

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

ZUR SHAMIR HOLDINGS LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2016

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 28, 2016.

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>).

ZUR SHAMIR HOLDINGS LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2016

UNAUDITED

INDEX

	<u>Page</u>
Accompanying Letter to the Condensed Interim Consolidated Financial Statements	2
Condensed Interim Consolidated Statements of Financial Position	3 - 4
Condensed Interim Consolidated Statements of Profit or Loss	5
Condensed Interim Consolidated Statements of Comprehensive Income (Loss)	6
Condensed Interim Consolidated Statements of Changes in Equity	7 - 9
Condensed Interim Consolidated Statements of Cash Flows	10 - 12
Notes to the Condensed Interim Consolidated Financial Statements	13 - 19



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ZUR SHAMIR HOLDINGS LTD.

Dear Sirs,

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, 2016, and the related condensed interim consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six and three months periods then ended, and in our report dated November 28, 2016, we expressed an unqualified opinion on those financial statements.

The accompanying financial statements are condensed financial statements and do not include the disclosures required by International Financial Reporting Standards. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the financial position, results of operations and cash flows of the Company.

Tel-Aviv, Israel
January 19, 2017

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30,		December 31,
	2016	2015	2015
	Unaudited		Audited
	NIS in thousands		
CURRENT ASSETS			
Cash and cash equivalents	1,117,502	703,237	750,016
Cash and cash equivalents for yield-dependent contracts	18,556	19,147	15,519
Financial assets	1,014,381	999,731	749,958
Derivatives	2,747	11,218	6,478
Outstanding insurance premiums	468,403	347,240	364,465
Debtors and receivables	247,373	138,597	138,829
Deposits	304,934	23,603	11,965
Current tax receivable	48,900	7,856	5,693
Reinsurance assets	37,187	55,552	52,459
Deferred acquisition costs	92,408	87,745	77,686
	<u>3,352,391</u>	<u>2,393,926</u>	<u>2,173,068</u>
Assets designated for sale	<u>611,337</u>	<u>410,770</u>	<u>334,350</u>
	<u>3,963,728</u>	<u>2,804,696</u>	<u>2,507,418</u>
NON-CURRENT ASSETS			
Financial assets	1,741,746	1,913,654	2,193,965
Investment property and investment property under construction	3,586,845	3,377,616	3,513,745
Reinsurance assets	162,747	109,772	111,888
Fixed assets	127,670	122,253	130,006
Deferred acquisition costs	173,571	145,469	151,594
Long-term debtors	56,671	28,665	29,971
Deposits	56,519	61,850	75,005
Derivatives	1,157	-	-
Goodwill and intangible assets	257,175	230,227	235,865
Deferred taxes	1,685	1,030	1,931
	<u>6,165,786</u>	<u>5,990,536</u>	<u>6,443,970</u>
	<u>10,129,514</u>	<u>8,795,232</u>	<u>8,951,388</u>

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30,		December 31,
	2016	2015	2015
	Unaudited		Audited
	NIS in thousands		
CURRENT LIABILITIES			
Financial liabilities	1,236,797	928,257	928,755
Creditors and payables	329,186	298,480	392,111
Current taxes payable	14,747	43,908	70,197
Derivatives	29,220	33,286	21,962
Liabilities in respect of borrowing securities	284,349	-	-
Liabilities for insurance contracts and investment contracts	840,597	869,243	865,647
	<u>2,734,896</u>	<u>2,173,174</u>	<u>2,278,672</u>
NON-CURRENT LIABILITIES			
Financial liabilities	3,990,138	3,535,379	3,614,306
Creditors and payables	19,299	8,686	9,919
Liabilities for insurance contracts and investment contracts	2,071,022	1,780,612	1,711,804
Liabilities for employee benefits, net	16,612	13,271	17,393
Derivatives	44,137	25,177	28,901
Deferred taxes	210,585	184,166	186,812
	<u>6,351,793</u>	<u>5,547,291</u>	<u>5,569,135</u>
EQUITY			
Share capital	217,531	217,531	217,531
Share premium	38,469	38,469	38,469
Reserves	(175,908)	(145,535)	(168,134)
Retained earnings	271,529	287,134	299,501
Treasury shares	(67,599)	(67,599)	(67,599)
	<u>284,022</u>	<u>330,000</u>	<u>319,768</u>
Total equity attributed to the Company's shareholders	284,022	330,000	319,768
Non-controlling interests	<u>758,803</u>	<u>744,767</u>	<u>783,813</u>
Total equity	<u>1,042,825</u>	<u>1,074,767</u>	<u>1,103,581</u>
	<u><u>10,129,514</u></u>	<u><u>8,795,232</u></u>	<u><u>8,951,388</u></u>

