification from time to time, linked to the CPI and in conformity with provisions of the Remuneration Regulations.

d) Members of the Company's Board are included in letters of quittance and indemnity and D&O liability insurance policies, as customary in the Company. For more information about these arrangements, which also apply to certain controlling shareholders in the Company, see paragraph 12 below.

Information of the information presented in the table in paragraph 6.1 above:

6.3.2 The employment agreement with the Company's CEO

Mr. Yair Lowenstein, a controlling shareholder in the Company, serves as CEO of the Company pursuant to an employment agreement signed on January 1, 2017 (as revised on April 15, 2019 (in this paragraph – "**the service agreement**") prior to the business restructuring, as defined in paragraph 1.2 to Chapter A to this report). It should be noted that in addition to serving as the Company's CEO, Mr. Lowenstein also serves as director in the Company and as Chairman of Altshuler Provident's board for no additional remuneration other than the terms to which he is entitled for his service as CEO.

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

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

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

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

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

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

6. **Quittance, indemnity and insurance** – see details of the Company's quittance, indemnity and insurance policies in paragraphs 18.2 and 18.3 below.

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

6.3.3 For details of service and cost allocation agreements between the Company and Altshuler Ltd. and other Group companies, see paragraphs 8.1 and 8.4 below.

7. Regulation 21A – the Control in the Corporation

As of the report issuance date, the ultimate controlling shareholders in the Company are Messrs. Gilad Altshuler, Kalman Shaham[1] and Yair Lowenstein. The Company's shareholders consist of Altshuler Ltd. (55.55%) and Lowenstein Yair Holdings Ltd. ("**Yair Holdings**") (14.89%).

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

Shareholders' agreement

In keeping with the matters described in paragraph 3.4.1 to Chapter 3 to the Prospectus, on November 21, 2022, the Company's controlling shareholders signed a new shareholders' agreement that supersedes and eliminates any previous agreement, arrangement or undertaking between the parties with respect to their interests in the Company. The terms and conditions of the previous shareholders' agreement regarding the interest in Altshuler Provident prior to the IPO remained unchanged except for the following:

7.1 The new shareholders' agreement accounts for the fact unlike the Company, Altshuler Provident, as a subsidiary of the Company, is bound by the consolidated circular issued by the Capital Market, Insurance and Saving Commissioner and specifically by part 1(5) to chapter 5 to this circular. The new agreement also adds provisions that apply to exercising the Company's power as a parent company in the Group and the possible expansion of its holdings in other subsidiaries, as applicable.

7.2 The new agreement reduces the minimum holding rate which qualifies each controlling shareholder to recommend which directors will be appointed on the Company's Board.

7.3 The new agreement adds a provision whereby the controlling shareholders will exercise their power as shareholders in the Company to appoint directors in the Company's subsidiaries and to ascertain that decisions that require a special majority on the Company's Board are approved by the general meetings of the Company's subsidiaries, as they will be from time to time.

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

7.4 The new agreement revises the parties' noncompete obligation to apply as per the provisions of the corporate opportunity waiver agreement signed between the controlling shareholders, as detailed in Chapter 6 to the Prospectus. See information of the corporate opportunity waiver agreement and its amendment as approved by the General Meeting of the Company (following the approvals of the Company's Audit Committee and Board) in paragraph 1.6 to the Company's meeting notice report of September 22, 2022, as amended on October 18, 2022 (TASE references: 2022-01-121105 and 2022-01-127845, respectively), whose information is hereby included by reference.

8. **Regulation 22 – Transactions with Controlling Shareholders and/or Transactions which the Controlling Shareholders have a Personal Interest in Approving**

Following are details, to the best of the Company's knowledge, of transactions between the controlling shareholders in the Company and the Company or transactions of the Company with third parties which the controlling shareholders have a personal interest in approving as entered into by the Company in the reporting year through the date of publication of this report or which are still effective on the report publication date:

Transactions listed in Article 270(4) to the Companies Law, 1999 ("**the Companies Law**")

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

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

On December 30, 2021, Altshuler Provident obtained Altshuler Ltd.'s unilateral obligation to provide the services as per the provident service agreement and in accordance with applicable laws and regulations (including the regulatory provisions and guidelines applicable to Altshuler Provident), including regarding Altshuler Provident's obligations to its fund members in connection with the services for the duration of the provident service agreement without being entitled to any additional fee for this unilateral obligation, subject to the liability arrangements set forth in the obligation. It should be clarified that this obligation in incorporated in the provisions of the provident service agreement.

On February 5, 2024, after obtaining the approvals of the Company's Audit Committee and Board, the Company's General Meeting approved the Company's engagement in a new service agreement that supersedes the provident service agreement (in this paragraph - "**the service agreement**"). The service agreement settles the various services mutually provided by the parties and the allocation of service costs based on the ratio of services actually provided by Altshuler Ltd. to the Company and/or companies controlled by it and vice versa.

The service agreement is in effect for a period of three years from January 1, 2024 and can be terminated by either party at any time by providing an advance notice of 180 days.

The service agreement consists of the following changes:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- D&O liability insurance and business insurance – the Company bears a relative portion of the cost, based on the asset ratio (for D&O liability insurance) (unless it is determined that the Company should independently purchase such insurance) and based on the overall employee ratio (for business insurance).

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

The service agreement includes control provisions whereby, as part of the multiannual work plan of the Company's Internal Auditor, the Internal Auditor shall review implementation of the agreement, and ensure that actual cost attribution is in conformity with provisions of the agreement as aforesaid, and the need to adjust the stipulated ratios reflecting the pro rata share of services provided to either party and the attribution provisions, in view of the time elapsed and changes to the scope of operations, and the conclusions will be presented to the Company's Audit Committee. Should the internal audit reveal discrepancies with respect to implementation of the agreement, calculation of payments based thereupon or the need to adjust the stipulated ratios or attribution provisions as aforesaid – the parties will discuss in good faith making the required adjustments to payments. Furthermore, as part of the Internal Auditor's annual work plan, the Internal Auditor shall review implementation of the agreement with respect to those attribution provisions whose implementation requires judgment to be applied with respect to payment sharing by the Company and by Altshuler Ltd. and shall present the conclusions to the Company's Audit Committee.

In 2024, net payments jointly incurred by the Company and Altshuler Provident as per the service agreement was NIS 48,656 thousand, of which the Company paid NIS 44,870 thousand.

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

8.2 Service agreement between the Company and Altshuler Real Estate

For the purpose of founding Altshuler Shaham Real Estate Ltd. (a subsidiary that is indirectly controlled by the Company, "**Altshuler Real Estate**") which will manage alternative real estate investments and hire the relevant teams, on July 1, 2022, the Company entered into a service agreement with Altshuler Real Estate, as amended on May 23, 2023 ("**the real estate service agreement**"). According to the real estate service agreement, the Company and Altshuler Real Estate interchange services. The Company provides Altshuler Real Estate management and CEO services as well as other professional services such as IT, finance, legal counsel and marketing in return for management fees based on cost + 6%.

Concurrently with the real estate service agreement, on July 1, 2022, Altshuler Real Estate entered into a service agreement with Altshuler Shaham Properties Ltd. (which is owned by some of the controlling shareholders in the Company, "**Altshuler Properties**") according to which Altshuler Real Estate provides some of the services rendered to it by the Company as per the real estate service agreement back-to-back to Altshuler Properties based on objective cost allocation keys for a transition period until Altshuler Properties ceases to operate. Moreover, during this period, Altshuler Properties provides certain services to Altshuler Real Estate including a universal irrevocable license to use the entire IP rights owned or controlled by Altshuler Properties free of charge other than the fee specified below ("**service agreement B**" and together with the real estate service agreement – "**the service agreements**").

