

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

ZUR SHAMIR HOLDINGS LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 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 August 31, 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>).

ZUR SHAMIR HOLDINGS LTD.

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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 June 30, 2017, and the related condensed interim consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the period of six 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 22.1% of the total consolidated assets as at June 30, 2017, and whose revenues constitute about 4.9% and about 4.7% of the total consolidated revenues for the period of six 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,
August 31, 2017

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30,		December 31,
	2017	2016	2016
	Unaudited		Audited
	NIS in thousands		
CURRENT ASSETS			
Cash and cash equivalents	865,254	636,673	1,167,823
Cash and cash equivalents for yield-dependent contracts	7,498	22,107	10,740
Financial assets	976,677	792,473	1,009,750
Derivatives	13,169	1,271	3,204
Outstanding insurance premiums	537,577	445,739	454,819
Debtors and receivables	160,039	122,268	143,112
Deposits	75,919	575,980	320,978
Current tax receivable	67,068	31,844	53,626
Reinsurance assets	42,054	38,493	49,118
Deferred acquisition costs	99,605	91,531	84,530
	<u>2,844,860</u>	<u>2,758,379</u>	<u>3,297,700</u>
Assets designated for sale	<u>747,655</u>	<u>570,893</u>	<u>791,809</u>
	<u>3,592,515</u>	<u>3,329,272</u>	<u>4,089,509</u>
NON-CURRENT ASSETS			
Financial assets	2,290,173	1,933,865	1,745,676
Derivatives	14,378	-	7,781
Investment property and investment property under construction	3,620,254	3,629,811	3,638,398
Reinsurance assets	152,226	165,312	123,437
Fixed assets	134,538	128,468	132,050
Deferred acquisition costs	187,779	164,934	178,298
Debtors	71,599	48,780	59,523
Deposits	102,765	52,653	59,328
Goodwill and intangible assets	287,532	250,302	265,493
Deferred taxes	1,351	2,439	2,458
	<u>6,862,595</u>	<u>6,376,564</u>	<u>6,212,442</u>
	<u>10,455,110</u>	<u>9,705,836</u>	<u>10,301,951</u>

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30,		December 31,
	2017	2016	2016
	Unaudited		Audited
	NIS in thousands		
CURRENT LIABILITIES			
Financial liabilities	1,164,550	1,245,283	1,278,040
Creditors and payables	382,179	328,656	435,149
Current taxes payable	16,909	8,265	12,840
Derivatives	16,290	35,819	24,420
Liabilities in respect of borrowing securities	-	551,225	183,126
Liabilities for insurance contracts and investment contracts	991,694	850,460	1,017,491
	<u>2,571,622</u>	<u>3,019,708</u>	<u>2,951,066</u>
NON-CURRENT LIABILITIES			
Financial liabilities	4,326,500	3,308,945	4,066,815
Creditors and payables	33,185	16,521	25,424
Liabilities for insurance contracts and investment contracts	2,139,138	2,006,351	1,904,989
Liabilities for employee benefits, net	20,214	16,612	18,261
Derivatives	21,084	57,023	27,035
Deferred taxes	172,088	210,923	221,263
	<u>6,712,209</u>	<u>5,616,375</u>	<u>6,263,787</u>
EQUITY			
Share capital	217,531	217,531	217,531
Share premium	38,469	38,469	38,469
Reserves	(184,618)	(165,196)	(178,390)
Retained earnings	318,015	295,527	285,787
Treasury shares	(67,599)	(67,599)	(67,599)
	<u>321,798</u>	<u>318,732</u>	<u>295,798</u>
Total equity attributed to the Company's shareholders	321,798	318,732	295,798
Non-controlling interests	849,481	751,021	791,300
	<u>1,171,279</u>	<u>1,069,753</u>	<u>1,087,098</u>
Total equity	<u>10,455,110</u>	<u>9,705,836</u>	<u>10,301,951</u>

