

**Part of the Financial
Statements
translated from the
Hebrew original**

ZUR SHAMIR HOLDINGS LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2017

UNAUDITED

Please find attached an extract English translation of the Hebrew version of the interim consolidated financial statements of Zur Shamir Holdings Ltd. which were approved on November 23, 2017.

The full set of financial statements in Hebrew can be viewed on the website of the Israeli Securities Authority (<http://www.magna.isa.gov.il>).

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AUDITORS' REPORT

To the Shareholders of

ZUR SHAMIR HOLDINGS LTD.

Introduction

We have reviewed the accompanying financial information of ZUR SHAMIR HOLDINGS LTD. and its subsidiaries (hereunder - the Group) which comprise the condensed consolidated statements of financial position as of September 30, 2017, and the related condensed interim consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the periods of nine and three months then ended. The Company's Board of Directors and Management are responsible for the preparation and presentation of interim financial information for this period in accordance with IAS 34, "Interim Financial Reporting" and in accordance with the disclosure requirements as prescribed by the Supervisor of Insurance Business pursuant to the Supervision of Financial Services (Insurance) Law, 1981, and are also responsible for the preparation of financial information for this interim period in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970, to the extent that these regulations apply to a corporation that unifies insurance companies. Our responsibility is to express a conclusion regarding the financial information for this interim period, based on our review.

We did not review the condensed interim financial information of consolidated subsidiaries whose assets constitute about 23.5% of the total consolidated assets as at September 30, 2017, and whose revenues constitute about 4.8% and about 4.7% of the total consolidated revenues for the periods of nine and three months then ended. The condensed interim financial information of those companies was reviewed by other auditors whose review reports were furnished to us, and our opinion, insofar as it relates to the financial information in respect of those companies, is based on the review reports of the other auditors.

Scope of review

We conducted our review in accordance with Review Standard 1 of the Institute of Certified Public Accountants in Israel, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review and the review reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34 and in accordance with the disclosure requirements as prescribed by the Supervisor of Insurance Business pursuant to the Supervision of Financial Services (Insurance) Law, 1981,

Conclusion (Cont.)

In addition to the abovementioned, based on our review and on the review reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not comply, in all material respects, with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970, to the extent that these regulations apply to a corporation that unifies insurance companies.

Without qualifying our above conclusion, we draw attention to Note 5 to the financial statements regarding exposure to class actions and the approval of claims as class actions of a subsidiaries.

Tel-Aviv,
November 23, 2017

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30,		December 31,
	2017	2016	2016
	Unaudited		Audited
	NIS in thousands		
CURRENT ASSETS			
Cash and cash equivalents	901,466	1,117,502	1,167,823
Cash and cash equivalents for yield-dependent contracts	6,914	18,556	10,740
Financial assets	701,041	1,014,381	1,009,750
Derivatives	847	2,747	3,204
Outstanding insurance premiums	556,589	468,403	454,819
Debtors and receivables	159,628	247,373	143,112
Deposits	80,672	304,934	320,978
Current tax receivable	73,976	48,900	53,626
Reinsurance assets	41,297	37,187	49,118
Deferred acquisition costs	106,872	92,408	84,530
	<u>2,629,302</u>	<u>3,352,391</u>	<u>3,297,700</u>
Assets designated for sale	<u>901,104</u>	<u>611,337</u>	<u>791,809</u>
	<u>3,530,406</u>	<u>3,963,728</u>	<u>4,089,509</u>
NON-CURRENT ASSETS			
Financial assets	2,270,276	1,741,746	1,745,676
Derivatives	7,256	1,157	7,781
Investment property and investment property under construction	3,893,326	3,586,845	3,638,398
Reinsurance assets	163,476	162,747	123,437
Fixed assets	132,458	127,670	132,050
Deferred acquisition costs	194,300	173,571	178,298
Debtors	79,613	56,671	59,523
Deposits	105,917	56,519	59,328
Goodwill and intangible assets	300,939	257,175	265,493
Deferred taxes	1,346	1,685	2,458
	<u>7,148,907</u>	<u>6,165,786</u>	<u>6,212,442</u>
	<u>10,679,313</u>	<u>10,129,514</u>	<u>10,301,951</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30,		December 31,
	2017	2016	2016
	Unaudited		Audited
	NIS in thousands		
CURRENT LIABILITIES			
Financial liabilities	1,103,210	1,236,797	1,278,040
Creditors and payables	409,828	329,186	435,149
Current taxes payable	25,009	14,747	12,840
Derivatives	26,179	29,220	24,420
Liabilities in respect of borrowing securities	-	284,349	183,126
Liabilities for insurance contracts and investment contracts	992,158	840,597	1,017,491
	<u>2,556,384</u>	<u>2,734,896</u>	<u>2,951,066</u>
NON-CURRENT LIABILITIES			
Financial liabilities	4,407,307	3,990,138	4,066,815
Creditors and payables	36,028	19,299	25,424
Liabilities for insurance contracts and investment contracts	2,230,867	2,071,022	1,904,989
Liabilities for employee benefits, net	23,814	16,612	18,261
Derivatives	23,453	44,137	27,035
Deferred taxes	179,080	210,585	221,263
	<u>6,900,549</u>	<u>6,351,793</u>	<u>6,263,787</u>
EQUITY			
Share capital	217,531	217,531	217,531
Share premium	38,469	38,469	38,469
Reserves	(172,877)	(175,908)	(178,390)
Retained earnings	330,759	271,529	285,787
Treasury shares	(67,599)	(67,599)	(67,599)
	<u>346,283</u>	<u>284,022</u>	<u>295,798</u>
Total equity attributed to the Company's shareholders	346,283	284,022	295,798
Non-controlling interests	876,097	758,803	791,300
	<u>1,222,380</u>	<u>1,042,825</u>	<u>1,087,098</u>
Total equity	<u>10,679,313</u>	<u>10,129,514</u>	<u>10,301,951</u>