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF PROFIT AND LOSS

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2016	2015	2016	2015	2015
	Unaudited				Audited
	NIS in thousands				
INCOME					
Premiums earned on retention	1,415,238	1,212,810	494,134	419,964	1,642,030
Income from rental properties	163,256	143,975	55,304	51,692	196,200
Increase (decrease) of value of property and properties under construction, net	3,833	19,838	(336)	12,901	43,529
Investment income (losses), net and other finance income	56,447	57,155	32,603	(15,985)	84,330
Income from management fees	4,922	5,237	1,610	1,670	7,119
Income from grant of consumer credit	214,998	169,549	83,270	55,286	228,018
Income from reinsurance commissions	11,286	10,756	2,323	3,805	15,115
Group's share in losses of affiliate, net	(1,333)	(1,333)	(1,000)	(666)	(2,000)
Other income	181	115	3	59	145
Total income	<u>1,868,828</u>	<u>1,618,102</u>	<u>667,911</u>	<u>528,726</u>	<u>2,214,486</u>
EXPENSES					
Payments and change in liabilities in respect of insurance contracts and investment contracts on retention	1,075,820	778,245	370,641	263,997	1,059,636
Marketing and other acquisition expenses	281,176	242,476	99,854	84,024	334,736
Maintenance, general and administrative expenses	201,744	183,278	70,427	60,802	253,559
Financial expenses	175,530	171,865	80,695	79,561	217,932
Other expenses	628	457	287	211	498
Total expenses	<u>1,734,898</u>	<u>1,376,321</u>	<u>621,904</u>	<u>488,595</u>	<u>1,866,361</u>
Income before taxes on income	133,930	241,781	46,007	40,131	348,125
Taxes on income	<u>84,771</u>	<u>120,475</u>	<u>31,006</u>	<u>39,596</u>	<u>161,991</u>
Net income	<u>49,159</u>	<u>121,306</u>	<u>15,001</u>	<u>535</u>	<u>186,134</u>
Net income (loss) attributed to:					
The Company's shareholders	(11,513)	24,699	(8,998)	(14,155)	45,395
Non-controlling interests	<u>60,672</u>	<u>96,607</u>	<u>23,999</u>	<u>14,690</u>	<u>140,739</u>
	<u>49,159</u>	<u>121,306</u>	<u>15,001</u>	<u>535</u>	<u>186,134</u>

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2016	2015	2016	2015	2015
	Unaudited				Audited
	NIS in thousands				
Net income	49,159	121,306	15,001	535	186,134
Other comprehensive income (loss) (after the tax effect):					
Amounts that will be reclassified to profit or loss					
Profit (loss) from cash flow hedge transactions	(19,442)	12,403	(713)	7,089	9,536
Adjustments resulting from the translation of financial statements of foreign activities	373	(98,102)	(19,297)	6,948	(137,384)
Amounts that will not be reclassified subsequently to profit or loss					
Loss from remeasurement in respect of defined benefit plan	-	(722)	-	-	(343)
Total other comprehensive income (loss)	(19,069)	(86,421)	(20,010)	14,037	(128,191)
Total comprehensive income (loss)	30,090	34,885	(5,009)	14,572	57,943
Total comprehensive income (loss) attributed to:					
Company's shareholders	(19,758)	(24,357)	(19,861)	(7,601)	(26,260)
Non-controlling interests	49,848	59,242	14,852	22,173	84,203
	30,090	34,885	(5,009)	14,572	57,943
Net income (loss) per share attributable to shareholders of the Company (in NIS)					
Basic net earnings (loss)	(0.18)	0.39	(0.14)	(0.22)	0.71
Diluted net earnings (loss)	(0.19)	0.37	(0.14)	(0.23)	0.69