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF PROFIT AND LOSS

	Six months ended June 30,		Three months ended June 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	1,035,625	921,104	529,754	470,014	1,924,712
Income from lease of properties	105,910	107,952	53,893	54,871	215,928
Increase in value of investment property and properties under construction, net	2,674	4,169	2,674	4,043	22,276
Net gains on investments and other finance income	45,155	23,844	22,801	27,799	88,306
Income from management fees	3,125	3,312	1,552	1,617	6,513
Income from grant of consumer credit	190,401	131,728	102,568	66,311	294,613
Income from reinsurance commissions	8,783	8,963	3,968	3,816	17,604
Group's share in losses of affiliate	(333)	(333)	(333)	(333)	(1,333)
Other income	169	178	134	140	211
Total income	1,391,509	1,200,917	717,011	628,278	2,568,830
EXPENSES					
Payments and change in liabilities in respect of insurance contracts and investment contracts on retention	725,873	705,179	368,979	376,166	1,467,224
Marketing and other acquisition expenses	212,973	181,322	110,145	94,247	383,582
Maintenance, general and administrative expenses	168,305	131,317	84,205	65,592	276,114
Financial expenses	116,522	94,835	63,421	55,886	221,741
Other expenses	352	341	248	212	937
Total expenses	1,224,025	1,112,994	626,998	592,103	2,349,598
Income before taxes on income	167,484	87,923	90,013	36,175	219,232
Taxes on income	29,528	53,765	40,472	19,766	118,614
Net income	137,956	34,158	49,541	16,409	100,618
Net income (loss) attributed to:					
The Company's shareholders	44,228	(2,515)	9,437	(2,004)	2,745
Non-controlling interests	93,728	36,673	40,104	18,413	97,873
	137,956	34,158	49,541	16,409	100,618
Net earnings (loss) per share attributable to shareholders of the Company (in NIS)					
Basic net earnings (loss)	0.69	(0.04)	0.15	(0.03)	0.04
Diluted net earnings (loss)	0.69	(0.05)	0.14	(0.03)	0.03

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2017	2016	2017	2016	2016
	Unaudited				Audited
	NIS in thousands				
Net income	137,956	34,158	49,541	16,409	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	6,655	(18,729)	3,781	(4,297)	(7,705)
Adjustments resulting from the translation of financial statements of foreign activities	(16,981)	19,670	4,775	5,773	(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)	(10,326)	941	8,556	1,476	(22,980)
Total comprehensive income	127,630	35,099	58,097	17,885	77,638
Total comprehensive income (loss) attributed to:					
Company's shareholders	37,840	103	13,503	(549)	(8,139)
Non-controlling interests	89,790	34,996	44,594	18,434	85,777
	127,630	35,099	58,097	17,885	77,638

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, 2017 (Audited)	217,531	38,469	285,787	(178,390)	(67,599)	295,798	791,300	1,087,098
Net income	-	-	44,228	-	-	44,228	93,728	137,956
Total other comprehensive loss	-	-	-	(6,388)	-	(6,388)	(3,938)	(10,326)
Total comprehensive income (loss)	-	-	44,228	(6,388)	-	37,840	89,790	127,630
Cost of share-based payment	-	-	-	160	-	160	5,016	5,176
Dividend to Company shareholders	-	-	(12,000)	-	-	(12,000)	-	(12,000)
Dividend to holders of non-controlling interests	-	-	-	-	-	-	(36,625)	(36,625)
Balance at June 30, 2017 (Unaudited)	<u>217,531</u>	<u>38,469</u>	<u>318,015</u>	<u>(184,618)</u>	<u>(67,599)</u>	<u>321,798</u>	<u>849,481</u>	<u>1,171,279</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, 2016 (Audited)	217,531	38,469	299,501	(168,134)	(67,599)	319,768	783,813	1,103,581
Net income (loss)	-	-	(2,515)	-	-	(2,515)	36,673	34,158
Total other comprehensive income (loss)	-	-	-	2,618	-	2,618	(1,677)	941
Total comprehensive income (loss)	-	-	(2,515)	2,618	-	103	34,996	35,099
Cost of share-based payment	-	-	-	320	-	320	2,551	2,871
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 holders of non-controlling interests	-	-	-	-	-	-	(70,085)	(70,085)
Balance at June 30, 2016 (Unaudited)	<u>217,531</u>	<u>38,469</u>	<u>295,527</u>	<u>(165,196)</u>	<u>(67,599)</u>	<u>318,732</u>	<u>751,021</u>	<u>1,069,753</u>