CONSOLIDATED STATEMENTS OF PROFIT AND LOSS

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2017	2016	2017	2016	2016
	Unaudited				Audited
	NIS in thousands (except for net earnings (loss) per share data)				
INCOME					
Premiums earned on retention	1,599,760	1,415,238	564,135	494,134	1,924,712
Income from lease of properties	161,387	163,256	55,477	55,304	215,928
Increase (decrease) of value of investment property and investment property under construction, net	23,285	3,833	20,611	(336)	22,276
Net gains on investments and other finance income	61,660	56,447	16,505	32,603	88,306
Income from management fees	4,652	4,922	1,527	1,610	6,513
Income from grant of consumer credit	287,524	214,998	97,123	83,270	294,613
Income from commissions	14,292	11,286	5,509	2,323	17,604
Group's share in losses of affiliate	(578)	(1,333)	(245)	(1,000)	(1,333)
Other income	352	181	183	3	211
Total income	2,152,334	1,868,828	760,825	667,911	2,568,830
EXPENSES					
Payments and change in liabilities in respect of insurance contracts and investment contracts on retention	1,115,552	1,075,820	389,679	370,641	1,467,224
Marketing and other acquisition expenses	325,662	281,176	112,689	99,854	383,582
Maintenance, general and administrative expenses	260,291	201,744	91,986	70,427	276,114
Finance expenses	164,656	175,530	48,134	80,695	221,741
Other expenses	548	628	196	287	937
Total expenses	1,866,709	1,734,898	642,684	621,904	2,349,598
Income before taxes on income	285,625	133,930	118,141	46,007	219,232
Taxes on income	74,556	84,771	45,028	31,006	118,614
Net income	211,069	49,159	73,113	15,001	100,618
Net income (loss) attributed to:					
The Company's shareholders	68,972	(11,513)	24,744	(8,998)	2,745
Non-controlling interests	142,097	60,672	48,369	23,999	97,873
	211,069	49,159	73,113	15,001	100,618
Net earnings (loss) per share attributable to shareholders of the Company (in NIS)					
Basic net earnings (loss)	1.08	(0.18)	0.39	(0.14)	0.04
Diluted net earnings (loss)	1.07	(0.19)	0.38	(0.14)	0.03

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Loss)

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2017	2016	2017	2016	2016
	Unaudited				Audited
	NIS in thousands				
Net income	211,069	49,159	73,113	15,001	100,618
Other comprehensive income (loss) (after the tax effect):					
Amounts that will be reclassified to profit or loss					
Profit (loss) from cash flow hedging transactions	6,574	(19,442)	(81)	(713)	(7,705)
Adjustments resulting from the translation of financial statements of foreign activities	4,746	373	21,727	(19,297)	(14,538)
Amounts that will not be reclassified subsequently to profit or loss					
Loss from remeasurement in respect of defined benefit plan	-	-	-	-	(737)
Total other comprehensive income (loss)	11,320	(19,069)	21,646	(20,010)	(22,980)
Total comprehensive income (loss)	222,389	30,090	94,759	(5,009)	77,638
Total comprehensive income (loss) attributed to:					
Company's shareholders	74,245	(19,758)	36,405	(19,861)	(8,139)
Non-controlling interests	148,144	49,848	58,354	14,852	85,777
	222,389	30,090	94,759	(5,009)	77,638