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

On September 15, 2022, the General Meeting of Shareholders (directly) approved the real estate service agreement and (indirectly) approved the agreement with Altshuler Properties for caution's sake as extraordinary transactions in which an officer and the controlling shareholder in the Company have a personal interest. The real estate service agreement is in effect indefinitely from July 1, 2022, as long as the Company is the sole shareholder in Altshuler Real Estate. Service agreement B is in effect for three years from July 1, 2022 and will be automatically renewed unless any of the parties decide to terminate it by providing an advance notice of 60 days, as required by applicable law. Each party to the service agreements may terminate them by providing an advance written notice of 180 days. Notwithstanding the aforesaid and without prejudicing any of the parties' rights as per the service agreements and/or applicable law, each party may terminate the agreements effective immediately without providing an advance notice upon the occurrence of any of the following events: default, material change in interests in a party to the agreements, legal impediment or fundamental breach (with a recovery period).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8.2.1.8 General expenses for work and related services required by Altshuler Real Estate in connection with and for the purpose of its normal current operations - insofar as such expenses are required by Altshuler Real Estate, their cost will be based on the allocation keys agreed upon between the Company's CEO and Altshuler Real Estate's CEO in keeping with the methodology underlying the cost allocation as set forth in paragraph 8.2.1 above, not to exceed a gross NIS 1 million per year and as long as a single transaction does not exceed NIS 100,000. The cost allocation keys regarding general expenses are brought before the Company's Audit Committee for its approval at least annually.

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

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

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

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

In 2024, the Company recognized receipts of approximately NIS 11,997 thousand as per the real estate service agreement whereby the net receipts through Altshuler Real Estate as per service agreement B totaled NIS 3,309 thousand.

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

On February 5, 2024, after obtaining the approvals of the Company's Audit Committee and Board, the Company's General Meeting approved the engagement of Altshuler Shaham Alternative Ltd. (a private company that is wholly owned by the Company) ("**Altshuler Alternative**") in an agreement of January 1, 2024 for the acquisition of the shares of Altshuler Shaham Global Opportunities Ltd. ("**A.S. Global**") from Altshuler Ltd. ("**the acquisition agreement**"). See also paragraph 3.2.1.1.3 to Chapter A to this report.

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

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

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

As per the shareholders' agreement and the service agreement signed on the closing date between iFunds and HTS (as defined above) ("**the consulting agreement**") and assigned to MWI Investments and Communication Ltd. ("**the other shareholder**") on January 1, 2025, iFunds will continue to receive COB services from its other shareholder through the controlling shareholder, Mr. Moshe Weingarten, who as of the report date serves as director and active COB, in return for a monthly fee of NIS 50,000 plus VAT as required by law, in addition to the half-position consulting services provided by him had he been employed in the company. The consulting agreement will be extended automatically at the end of 2024 for an additional 24 months under the same terms unless it is decided not to renew the service agreement between the other shareholder by providing an advance written notice. The agreement cannot be terminated by iFunds.

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

See details of the following agreements: (1) the shareholders' agreement between the shareholders of A.S. Global; (2) the mutual service agreement between the Company and Altshuler Alternative; and (3) the lead agreements between iFunds, Altshuler Investment Funds and Altshuler Real Estate in paragraphs 2.1.1.3, 3.2.1.1.2 and 2.1.1.3 to Chapter A to this report, respectively.

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

8.4 Lead generation agreement between the Company and Altshuler Shaham Financial Services Ltd., a company controlled by Altshuler Ltd., a controlling shareholder in the Company

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

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

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

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

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

In 2024, the Company's receipts from the agreement with A.S. Financial amounted to NIS 32 thousand.

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

See details of the service and tenure terms of the employment agreement signed by the Company with Mr. Yair Lowenstein, the Company's CEO and a controlling shareholder therein, as approved by the General Meeting on February 5, 2024 after obtaining the approvals of the Company's Remuneration Committee and Board, in paragraph 6.3.2 above.

8.6 Employee option plan

On the merger completion date and shortly before their listing for trade as per the Prospectus, 6,850,552 nonmarketable share options granted to employees and service providers of Altshuler Provident were swapped with 8,650,552 nonmarketable share options of the Company that are exercisable into 8,650,552 Ordinary shares of the Company ("**the share options**"). The entire holders of Altshuler Provident share options on the merger record date were entitled to swap the share options held by them with Company share options on a 1:1 ratio.

As part of the business restructuring conducted in the context of the merger transaction, Altshuler Provident's nonmarketable option plan was canceled and replaced by a plan for the allocation of nonmarketable options to employees, service providers, directors and officers of the Company and companies controlled by it ("**the option plan**"). The share options granted under the option plan were superseded by the Company's share options in the context of the business restructuring while retaining their basic terms such as vesting period. As of the Report Date, and to the best of the Company's knowledge, the grant of share options under this pool has ended ("**the controlling shareholder's old pool**").

The option plan was designed to promote the Company's corporate interests and targets by granting incentives to employees, officers and service providers in the Company and in related companies[16] to encourage them to contribute to the business development of the Company and related companies and enhance employee commitment to the Company by allowing them to share in the Company's long-term success. See information of the option plan and the options thereunder in paragraphs 3.2.2 and 3.5 to the Prospectus and in Note 28 to the financial statements hereby attached to this report as Chapter C.

[16] In this context, related companies refer to companies that are controlled by the Company or by a controlling shareholder in the Company or by a company that is controlled by the same controlling shareholder in the Company.

8.7 Approval of increase of share option pool to Altshuler Ltd.

After having obtained the approvals of the Company's Audit Committee and Board on November 18, 2024 and November 20, 2024, respectively, on January 1, 2025, the General Meeting of the Company's Shareholders approved increasing the share options granted to Altshuler Ltd. The latter has full discretion to decide on the identity of the optionees and timing of the grants. Altshuler Ltd. was granted another 1,303,127 share options which, theoretically assuming full exercise on a cash basis, can be exercised into 0.61% of the Company's issued and outstanding share capital (on a fully diluted basis) ("**the controlling shareholder's new pool**" and together with the controlling shareholder's old pool – "**the controlling shareholder's pool**").

The controlling shareholder's pool will be used for allocations, as they will be from time to time, to the following categories of optionees: (1) employees of the Company and companies that are wholly or partially owned by it, excluding controlling shareholders in the Company, directors or optionees if any of the controlling shareholders or directors[17] in the Company have personal interest in granting share options to such optionees ("**Company employees**"); (2) Company employees who provide services to Altshuler Ltd. in respect of the portion attributed to the latter; (3) employees of Altshuler Ltd. and companies controlled by it or related thereto ("**the controlling shareholder group**") who provide services to the Company also in respect of the portion attributed to Altshuler Ltd; and (4) employees of the controlling shareholder group who do not render services to the Company.

The number of share options to be granted will be subtracted from the number of share options in the controlling shareholder's old pool and once no share options are left in this pool, the share options will be subtracted from the controlling shareholder's new pool. Whenever share options are granted from the new pool, Altshuler Ltd. will pay the Company the fair value of the share options based on the recharge arrangement between the companies in the service agreement described in paragraph 8.1 above[18]. Any share options granted from the old or the new pools that expired will be returned to the pool from which they had been granted. Share options that are returned to the controlling shareholder's new pool will entitle Altshuler Ltd. to fair value credits for the amounts paid by it on the grant dates ("**credits**"). These credits will not be paid by the Company to the controlling shareholder but rather will be subtracted from payments due by Altshuler Ltd. for the fair value of share options allocated to it after the credit entitlement date. Any credits outstanding after no share options have remained in the controlling shareholder's new pool will expire and will not be payable by the Company to the controlling shareholder in any manner whatsoever. See share option details and terms in paragraphs 8 and 13.4.2 to the Company's meeting notice report issued 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.

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[17] Other than Mr. Tomer Cohen who serves as a director in the Company and also serves as officer in Altshuler Ltd. and/or in companies controlled by it. He is included in this category of optionees since the share options are only granted to him for his service in the controlling shareholder and in companies controlled by it (and not for his service in the Company).

[18] The fair value of share options granted from the controlling shareholder's new pool will be determined by an outside valuation expert that will be hired by the Company, who is independent of Altshuler Ltd., using the binomial model based on the valuation assumptions attached as Exhibit B to the to the Company's meeting notice report issued 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.