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders 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 the shares by the subsidiary	-	-	(1,459)	-	-	(1,459)	(254)	(1,713)
Cost of share-based payment	-	-	-	471	-	471	3,665	4,136
Dividend to Company 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>
	Attributable to equity holders 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, 2015 (Audited)	217,374	38,319	272,893	(96,329)	(67,599)	364,658	709,885	1,074,543
Net income	-	-	24,699	-	-	24,699	96,607	121,306
Total other comprehensive loss	-	-	-	(49,056)	-	(49,056)	(37,365)	(86,421)
Total comprehensive income (loss)	-	-	24,699	(49,056)	-	(24,357)	59,242	34,885
Issue and sale of subsidiaries shares, net to non-controlling interests	-	-	9,983	-	-	9,983	60,691	70,674
Realization of options into subsidiaries' shares by holders of non-controlling interests	-	-	(441)	-	-	(441)	2,562	2,121
Realization of options into Company shares	157	150	-	(150)	-	157	-	157
Cost of share-based payment	-	-	-	-	-	-	3,670	3,670
Dividend to Company shareholders	-	-	(20,000)	-	-	(20,000)	-	(20,000)
Dividend to holders of non-controlling interests	-	-	-	-	-	-	(91,283)	(91,283)
Balance at September 30, 2015 (Unaudited)	<u>217,531</u>	<u>38,469</u>	<u>287,134</u>	<u>(145,535)</u>	<u>(67,599)</u>	<u>330,000</u>	<u>744,767</u>	<u>1,074,767</u>

ZUR SHAMIR HOLDINGS LTD.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	<u>Attributable to equity holders of the Company</u>						<u>Non-controlling interests</u>	<u>Total equity</u>
	<u>Share capital</u>	<u>Share premium</u>	<u>Retained earnings</u>	<u>Reserves</u>	<u>Treasury shares</u>	<u>Total</u>		
	<u>NIS in thousands</u>							
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 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>
	<u>Attributable to equity holders of the Company</u>						<u>Non-controlling interests</u>	<u>Total equity</u>
	<u>Share capital</u>	<u>Share premium</u>	<u>Retained earnings</u>	<u>Reserves</u>	<u>Treasury shares</u>	<u>Total</u>		
	<u>NIS in thousands</u>							
Balance at July 1, 2015 (Unaudited)	217,477	38,419	291,020	(152,039)	(67,599)	327,278	699,031	1,026,309
Net income (loss)	-	-	(14,155)	-	-	(14,155)	14,690	535
Total other comprehensive loss	-	-	-	6,554	-	6,554	7,483	14,037
Total comprehensive income (loss)	-	-	(14,155)	6,554	-	(7,601)	22,173	14,572
Issue of subsidiaries shares, net to non-controlling interests	-	-	9,983	-	-	9,983	60,691	70,674
Realization of options to shares in subsidiaries by non-controlling interest holders	-	-	286	-	-	286	(196)	90
Realization of options into Company shares	54	50	-	(50)	-	54	-	54
Cost of share-based payment	-	-	-	-	-	-	1,094	1,094
Dividend to holders of non-controlling interests	-	-	-	-	-	-	(38,026)	(38,026)
Balance at September 30, 2015 (Unaudited)	<u>217,531</u>	<u>38,469</u>	<u>287,134</u>	<u>(145,535)</u>	<u>(67,599)</u>	<u>330,000</u>	<u>744,767</u>	<u>1,074,767</u>

