

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

**ZUR SHAMIR HOLDINGS LTD.**

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF DECEMBER 31, 2018**

Please find attached an extract English translation of the Hebrew version of the consolidated financial statements of Zur Shamir Holdings Ltd. which were approved on March 25, 2019.

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 CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2018**

**INDEX**

	<b><u>Page</u></b>
<b>Auditors' Review Report – Review of the components of internal control over financial reporting</b>	<b>2 - 3</b>
<b>Auditor's Report</b>	<b>4 - 5</b>
<b>Condensed Consolidated Statements of the Financial Position</b>	<b>6 - 7</b>
<b>Condensed Consolidated Statements of Profit or Loss</b>	<b>8</b>
<b>Condensed Consolidated Statements of Comprehensive Income</b>	<b>9</b>
<b>Condensed Consolidated Statements of Changes in Equity</b>	<b>10</b>
<b>Condensed Consolidated Statements of Cash Flows</b>	<b>11 - 14</b>
<b>Condensed Notes to the Consolidated Financial Statements</b>	<b>15 - 19</b>

-----



**Kost Forer Gabbay & Kasierer**  
144 Menachem Begin Road, Building A  
Tel-Aviv 6492102, Israel

Tel: +972-3-6232525  
Fax: +972-3-5622555  
ey.com

**Independent Auditors' Report  
to the Shareholders of  
Zur Shamir Holdings Ltd.**

**Review of the components of internal control over financial reporting**

**Pursuant to Section 9b(c) to the Israeli Securities Regulations  
(Periodic and Immediate Reports), 1970**

We have audited the components of internal control over financial reporting of ZUR SHAMIR HOLDINGS LTD. and its subsidiaries (hereunder collectively - the Company) as at December 31, 2018. These control components were determined as explained in the following paragraph. The Company's Board of Directors and Management are responsible for maintaining effective internal control over financial reporting, and for their assessment of the effectiveness of internal control over financial reporting included in the accompanying periodic report for the said date. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

The components of internal control over financial reporting audited by us were prescribed in accordance with Auditing Standard 104 of the Institute of Certified Public Accountants in Israel "Audit of Components of Internal Control over Financial Reporting", as amended (hereunder – Auditing Standard 104). These components are entity-level controls, including financial statements closing and preparation process controls and information technology general controls (hereunder - "the audited control components") and controls over processes that are very significant to the financial reporting and disclosure in the Company and its subsidiaries.

We conducted our audit in accordance with Auditing Standard 104. The Standard requires that we plan and perform the audit to identify the control components that are auditable in accordance with the provisions of the Regulations and to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, identifying the control components that are auditable in accordance with the provisions of the Regulations, assessing the risk that a material weakness exists regarding the audited control components and testing and evaluating the design and operating effectiveness of the audited control components based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. According to the Regulations, our audit only addressed the audited control components, as opposed to internal control over the corporation's overall significant processes relating to financial reporting. Moreover, our audit did not address any reciprocal effects between the audited control components and unaudited ones and accordingly, our opinion does not take into account any such possible effects. We believe that our audit provides a reasonable basis for our opinion within the context described above.

Because of its inherent limitations, internal control over financial reporting as a whole, and specifically the components therein, may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting with respect to the audited control components as at December 31, 2018.

We have also audited, in accordance with generally accepted auditing standards in Israel, the consolidated financial statements of the Company as of December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018 and our report dated March 25, 2019 expressed an unqualified opinion of those financial statements. We also drew attention to Note 42a and Note 42b to the annual consolidated financial statements regarding the exposure to requests to approve claims as class actions in subsidiaries.

Tel-Aviv, Israel  
March 25, 2019

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



**Kost Forer Gabbay & Kasierer**  
144 Menachem Begin Road, Building A  
Tel-Aviv 6492102, Israel

Tel: +972-3-6232525  
Fax: +972-3-5622555  
ey.com

## **AUDITORS' REPORT**

**To the Shareholders of**

**ZUR SHAMIR HOLDINGS LTD.**

We have audited the accompanying consolidated statements of financial position of ZUR SHAMIR HOLDINGS LTD. (hereunder - the Company) as at December 31, 2018 and 2017, and the related consolidated statements of profit or loss, comprehensive income, changes in equity, and cash flows for each of the three years in the period ended as at December 31, 2018. These financial statements are the responsibility of the Company's Board of Directors and Management. Our responsibility is to express an opinion on these financial statements based on our audits.