8.8 Occasional share option allocations

As for occasional allocations of share options to employees of the Company or of companies that are wholly or partially owned by it who provide services to Altshuler Ltd. or to employees whose grants may create personal interest for the Company's controlling shareholders and the related cost allocation arrangement:

On January 7, 2025, after obtaining the approvals of the Company's Audit Committee and Board on November 18, 2024, November 20, 2024 and January 1, 2025, the Company's General Meeting resolved that if the Company occasionally decides to grant share options to an employee whose cost is attributed to Altshuler Ltd.[19], the entire share options will be granted to that employee by the Company and the number of share options that should be attributed to Altshuler Ltd. (based on the employee's cost allocation arrangement with Altshuler Ltd. in the service agreement described in paragraph 8.1 above) will be subtracted from the controlling shareholder's pool. Moreover, if the Company occasionally decides to grant share options to a Company employee who provides services to the Group, the entire share options will be granted to that employee by the Company and the number of share options will be reduced from the pool for the Company's employees. The Company will also bear the entire costs of allocation.

Paragraphs 8.4-8.11 to the Company's meeting notice report issued on November 21, 2024, as amended on January 2, 2025 (TASE references: 2025-01-000917) will also apply to share options granted to employees whose cost is attributed to Altshuler Ltd. and to share options to Company employees who provide services to the Group[20] (subject to bearing the costs as mentioned above).

See more information in paragraphs 9, 12 and 13 to the Company's meeting notice report issued 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.

[19] Employees whose cost is attributed to Altshuler Ltd. - refers to employees of the Company or of companies that are wholly or partially owned by it who provide services to the controlling shareholder group as per the service agreement (as described in paragraph 8.1 above) and whose costs are partially attributed to Altshuler Ltd.

[20] Employees who provide services to the Group - refers to employees of the Company or employees whose cost is attributed to the Company who provide services to companies that are wholly or partially owned by the Company and whose cost is attributed to these companies based on service agreements including the service agreement between the Company and Altshuler Real Estate (see paragraph 8.2 above) and the service agreement between the Company, Altshuler Alternative and iFunds (see paragraph 8.4 above).

8.9 Allocations of share options to employees of the controlling shareholder group who provide services to the Company under service agreements

On January 7, 2025, after obtaining the approvals of the Company's Audit Committee and Board on November 18, 2024, November 20, 2024 and January 1, 2025, the Company's General Meeting resolved that if the controlling shareholder, at its sole discretion, occasionally decides to grant share options of the Company to employees of the controlling shareholder group whose employment cost is partly attributed to the Company, the entire share options will be granted to these employees by the Company and the number of share options will be subtracted as follows: (a) a portion of the share options on a pro rata basis to the cost attributed to the Company as per the service agreement in respect of the relevant employees will be subtracted from the pool for the Company's employees[21] and viewed as allocated to the Company as per the service agreement (see paragraph 8.1 above); and (b) the remaining portion allocated will be subtracted from the controlling shareholder's pool.

Paragraphs 8.4-8.11 to the Company's meeting notice report issued on November 21, 2024, as amended on January 2, 2025 (TASE references: 2024-01-617519 and 2025-01-000917, respectively) will also apply to share options granted to employees whose cost is attributed to the Company.

See more information in paragraphs 10, 12 and 13 to the Company's meeting notice report issued 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.

8.10 Allocations of share options to employees of the controlling shareholder group who do not provide services to the Company under service agreements

On January 7, 2025, after obtaining the approvals of the Company's Audit Committee and Board on November 18, 2024, November 20, 2024 and January 1, 2025, the Company's General Meeting resolved that if the Altshuler Ltd., at its sole discretion, occasionally decides to grant share options of the Company to employees of the controlling shareholder group who do not provide services to the Company under service agreements, the entire share options will be granted to these employees by the Company in the number decided by Altshuler Ltd. which will not exceed the number of share options in the controlling shareholder's pool.

The share options allocated by the Company to employees of the controlling shareholder who do not provide services to the Company will be fully subtracted from the controlling shareholder's pool, including payment of the fair value of the share options allocated from the controlling shareholder's new pool by Altshuler Ltd. to the Company, as specified in paragraph 8.7 above.

[21] 6,367,414 share options granted to Company employees as per the approvals of the Company's Audit Committee and Board on November 18, 2024, November 20, 2024.

Paragraphs 8.4-8.11 to the Company's meeting notice report issued on November 21, 2024, as amended on January 2, 2025 (TASE references: 2024-01-617519 and 2025-01-000917, respectively) will also apply to employees of the controlling shareholder who do not provide services to the Company.

See more information in paragraphs 11, 12 and 13 to the Company's meeting notice report issued 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.

8.11 Allocations per shelf offering reports

On January 7, 2025, after obtaining the approvals of the Company's Audit Committee and Board on November 18, 2024, November 20, 2024 and January 1, 2025, the Company's General Meeting approved allocating to employees of the Company and of related companies an aggregate of 9,245,436 nonmarketable share options that are exercisable into 9,245,436 ordinary shares of NIS 0.01 par value each of the Company which as of the allocation date, theoretically assuming full exercise on a cash basis[22], accounted for about 4.33% of the Company's issued and outstanding share capital (post allocation on a fully diluted basis). The share options were allocated based on the terms and conditions in a shelf offering report issued by the Company on January 9, 2025 (TASE reference: 2025-01-003207) and in keeping with its option plan.

See more information of said allocations, the option terms and distribution of options allocated by virtue of a shelf offering report among the optionees of the Company and of the Group in the shelf offering report issued on January 9, 2025 (TASE reference: 2025-01-003207), whose information is hereby included by reference.

Shortly after the Report Approval Date, the Company plans to issue a shelf offering report for allocating 226,100 nonmarketable share options that are exercisable into 226,100 ordinary shares of NIS 0.01 par value each of the Company which as of the allocation date, theoretically assuming full exercise on a cash basis[23], will account for about 0.11% of the Company's issued and outstanding share capital (post allocation on a fully diluted basis).

8.12 Quittance, indemnity and insurance

See details of letters of quittance and indemnity and D&O liability insurance policies which include certain controlling shareholders in the Company in paragraph 17 below.

[22] Please note that the assumption is purely theoretical since the share options may be exercisable into Company shares in a number that reflects the monetary benefit inherent therein only (net cashless basis) as specified in paragraph 4.2.1.2 to the Company's shelf offering report issued on January 9, 2025 (TASE reference: 2025-01-003207).

[23] Please note that the assumption is purely theoretical since the share options may be exercisable into Company shares in a number that reflects the monetary benefit inherent therein only (net cashless basis) as specified in paragraph 4.2.1.2 to the Company's shelf offering report issued on January 9, 2025 (TASE reference: 2025-01-003207).

8.13 Corporate opportunity waiver

In the Prospectus, the controlling shareholders undertake that if and when they, or any of the officers in the control group who simultaneously serves as officer in the Company or a company controlled by it ("**the control group**") are (directly or indirectly) faced with a business opportunity in the financial markets which is not excluded as per paragraph 6.4 to chapter 6 to the Prospectus, they will first offer this financial opportunity to the Company and will be allowed to capitalize on this opportunity subject to the Company's right of first refusal ("**the corporate opportunity waiver**").

On September 22, 2022 and October 27, 2022, the Company's Audit Committee, Board and General Meeting approved applying the corporate opportunity waiver to financial opportunities in excess of NIS 10 million (in this paragraph - "**the minimum amount**") given the Company's growth strategy and the objectives of the business restructuring for branching out the Company's services as a leading financial service firm into additional markets.

See details of the corporate opportunity waiver and the minimum amount stipulated therein in paragraph 1.6 to the Company's meeting notice report of September 22, 2022, as amended on October 18, 2022 (TASE references: 2022-01-121105 and 2022-01-127845, respectively), whose information is hereby included by reference. See information of the Company's decision to waive a business opportunity in paragraph 18.1 below.

Transactions which are not governed by Article 270(4) to the Companies Law

8.14 Lead generation agreements

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

On July 18, 2021, Altshuler Provident entered into a new lead generation agreement with Altshuler Ltd. for a period of three years and will be automatically renewed for additional periods of 12 months each, subject to mandatory approvals, unless terminated by one of the parties in an advance written notice of 14 days. According to the new agreement, Altshuler Provident receives lead commissions for referring customers to Altshuler Ltd.'s portfolio management services at a rate of 50% of the managed portfolio's annual management fees insofar as the lead is generated by Altshuler Provident's marketing agents or employees. On July 18, 2021, the Audit Committee classified and approved this agreement as a transaction that is not extraordinary and not negligible.