ZUR SHAMIR HOLDINGS LTD.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	<u>Attributable to equity holders of the Company</u>						<u>Non- controllin g interests</u>	<u>Total equity</u>
	<u>Share capital</u>	<u>Share premium</u>	<u>Retained earnings</u>	<u>Reserves</u>	<u>Treasury shares</u>	<u>Total</u>		
	<u>NIS in thousands</u>							
Balance at January 1, 2015 (Unaudited)	217,374	38,319	272,893	(96,329)	(67,599)	364,658	709,885	1,074,543
Net income	-	-	45,395	-	-	45,395	140,739	186,134
Total other comprehensive loss	-	-	-	(71,655)	-	(71,655)	(56,536)	(128,191)
Total comprehensive income (loss)	-	-	45,395	(71,655)	-	(26,260)	84,203	57,943
Subsidiary share issue, net to non-controlling interest	-	-	9,983	-	-	9,983	60,727	70,710
Cost of share-based payment	-	-	-	-	-	-	5,098	5,098
Realization of options to Company shares	157	150	-	(150)	-	157	-	157
Realization of options to shares in subsidiaries by non-controlling interest holders	-	-	138	-	-	138	1,763	1,901
Net accumulated effect as at December 31, 2015 of changes in insurance reserves in general insurance	-	-	11,092	-	-	11,092	18,275	29,367
Dividend to Company shareholders	-	-	(40,000)	-	-	(40,000)	-	(40,000)
Dividend to holders of non- controlling interests	-	-	-	-	-	-	(96,138)	(96,138)
Balance at December 31, 2015 (Audited)	<u>217,531</u>	<u>38,469</u>	<u>299,501</u>	<u>(168,134)</u>	<u>(67,599)</u>	<u>319,768</u>	<u>783,813</u>	<u>1,103,581</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2016	2015	2016	2015	2015
	Unaudited				Audited
	NIS in thousands				
Cash flows provided by (used in) current activities (appendix A)	454,680	(209,055)	43,200	(320,596)	(46,579)
CASH FLOWS FROM INVESTMENT ACTIVITIES					
Grant of deposits	(73,362)	(27,751)	(70,960)	(8,650)	(29,646)
Acquisition and investment in fixed assets and investment property and investment property under construction	(91,753)	(175,895)	(24,682)	(38,924)	(401,473)
Interest paid and capitalized to the cost of investment property under construction	(322)	(1,525)	(322)	-	(1,525)
Investment in affiliates	(1,333)	(1,333)	(1,000)	(666)	(2,000)
Proceeds from sale of fixed assets and investment property	22,042	2,656	890	1,099	3,078
Proceeds from sale of hedging transactions and settlement of hedging transactions	(1,982)	32,610	-	24,310	47,634
Acquisition of hedging transactions	-	(13,860)	-	(13,860)	(16,110)
Acquisition of intangible assets	(41,803)	(34,491)	(13,689)	(10,636)	(47,366)
Net cash used in investment activity	(188,513)	(219,589)	(109,763)	(47,327)	(447,408)
CASH FLOWS FROM FINANCE ACTIVITIES					
Settlement of CPI hedging transactions	(9,996)	(8,217)	(9,996)	(8,217)	(22,704)
Proceeds from the issue of bonds and subordinated deeds in subsidiary, net	901,364	132,836	901,364	-	251,977
Proceeds from realization of options to subsidiary shares	304	2,121	-	90	1,901
Proceeds from realization of options to Company's shares	-	157	-	54	157
Sale, net and issue of subsidiaries' shares to holders of non-controlling interest, net	-	70,674	-	70,674	70,710
Buy back of subsidiary's shares	(2,142)	-	-	-	-
Settlement of bonds and subordinated deeds in subsidiary	(527,090)	(314,613)	(286,517)	-	(389,506)
Settlement of Company bonds	(65,222)	(65,633)	-	(51,071)	(80,195)
Increase (decrease) in short term credit from banking institutions, net	-	24	-	25	(1)
Receipt of long-term loans from banking institutions and others	40,500	315,151	-	185,706	358,970
Settlement of long-term loans from banking institutions and others	(139,554)	(79,964)	(35,758)	(31,903)	-
Dividend paid to Company shareholders	(15,000)	(20,000)	(15,000)	(20,000)	(40,000)
Dividend paid to holders of non-controlling interests	(78,269)	(91,283)	(8,184)	(47,378)	(96,138)
Net cash provided by (used in) finance activity	104,895	(58,747)	545,909	97,980	55,171
Foreign exchange rate differences in respect of balances of cash and cash equivalents	(539)	(10,525)	(2,068)	537	(15,949)
Increase (decrease) in cash and cash equivalents	370,523	(497,916)	477,278	(269,406)	(454,765)
Balance of cash and cash equivalents as at the beginning of period (appendix B)	765,535	1,220,300	658,780	991,790	1,220,300
Balance of cash and cash equivalents as at the end of period (appendix B)	1,136,058	722,384	1,136,058	722,384	765,535