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 April 1, 2017 (Unaudited)	217,531	38,469	308,578	(188,764)	(67,599)	308,215	803,177	1,111,392
Net income	-	-	9,437	-	-	9,437	40,104	49,541
Total other comprehensive income	-	-	-	4,066	-	4,066	4,490	8,556
Total comprehensive income	-	-	9,437	4,066	-	13,503	44,594	58,097
Cost of share-based payment	-	-	-	80	-	80	1,710	1,790
Balance at June 30, 2017 (Unaudited)	<u>217,531</u>	<u>38,469</u>	<u>318,015</u>	<u>(184,618)</u>	<u>(67,599)</u>	<u>321,798</u>	<u>849,481</u>	<u>1,171,279</u>
	Attributable to equity holders of the Company							
	Share capital	Share premium	Retained earnings	Reserves	Treasury shares	Total	Non-controlling interests	Total equity
	NIS in thousands							
Balance at April 1, 2016 (Unaudited)	217,531	38,469	298,177	(166,811)	(67,599)	319,767	730,713	1,050,480
Net income (loss)	-	-	(2,004)	-	-	(2,004)	18,413	16,409
Total other comprehensive loss	-	-	-	1,455	-	1,455	21	1,476
Total comprehensive income (loss)	-	-	(2,004)	1,455	-	(549)	18,434	17,885
Realization of options to shares in subsidiaries by non-controlling interest holders	-	-	(646)	-	-	(646)	892	246
Cost of share-based payment	-	-	-	160	-	160	982	1,142
Balance at June 30, 2016 (Unaudited)	<u>217,531</u>	<u>38,469</u>	<u>295,527</u>	<u>(165,196)</u>	<u>(67,599)</u>	<u>318,732</u>	<u>751,021</u>	<u>1,069,753</u>

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders 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 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

	Six months ended June 30,		Three months ended June 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)	(192,100)	411,480	(107,619)	191,771	327,526
CASH FLOWS FROM INVESTMENT ACTIVITIES					
Settlement (grant) of deposits	16,652	(2,402)	23,382	(656)	(66,300)
Acquisition of fixed assets and investment property under construction	(76,921)	(67,071)	(45,578)	(38,416)	(163,725)
Interest paid and capitalized to the cost of investment property under construction	(1,955)	-	(1,130)	-	(985)
Investment in affiliates, net	(333)	(333)	(333)	(333)	(1,333)
Proceeds from sale of fixed assets and investment property	2,502	21,152	2,102	2,202	31,797
Proceeds (payment) in respect of settlement of hedging transactions	7,251	(1,982)	5,486	(782)	4,851
Payment in respect of acquisition of hedging transactions	(1,292)	-	(1,292)	-	(2,291)
Acquisition of intangible assets	(29,667)	(28,114)	(9,450)	(14,596)	(57,712)
Cash deducted from acquisitions in a business combination	(6,000)	-	(6,000)	-	-
Net cash used in investment activity	(89,763)	(78,750)	(32,813)	(52,581)	(255,698)
CASH FLOWS FROM FINANCE ACTIVITIES					
Settlement of CPI hedging transactions	(5,709)	-	-	-	(15,042)
Proceeds from the issue of bonds and subordinated deeds in subsidiary	517,799	-	170,925	-	1,199,057
Proceeds from realization of options to subsidiary shares	-	304	-	246	304
Issue of Company bonds, net	-	-	-	-	116,925
Buy back of shares in subsidiary	-	(2,142)	-	-	(2,142)
Settlement of bonds and subordinated deeds in subsidiary	(198,723)	(240,573)	(183,542)	(174,124)	(648,656)
Settlement of Company bonds	(51,067)	(65,222)	-	(65,222)	(79,785)
Change in short term credit from banking institutions, net	(764)	-	-	-	764
Receipt of long term loan from banking institutions and others	58,631	40,500	34,404	-	80,918
Settlement of long-term loans from banking institutions and others	(290,610)	(103,796)	(40,921)	(58,085)	(216,690)
Dividend paid to Company shareholders	(12,000)	-	-	-	(15,000)
Dividend paid to holders of non-controlling interests	(42,818)	(70,085)	(3,846)	(62,393)	(78,269)
Net cash provided by (used in) finance activity	(25,261)	(441,014)	(22,980)	(359,578)	342,384
Foreign exchange rate differences in respect of balances of cash and cash equivalents	1,313	1,529	1,810	344	(1,184)
Increase (decrease) in cash and cash equivalents	(305,811)	(106,755)	(161,602)	(220,044)	413,028
Balance of cash and cash equivalents as at the beginning of period (App. B)	1,178,563	765,535	1,034,354	878,824	765,535
Balance of cash and cash equivalents as at the end of period (App. C)	872,752	658,780	872,752	658,780	1,178,563