In 2024, total receipts earned by Altshuler Provident from the lead generation agreements amounted to NIS 1,177 thousand.

8.15 Agreements for marketing Altshuler Real Estate's products

On January 8, 2023, the Company, through Altshuler Real Estate, entered into agreements with Altshuler Shaham Finance Pension Insurance Agency Ltd. ("**Altshuler Pension Insurance**") and Altshuler Shaham Insurance Agency Ltd. (a company that is indirectly owned by the controlling shareholders in the Company, "**Altshuler Insurance Agency**") for settling the business relationship between the parties for the nonexclusive marketing of Altshuler Real Estate's products to their customers (in this paragraph - "**the marketing agreements**"). Altshuler Pension Insurance and Altshuler Insurance Agency are both held by the controlling shareholders in the Company (collectively – "**the Agencies**"). The marketing agreements were signed for an indefinite period and can be terminated by each party by providing an advance written notice of 30 days. According to the marketing agreements, the Agencies will market rights to properties sold by Altshuler Real Estate in return for a monthly commission in the amount of the cost of employment of the designated marketing employees of the Agencies with the addition of a nonrecurring commission of 0.2%-0.5% of the cumulative investment by the Agencies' customers based on predetermined investment grades ("**sales commissions**").

On November 23, 2022, the Company's Audit Committee classified and approved the marketing agreements as transactions that are not extraordinary and not negligible and on November 28, 2022, the Company's Board approved the marketing agreements.

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

On December 24, 2023, the Company's Audit Committee approved and classified the amendments to the marketing agreements as transactions that are not extraordinary and not negligible. In 2024, in respect of the marketing agreements, Altshuler Real Estate paid sales commissions of approximately NIS 3 thousand and lead commissions of approximately NIS 16 thousand.

8.16 Agreement for marketing Altshuler Investment Funds' products

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

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

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

In 2024 and 2023, Altshuler Investment Funds has not yet made any transactions as per the marketing agreements.

8.17 Sports sponsorship agreement

On March 20, 2013, Altshuler Provident entered into an agreement with Altshuler Shaham Mutual Fund Management Ltd. (a subsidiary of Altshuler Ltd., "**Altshuler Funds**"), as revised on May 15, 2019, whereby Altshuler Provident pays Altshuler Funds 50% of any expense incurred by Altshuler Funds with respect to participation in sports sponsorships to which Altshuler Provident has consented, on behalf of Altshuler Shaham Group. Any amount paid by Altshuler Provident for sports sponsorships provided on behalf of Altshuler Shaham Group is deducted from such cost[24]. The term of the agreement is five years from the revision date, after which it is automatically renewed for additional terms of 12 months each, unless terminated by either party by 14 days' advance notice prior to such renewal date and subject to obtaining all approvals required by law.

On February 27, 2022, the parties and the Company approved an amendment to the agreement whereby the Company will be added as a party to the agreement and the payment will be made to Altshuler Funds by either the Company or Altshuler Provident, at the Company's sole discretion.

In 2024, total payments jointly made by the Company and Altshuler Provident pursuant to the agreement amounted to NIS 843 thousand.

24 In this context, "**Altshuler Shaham Group**" means: Altshuler Shaham Ltd., partnerships in which it is partner and all subsidiaries, affiliates and associates, as defined in the Securities Law, 1968.

8.18 Provident marketing agreement

On June 12, 2019, Altshuler Provident entered into an agreement with Altshuler Insurance Agency which governs their relations with regard to retirement savings marketing of Altshuler Provident's products to clients of Altshuler Insurance Agency (in this paragraph - "**the marketing agreement**").

The marketing agreement is valid indefinitely and either party may terminate it by 30 days' advance written notice. Pursuant to the agreement, Altshuler Insurance Agency conducts retirement savings marketing to its clients, in order to enroll them as members in Altshuler Provident's products. In consideration, Altshuler Provident pays Altshuler Insurance Agency a commission for such clients actually enrolled as members in the amount of the net employment cost of Altshuler Insurance Agency staff (i.e. net of Altshuler Insurance Agency revenues from activity of such staff).

In 2024, total payments made by Altshuler Provident pursuant to the marketing agreement amounted to NIS 6,173 thousand. Note that the Company's Customer Service Department provides services to Group insurance agencies, negligible in scope.

8.19 Altshuler Provident customer retention agreement

On May 20, 2024, Altshuler Provident signed an agreement with Altshuler Insurance Agency which is indirectly owned by the controlling shareholders in the Company (see paragraph 8.15 above) according to which Altshuler Provident will receive customer retention and system management services from employees of Altshuler Insurance Agency, subject to obtaining the legal required approvals ("**the retention agreement**"). The retention agreement settles the business relationship between the parties regarding the services in return for a onetime commission that is derived from the number of retained customers achieved and managed by Altshuler Insurance Agency which as of the Report Approval Date is about 0.3% of the customer's portfolio on an annual basis. On May 20, 2024, the Company's Audit Committee classified the retention agreement as a transaction with a controlling shareholder that is not extraordinary.

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

8.20.1 Retirement planning agreement

On November 26, 2013, Altshuler Provident entered into an agreement with Altshuler Retirement Guidance (a subsidiary of Altshuler Ltd.) which governs retirement planning services, including mapping of current pension plans and financial portfolio, formulating a retirement plan, manner and order of realizing retirement savings, to be provided by Altshuler Retirement Guidance to Altshuler Provident's members (in this paragraph - "**the agreement**"). The agreement is valid indefinitely and may be terminated by either party for any reason whatsoever by giving 14 days' advance notice. In consideration for such services, Altshuler Provident pays Altshuler Retirement Guidance NIS 1,500 plus VAT for providing services to a member with a standard retirement savings portfolio, and NIS 2,000 plus VAT for providing services to a member with a complex retirement savings portfolio. In 2024, the consideration paid by Altshuler Provident to Altshuler Retirement Guidance with respect to the agreement was negligible.

8.20.2 Product marketing agreement

On September 2, 2014, Altshuler Provident entered into an agreement with Altshuler Retirement Guidance which governs their relations with regard to retirement marketing of Altshuler Provident's products to clients of Altshuler Retirement Guidance (in this paragraph - "**the marketing agreement**").

The marketing agreement is valid indefinitely and either party may terminate it by 30 days' advance written notice. Pursuant to the agreement, Altshuler Retirement Guidance will conduct retirement savings marketing to its clients, in order to enroll them as members in Altshuler Provident's products. In consideration, Altshuler Provident will pay Altshuler Retirement Guidance for such clients who actually enroll as members a current commission and a volume commission, based on the product in which these clients enroll and subject to required adjustments.

In May 2021, the marketing agreement between the parties was revised, including an immaterial update to the current commission rate payable to Altshuler Retirement Guidance (in this paragraph - "**the revised marketing agreement**"). On May 24, 2021, Altshuler Provident's audit committee classified and approved the revised marketing agreement as an ordinary transaction.

In 2024, the commission paid by Altshuler Provident to Altshuler Retirement Guidance pursuant to the marketing agreement, for current commissions and volume commissions, amounted to NIS 1,768 thousand and NIS 172 thousand, respectively.

8.21 Pension marketing agreement

On September 10, 2017, Altshuler Provident entered into an agreement with Altshuler Retirement Insurance which governs their relations with regard to retirement marketing of Altshuler Provident's products to clients of Altshuler Retirement Insurance (in this paragraph - "**the marketing agreement**"). The marketing agreement is valid indefinitely and either party may terminate it by 30 days' advance written notice.

On November 23, 2022, Altshuler Provident's audit committee classified an amendment to the marketing agreement regarding the consideration mechanism as an ordinary transaction and approved the amendment as per the Company's policies.

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

In 2024, the amount paid by Altshuler Provident to Altshuler Retirement Insurance pursuant to the marketing agreement for the commissions specified above amounted to NIS 1,612 thousand.

8.22 Lead generation agreements for financial asset conversion and custodian services

8.22.1 On May 23, 2023, Altshuler Real Estate and Altshuler Investment Funds each entered into two separate term sheets with A.S. Financial as follows: (a) a term sheet for receiving forex services for their nostro portfolio at an exchange rate that does not exceed 0.2% of the standard exchange rate for a similar transaction carried out with other customers in the same currency ("**the exchange services**"); (b) a term sheet for receiving custodian services for financial assets of their nostro portfolio consisting of deposits in respect of which each subsidiary is entitled to interest as agreed on the deposit date ("**the deposit services**"). On May 21, 2023, the Audit Committee classified the term sheets as transactions that are not extraordinary. In 2024, no transactions were conducted in respect of the exchange or deposit services.