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to shareholders of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Reserves	Treasury shares	Total		
	NIS in thousands							
Balance at January 1, 2017 (Audited)	217,531	38,469	285,787	(178,390)	(67,599)	295,798	791,300	1,087,098
Net income	-	-	68,972	-	-	68,972	142,097	211,069
Total other comprehensive income	-	-	-	5,273	-	5,273	6,047	11,320
Total comprehensive income	-	-	68,972	5,273	-	74,245	148,144	222,389
Cost of share-based payment	-	-	-	240	-	240	6,624	6,864
Dividend to Company's shareholders	-	-	(24,000)	-	-	(24,000)	-	(24,000)
Dividend to holders of non-controlling interests	-	-	-	-	-	-	(69,971)	(69,971)
Balance at September 30, 2017 (Unaudited)	<u>217,531</u>	<u>38,469</u>	<u>330,759</u>	<u>(172,877)</u>	<u>(67,599)</u>	<u>346,283</u>	<u>876,097</u>	<u>1,222,380</u>

	Attributable to shareholders of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Reserves	Treasury shares	Total		
	NIS in thousands							
Balance at January 1, 2016 (Audited)	217,531	38,469	299,501	(168,134)	(67,599)	319,768	783,813	1,103,581
Net income (loss)	-	-	(11,513)	-	-	(11,513)	60,672	49,159
Total other comprehensive loss	-	-	-	(8,245)	-	(8,245)	(10,824)	(19,069)
Total comprehensive income (loss)	-	-	(11,513)	(8,245)	-	(19,758)	49,848	30,090
Realization of options into subsidiaries' shares by holders of non-controlling interests and acquisition of shares by subsidiary	-	-	(1,459)	-	-	(1,459)	(254)	(1,713)
Cost of share-based payment	-	-	-	471	-	471	3,665	4,136
Dividend to Company's shareholders	-	-	(15,000)	-	-	(15,000)	-	(15,000)
Dividend to holders of non-controlling interests	-	-	-	-	-	-	(78,269)	(78,269)
Balance at September 30, 2016 (Unaudited)	<u>217,531</u>	<u>38,469</u>	<u>271,529</u>	<u>(175,908)</u>	<u>(67,599)</u>	<u>284,022</u>	<u>758,803</u>	<u>1,042,825</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to shareholders of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Reserves	Treasury shares	Total		
	NIS in thousands							
Balance at July 1, 2017 (Unaudited)	217,531	38,469	318,015	(184,618)	(67,599)	321,798	849,481	1,171,279
Net income	-	-	24,744	-	-	24,744	48,369	73,113
Total other comprehensive income	-	-	-	11,661	-	11,661	9,985	21,646
Total comprehensive income	-	-	24,744	11,661	-	36,405	58,354	94,759
Cost of share-based payment	-	-	-	80	-	80	1,608	1,688
Dividend to Company's shareholders	-	-	(12,000)	-	-	(12,000)	-	(12,000)
Dividend to holders of non-controlling interests	-	-	-	-	-	-	(33,346)	(33,346)
Balance at September 30, 2017 (Unaudited)	<u>217,531</u>	<u>38,469</u>	<u>330,759</u>	<u>(172,877)</u>	<u>(67,599)</u>	<u>346,283</u>	<u>876,097</u>	<u>1,222,380</u>