We did not review the financial statements of certain subsidiaries, whose assets constitute about 20.7% and about 22.1% of total consolidated assets as at December 31, 2018 and 2017, respectively, and whose revenues constitute about 4.9%, about 4.8% and about 5.6% of total consolidated revenues for the years ended as at December 31, 2018, 2017 and 2016, respectively. The financial statements of those companies were audited by other auditors whose reports were furnished to us and our opinion, insofar as it relates to the amounts included for those companies, is based on the reports of the other auditors.

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

In our opinion, based on our audit and on the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as at December 31, 2018 and 2017 and the results of their activities, the changes in equity and cash flows, for each of the three years in the period ended as at December 31, 2018, in conformity with the International Financial Reporting Standards (IFRS) and in accordance with the disclosure requirements as prescribed by the Regulator of Insurance according to the Supervision of Financial Services (Insurance) Law, 1981. Furthermore, in our opinion, the financial statements referred to above are prepared in accordance with the directives of the Israeli Securities Regulations (Preparation of Annual Financial Statements), 2010, insofar as these Regulations apply to insurance companies.

Without qualifying our opinion, we draw attention to Note 42a and 42b to the annual consolidated financial statements regarding exposure to class actions and the approval of claims as class actions of a subsidiaries.

We have also audited, in accordance with Auditing Standard 104 of the Institute of Certified Public Accountants in Israel, "Audit of Components of Internal Control over Financial Reporting", the Company's components of internal control over financial reporting as of December 31, 2018, and our report dated March 25, 2019 expressed an unqualified opinion on the effective existence of those components.

Tel-Aviv,  
March 25, 2019

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

**CONDENSED CONSOLIDATED STATEMENTS OF THE FINANCIAL POSITION**

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
	<b>NIS in thousands</b>	
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	1,259,157	916,362
Cash and cash equivalents for yield dependent contracts	4,881	8,279
Financial assets	1,211,570	579,471
Derivatives	5,567	2,198
Outstanding insurance premiums	575,807	540,705
Debtors and receivables	162,481	(* 479,912
Deposits	31,350	78,512
Current taxes receivable	7,791	75,357
Reinsurance assets	137,416	55,214
Deferred acquisition costs	135,012	(* 117,843
	<u>3,531,032</u>	<u>2,853,853</u>
Assets designated for sale	<u>1,183,274</u>	<u>844,634</u>
	<u>4,714,306</u>	<u>3,698,487</u>
<b>NON-CURRENT ASSETS</b>		
Financial assets	2,675,696	2,557,583
Derivatives	1,283	6,485
Investment property and investment property under construction	4,194,062	3,887,801
Reinsurance assets	389,099	138,995
Fixed assets	195,565	184,883
Deferred acquisition costs	206,057	199,426
Debtors and receivables	81,268	88,458
Deposits	98,076	107,835
Goodwill and intangible assets	343,849	304,127
Deferred taxes	9,744	9,498
	<u>8,194,699</u>	<u>7,485,091</u>
	<u>12,909,005</u>	<u>11,183,578</u>

\*) Reclassified.

**CONDENSED CONSOLIDATED STATEMENTS OF THE FINANCIAL POSITION**

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
	<b>NIS in thousands</b>	
<b>CURRENT LIABILITIES</b>		
Financial liabilities	1,512,669	1,419,818
Creditors and payables	795,973	539,170
Current taxes payable	24,320	1,107
Derivatives	12,038	13,340
Liabilities for insurance contracts and investment contracts	<u>1,346,091</u>	<u>1,186,408</u>
	<u>3,691,091</u>	<u>3,159,843</u>
<b>NON-CURRENT LIABILITIES</b>		
Financial liabilities	5,346,195	4,285,904
Creditors and payables	36,770	37,509
Liabilities for insurance contracts and investment contracts	2,203,148	2,045,495
Liabilities for employee benefits	35,014	31,260
Derivatives	31,197	20,436
Deferred taxes	<u>187,366</u>	<u>208,981</u>
	<u>7,839,690</u>	<u>6,629,585</u>
<b>CAPITAL</b>		
Share capital	143,947	143,085
Share premium	56,150	45,427
Reserves	(137,126)	(142,402)
Retained earnings	<u>313,039</u>	<u>336,831</u>
Total equity attributed to the Company's shareholders	376,010	382,941
Non-controlling interests	<u>1,002,214</u>	<u>1,011,209</u>
Total equity	<u>1,378,224</u>	<u>1,394,150</u>
	<u><u>12,909,005</u></u>	<u><u>11,183,578</u></u>