8.22.2 On December 20, 2024, the above subsidiaries entered into two separate term sheets with A.S. Financial as follows: (a) a term sheet for receiving forex services for funds raised by SPVs managed by each of the subsidiaries at an exchange rate that does not exceed the standard exchange rate for a similar transaction carried out with other customers in the same currency and in any event the margin added to the exchange rate will not exceed 0.2% ("**the managed funds**"); (b) a term sheet for receiving custodian services of financial assets (whether interest bearing (deposits) or not) for the managed funds of the relevant subsidiary. In return for the deposits, the subsidiaries will be entitled to interest as agreed upon between the parties when the relevant deposits are made. It should be noted that in return for the custodian services for the managed funds (other than deposits), the relevant subsidiary will not bear the cost of holding or any other cost or expense incurred in connection with the custodian services. On December 20, 2024, the Audit Committee classified the term sheets as transactions that are not extraordinary.

8.23 Investment transactions by Altshuler Real Estate and Altshuler Investment Funds

8.23.1 In 2022-2023, the Company's Audit Committee approved and classified investments of the controlling shareholders and their relatives in an aggregate of $ 3.75 million in three special purpose partnerships (SPPs) founded by Altshuler Real Estate or Altshuler Alternative (as the GP therein) which raised capital for closing real estate investment transactions as transactions that are not extraordinary and are not negligible. The classification stems from the fact that the controlling shareholders and/or their relatives invested in the SPPs as LPs alongside other investors that are unrelated third parties under the same terms as the other investors (including regarding management fees, carried interest and any other commission payable to the GP or payment by the other investors).

8.23.2 On November 20, 2023, the Company's Audit Committee approved and classified the investment of the controlling shareholders in a special purpose partnership (SPP) founded by a wholly owned subsidiary of Altshuler Alternative (as the GP therein) as a transaction that is not extraordinary and not negligible in keeping with the Audit Committee's benchmarks. The classification stems from the fact that the controlling shareholders invested in the SPP as LPs alongside other investors that are unrelated third parties under the same terms as the other investors (including regarding management fees, carried interest and any other commission payable to the GP or payment by the other investors). On November 20, 2023, the Company's Audit Committee approved and classified the controlling shareholders' commitment to invest in the above SPP an additional amount (if needed) under the same terms as a transaction that is not extraordinary and not negligible.

8.24 Provident fund investments along with the controlling shareholders

8.24.1 Prior to the business restructuring, from December 2018 to July 2021, Altshuler Provident's audit committee classified investments by provident funds managed by it in joint ventures along with Altshuler Properties and others, designed as investment in real estate properties, as transactions that are not extraordinary (in this paragraph – "**the joint ventures**"). The investment amounts in the joint ventures were negligible compared to total provident fund assets.

8.24.2 On July 18, 2021, the Audit Committee classified an investment by the provident funds in a private company then held by Altshuler Ltd., with a negligible holding stake, as a transaction that is not extraordinary and not negligible.

8.25 Provident fund investments in Altshuler Group products

Note that in general, provident funds managed by the Company invest in diverse asset classes, such as: shares in Israel and overseas, corporate debentures, loans in Israel and overseas, real estate and various equity funds with geographic and sector diversification of the investment portfolio. Furthermore, the funds may, from time to time, invest in Altshuler Group products as well, subject to statutory provisions. This includes investment by the provident funds in Altshuler Group hedge funds, in amounts which are not material compared to total provident fund assets.

8.26 Negligible transactions

On March 21, 2023, the Company's Board decided to adopt certain guidelines and rules for classifying transactions of the Company or its subsidiaries with interested parties as negligible, as per Regulation 41 to the Securities Regulations (Annual Financial Statements), 2010 ("**the Financial Statement Regulations**"). The Company's Board ruled that these guidelines and rules will also serve for examining the required scope of disclosures in the periodic reports and prospectuses (including shelf offering reports) regarding transactions of the Company or its subsidiaries with the controlling shareholders or transactions which the controlling shareholders have a personal interest of approving, as per Regulation 22 to the Securities Regulations (Periodic and Immediate Reports), 1970 ("**the Report Regulations**") and in Regulation 54 to the Securities Regulations (Details of Prospectus and Draft Prospectus – Structure and Form), 1969 ("**the Prospectus Regulations**"). The different types of transactions stipulated in the Financial Statement Regulations, the Report Regulations and the Prospectus Regulations collectively – "**interested party transactions**"). On March 19, 2023, the Audit Committee adopted the guidelines and rules as a negligible transaction policy. In accordance with the annual test of the benchmarks established for classification of transactions by the Company or its subsidiaries with interested parties as negligible transactions, conducted as per Article 117(2a) to the Companies Law, on March 17, 2025, the Audit Committee decided to reaffirm the guidelines as specified below.

In the ordinary course of business, the Company and its subsidiaries perform or may perform interested party transactions, mainly for receiving or providing services, marketing and distributing products, receiving and providing various management and consulting services etc. These transactions are negligible to the Company both quantitatively and qualitatively and are normally conducted at arm's length and under similar terms to uncontrolled transactions with third parties. Accordingly, the Company's Board decided that an ordinary interested party transaction (as defined in the Companies Law) will be viewed as a negligible transaction if it meets the two-step test: a qualitative test which states that the nature, substance and effect of the transaction on the Company are negligible and there are no special considerations arising from the entire relevant circumstances that are indicative of the materiality of the transaction; and a quantitative test according to which the Board rules that since there are no special qualitative considerations arising from the entire relevant circumstances, an interested party transaction will be classified as negligible if its annual scope does not exceed NIS 250,000. It should be noted that meeting the quantitative test in itself is not sufficient for classifying a certain transaction as negligible if there are qualitative considerations that indicate that the transaction is material with respect to its effect on the Company or due to the importance of its disclosure to the public of investors. Individual transactions that are co-dependent and essentially form part of the same engagement (such as holding consolidated negotiations for a series of transactions) will be evaluated as a single transaction.

The Company's Board decided that each year, the Audit Committee will review the Company's compliance with this policy and conduct a sample test of transactions classified as negligible as per this policy. The sample testing of these transactions will consist of the Audit Committee's examination of the pricing and other terms of the transaction, as applicable, and evaluation of the effect of the transaction on the Company's business position and operating results.

In the Reporting Period, the Company and its subsidiaries conducted transactions classified as negligible. Moreover, in the Reporting Period, the Company and its subsidiaries conducted transactions for investments by relatives of the controlling shareholders in alternative shelf products in an aggregate of $ 719 thousand which were classified as negligible investment transactions.

Chapter D - Additional Information about the Corporation

9. **Regulation 24 – Holdings of Interested Parties and Senior Officers**

Company securities held by interested parties and senior officers in the Company as of the Report Approval Date:

Interested party/senior officer	Company/ID no.	Security name	No. of held securities	Equity and voting interests	Equity and voting interests on fully diluted basis
Alshuler Shaham Ltd.(1)	511446551	Altshuler Shaham FN, ordinary shares	109,974,378	55.55%	51.55%
Yair Lowenstein (2)	29,483,871	Altshuler Shaham FN, ordinary shares	29,483,871	14.89%	13.82%
Tomer Cohen	017716655	Altshuler FIN 3/22, unquoted options	191,748	0	0.09%
Osnat Antebi	013234406	Altshuler FIN 3/22, unquoted options	218,303	0	0.10%
Meital Barnea	036391852	Altshuler FIN 3/22, unquoted options	121,104	0	0.06%
Erez Yefet	037966694	Altshuler FIN 3/22, unquoted options	78,149	0	0.04%
Tzafrir Zanzuri Amiad	037408978	Altshuler FIN 3/22, unquoted options	227,359	0	0.11%
Anat Knafo-Tavor	037568177	Altshuler FIN 3/22, unquoted options	236,415	0	0.11%
Sharon Gerszbejn	037827888	Altshuler FIN 3/22, unquoted options	227,359	0	0.11%
Shai Aharoni	038308466	Altshuler FIN 3/22, unquoted options	157,947	0	0.07%
Sigalit Raz	022843908	Altshuler FIN 3/22, unquoted options	175,047	0	0.08%
Keren Fuchs	023715972	Altshuler FIN 3/22, unquoted options	193,150	0	0.09%
Ishay Mandil	028943231	Altshuler FIN 3/22, unquoted options	102,600	0	0.05%