	Attributable to shareholders of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Reserves	Treasury shares	Total		
	NIS in thousands							
Balance at July 1, 2016 (Unaudited)	217,531	38,469	295,527	(165,196)	(67,599)	318,732	751,021	1,069,753
Net income (loss)	-	-	(8,998)	-	-	(8,998)	23,999	15,001
Total other comprehensive loss	-	-	-	(10,863)	-	(10,863)	(9,147)	(20,010)
Total comprehensive income (loss)	-	-	(8,998)	(10,863)	-	(19,861)	14,852	(5,009)
Cost of share-based payment	-	-	-	151	-	151	1,114	1,265
Dividend to Company's shareholders	-	-	(15,000)	-	-	(15,000)	-	(15,000)
Dividend to holders of non-controlling interests	-	-	-	-	-	-	(8,184)	(8,184)
Balance at September 30, 2016 (Unaudited)	<u>217,531</u>	<u>38,469</u>	<u>271,529</u>	<u>(175,908)</u>	<u>(67,599)</u>	<u>284,022</u>	<u>758,803</u>	<u>1,042,825</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to shareholders of the Company					Total	Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Reserves	Treasury shares			
	NIS in thousands							
Balance at January 1, 2016 (Audited)	217,531	38,469	299,501	(168,134)	(67,599)	319,768	783,813	1,103,581
Net income	-	-	2,745	-	-	2,745	97,873	100,618
Total other comprehensive loss	-	-	-	(10,884)	-	(10,884)	(12,096)	(22,980)
Total comprehensive income (loss)	-	-	2,745	(10,884)	-	(8,139)	85,777	77,638
Cost of share-based payment	-	-	-	628	-	628	4,785	5,413
Realization of options into subsidiaries' shares by holders of non-controlling interests and acquisition of shares by subsidiary	-	-	(1,459)	-	-	(1,459)	(254)	(1,713)
Dividend to Company's shareholders	-	-	(15,000)	-	-	(15,000)	-	(15,000)
Dividend to holders of non-controlling interests	-	-	-	-	-	-	(82,821)	(82,821)
Balance at December 31, 2016 (Audited)	<u>217,531</u>	<u>38,469</u>	<u>285,787</u>	<u>(178,390)</u>	<u>(67,599)</u>	<u>295,798</u>	<u>791,300</u>	<u>1,087,098</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2017	2016	2017	2016	2016
	Unaudited				Audited
	NIS in thousands				
Cash flows provided by (used in) current activities (appendix A)	(30,719)	454,680	161,381	43,200	327,526
CASH FLOWS FROM INVESTMENT ACTIVITIES					
Settlement (grant) of deposits	8,630	(73,362)	(8,022)	(70,960)	(66,300)
Acquisition of fixed assets and investment property under construction	(222,875)	(91,753)	(145,954)	(24,682)	(163,725)
Interest paid and capitalized to the cost of investment property under construction	(2,982)	(322)	(1,027)	(322)	(985)
Investment in affiliates, net	(578)	(1,333)	(245)	(1,000)	(1,333)
Proceeds from sale of fixed assets and investment property	3,348	22,042	846	890	31,797
Proceeds (payment) in respect of hedging settlement of hedging transactions	8,174	(1,982)	923	-	4,851
Payment in respect of acquisition of hedging transactions	(2,527)	-	(1,235)	-	(2,291)
Acquisition of intangible assets	(46,978)	(41,803)	(17,311)	(13,689)	(57,712)
Cash deducted from acquisitions in the framework of business combinations	(6,000)	-	-	-	-
Net cash used in investment activity	(261,788)	(188,513)	(172,025)	(109,763)	(255,698)
CASH FLOWS FROM FINANCE ACTIVITIES					
Settlement of CPI hedging transactions	(15,529)	(9,996)	(9,820)	(9,996)	(15,042)
Proceeds from the issue of bonds and subordinated deeds in subsidiary	517,799	901,364	-	901,364	1,199,057
Proceeds from realization of options to subsidiary shares	-	304	-	-	304
Issue of the Company's bonds, net	-	-	-	-	116,925
Buyback of shares in subsidiary	-	(2,142)	-	-	(2,142)
Settlement of bonds and subordinated deeds in subsidiary	(198,723)	(527,090)	-	(286,517)	(648,656)
Settlement of Company bonds	(51,067)	(65,222)	-	-	(79,785)
Change in short-term credit from banking institutions, net	5,402	-	6,166	-	764
Receipt of long-term loans from banking institutions and others	168,631	40,500	110,000	-	80,918
Settlement of long-term loans from banking institutions and others	(309,363)	(139,554)	(18,753)	(35,758)	(216,690)
Dividend paid to Company's shareholders	(24,000)	(15,000)	(12,000)	(15,000)	(15,000)
Dividend paid to holders of non-controlling interests	(76,164)	(78,269)	(33,346)	(8,184)	(78,269)
Net cash provided by finance activity	16,986	104,895	42,247	545,909	342,384
Foreign exchange rate differences in respect of balances of cash and cash equivalents	5,338	(539)	4,025	(2,068)	(1,184)
Increase (decrease) in cash and cash equivalents	(270,183)	370,523	35,628	477,278	413,028
Balance of cash and cash equivalents as at the beginning of period (appendix B)	1,178,563	765,535	872,752	658,780	765,535
Balance of cash and cash equivalents as at the end of period (appendix C)	908,380	1,136,058	908,380	1,136,058	1,178,563