**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS**

	<b>Year ended December 31</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<b>NIS in thousands (except for net earnings per share data)</b>		
<b>INCOME</b>			
Premiums earned on retention	2,276,858	2,182,752	1,924,712
Income from lease of properties	236,962	219,189	215,928
Increase in value of investment property and property under construction, net	24,576	17,462	22,276
Net gains from investments and other finance income	67,943	110,479	88,306
Income from management fees	5,790	6,222	6,513
Income from grant of consumer credit	482,680	422,680	294,613
Income from commissions	64,872	17,960	17,604
Group's share in losses of affiliate	-	(578)	(1,333)
Other income	176	399	211
<b>Total income</b>	<b>3,159,857</b>	<b>2,976,565</b>	<b>2,568,830</b>
<b>EXPENSES</b>			
Payments and change in liabilities in respect of insurance contracts and investment contracts on retention	1,586,734	1,539,327	1,467,224
Marketing and other acquisition expenses	552,502	449,780	383,582
Maintenance, administrative and general expenses	394,700	348,562	276,114
Finance expenses	252,324	218,555	221,741
Other expenses	532	921	937
<b>Total expenses</b>	<b>2,786,792</b>	<b>2,557,145</b>	<b>2,349,598</b>
Income before taxes on income	373,065	419,420	219,232
Taxes on income	148,832	112,885	118,614
Net income	<u>224,233</u>	<u>306,535</u>	<u>100,618</u>
Attributed to:			
Company's shareholders	52,475	103,911	2,745
Non-controlling interest	171,758	202,624	97,873
	<u>224,233</u>	<u>306,535</u>	<u>100,618</u>
<b>Net earnings per share attributed to shareholders of the Company (in NIS)</b>			
Basic earnings, net	<u>0.82</u>	<u>1.63</u>	<u>0.04</u>
Diluted earnings, net	<u>0.80</u>	<u>1.61</u>	<u>0.03</u>

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Year ended December 31		
	2018	2017	2016
	NIS in thousands		
Net income	224,233	306,535	100,618
<b>Other comprehensive income (loss) (after the tax effect):</b>			
<b>Amounts that will be reclassified subsequently to profit or loss:</b>			
Net change in respect of debt instruments measured at fair value through other comprehensive income (loss)	(9,854)	-	-
Net change in respect of debt instruments measured at fair value through other comprehensive income transferred to profit or loss	1,080	-	-
Profit (loss) in respect of cash flow hedging transactions	(3,641)	7,458	(7,705)
Transfer to profit or loss in respect of cash flow hedging transactions, net	1,951	-	-
Adjustments resulting from the translation of the financial statements of activities abroad	4,596	(2,594)	(14,538)
<b>Amounts that will not be reclassified subsequently to profit or loss:</b>			
Revaluation in respect of fixed assets	2,007	29,102	-
Loss from remeasurement in respect of defined benefit plan	(2,129)	(4,612)	(737)
Total other comprehensive income (loss)	(5,990)	29,354	(22,980)
Total comprehensive income	218,243	335,889	77,638
<b>Total comprehensive income (loss) attributed to:</b>			
Company's shareholders	50,907	118,297	(8,139)
Non-controlling interests	167,336	217,592	85,777
	218,243	335,889	77,638