(1) To the best of the Company's knowledge, Altshuler Shaham Ltd. is a private company that is held by the following shareholders: (i) Gilad Altshuler Holdings Ltd. controlled by Gilad Altshuler (43.4%) (of which 26.43% in trust by Altshuler Trusts Ltd.); (ii) Kalman Shaham Holdings Ltd. controlled by Kalman Shaham (44.12%) (of which 27.63% in trust by Altshuler Trusts Ltd.) (see also paragraph 1.4 to Chapter A to this report).; (iii) Galia Bar Wilf (4.875%) (of which 27.02% in trust by Altshuler Trusts Ltd.); (iv) Daniel Benin Bar (4.875%) (of which 27.02% in trust by Altshuler Trusts Ltd.); (v) Altshuler Trusts Ltd. (2.73%).

(2) The shares are held by Lowenstein Yair Holdings Ltd. which is wholly owned by Yair Lowenstein.

10. Regulation 24A – Authorized Share Capital, Issued Share Capital and Convertible Securities

See details of the status of the Company's securities in its immediate report of January 10, 2025 (TASE reference: 2025-01-003297), whose information is hereby included by reference.

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

See details of the Registry of the Company's shareholders in its immediate report of January 10, 2025 (TASE reference: 2025-01-003297), whose information is hereby included by reference.

12. Regulation 25A – Registered Domicile

The Company's registered domicile:	19A HaBarzel St. Tel-Aviv, 6781026
Email:	osnat@altshul.co.il
Tel:	073-2331500
Fax:	073-2462700

13. Regulation 26 – Directors of the Company

13.1 External directors in the Company

	Adi Blumenfeld Pinchas	Yael Naftaly	Meirav Segal
ID	037688314	036253441	028770285
Date of birth	December 26, 1975	June 11, 1978	September 12, 1971
Formal address	16 HaChashmal St., Kiryat Ono	89/10 Ben Yehuda St., Tel-Aviv	P.O.B. 10486, Tel-Aviv 6883213
Citizenship	Israeli	Israeli	Israeli
Membership of Board Committee(s)	Audit Committee, Balance Sheet Committee, Remuneration Committee	Audit Committee, Balance Sheet Committee, Remuneration Committee	Audit Committee, Balance Sheet Committee, Remuneration Committee
Independent or external director	External Director	External Director	Independent Director
Has accounting and financial expertise or professional qualification	Yes	Yes	Yes
Employed by the Company, subsidiary, affiliate or interested party	No	No	No
Start date of office as director	July 4, 2022	September 15, 2022	July 4, 2022
Education, including the professions or fields of education, institution and the academic title or professional diploma held	Bachelor's degree in Business Management with specialty in Accounting, The College of Management Academic Studies, master's degree in Business Management with specialty in Financing, The College of Management Academic Studies	Bachelor's degree in Economics and Accounting, Hebrew University of Jerusalem	Bachelor's degree in Agricultural Economics, Hebrew University; Master's degree in Business Management, The College of Management Academic Studies

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	Adi Blumenfeld Pinchas	Yael Naftaly	Meirav Segal
Occupation during past five years / other primary occupation	CEO of The Or Yehuda Development Company Ltd.; Deputy CEO, VP Finance and Operations and External Director of Mashbir 365 Holdings Ltd.; External Director of Mega Or Holdings Ltd.; External Director of Michlol Financing Ltd.	CFO of Novolog Logistics (of the Novolog Group); CFO of Elbit Imaging Ltd.; CEO of Elbit Medical Technologies Ltd.; Independent Director of Cannabotech Ltd.; External Director of Elbit Imaging Ltd.	VP Business Development of Valkyrie Investments Financial Consulting and Investment Banking Company Ltd.; VP Business Development of Obligo A.A.P. Advance Finance (2016) Ltd.; Deputy CEO and Director of Polar Investments Ltd.; Chairwoman of the Board of Libra Insurance Company Ltd.; External Director of Spencer Equity Group Limited; External Director of Strawberry Fields REIT Limited; External Director of Phinergy Ltd.; External Director of The Zarasai Group Ltd.
Corporations in which the director also serves as director	Altshuler Shaham Finance Ltd.; External Director of Mega Or Holdings Ltd.; External Director of Michlol Financing Ltd.	Altshuler Shaham Finance Ltd.; Elbit Imaging Ltd.	Altshuler Shaham Finance Ltd.; Libra Insurance Company Ltd.; Strawberry Fields REIT Limited; Phinergy Ltd.; The Zarasai Group Ltd.; Prashkovsky investments and Construction Ltd.
Relative of another interested party in the corporation	No	No	No
Regarded by the Company as having accounting and financial expertise for compliance with minimum quota set by the Board pursuant to Article 92(a)(12) of the Companies Law	Yes	Yes	Yes

13.2 Directors in the Company

	Ran Shaham, Chairman of the Board	Reuven Elkes	Tomer Cohen	Roni Benin Bar	Yair Lowenstein
ID	27700244	024433625	017716655	336288202	023106678
Date of birth	March 26, 1970	July 29, 1969	July 11, 1978	September 16, 1941	June 8, 1967
Formal address	19A HaBarzel Street, Ramat HaChayal, Tel Aviv	42 Nachal Kane Street, Hod HaSharon	51 Mevo HaKfar, Har Adar	10 Huberman St., Tel-Aviv	HaHadarim Road, Sde Warburg
Citizenship	Israeli	Israeli	Israeli	Israeli	Israeli
Membership of Board Committee(s)	No	Member of the Risk Management Committee.	No	No	No
Independent or external director	No	No	No	No	No
Has accounting and financial expertise or professional qualification	Yes	Yes	Yes	Yes	Yes
Employed by the Company, subsidiary, affiliate or interested party	Yes – Co-CEO of Altshuler Ltd. and Altshuler Shaham Investment Portfolio Management Ltd.	No	Yes – CFO at Altshuler Ltd.	No	Chairman of the Board of Altshuler Provident[25]
Start date of office as director	December 30, 2021	February 27, 2022	March 28, 2022	November 28, 2022	December 19, 2021
Education, including the professions or fields of education, institution and the academic title or professional diploma held	MA in Economics and Management from City University New York; bachelor's degree in Economics and Management from Tel Aviv Yafo Academic College. Holds a (suspended) portfolio management license from the Israel Securities Authority.	Bachelor's degree in Accounting, Business Administration and Education from the College of Management	Bachelor's degree in Accounting and Economics from the Hebrew University. Certified Public Accountant.	Bachelor's degree in Chemistry and Business Management, Bar Ilan University	CPA and bachelor's degree in Economics and Accounting, Haifa University

[25] Concurrently with serving as the Company's CEO, Mr. Lowenstein also serves as Chairman of the Board of Altshuler Provident for no additional remuneration other than the remuneration for his service as Company CEO as per his employment agreement. See also paragraph 6.3.2 above.