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2017	2016	2017	2016	2016
	Unaudited				Audited
	NIS in thousands				
APPENDIX A - CASH FLOWS FROM CURRENT ACTIVITIES					
Net income	211,069	49,159	73,113	15,001	100,618
Adjustments to profit or loss items					
Depreciation and amortization	41,908	36,938	14,652	12,287	50,235
Loss from sale of fixed assets	517	526	165	287	836
Cost of share-based payment	6,864	4,136	1,688	1,265	5,413
Company's share in losses of affiliate	578	1,333	245	1,000	1,333
Finance expenses, net	164,656	175,530	48,134	80,695	221,741
Investment losses (income) , net and other finance expenses (income)	788	1,442	7,197	(4,129)	(14,405)
Decrease (increase) in value of investment property	(23,285)	(3,833)	(20,611)	336	(22,276)
Taxes on income	74,556	84,771	45,028	31,006	118,614
	266,582	300,843	96,498	122,747	361,491
Other financial investments					
Net sales (acquisitions) of financial investments	(219,388)	(10,793)	181,387	(31,325)	(147,026)
Acquisitions and investment in investment property in consolidated insurance subsidiary	(822)	(259)	(14)	-	(474)
	(220,210)	(11,052)	181,373	(31,325)	(147,500)
Changes in asset and liability items					
Profits from financial investments for yield-dependent contracts	(9,894)	(3,582)	(6,506)	(4,132)	(8,882)
Profits from other financial investments	(202,099)	(165,590)	(66,349)	(73,176)	(210,607)
Change in liabilities for non-yield- dependent insurance contracts	307,554	337,623	90,773	53,167	347,649
Change in liabilities for yield-dependent contracts	(7,009)	(3,455)	1,420	1,641	(2,620)
Change in deferred acquisition costs	(38,344)	(36,699)	(13,788)	(9,514)	(33,548)
Change in reinsurance assets	(32,218)	(35,587)	(10,493)	3,871	(8,208)
Change in employee benefit liabilities, net	5,553	(781)	3,600	-	(252)
Short-term credit, net from banking institutions and others in respect of consumer credit grant activities	8,680	422,695	(128,163)	45,172	323,476
Change in liabilities in respect of borrowing securities	(183,126)	284,349	-	(266,876)	183,126
Change in deposits used as guarantee for borrowing securities transactions, net	187,526	(291,117)	2,944	266,023	(187,738)
Buy back of shares in subsidiary	-	(6,600)	-	-	(6,600)
Change in outstanding premium	(101,770)	(103,938)	(19,012)	(22,664)	(90,354)
Change in debtors and receivables	(85,953)	(33,367)	(24,699)	(10,520)	(98,700)
Change in creditors and payables	(6,713)	(46,987)	25,861	1,459	49,861
	(157,813)	316,964	(144,412)	(15,549)	256,603
Cash paid and received during the period for:					
Interest paid	(162,442)	(150,322)	(56,309)	(50,370)	(200,182)
Interest received	150,031	97,280	51,790	36,597	134,929
Taxes paid	(126,052)	(160,057)	(42,876)	(35,432)	(190,266)
Taxes received	1,856	6,666	-	-	6,666
Dividend received	6,260	5,199	2,204	1,531	5,167
	(130,347)	(201,234)	(45,191)	(47,674)	(243,686)
Total cash flows provided by (used in) current activities	(30,719)	454,680	161,381	43,200	327,526

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2017	2016	2017	2016	2016
	Unaudited				Audited
	NIS in thousands				
APPENDIX B - Cash and cash equivalents as at the beginning of the period					
Cash and cash equivalents for yield-dependent contracts	10,740	15,519	7,498	22,107	15,519
Other cash and cash equivalents	1,167,823	750,016	865,254	636,673	750,016
Balance of cash and cash equivalents as at the beginning of the period	<u>1,178,563</u>	<u>765,535</u>	<u>872,752</u>	<u>658,780</u>	<u>765,535</u>
APPENDIX C - Cash and cash equivalents as at the end of the period					
Cash and cash equivalents for yield-dependent contracts	6,914	18,556	6,914	18,556	10,740
Other cash and cash equivalents	901,466	1,117,502	901,466	1,117,502	1,167,823
Balance of cash and cash equivalents as at the end of the period	<u>908,380</u>	<u>1,136,058</u>	<u>908,380</u>	<u>1,136,058</u>	<u>1,178,563</u>
APPENDIX D - Significant non-cash activities					
Acquisition of fixed assets, investment Property and investment property under construction against creditors and payables	<u>34,312</u>	<u>31,388</u>	<u>34,312</u>	<u>31,388</u>	<u>40,337</u>
Dividend declared and not yet paid to non-controlling interests	<u>-</u>	<u>116,938</u>	<u>-</u>	<u>116,938</u>	<u>4,552</u>

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3:- SEGMENTS OF ACTIVITY

a. The Company operates in the following segments of activity:

1. The segment of life assurance and long term savings

The segment of life assurance and long term savings includes the lines of life assurance and it focuses mainly, on insurance coverages for various risks such as: death, disability, disability income insurance, etc. and on long term savings (in the framework of various types of insurance policies).