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2017	2016	2017	2016	2016
	Unaudited				Audited
	NIS in thousands				
APPENDIX A - CASH FLOWS FROM CURRENT ACTIVITIES					
Net income	137,956	34,158	49,541	16,409	100,618
Adjustments to profit or loss items					
Depreciation and amortization	27,256	24,651	14,439	12,405	50,235
Loss from sale of fixed assets	352	239	248	110	836
Cost of share-based payment	5,176	2,871	1,790	1,142	5,413
Company's share in losses of affiliate	333	333	333	333	1,333
Finance expenses, net	116,522	94,835	63,421	55,886	221,741
Investment losses (income) , net and other finance expenses (income)	(6,409)	5,571	(836)	(1,199)	(14,405)
Increase in value of investment property	(2,674)	(4,169)	(2,674)	(4,043)	(22,276)
Taxes on income	29,528	53,765	40,472	19,766	118,614
	170,084	178,096	117,193	84,400	361,491
Other financial investments					
Net sales (acquisitions) of financial investments	(400,775)	20,532	(127,183)	(154,510)	(147,026)
Acquisition and investment of investment property in consolidated insurance subsidiary	(808)	(259)	(656)	(259)	(474)
	(401,583)	20,273	(127,839)	(154,769)	(147,500)
Changes in asset and liability items					
Losses (profits) from financial investments for yield-dependent contracts	(3,388)	550	(2,055)	(2,647)	(8,882)
Profits from other financial investments	(135,750)	(92,414)	(70,035)	(60,673)	(210,607)
Change in liabilities for non-yield- dependent insurance contracts	216,781	284,456	77,881	130,842	347,649
Change in liabilities for yield-dependent contracts	(8,429)	(5,096)	(4,019)	(485)	(2,620)
Change in deferred acquisition costs	(24,556)	(27,185)	(4,900)	(7,282)	(33,548)
Change in reinsurance assets	(21,725)	(39,458)	(9,064)	(39,983)	(8,208)
Change in employee benefit liabilities, net	1,953	(781)	1,023	(64)	(252)
Short-term credit, net from banking institutions in respect of grant of consumer credit grant activity	136,843	377,523	(77,509)	297,130	323,476
Change in liabilities in respect of borrowing securities	(183,126)	551,225	(64,076)	551,225	183,126
Change in deposits used as collateral for security borrowing transactions, net	184,582	(557,140)	62,656	(557,140)	(187,738)
Buy back of shares in subsidiary	-	(6,600)	-	-	(6,600)
Change in outstanding premium	(82,758)	(81,274)	(23,033)	(10,562)	(90,354)
Change in debtors and receivables	(61,254)	(22,847)	(30,434)	(255)	(98,700)
Change in creditors and payables	(32,574)	(48,446)	36,229	(5,273)	49,861
	(13,401)	332,513	(107,336)	294,833	256,603
Cash paid and received during the period for:					
Interest paid	(106,133)	(99,952)	(50,057)	(44,591)	(200,182)
Interest received	98,241	60,683	52,871	32,532	134,929
Taxes paid	(83,176)	(124,625)	(43,643)	(40,380)	(190,266)
Taxes received	1,856	6,666	64	2,366	6,666
Dividend received	4,056	3,668	1,587	971	5,167
	(85,156)	(153,560)	(39,178)	(49,102)	(243,686)
Total cash flows provided by (used in) current activities	(192,100)	411,480	(107,619)	191,771	327,526

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,		Three months ended June 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	9,235	21,661	15,519
Other cash and cash equivalents	1,167,823	750,016	1,025,119	857,163	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>1,034,354</u>	<u>878,824</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	7,498	22,107	7,498	22,107	10,740
Other cash and cash equivalents	865,254	636,673	865,254	636,673	1,167,823
Balance of cash and cash equivalents as at the end of the period	<u>872,752</u>	<u>658,780</u>	<u>872,752</u>	<u>658,780</u>	<u>1,178,563</u>
APPENDIX D - Significant non-cash activities					
Acquisition of fixed asset, investment property and real estate under construction against creditors and payables	<u>30,326</u>	<u>26,735</u>	<u>30,326</u>	<u>26,735</u>	<u>40,337</u>
Dividend declared but not yet paid to holders of non-controlling interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,552</u>

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 is focused mainly on various insurance coverage such as: death, disability, disability income insurance, etc., as well as 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.