	Ran Shaham, Chairman of the Board	Reuven Elkes	Tomer Cohen	Roni Benin Bar	Yair Lowenstein
Occupation during past five years	Co-CEO of Altshuler Shaham Ltd. And Altshuler Shaham Investment Portfolio Management Ltd.	CEO and Partner in Canada Israel Hotels.	CFO of Altshuler Shaham Ltd.	Director of Deli-Tech Ltd.; Director of Galita Ltd.	CEO of the Company; CEO and COB of Altshuler Provident; CEO of Altshuler Shaham Management Services Ltd.
Corporations in which the director also serves as director	Altshuler Shaham Finance Ltd., Smart Beta Ltd., Altshuler Shaham Finance Retirement Insurance Agency Ltd., Altshuler Shaham Financial Services Ltd., Altshuler Shaham Retirement Guidance Insurance Agency Ltd., Altshuler Shaham Provident Fund Holdings Ltd., Altshuler Shaham Provident Funds and Pension Ltd., Altshuler Shaham Management Services Ltd., A&I Financial Software Systems Ltd., EcoCycle Ltd., L.N. Technology Entrepreneurship Ltd., Altshuler Shaham Properties Founder Ltd., Altshuler Shaham Partnership Management Ltd., Portfolio A Gidur Ltd., Netz Gidur Ltd., Blue Orca Capital Ltd., Blue Orca Long GP, Horizon Digital Assets Ltd., Exponential Capital Ltd., Solo Gelato Ltd., 2A Ventures GP GP Ltd., 2A Management Ltd., Altshuler Shaham Trade Ltd., Enzymocore Ltd.	Altshuler Shaham Finance Ltd.	Altshuler Shaham Finance Ltd., Altshuler Shaham Partnership Management Ltd., Altshuler Shaham Financial Services Ltd., Altshuler Shaham Properties Founder Ltd., Clinicalix Ltd., iFunds Capital Ltd., Netz Hedge Ltd., iHedge Portfolio Ltd.	Altshuler Shaham Finance Ltd.; Deli-Tech Ltd.; Galita Ltd.	Altshuler Shaham Finance Ltd., Altshuler Shaham Provident and Pension Ltd.; Lowenstein Yair Holdings Ltd.; Onyx B.H.N.V. Real Estate Ltd.; G.L.Z. Foreign Property Investments Ltd.; Altshuler Shaham Properties Founder Ltd.; Altshuler Shaham Insurance Agency Ltd.; Perfect (Y.N.A.) Capital Markets Ltd.; Meniv Insurance Agency Ltd.; Generics Software Ltd.; Psagot Market Making Ltd. (in voluntary liquidation); Psagot Business Opportunity Fund Ltd.; Altshuler Shaham Alternative Investments Ltd.; Altshuler Shaham Alternative Investment Funds Ltd., iFunds Capital Ltd., Altshuler Shaham Global Opportunities Ltd.; Altshuler Shaham Credit Ltd.; Altshuler Shaham Business Credit Ltd.

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	Ran Shaham, Chairman of the Board	Reuven Elkes	Tomer Cohen	Roni Benin Bar	Yair Lowenstein
Occupation during past five years	Co-CEO of Altshuler Shaham Ltd. And Altshuler Shaham Investment Portfolio Management Ltd.	CEO of Fattal Hotels, Israel; Co-Manager of Canada Israel Hotels.	CFO of Altshuler Shaham Ltd.	Director of Deli-Tech Ltd.; Director of Galita Ltd.; Director of Matara Building Finishing Work (1985) Ltd.;	CEO of the Company; CEO and COB of Altshuler Provident; CEO of Altshuler Shaham Management Services Ltd.
Relative of another interested party in the corporation	Son of Kalman Shaham, a controlling shareholder of the Company.	No	No	To the best of the Company's knowledge, Altshuler Shaham Ltd., a controlling shareholder in the Company, is 4.875% held by Ms. Galia Bar Wilf (27.02% is held in trust by Altshuler Shaham Trustees Ltd.) and 4.875% held by Daniel Benin Bar (27.02% is held in trust by Altshuler Shaham Trustees Ltd.) who are Ms. Roni Benin Bar's children	No
Regarded by the Company as having accounting and financial expertise for compliance with minimum quota set by the Board pursuant to Article 82(a)(12) of the Companies Law	Yes	Yes	Yes	No	Yes

14. **Regulation 26A – Senior Officers in the Company**

See details of Mr. Yair Lowenstein who serves as the Company's CEO and a director therein in Regulation 26 above.

Following are details of senior officers in the Company:

	Sharon Gerszbejn[26]	Osnat Antebi	Shai Aharoni	Anat Knafo-Tavor	Meital Barnea	Sigalit Raz	Keren Fuchs	Erez Yefet	Tzafrir Zanzuri Amiad	Ishay Mandil
ID	037827888	013234406	038308466	037568177	036391852	022843908	023715972	037966694	037408978	028843231
Date of birth	July 26, 1983	March 22, 1976	January 18, 1976	February 15, 1976	December 18, 1979	January 22, 1967	April 11, 1968	October 5, 1985	July 23, 1980	August 29, 1971
Position	Deputy CEO, Finance Manager	VP, Legal Counsel	Internal Auditor	CEO of Altshuler Provident	VP, Services	VP, Human Resources	VP, IT	CFO	Deputy CEO; VP, Business Development; CEO of Altshuler Alternative	VP Marketing
Start date of office[27]	November 25, 2010	October 1, 2007	June 16, 2009	February 16, 2018	January 1, 2018	January 1, 2016	July 1, 2020	December 18, 2016	January 1, 2015	May 8, 2023
Position held in the Company, subsidiary, related company or interested party thereof	Deputy CEO, Finance Manager	VP, Legal Counsel of the Company and Group companies	Internal Auditor of the Company and Group companies	CEO of Altshuler Provident	VP Services	VP, HR of the Altshuler Group[28]	IT Manager of Altshuler Group	CFO of the Company and CFO of Altshuler Provident	Deputy CEO; VP, Sales and Business Development	VP Marketing of Altshuler Group[29]
Family member of another senior officer or interested party	No	No	No	No	No	No	No	No	No	No

[26] Provides consulting services to members of the controlling shareholder group of companies in negligible scopes.

[27] Insofar as the start date of office is before the business restructuring date, the table shows the date of beginning of service of the senior officer in Altshuler Provident before the business restructuring.

[28] Employed by Altshuler Ltd. with salary partially allocated to the Company.

[29] Employed by Altshuler Ltd. with salary partially allocated to the Company.

Education, including the professions or fields of education, institution and the academic title or professional diploma held	CPA, bachelor's degree in Accounting, Economics and Management from Tel Aviv University; Master's degree in Business Management – Financial Management from Tel Aviv University	Attorney, LLB, Hebrew University; LLM (commercial specialization) from Tel Aviv University	Bachelor's degree in Economics and Accounting; Master's degree in Business Management (Finance) from Bar Ilan University, CPA	Bachelor's degree in Business Management from Izrael College; Master's degree in Public Policy from Tel Aviv University; suspended pension marketing license; suspended pension advisory license	Bachelor's degree in Management and Communications from the Open University	Bachelor's degree in Education and Sociology from the Hebrew University; Master's degree in Organizational Behavior from Tel Aviv University	Computer programming course, IDF; Bachelor's degree in Logistics and Computer Science from Bar Ilan University; Master's degree in Business Management from Harriott Watt University	CPA, Bachelor's degree in Economics and Accounting from Ben Gurion University; master's degree in Business Management – Financial Management from Tel Aviv University	Bachelor's degree in Economics and Management (specialized in Finance) from Rupin Academic Center; Pension marketing license	Bachelor's degree in Business Management and Communications from the College of Management
Business experience over past five years	Deputy CEO and Finance Manager; Director of Altshuler Shaham Properties Ltd.; Director of Altshuler Shaham Properties Founder Ltd.; Director of B Center Harish Ltd.; Director of Bold Analytics Ltd.	Legal Counsel of the Company and Altshuler Provident	Internal Auditor of the Company and affiliated companies	CEO of Altshuler Provident; VP, Pension Fund and Operations of Altshuler Provident	VP Services in the Company	VP, Human Resources of the Company and of Altshuler Provident	VP, IT of the Company and of Altshuler Provident	CFO and Chief Comptroller of the Company and CFO of Altshuler Provident	VP, Sales and Business Development of the Company; VP Sales and Marketing of Altshuler Provident; Director of Altshuler Shaham Mutual Funds Ltd.	VP Marketing of Unilever Israel

15. **Regulation 26B – Independent Authorized Signatories**

As of the date of this report, the Company does not have any independent authorized signatories, as this term is defined in Article 37(d) to the Securities Law.

16. **Regulation 27 – Independent Auditor of the Company**

The Company's independent auditors are Kost Forer Gabbay & Kasierer, CPAs (EY) of 144A Menachem Begin Road, Tel-Aviv. See more information in paragraph 7 to the Board of Directors' Report hereby attached to this report as Chapter B.