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2016	2015	2016	2015	2015
	Unaudited				Audited
	NIS in thousands				
APPENDIX A - CASH FLOWS FROM CURRENT ACTIVITIES					
Net income	49,159	121,306	15,001	535	186,134
Adjustments to profit or loss items					
Depreciation and amortization	36,938	35,027	12,287	11,496	47,927
Loss from sale of fixed assets	526	457	287	218	518
Cost of share-based payment	4,136	3,670	1,265	1,094	5,098
Company's share in losses of affiliates, net	1,333	1,333	1,000	666	2,000
Finance expenses, net	175,530	171,865	80,695	79,561	217,932
Investment losses (income) , net and other finance expenses (income)	1,442	(4,035)	(4,129)	14,216	(14,049)
Change in liabilities in respect of borrowing securities	284,349	-	(266,876)	-	-
Change in deposits used as guarantee for securities borrowing transactions, net	(291,117)	-	266,023	-	-
Decrease (increase) in value of investment property	(3,833)	(19,838)	336	(12,901)	(43,529)
Taxes on income	84,771	120,475	31,006	39,596	161,991
	294,075	308,954	121,894	133,946	377,888
Other financial investments					
Net sales (acquisitions) of financial investments	(10,793)	(1,594)	(31,325)	(152,188)	65,301
Acquisition of investment property and improvements in asset in consolidated insurance subsidiary	(259)	(214,537)	-	(214,537)	(214,740)
	(11,052)	(216,131)	(31,325)	(366,725)	(149,439)
Changes in asset and liability items					
Losses (profits) from financial investments for yield-dependent contracts	(3,582)	(2,486)	(4,132)	4,127	(6,334)
Profits from other financial investments	(165,590)	(156,450)	(73,176)	(15,648)	(200,942)
Change in liabilities for non-yield- dependent insurance contracts	337,623	150,688	53,167	37,582	128,565
Change in liabilities for yield-dependent contracts	(3,455)	(3,531)	1,641	(4,521)	(2,311)
Change in deferred acquisition costs	(36,699)	(25,174)	(9,514)	(5,381)	(21,240)
Change in reinsurance assets	(35,587)	(12,696)	3,871	(637)	(16,171)
Change in employee benefit liabilities, net	(781)	(282)	-	(149)	4,454
Short-term credit, net from banking institutions in respect of grant of consumer credit activities	422,695	(44,688)	45,172	28,570	(67,348)
Buy back of subsidiary shares	(6,600)	-	-	-	-
Change in outstanding premium	(103,938)	(86,449)	(22,664)	(38,381)	(103,674)
Change in debtors and receivables	(33,367)	(27,601)	(10,520)	(44,249)	(30,786)
Change in creditors and payables	(46,987)	(50,996)	1,459	346	53,890
	323,732	(259,665)	(14,696)	(38,341)	(261,897)
Cash paid and received during the period for:					
Interest paid	(150,322)	(152,627)	(50,370)	(49,135)	(194,098)
Interest received	97,280	88,204	36,597	21,740	113,861
Taxes paid	(160,057)	(107,177)	(35,432)	(23,486)	(130,258)
Taxes received	6,666	3,164	-	123	4,077
Dividend received	5,199	4,917	1,531	747	7,153
	(201,234)	(163,519)	(47,674)	(50,011)	(199,265)
Total cash flows provided by (used in) current activities	454,680	(209,055)	43,200	(320,596)	(46,579)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2016	2015	2016	2015	2015
	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	15,519	27,222	22,107	22,063	27,222
Other cash and cash equivalents	750,016	1,193,078	636,673	969,727	1,193,078
Balance of cash and cash equivalents as at the beginning of the period	765,535	1,220,300	658,780	991,790	1,220,300
APPENDIX C - Cash and cash equivalents as at the end of the period					
Cash and cash equivalents for yield-dependent contracts	18,556	19,147	18,556	19,147	15,519
Other cash and cash equivalents	1,117,502	703,237	1,117,502	703,237	750,016
Balance of cash and cash equivalents as at the end of the period	1,136,058	722,384	1,136,058	722,384	765,535
APPENDIX D - Significant non-cash activities					
Acquisition of investment property against creditors and payables	31,388	39,939	31,388	39,939	29,934
Issue of Company debentures, net o against debtors	116,938	-	116,938	-	-