2. Health insurance segment

The segment of health insurance includes medical expenses, personal accident, dread disease, travel abroad and more.

3. General insurance segment

The segment of general insurance includes the liability and property branches. Pursuant to the Regulator of Insurance's directives, the general insurance segment is detailed according to the lines of motor act, motor casco, property and others and other liabilities.

a. The motor act insurance line of business

The motor act insurance line of business focuses on coverages that their acquisition by the owner of the vehicle or the driver is compulsory by law and it provides a coverage for bodily injuries (to the driver of the vehicle, the passengers in the vehicle or to the pedestrians), as a result of the use of the motor vehicle.

b. The motor casco line of business

The motor casco line of business focuses on the property damage coverage for the insured vehicle and property damages that the insured vehicle will cause to a third party.

c. Property and other branches

The rest of the insurance lines of business that are not vehicle and liabilities mainly residential line.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3:- SEGMENTS OF ACTIVITY (Cont.)

a. The Company operates in the following segments of activity: (Cont.)

3. General insurance segment (Cont.)

d. Other liabilities branches

Liabilities lines are designated for coverage of the policyholder liabilities in respect of damage he causes to a third party. These lines include: third party liability, employers' liability and professional liability.

4. Granting of consumer credit segment

Includes granting of consumer credit activity for the acquisition of vehicles (mainly second hand), granting of credit for loans for any purpose and granting loans for special purposes in different businesses.

5. Investment property

Includes mainly the lease of office buildings in Israel, Canada, Poland and Belgium.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**NOTE 3:- SEGMENTS OF ACTIVITY (Cont.)**

b. Hereunder are the results of the segments of activity:

	Nine months ended as at September 30, 2017										
	Investment property	Life assurance and long term savings	Health insurance	General insurance				Consumer credit granted	Unallocated and offset in activities between segments	Total	
				Motor act	Motor casco	Property and others	Other liabilities				Total
	Unaudited										
NIS in thousands											
INCOME											
Premiums earned on retention	-	178,344	152,948	345,719	802,037	109,383	11,329	1,268,468	-	-	1,599,760
Income from lease of properties	166,388	-	-	-	-	-	-	-	-	(5,001)	161,387
Increase in value of investment property and investment property under construction, net	23,285	-	-	-	-	-	-	-	-	-	23,285
Net gains from investments and other finance income	383	10,749	801	21,067	6,996	1,232	596	29,891	78	19,758	61,660
Income from management fees	-	4,652	-	-	-	-	-	-	-	-	4,652
Income from grant of consumer credit	-	-	-	-	-	-	-	-	287,596	(72)	287,524
Income from commissions	-	9,409	1,273	-	250	3,360	-	3,610	-	-	14,292
Group's share in losses of affiliate	-	-	-	-	-	-	-	-	-	(578)	(578)
Other income	31	-	-	-	-	-	-	-	130	191	352
Total income	190,087	203,154	155,022	366,786	809,283	113,975	11,925	1,301,969	287,804	14,298	2,152,334
EXPENSES											
Payments and changes in liabilities in respect of insurance contracts and investment contracts on retention	-	90,125	58,198	303,215	601,235	56,246	7,439	968,135	-	(906)	1,115,552
Marketing and other acquisition expenses	-	33,689	37,688	43,376	90,500	17,072	1,874	152,822	103,712	(2,249)	325,662
Maintenance, general and administrative expenses	47,558	19,285	17,856	16,614	36,566	5,119	566	58,865	103,162	13,565	260,291
Finance expenses	83,918	62	-	-	-	43	-	43	22,984	57,649	164,656
Other expenses	-	-	-	-	-	-	-	-	-	548	548
Total expenses	131,476	143,161	113,742	363,205	728,301	78,480	9,879	1,179,865	229,858	68,607	1,866,709
Income (loss) before taxes on income	58,611	59,993	41,280	3,581	80,982	35,495	2,046	122,104	57,946	(54,309)	285,625

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**NOTE 3:- SEGMENTS OF ACTIVITY (Cont.)**

b. Hereunder is the breakdown of results of the segments of activity: (Cont.)