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' 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							
<b>Balance as at January 1, 2016</b>	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
Share based payment cost	-	-	-	628	-	628	4,785	5,413
Realization of option warrants to subsidiary's shares by non-controlling interest holders 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 non-controlling interest holders	-	-	-	-	-	-	(82,821)	(82,821)
<b>Balance as at December 31, 2016</b>	217,531	38,469	285,787	(178,390)	(67,599)	295,798	791,300	1,087,098
Net income	-	-	103,911	-	-	103,911	202,624	306,535
Total other comprehensive income	-	-	-	14,386	-	14,386	14,968	29,354
Total comprehensive income	-	-	103,911	14,386	-	118,297	217,592	335,889
Share based payment cost	-	-	-	320	-	320	8,153	8,473
Issue of shares, net of subsidiaries to non-controlling interest holders	-	-	(28,867)	21,376	-	(7,491)	115,663	108,172
Realization of option warrants to Company's shares	17	94	-	(94)	-	17	-	17
Cancellation of treasury shares	(74,463)	6,864	-	-	67,599	-	-	-
Dividend to the Company's shareholders	-	-	(24,000)	-	-	(24,000)	-	(24,000)
Dividend to non-controlling interest holders	-	-	-	-	-	-	(121,499)	(121,499)
<b>Balance as at December 31, 2017</b>	143,085	45,427	336,831	(142,402)	-	382,941	1,011,209	1,394,150
Effect of first-time implementation of IFRS 9 and IFRS 15 standards	-	-	(28,294)	2,246	-	(26,048)	(29,836)	(55,884)
<b>Balance as at January 1, 2018, after first-time implementation</b>	143,085	45,427	308,537	(140,156)	-	356,893	981,373	1,338,266
Net income	-	-	52,475	-	-	52,475	171,758	224,233
Total other comprehensive loss	-	-	-	(1,568)	-	(1,568)	(4,422)	(5,990)
Total comprehensive income (loss)	-	-	52,475	(1,568)	-	50,907	167,336	218,243
Share based payment cost	-	-	-	176	-	176	4,499	4,675
Realization of option warrants to Company's shares	12	59	-	(59)	-	12	-	12
Issue and acquisition of subsidiary's shares	-	-	(18,066)	4,481	-	(13,585)	(21,278)	(34,863)
Issue of capital shares	850	10,664	-	-	-	11,514	-	11,514
Realization of option warrants into subsidiary's shares by non-controlling interests	-	-	93	-	-	93	545	638
Dividend to the Company's shareholders	-	-	(30,000)	-	-	(30,000)	-	(30,000)
Dividend to non-controlling interest holders	-	-	-	-	-	-	(130,261)	(130,261)
<b>Balance as at December 31, 2018</b>	<u>143,947</u>	<u>56,150</u>	<u>313,039</u>	<u>(137,126)</u>	<u>-</u>	<u>376,010</u>	<u>1,002,214</u>	<u>1,378,224</u>

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	App.	Year ended December 31		
		2018	2017	2016
				NIS in thousands
Cash flows provided by (used in) current activities	a	(406,991)	25,486	327,526
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>				
Settlement (grant) of deposits, net		55,900	9,000	(66,300)
Acquisition of fixed assets and investment property and investment property under construction		(266,003)	(267,555)	(163,725)
Interest paid and capitalized to cost of investment property under construction		(6,822)	(4,062)	(985)
Investment in an affiliate, net		-	(578)	(1,333)
Proceeds from the sale of fixed assets and investment property		2,917	4,754	31,797
Proceeds in respect of hedging transactions		1,378	4,528	4,851
Payment in respect of hedging transactions		(14,950)	(4,346)	(2,291)
Acquisition of intangible assets		(79,809)	(59,552)	(57,712)
Acquisition of subsidiary's shares, net		(25,260)	-	-
Cash deducted from acquisitions in a business combination		-	(6,000)	-
Net cash used in investment activities		(332,649)	(323,811)	(255,698)

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

App.	Year ended December 31		
	2018	2017	2016
	NIS in thousands		
<b>CASH FLOWS FROM FINANCE ACTIVITIES</b>			
Settlement of CPI hedging transactions and interest rate determination	(2,698)	(15,529)	(15,042)
Proceeds from the issue of bonds and subordinated deeds in a subsidiary, net	694,274	517,799	1,199,057
Proceeds from the realization of options to a subsidiary's shares	545	-	304
Proceeds from the realization of options to Company's shares	93	17	-
Issue of Company shares, net	11,526	-	-
Issue of Company bonds, net of tax	647,979	-	116,925
Buy back of shares in subsidiary	-	-	(2,142)
Sale, net and issue of a subsidiary's shares to non-controlling interest holders	(273)	108,172	-
Settlement of bonds and subordinated deeds in a subsidiary	(282,307)	(235,022)	(648,656)
Settlement of Company bonds	(115,963)	(51,067)	(79,785)
Change in short-term credit from banking institutions, net	-	(764)	764
Receipt of long term loans from banking institutions and others, net	463,698	168,631	80,918
Settlement of long term loans from banking institutions and others, net	(125,510)	(353,480)	(216,690)
Dividend paid to shareholders of the Company	(30,000)	(24,000)	(15,000)
Dividend paid to non-controlling interest holders	(181,789)	(74,523)	(78,269)
Net cash provided by finance activities	1,079,575	40,234	342,384
<b>Exchange rate differences in respect of balances of cash and cash equivalents</b>	(538)	4,169	(1,184)
<b>Increase (decrease) in cash and cash equivalents</b>	339,397	(253,922)	413,028
<b>Balance of cash and cash equivalents as at the beginning of the year</b>	b	924,641	1,178,563
<b>Balance of cash and cash equivalents as at the end of the year</b>	c	1,264,038	1,178,563