CONDENSED INTERIM CONSOLIDATED NOTES TO THE 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 liability lines.

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.

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 private 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.

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

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

	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 real estate under construction, net	3,833	-	-	-	-	-	-	-	-	-	3,833
Net gains (losses) from investments and other finance income	(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 granting consumer credit	-	-	-	-	-	-	-	-	215,058	(60)	214,998
Income from reinsurers commissions	-	7,996	1,127	-	-	2,163	-	2,163	-	-	11,286
Company's share in losses of affiliates	-	-	-	-	-	-	-	-	-	(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 for insurance contracts on retention	-	89,515	49,592	321,676	563,412	46,143	6,384	937,615	-	(902)	1,075,820
Marketing expenses 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

CONDENSED INTERIM CONSOLIDATED NOTES TO THE 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, 2015										
	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	-	150,897	105,921	278,701	578,026	92,689	6,576	955,992	-	-	1,212,810
Income from lease of properties	148,803	-	-	-	-	-	-	-	-	(4,828)	143,975
Increase in value of investment property and real estate under construction, net	19,838	-	-	-	-	-	-	-	-	-	19,838
Net gains (losses) from investments and other finance income	18,889	6,772	3,010	19,858	7,710	2,758	352	30,678	184	(2,378)	57,155
Income from management fees	-	5,237	-	-	-	-	-	-	-	-	5,237
Income from granting consumer credit	-	-	-	-	-	-	-	-	169,682	(133)	169,549
Income from reinsurers commissions	-	7,432	1,349	-	-	1,975	-	1,975	-	-	10,756
Company's share in losses of affiliates	-	-	-	-	-	-	-	-	-	(1,333)	(1,333)
Other income	-	-	-	-	-	-	-	-	115	-	115
Total income	187,530	170,338	110,280	298,559	585,736	97,422	6,928	988,645	169,981	(8,672)	1,618,102
EXPENSES											
Payments and changes in liabilities for insurance contracts on retention	-	74,706	37,454	212,577	407,343	43,167	3,885	666,972	-	(887)	778,245
Marketing expenses and other acquisition expenses	-	26,729	22,364	39,036	77,324	16,281	954	133,595	61,988	(2,200)	242,476
Maintenance, general and administrative expenses	38,079	15,116	12,468	15,501	32,316	6,498	444	54,759	45,791	17,065	183,278
Finance expenses	101,249	-	-	-	-	70	-	70	6,979	63,567	171,865
Other expenses	43	-	-	-	-	-	-	-	-	414	457
Total expenses	139,371	116,551	72,286	267,114	516,983	66,016	5,283	855,396	114,758	77,959	1,376,321
Income (loss) before taxes on income	48,159	53,787	37,994	31,445	68,753	31,406	1,645	133,249	55,223	(86,631)	241,781

CONDENSED INTERIM CONSOLIDATED NOTES TO THE 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
Increase in value of investment property and real estate under construction, net	(336)	-	-	-	-	-	-	-	-	-	(336)
Net gains (losses) from investments and other finance income (expenses)	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 granting consumer credit	-	-	-	-	-	-	-	-	83,286	(16)	83,270
Income from reinsurers commissions (commission refund)	-	2,143	312	-	-	(132)	-	(132)	-	-	2,323
Company's share in losses of affiliates	-	-	-	-	-	-	-	-	-	(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 for insurance contracts on retention	-	36,897	19,830	99,685	198,238	14,550	1,742	314,215	-	(301)	370,641
Marketing expenses 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