	Nine months ended as at September 30, 2016										
	Investment property	Life assurance and long term savings	Health insurance	General insurance				Consumer credit granted	Unallocated and offset in activities between segments	Total	
				Motor act	Motor casco	Property and others	Other liabilities				
	Unaudited										
NIS in thousands											
INCOME											
Premiums earned on retention	-	167,238	126,478	317,172	693,806	99,370	11,174	1,121,522	-	-	1,415,238
Income from lease of properties	168,058	-	-	-	-	-	-	-	-	(4,802)	163,256
Increase in value of investment property and investment property under construction, net	3,833	-	-	-	-	-	-	-	-	-	3,833
Net gains (losses) from investments and other finance income (expenses)	(2,994)	4,745	883	20,685	9,501	1,925	512	32,623	300	20,890	56,447
Income from management fees	-	4,922	-	-	-	-	-	-	-	-	4,922
Income from grant of consumer credit	-	-	-	-	-	-	-	-	215,058	(60)	214,998
Income from reinsurers commissions	-	7,996	1,127	-	-	2,163	-	2,163	-	-	11,286
Group's share in losses of affiliate	-	-	-	-	-	-	-	-	-	(1,333)	(1,333)
Other income	79	-	-	-	-	-	-	-	99	3	181
Total income	168,976	184,901	128,488	337,857	703,307	103,458	11,686	1,156,308	215,457	14,698	1,868,828
EXPENSES											
Payments and changes in liabilities in respect of insurance contracts and investment contracts on retention	-	89,515	49,592	321,676	563,412	46,143	6,384	937,615	-	(902)	1,075,820
Marketing and other acquisition expenses	-	29,685	27,665	39,739	83,235	17,838	1,663	142,475	83,590	(2,239)	281,176
Maintenance, general and administrative expenses	44,503	16,811	15,139	17,068	33,061	5,040	675	55,844	58,790	10,657	201,744
Finance expenses	87,438	66	-	-	-	77	-	77	8,954	78,995	175,530
Other expenses	97	-	-	-	-	-	-	-	1	530	628
Total expenses	132,038	136,077	92,396	378,483	679,708	69,098	8,722	1,136,011	151,335	87,041	1,734,898
Income (loss) before taxes on income	36,938	48,824	36,092	(40,626)	23,599	34,360	2,964	20,297	64,122	(72,343)	133,930

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**NOTE 3:- SEGMENTS OF ACTIVITY (Cont.)**

a. Hereunder is the breakdown of results of the segments of activity: (Cont.)

	Three months ended as at September 30, 2017										
	Investment property	Life assurance and long term savings	Health insurance	General insurance				Consumer credit granted	Unallocated and offset in activities between segments	Total	
				Motor act	Motor casco	Property and others	Other liabilities				
	Unaudited										
NIS in thousands											
INCOME											
Premiums earned on retention	-	60,440	55,246	121,676	285,255	37,617	3,901	448,449	-	-	564,135
Income from lease of properties	57,267	-	-	-	-	-	-	-	-	(1,790)	55,477
Increase in value of investment property and investment property under construction, net	20,611	-	-	-	-	-	-	-	-	-	20,611
Net gains (losses) from investments and other finance income (expenses)	(5,837)	6,644	98	6,153	2,370	370	175	9,068	23	6,509	16,505
Income from management fees	-	1,527	-	-	-	-	-	-	-	-	1,527
Income from grant of consumer credit	-	-	-	-	-	-	-	-	97,163	(40)	97,123
Income from commissions	-	3,906	191	-	250	1,162	-	1,412	-	-	5,509
Group's share in losses of affiliate	-	-	-	-	-	-	-	-	-	(245)	(245)
Other income	31	-	-	-	-	-	-	-	50	102	183
Total income	72,072	72,517	55,535	127,829	287,875	39,149	4,076	458,929	97,236	4,536	760,825
EXPENSES											
Payments and changes in liabilities in respect of insurance contracts and investment contracts on retention	-	31,345	22,655	102,333	212,347	19,299	2,008	335,987	-	(308)	389,679
Marketing and other acquisition expenses	-	11,660	12,734	15,161	30,788	5,912	518	52,379	36,682	(766)	112,689
Maintenance, general and administrative expenses	17,101	6,630	6,188	5,329	13,093	1,798	162	20,382	36,579	5,106	91,986
Finance expenses	24,547	21	-	-	-	14	-	14	5,450	18,102	48,134
Other expenses	-	-	-	-	-	-	-	-	-	196	196
Total expenses	41,648	49,656	41,577	122,823	256,228	27,023	2,688	408,762	78,711	22,330	642,684
Income (loss) before taxes on income	30,424	22,861	13,958	5,006	31,647	12,126	1,388	50,167	18,525	(17,794)	118,141

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**NOTE 3:- SEGMENTS OF ACTIVITY (Cont.)**

b. Hereunder is the breakdown of results of the segments of activity: (Cont.)