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Year ended December 31,		
	2018	2017	2016
	NIS in thousands		
<b>(a) CASH FLOWS FROM CURRENT ACTIVITIES</b>			
Net income	224,233	306,535	100,618
<b>Adjustments to the profit or loss items:</b>			
Losses (profits) from financial investments for yield-dependent contracts	5,441	(14,421)	(8,882)
Profits from other financial investments	(348,737)	(317,036)	(210,607)
Depreciation and amortization	67,353	58,551	50,235
Loss from the sale of fixed assets	532	903	836
Cost of share-based payment	4,675	8,473	5,413
Company's share in losses of affiliate	-	578	1,333
Finance expenses, net	252,324	218,555	221,741
Investment losses (income), net and other finance income	11,879	(1,764)	(14,405)
Increase in value of investment property	(24,576)	(17,462)	(22,276)
Taxes on income	148,832	112,885	118,614
	<u>117,723</u>	<u>49,262</u>	<u>142,002</u>
<b>Other financial investments:</b>			
Net acquisitions of financial investments	(636,661)	(562,808)	(147,026)
Acquisitions and investments in investment property in consolidated insurance company	(16)	(821)	(474)
	<u>(636,677)</u>	<u>(563,629)</u>	<u>(147,500)</u>
<b>Changes in assets and liabilities items:</b>			
Change in liabilities in respect of non-yield-dependent insurance contracts	346,216	322,319	347,649
Change in liabilities in respect of yield-dependent contracts	(28,880)	(8,673)	(2,620)
Change in deferred acquisition costs	(23,800)	* (36,789)	* (31,830)
Change in reinsurance assets	(332,306)	(21,654)	(8,208)
Change in employee benefits liabilities, net	519	1,769	(252)
Short-term credit, net from banking institutions and others in respect of consumer credit grant activities	(176,397)	295,821	323,476
Change in liability in respect of borrowing securities			
Change in deposits to secure securities borrowing transactions, net	-	(183,126)	183,126
Buy back of shares in subsidiary	-	-	(6,600)
Change in outstanding premium	(35,102)	(85,886)	(90,354)
Change in debtors and receivables	(145,175)	* (137,273)	* (100,418)
Change in creditors and payables	281,591	66,430	49,861
	<u>(113,334)</u>	<u>400,449</u>	<u>476,092</u>
<b>Cash paid and received during the year for:</b>			
Interest paid	(228,335)	(210,115)	(200,182)
Interest received	257,875	206,655	134,929
Taxes paid	(89,116)	(173,465)	(190,266)
Taxes received	50,051	1,856	6,666
Dividend received	10,589	7,938	5,167
	<u>1,064</u>	<u>(167,131)</u>	<u>(243,686)</u>
Total cash flows provided by (used in) current activities	<u>(406,991)</u>	<u>25,486</u>	<u>327,526</u>

\*) Reclassified.

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Year ended December 31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<b>NIS in thousands</b>		
<b>(b) CASH AND CASH EQUIVALENTS AS AT THE BEGINNING OF THE YEAR</b>			
Cash and cash equivalents for yield dependent contracts	8,279	10,740	15,519
Other cash and cash equivalents	<u>916,362</u>	<u>1,167,823</u>	<u>750,016</u>
Balance of cash and cash equivalents as at the beginning of the year	<u>924,641</u>	<u>1,178,563</u>	<u>765,535</u>
<b>(c) CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR</b>			
Cash and cash equivalents for yield dependent contracts	4,881	8,279	10,740
Other cash and cash equivalents	<u>1,259,157</u>	<u>916,362</u>	<u>1,167,823</u>
Balance of cash and cash equivalents at the end of the year	<u>1,264,038</u>	<u>924,641</u>	<u>1,178,563</u>
<b>(d) SIGNIFICANT NON-CASH ACTIVITIES</b>			
Acquisition of fixed assets, investment property and property under construction against creditors and payables	<u>36,055</u>	<u>38,118</u>	<u>40,337</u>
Securitization of loan property against debtors	<u>-</u>	<u>314,748</u>	<u>-</u>
Dividend declared and not yet paid to non-controlling interest holders	<u>-</u>	<u>51,528</u>	<u>4,552</u>

**CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

---

**NOTE 5:- 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 coverage 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 and travel abroad.