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

17.1 Recommendations and resolutions of directors

Below is information about recommendations made by Board members to the General Meeting and Board resolutions not requiring approval by the General Meeting:

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

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

2) On May 22, 2024, the Company's Board approved the distribution of a dividend based on the Company's financial statements as of March 31, 2024 in a total of NIS 21 million. See also the Company's immediate reports of May 23, 2024 and June 5, 2024 (TASE references: 2024-01-050890 and 2024-01-057346, respectively), whose information is hereby included by reference.

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

4) On November 20, 2024, the Company's Board approved the distribution of a dividend based on the Company's financial statements as of September 30, 2024 in a total of NIS 21 million. See also the Company's immediate reports of November 21, 2024 and December 8, 2024 (TASE references: 2024-01-617493 and 2024-01-622717, respectively), whose information is hereby included by reference.

5) On March 19, 2025, after the Report Date, the Company's Board approved the distribution of a dividend based on the Company's financial statements hereby attached to this report as Chapter C in a total of NIS 22 million.

17.2 Resolutions of the Special General Meeting

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

17.2.2 On January 7, 2025, a Special Annual General Meeting of the Company's shareholders approved the following resolutions: (i) increasing the controlling shareholders' share option pool; (ii) occasionally allocating share options to employees of the Company or of companies that are wholly or partially owned by it who provide services to the controlling shareholder and the underlying cost allocation or to employees whose grants may create personal interest for the controlling shareholders in the Company; (iii) occasionally allocating share options to employees of the controlling shareholder group who provide services to the Company under service agreements and the underlying cost allocation; (iv) occasionally allocating share options to employees of companies of the controlling shareholder group who do not provide services to the Company under service agreements.

See more details of the above resolutions in paragraphs 8.7-8.11 above and in the Company's meeting notice report issued 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.

17.3 Extraordinary Transactions that require Approval as per Article 270(1) to the Companies Law

Following are details of Company decisions regarding extraordinary transactions that require approval as per Article 270(1) to the Companies Law made in the Reporting Period:

17.3.1 On March 20, 2024, Altshuler Real Estate and Altshuler Investment Funds are entered into agreements for receiving credit facilities in a maximum amount of NIS 100 million from two Israeli banks to be used as interim financing for completing transactions. To receive the credit, the Company provided a limited guarantee. In view of the potential personal interest of Ms. Sharon Gerszbejn who holds 7% in Altshuler Real Estate in the transaction, on March 18, 2024, the Audit Committee classified the provision of the guarantee as an extraordinary transaction.

17.3.2 On November 18, 2024 and November 20, 2024, the Company's Audit Committee and Board respectively approved the the grant of 6,367,414 share options to the Company's employees defined in paragraph 8.7 above ("**the Company employee pool**"). The Company employee pool also consists of all the share options that will be attributed to the Company out of the share options granted to employees of the controlling shareholder group who provide services to the Company as per the service agreement (see paragraph 8.1 above) and whose cost is partially attributed to the Company. It also includes the share options granted to Company employee who provide services to the Group (as defined in footnote 20). The Company employee pool does not include the share options that will be attributed to the controlling shareholder's pool (as defined below) out of share options granted to Company employees who provide services to the controlling shareholder as per the service agreement and whose cost is partially attributed to the controlling shareholder. The grant of the share options to officers in the Company is in compliance with the Company's remuneration policy.

18. Regulation 29A – Resolutions of the Company

18.1 Waiver of business opportunity

18.1.1 On August 15, 2024, in keeping with the corporate opportunity waiver described in paragraph 8.13 above, and in keeping with the decision of the provident and pension fund investment committee managed by Altshuler Provident, the Company's Audit Committee approved waiving a business opportunity in an immaterial scope that had been presented to the Company by an officer therein who is a member of the controlling shareholder group. It should be noted that the investment opportunity was presented to the Company and the latter referred to it to the relevant parties for caution's sake despite the fact that it hardly falls within the definition of a financial opportunity.

18.1.2 On February 16, 2025, in keeping with the corporate opportunity waiver described in paragraph 8.13 above, and in keeping with the decision of the provident and pension fund investment committee managed by Altshuler Provident, the Company's Audit Committee approved waiving a business opportunity to purchase 19.99% of the shares of a financial corporation that also operates in the banking and distribution markets, valued at a few dozens of millions of NIS, which had been presented to the Company by an officer therein who is a member of the controlling shareholder group. It should be noted that the business opportunity solely consisted of obtaining non-controlling interests (protective provisions for veto rights) that do no confer power of influence over such corporation.

18.2 D&O liability insurance policies

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

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

18.2.2 On November 20, 2024, the Company's Remuneration Committee approved the Company's purchase of a collective D&O liability insurance policy for the Altshuler Shaham Group's directors and officers in keeping with Regulation 1B(1) to the Relief Regulations. The insurance policy meets the guidelines of the Company's remuneration policy and the service agreement and is for a period of 17 months beginning on December 1, 2024.

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

18.3 Letters of quittance and indemnity to officers

On September 18, 2022, September 22, 2020 and October 27, 2022, the Company's Remuneration Committee, Board and General Meeting respectively approved the grant of letters of quittance and indemnity to officers in the Company, as they will be from time to time, including officers who are employed at the Company and/or officers in the Company's subsidiaries and/or related companies, as they will be from time to time, and/or officers as requested by the Company, and/or officers who are employed by another corporation in which the Company directly or indirectly holds securities, including officers who are controlling shareholders in the Company and/or their relatives (in this paragraph collectively – "**the officers**").

In the context of the letters of quittance and indemnity, the Company undertakes to indemnify the officers for any liability and/or expense and/or reasonable litigation expenses, as specified in the letters of quittance and indemnity, incurred by them in their capacity and/or for their actions as officers as long as the maximum amount of the indemnification for financial liabilities imposed on the officers in a court judgment (including a court settlement or arbitration award approved by the court) does not exceed (cumulatively for all officers per case and in the aggregate for all cases) an amount equivalent to 25% of the Company's equity as defined in the letters of quittance and indemnity ("**the maximum indemnification amount**")[30].

Moreover, in the letters of quittance and indemnity, the Company releases the officers from any accountability (within the boundaries permitted by applicable laws) for any damage caused to it by them due to their actions as officers as a result of breach of duty of care (other than damage due to breach of duty of care upon distribution, as defined in the Companies Law, and other damages as defined in the letters of quittance and indemnity). This quittance will not apply to a decision or transaction in which any controlling shareholder in the Company of any officer in the Company has a personal interest. See details of the liability for quittance and indemnity in paragraph 1.5 to the Company's general meeting notice report of September 22, 2022, as amended on October 18, 2022, (TASE references: 2022-01-121105 and 2022-01-127845, respectively), whose information is hereby included by reference.

[30] In this context, equity refers to the Company's equity as per its latest audited or reviewed consolidated financial statements (as applicable) as of the date of the indemnification event. Please note that the indemnification will apply incrementally in addition to any amount paid as per the D&O liability insurance policy that has been or will be purchased by the Company from time to time.

ALTSHULER SHAHAM FINANCE LTD.

Report and Certifications of Internal Control over Financial Reporting and Disclosure

For the year ended December 31, 2024

Report of Internal Control over Financial Reporting and Disclosure

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

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

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

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

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

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

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

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

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

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

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

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 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.

Chapter E – Report and Certifications 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.

Based on the evaluation of said effectiveness performed by Management, with the supervision of the Board of Directors as detailed above, the Company's Board of Directors and Management concluded that the internal control over financial reporting and disclosure in the Company as of December 31, 2024 is effective.

CEO Certification

I, Yair Lowenstein, hereby certify that:

1. I have reviewed the periodic report of Altshuler Shaham Finance Ltd. ("**the Company**") for 2024 ("**the reports**").

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

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

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

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

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

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

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

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

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

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

Yair Lowenstein
CEO

March 19, 2025

Chapter E – Report and Certifications of Internal Control over Financial Reporting and Disclosure

CFO Certification

I, Sharon Gerszbejn, hereby certify that:

1. I have reviewed the periodic report of Altshuler Shaham Finance Ltd. ("**the Company**") for 2024 ("**the reports**").

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

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

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

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

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

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

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

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

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

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

Sharon Gerszbejn
Deputy CEO, CFO

March 19, 2025

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