	Three months ended as at September 30, 2016										
	Investment property	Life assurance and long term savings	Health insurance	General insurance				Consumer credit granted	Unallocated and offset in activities between segments	Total	
				Motor act	Motor casco	Property and others	Other liabilities				
	Unaudited										
NIS in thousands											
INCOME											
Premiums earned on retention	-	56,490	46,197	109,500	243,840	34,020	4,087	391,447	-	-	494,134
Income from lease of properties	56,872	-	-	-	-	-	-	-	-	(1,568)	55,304
Decrease in value of investment property and investment property under construction, net	(336)	-	-	-	-	-	-	-	-	-	(336)
Net gains from investments and other finance income	5,214	4,774	463	5,470	2,855	655	152	9,132	111	12,909	32,603
Income from management fees	-	1,610	-	-	-	-	-	-	-	-	1,610
Income from grant of consumer credit	-	-	-	-	-	-	-	-	83,286	(16)	83,270
Income from commissions (commission refunds)	-	2,143	312	-	-	(132)	-	(132)	-	-	2,323
Group's share in losses of affiliate	-	-	-	-	-	-	-	-	-	(1,000)	(1,000)
Other income	-	-	-	-	-	-	-	-	-	3	3
Total income	61,750	65,017	46,972	114,970	246,695	34,543	4,239	400,447	83,397	10,328	667,911
EXPENSES											
Payments and changes in liabilities in respect of insurance contracts and investment contracts on retention	-	36,897	19,830	99,685	198,238	14,550	1,742	314,215	-	(301)	370,641
Marketing and other acquisition expenses	-	10,145	10,152	15,242	28,267	5,558	650	49,717	30,590	(750)	99,854
Maintenance, general and administrative expenses	14,319	5,736	5,309	5,688	11,475	1,892	166	19,221	22,420	3,422	70,427
Finance expenses	30,745	24	-	-	-	26	-	26	3,947	45,953	80,695
Other expenses	43	-	-	-	-	-	-	-	1	243	287
Total expenses	45,107	52,802	35,291	120,615	237,980	22,026	2,558	383,179	56,958	48,567	621,904
Income (loss) before taxes on income	16,643	12,215	11,681	(5,645)	8,715	12,517	1,681	17,268	26,439	(38,239)	46,007

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**NOTE 3:- SEGMENTS OF ACTIVITY (Cont.)**

b. Hereunder is the breakdown of results of the segments of activity: (Cont.)

	Year ended as at December 31, 2016										
	Investment property	Life assurance and long term savings	Health insurance	General insurance				Consumer credit granted	Unallocated and offset in activities between segments	Total	
				Motor act	Motor casco	Property and others	Other liabilities				Total
	Audited										
NIS in thousands											
INCOME											
Premiums earned on retention	-	225,324	172,621	429,461	948,074	133,850	15,382	1,526,767	-	-	1,924,712
Income from lease of properties	222,313	-	-	-	-	-	-	-	-	(6,385)	215,928
Increase in value of investment property and investment property under construction, net	22,276	-	-	-	-	-	-	-	-	-	22,276
Net gains on investments and other finance income	1,779	10,132	1,089	32,553	10,952	2,249	865	46,619	530	28,157	88,306
Income from management fees	-	6,513	-	-	-	-	-	-	-	-	6,513
Income from grant of consumer credit	-	-	-	-	-	-	-	-	294,684	(71)	294,613
Income from reinsurers commissions	-	12,192	1,758	-	-	3,654	-	3,654	-	-	17,604
Group's share in losses of affiliate	-	-	-	-	-	-	-	-	-	(1,333)	(1,333)
Other income	79	-	-	-	-	-	-	-	129	3	211
Total income	246,447	254,161	175,468	462,014	959,026	139,753	16,247	1,577,040	295,343	20,371	2,568,830
EXPENSES											
Payments and changes in liabilities in respect of insurance contracts and investment contracts on retention	-	119,804	69,570	443,367	764,817	61,380	9,492	1,279,056	-	(1,206)	1,467,224
Marketing and other acquisition expenses	-	39,941	38,670	55,874	113,693	23,173	2,020	194,760	113,204	(2,993)	383,582
Maintenance, general and administrative expenses	59,208	23,057	21,006	22,668	44,376	6,905	831	74,780	83,069	14,994	276,114
Finance expenses	113,814	89	-	-	-	46	-	46	13,636	94,156	221,741
Other expenses	138	-	-	-	-	-	-	-	1	798	937
Total expenses	173,160	182,891	129,246	521,909	922,886	91,504	12,343	1,548,642	209,910	105,749	2,349,598
Income (loss) before taxes on income	<u>73,287</u>	<u>71,270</u>	<u>46,222</u>	<u>(59,895)</u>	<u>36,140</u>	<u>48,249</u>	<u>3,904</u>	<u>28,398</u>	<u>85,433</u>	<u>(85,378)</u>	<u>219,232</u>