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 coverage 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 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

---

**NOTE 5:- 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. Including: 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.

**CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****NOTE 5:- SEGMENTS OF ACTIVITY (Cont.)**

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

	Year ended as at December 31, 2018										
	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				
NIS in thousands											
<b>INCOME</b>											
Premiums earned on retention	-	257,040	243,766	366,333	1,262,634	130,420	16,665	1,776,052	-	-	2,276,858
Income from lease of properties	244,214	-	-	-	-	-	-	-	-	(7,252)	236,962
Increase in value of investment property and property under construction, net	24,576	-	-	-	-	-	-	-	-	-	24,576
Net gains (losses) from investments and other finance income (expenses)	(3,672)	(3,684)	1,295	34,659	12,344	2,223	1,183	50,409	2,608	20,987	67,943
Income from management fees	-	5,790	-	-	-	-	-	-	-	-	5,790
Income from grant of consumer credit	-	-	-	-	-	-	-	-	482,748	(68)	482,680
Income from commissions	-	12,373	2,369	37,250	-	12,880	-	50,130	-	-	64,872
Other income	-	-	-	-	-	-	-	-	50	126	176
<b>Total income</b>	<b>265,118</b>	<b>271,519</b>	<b>247,430</b>	<b>438,242</b>	<b>1,274,978</b>	<b>145,523</b>	<b>17,848</b>	<b>1,876,591</b>	<b>485,406</b>	<b>13,793</b>	<b>3,159,857</b>
<b>EXPENSES</b>											
Payments and change in liabilities in respect of insurance contracts and investment contracts on retention	-	107,970	101,470	381,861	906,616	77,473	12,579	1,378,529	-	(1,235)	1,586,734
Marketing expenses and other acquisition expenses	-	63,460	73,906	69,068	148,888	29,945	2,360	250,261	167,940	(3,065)	552,502
Maintenance, administrative and general expenses	69,907	24,524	31,644	20,474	48,356	9,821	595	79,246	167,202	22,177	394,700
Finance expenses	115,932	68	-	707	461	104	-	1,272	43,696	91,356	252,324
Other expenses	61	-	-	-	-	-	-	-	-	471	532
<b>Total expenses</b>	<b>185,900</b>	<b>196,022</b>	<b>207,020</b>	<b>472,110</b>	<b>1,104,321</b>	<b>117,343</b>	<b>15,534</b>	<b>1,709,308</b>	<b>378,838</b>	<b>109,704</b>	<b>2,786,792</b>
Income (loss) before taxes on income	79,218	75,497	40,410	(33,868)	170,657	28,180	2,314	167,283	106,568	(95,911)	373,065
Other comprehensive income (loss) before taxes on income	5,205	(541)	(599)	(5,281)	(3,107)	(529)	(183)	(9,100)	-	(6,328)	(11,363)
Comprehensive income (loss) before taxes on income	84,423	74,956	39,811	(39,149)	167,550	27,651	2,131	158,183	106,568	(102,239)	361,702
Segment assets as at December 31, 2018	4,597,065	728,341	194,896					3,409,373	1,962,831	2,016,499	12,909,005
Segment liabilities as at December 31, 2018	3,507,487	627,534	86,150					3,412,047	1,592,485	2,305,078	11,530,781

**CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****NOTE 5:- SEGMENTS OF ACTIVITY (Cont.)**

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

	Year ended as at December 31, 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				
	NIS in thousands										
<b>INCOME</b>											
Premiums earned on retention	-	241,323	208,819	471,157	1,098,833	147,181	15,439	1,732,610	-	-	2,182,752
Income from lease of properties	225,931	-	-	-	-	-	-	-	-	(6,742)	219,189
Increase in value of investment property and property under construction, net	17,462	-	-	-	-	-	-	-	-	-	17,462
Net gains from investments and other finance income	2,080	15,684	1,196	33,145	12,692	2,209	946	48,992	98	42,429	110,479
Income from management fees	-	6,222	-	-	-	-	-	-	-	-	6,222
Income from grant of consumer credit	-	-	-	-	-	-	-	-	423,395	(715)	422,680
Income from commissions	-	10,858	1,776	-	531	4,795	-	5,326	-	-	17,960
Group's share in losses of affiliates	-	-	-	-	-	-	-	-	-	(578)	(578)
Other income	31	-	-	-	-	-	-	-	177	191	399
<b>Total income</b>	<b>245,504</b>	<b>274,087</b>	<b>211,791</b>	<b>504,302</b>	<b>1,112,056</b>	<b>154,185</b>	<b>16,385</b>	<b>1,786,928</b>	<b>423,670</b>	<b>34,585</b>	<b>2,976,565</b>
<b>EXPENSES</b>											
Payments and change in liabilities in respect of insurance contracts and investment contracts on retention	-	128,199	81,485	434,031	811,894	75,532	9,399	1,330,856	-	(1,213)	1,539,327
Marketing expenses and other acquisition expenses	-	45,503	51,761	59,577	125,543	23,677	2,134	210,931	144,596	(3,011)	449,780
Maintenance, administrative and general expenses	62,936	25,543	23,494	20,980	47,387	6,826	663	75,856	142,718	18,015	348,562
Finance expenses	110,330	81	-	-	(525)	58	-	(467)	31,602	77,009	218,555
Other expenses	107	-	-	-	-	-	-	-	-	814	921
<b>Total expenses</b>	<b>173,373</b>	<b>199,326</b>	<b>156,740</b>	<b>514,588</b>	<b>984,299</b>	<b>106,093</b>	<b>12,196</b>	<b>1,617,176</b>	<b>318,916</b>	<b>91,614</b>	<b>2,557,145</b>
Income (loss) before taxes on income	72,131	74,761	55,051	(10,286)	127,757	48,092	4,189	169,752	104,754	(57,029)	419,420
Other comprehensive income (loss) before taxes on income	44,798	(1,129)	(1,260)	(1,158)	(2,957)	(461)	(42)	(4,618)	-	-	37,791
<b>Comprehensive income (loss) before taxes on income</b>	<b>116,929</b>	<b>73,632</b>	<b>53,791</b>	<b>(11,444)</b>	<b>124,800</b>	<b>47,631</b>	<b>4,147</b>	<b>165,134</b>	<b>104,754</b>	<b>(57,029)</b>	<b>457,211</b>
Segment assets as at December 31, 2017	4,211,148	734,115	172,854					2,902,201	1,845,391	1,317,869	11,183,578
Segment liabilities as at December 31, 2017	3,150,197	635,427	76,262					2,824,166	1,493,501	1,609,875	9,789,428

**CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****NOTE 5:- SEGMENTS OF ACTIVITY (Cont.)**

b. Hereunder are the 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
<b>INCOME</b>											
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 property under construction, net	22,276	-	-	-	-	-	-	-	-	-	22,276
Net gains from 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 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
<b>Total income</b>	<b>246,447</b>	<b>254,161</b>	<b>175,468</b>	<b>462,014</b>	<b>959,026</b>	<b>139,753</b>	<b>16,247</b>	<b>1,577,040</b>	<b>295,343</b>	<b>20,371</b>	<b>2,568,830</b>
<b>EXPENSES</b>											
Payments and change 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 expenses 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, administrative and general 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
<b>Total expenses</b>	<b>173,160</b>	<b>182,891</b>	<b>129,246</b>	<b>521,909</b>	<b>922,886</b>	<b>91,504</b>	<b>12,343</b>	<b>1,548,642</b>	<b>209,910</b>	<b>105,749</b>	<b>2,349,598</b>
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
Other comprehensive income (loss) before taxes on income	(23,876)	(180)	(202)	(189)	(464)	(78)	(7)	(738)	-	-	(24,996)
Comprehensive income (loss) before taxes on income	49,411	71,090	46,020	(60,084)	35,676	48,171	3,897	27,660	85,433	(85,378)	194,236
Segment assets as at December 31, 2016	3,895,085	731,920	160,233					2,481,084	1,571,029	1,462,600	10,301,951
Segment liabilities as at December 31, 2016	3,072,957	628,120	66,840					2,498,197	1,278,802	1,669,937	9,214,853