CONDENSED INTERIM CONSOLIDATED NOTES TO THE 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

Including activities providing credit for the acquisition of vehicle (mostly second-hand), the granting of credit loans for any purpose and providing 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.)**

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

	Six months ended as at June 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	-	117,904	97,702	224,043	516,782	71,766	7,428	820,019	-	-	1,035,625
Income from lease of properties	109,121	-	-	-	-	-	-	-	-	(3,211)	105,910
Increase in value of investment property and properties under construction, net	2,674	-	-	-	-	-	-	-	-	-	2,674
Net gains from investments and other finance income	6,220	4,105	703	14,914	4,626	862	421	20,823	55	13,249	45,155
Income from management fees	-	3,125	-	-	-	-	-	-	-	-	3,125
Income from grant of consumer credit	-	-	-	-	-	-	-	-	190,433	(32)	190,401
Income from reinsurers commissions	-	5,503	1,082	-	-	2,198	-	2,198	-	-	8,783
Group's share in losses of affiliate	-	-	-	-	-	-	-	-	-	(333)	(333)
Other income	-	-	-	-	-	-	-	-	80	89	169
Total income	118,015	130,637	99,487	238,957	521,408	74,826	7,849	843,040	190,568	9,762	1,391,509
EXPENSES											
Payments and changes in liabilities in respect of insurance contracts and investment contracts on retention	-	58,780	35,543	200,882	388,888	36,947	5,431	632,148	-	(598)	725,873
Marketing and other acquisition expenses	-	22,029	24,954	28,215	59,712	11,160	1,356	100,443	67,030	(1,483)	212,973
Maintenance, general and administrative expenses	30,457	12,655	11,668	11,285	23,473	3,321	404	38,483	66,583	8,459	168,305
Financial expenses	59,371	41	-	-	-	29	-	29	17,534	39,547	116,522
Other expenses	-	-	-	-	-	-	-	-	-	352	352
Total expenses	89,828	93,505	72,165	240,382	472,073	51,457	7,191	771,103	151,147	46,277	1,224,025
Income (loss) before taxes on income	28,187	37,132	27,322	(1,425)	49,335	23,369	658	71,937	39,421	(36,515)	167,484

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.)

	Six months ended as at June 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	-	110,748	80,281	207,672	449,966	65,350	7,087	730,075	-	-	921,104
Income from lease of properties	111,186	-	-	-	-	-	-	-	-	(3,234)	107,952
Increase in value of investment property and properties under construction, net	4,169	-	-	-	-	-	-	-	-	-	4,169
Net gains (losses) from investments and other finance income (expenses)	(8,208)	(29)	420	15,215	6,646	1,270	360	23,491	189	7,981	23,844
Income from management fees	-	3,312	-	-	-	-	-	-	-	-	3,312
Income from grant of consumer credit	-	-	-	-	-	-	-	-	131,772	(44)	131,728
Income from reinsurers commissions	-	5,853	815	-	-	2,295	-	2,295	-	-	8,963
Group's share in losses of affiliate	-	-	-	-	-	-	-	-	-	(333)	(333)
Other income	79	-	-	-	-	-	-	-	99	-	178
Total income	107,226	119,884	81,516	222,887	456,612	68,915	7,447	755,861	132,060	4,370	1,200,917
EXPENSES											
Payments and changes in liabilities in respect of insurance contracts and investment contracts on retention	-	52,618	29,762	221,991	365,174	31,593	4,642	623,400	-	(601)	705,179
Marketing and other acquisition expenses	-	19,540	17,513	24,497	54,968	12,280	1,013	92,758	53,000	(1,489)	181,322
Maintenance, general and administrative expenses	30,184	11,075	9,830	11,380	21,586	3,148	509	36,623	36,370	7,235	131,317
Financial expenses	56,693	42	-	-	-	51	-	51	5,007	33,042	94,835
Other expenses	54	-	-	-	-	-	-	-	-	287	341
Total expenses	86,931	83,275	57,105	257,868	441,728	47,072	6,164	752,832	94,377	38,474	1,112,994
Income (loss) before taxes on income	20,295	36,609	24,411	(34,981)	14,884	21,843	1,283	3,029	37,683	(34,104)	87,923