CONDENSED INTERIM CONSOLIDATED NOTES TO THE 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, 2015										
	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	-	51,479	38,661	95,305	200,367	31,361	2,791	329,824	-	-	419,964
Income from lease of properties	53,316	-	-	-	-	-	-	-	-	(1,624)	51,692
Increase in value of investment property and real estate under construction, net	12,901	-	-	-	-	-	-	-	-	-	12,901
Net gains (losses) from investments and other finance income	(3,319)	(3,539)	406	(1,918)	44	468	(28)	(1,434)	161	(8,260)	(15,985)
Income from management fees	-	1,670	-	-	-	-	-	-	-	-	1,670
Income from granting consumer credit	-	-	-	-	-	-	-	-	55,323	(37)	55,286
Income from reinsurers commissions	-	2,010	561	-	-	1,234	-	1,234	-	-	3,805
Company's share in losses of affiliates	-	-	-	-	-	-	-	-	-	(666)	(666)
Other income	-	-	-	-	-	-	-	-	59	-	59
Total income	62,898	51,620	39,628	93,387	200,411	33,063	2,763	329,624	55,543	(10,587)	528,726
EXPENSES											
Payments and changes in liabilities for insurance contracts on retention	-	20,978	16,228	77,620	134,147	13,332	1,991	227,090	-	(299)	263,997
Marketing expenses and other acquisition expenses	-	8,695	7,740	14,388	27,308	5,063	449	47,208	21,123	(742)	84,024
Maintenance, general and administrative expenses	12,815	4,972	4,206	4,947	10,727	2,294	96	18,064	15,744	5,001	60,802
Finance expenses	45,959	-	-	-	-	24	-	24	2,299	31,279	79,561
Other expenses	30	-	-	-	-	-	-	-	-	181	211
Total expenses	58,804	34,645	28,174	96,955	172,182	20,713	2,536	292,386	39,166	35,420	488,595
Income (loss) before taxes on income	4,094	16,975	11,454	(3,568)	28,229	12,350	227	37,238	16,377	(46,007)	40,131

CONDENSED INTERIM CONSOLIDATED NOTES TO THE 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, 2015										
	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				
	Audited										
NIS in thousands											
INCOME											
Premiums earned on retention	-	204,748	144,043	376,276	783,998	124,692	8,273	1,293,239	-	-	1,642,030
Income from lease of properties	202,732	-	-	-	-	-	-	-	-	(6,532)	196,200
Increase in value of investment property and real estate under construction, net	43,529	-	-	-	-	-	-	-	-	-	43,529
Net gains on investments and other finance income	28,354	10,259	3,141	24,793	9,774	3,232	445	38,244	304	4,028	84,330
Income from management fees	-	7,119	-	-	-	-	-	-	-	-	7,119
Income from granting consumer credit	-	-	-	-	-	-	-	-	228,254	(236)	228,018
Income from reinsurers commissions	-	9,692	2,004	-	-	3,419	-	3,419	-	-	15,115
Group's share in losses of affiliates	-	-	-	-	-	-	-	-	-	(2,000)	(2,000)
Other income	-	-	-	-	-	-	-	-	145	-	145
Total income	274,615	231,818	149,188	401,069	793,772	131,343	8,718	1,334,902	228,703	(4,740)	2,214,486
EXPENSES											
Payments and changes in liabilities for insurance contracts on retention	-	105,364	49,616	265,817	571,405	63,805	4,815	905,842	-	(1,186)	1,059,636
Marketing expenses and other acquisition expenses	-	35,940	30,378	52,560	105,922	23,077	1,296	182,855	88,508	(2,945)	334,736
Maintenance, general and administrative expenses	52,574	20,636	17,137	21,552	45,366	8,841	698	76,457	62,899	23,856	253,559
Finance expenses	129,494	-	-	-	-	95	-	95	8,483	79,860	217,932
Other expenses	52	-	-	-	-	-	-	-	-	446	498
Total expenses	182,120	161,940	97,131	339,929	722,693	95,818	6,809	1,165,249	159,890	100,031	1,866,361
Income (loss) before taxes on income	92,495	69,878	52,057	61,140	71,079	35,525	1,909	169,653	68,813	(104,771)	348,125