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 June 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	-	58,476	50,303	114,266	266,313	36,688	3,708	420,975	-	-	529,754
Income from lease of properties	55,503	-	-	-	-	-	-	-	-	(1,610)	53,893
Increase in value of investment property and properties under construction, net	2,674	-	-	-	-	-	-	-	-	-	2,674
Net gains (losses) from investments and other finance income (expenses)	(1,021)	2,658	506	9,321	3,191	655	268	13,435	60	7,163	22,801
Income from management fees	-	1,552	-	-	-	-	-	-	-	-	1,552
Income from grant of consumer credit	-	-	-	-	-	-	-	-	102,591	(23)	102,568
Income from reinsurers commissions	-	2,545	454	-	-	969	-	969	-	-	3,968
Group's share in losses of affiliate	-	-	-	-	-	-	-	-	-	(333)	(333)
Other income	-	-	-	-	-	-	-	-	45	89	134
Total income	57,156	65,231	51,263	123,587	269,504	38,312	3,976	435,379	102,696	5,286	717,011
EXPENSES											
Payments and changes in liabilities in respect of insurance contracts and investment contracts on retention	-	27,784	19,016	102,894	196,721	19,940	2,930	322,485	-	(306)	368,979
Marketing and other acquisition expenses	-	10,521	11,986	14,943	31,941	6,017	500	53,401	34,996	(759)	110,145
Maintenance, general and administrative expenses	14,712	6,374	5,866	5,211	11,532	1,662	149	18,554	33,644	5,055	84,205
Financial expenses	29,780	22	-	-	-	14	-	14	11,205	22,400	63,421
Other expenses	-	-	-	-	-	-	-	-	-	248	248
Total expenses	44,492	44,701	36,868	123,048	240,194	27,633	3,579	394,454	79,845	26,638	626,998
Income (loss) before taxes on income	12,664	20,530	14,395	539	29,310	10,679	397	40,925	22,851	(21,352)	90,013

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 June 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	-	54,955	41,328	106,464	230,374	32,984	3,909	373,731	-	-	470,014
Income from lease of properties	56,470	-	-	-	-	-	-	-	-	(1,599)	54,871
Increase in value of investment property and properties under construction, net	4,043	-	-	-	-	-	-	-	-	-	4,043
Net gains (losses) from investments and other finance income (expenses)	(1,235)	3,117	374	11,344	5,249	1,040	291	17,924	96	7,523	27,799
Income from management fees	-	1,617	-	-	-	-	-	-	-	-	1,617
Income from grant of consumer credit	-	-	-	-	-	-	-	-	66,331	(20)	66,311
Income from reinsurers commissions	-	2,356	392	-	-	1,068	-	1,068	-	-	3,816
Group's share in losses of affiliate	-	-	-	-	-	-	-	-	-	(333)	(333)
Other income	79	-	-	-	-	-	-	-	61	-	140
Total income	59,357	62,045	42,094	117,808	235,623	35,092	4,200	392,723	66,488	5,571	628,278
EXPENSES											
Payments and changes in liabilities in respect of insurance contracts and investment contracts on retention	-	31,762	15,913	117,845	191,474	14,898	4,577	328,794	-	(303)	376,166
Marketing and other acquisition expenses	-	9,767	8,954	13,048	29,681	6,211	585	49,525	26,751	(750)	94,247
Maintenance, general and administrative expenses	15,376	5,434	4,864	6,222	9,918	1,263	233	17,636	18,822	3,460	65,592
Financial expenses	32,823	23	-	-	-	25	-	25	3,575	19,440	55,886
Other expenses	-	-	-	-	-	-	-	-	-	212	212
Total expenses	48,199	46,986	29,731	137,115	231,073	22,397	5,395	395,980	49,148	22,059	592,103
Income (loss) before taxes on income	11,158	15,059	12,363	(19,307)	4,550	12,695	(1,195)	(3,257)	17,340	(16,488)	36,175

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, 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 properties 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
Financial 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	73,287	71,270	46,222	(59,895)	36,140	48,249	3,904	28,398	85,433	(85,378)	219,232