

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

**ZUR SHAMIR HOLDINGS LTD.**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF JUNE 30, 2018**

**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 30, 2018.

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**

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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, 2018, and the related condensed interim consolidated statements of profit or loss and other 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 21.7% of the total consolidated assets as at June 30, 2018, and whose revenues constitute about 4.7% and about 4.8% of the total consolidated revenues for the period of six and three months then ended, respectively. 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.

**Emphasis of matter (attention)**

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 subsidiaries.

Tel-Aviv,  
August 30, 2018

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

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<u>June 30,</u>		<u>December 31,</u>
	<u>2018</u>	<u>2017</u>	<u>2017</u>
	<u>Unaudited</u>		<u>Audited</u>
	<u>NIS in thousands</u>		
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	1,352,284	865,254	916,362
Cash and cash equivalents for yield-dependent contracts	8,780	7,498	8,279
Financial assets	581,238	976,677	579,471
Derivatives	3,540	13,169	2,198
Outstanding insurance premiums	598,759	537,577	540,705
Debtors and receivables	163,575	160,039	499,240
Deposits	16,416	75,919	78,512
Current taxes receivable	1,302	67,068	75,357
Reinsurance assets	66,665	42,054	55,214
Deferred acquisition costs	114,675	99,605	98,515
	<u>2,907,234</u>	<u>2,844,860</u>	<u>2,853,853</u>
Assets designated for sale	<u>1,190,155</u>	<u>747,655</u>	<u>844,634</u>
	<u>4,097,389</u>	<u>3,592,515</u>	<u>3,698,487</u>
<b>NON-CURRENT ASSETS</b>			
Financial assets	2,790,117	2,290,173	2,557,583
Derivatives	2,781	14,378	6,485
Investment property and investment property under construction	4,068,660	3,620,254	3,887,801
Reinsurance assets	326,942	152,226	138,995
Fixed assets	185,143	134,538	184,883
Deferred acquisition costs	203,768	187,779	199,426
Debtors and receivables	57,073	71,599	88,458
Deposits	110,844	102,765	107,835
Goodwill and intangible assets	322,925	287,532	304,127
Deferred taxes	9,204	1,351	9,498
	<u>8,077,457</u>	<u>6,862,595</u>	<u>7,485,091</u>
	<u>12,174,846</u>	<u>10,455,110</u>	<u>11,183,578</u>

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<b>June 30,</b>		<b>December 31,</b>
	<b>2018</b>	<b>2017</b>	<b>2017</b>
	<b>Unaudited</b>		<b>Audited</b>
	<b>NIS in thousands</b>		
<b>CURRENT LIABILITIES</b>			
Financial liabilities	1,282,205	1,164,550	1,419,818
Creditors and payables	605,904	382,179	539,170
Current taxes payable	14,175	16,909	1,107
Derivatives	14,219	16,290	13,340
Liabilities for insurance contracts and investment contracts	1,174,116	991,694	1,186,408
	<u>3,090,619</u>	<u>2,571,622</u>	<u>3,159,843</u>
<b>NON-CURRENT LIABILITIES</b>			
Financial liabilities	5,103,984	4,326,500	4,285,904
Creditors and payables	36,205	33,185	37,509
Liabilities for insurance contracts and investment contracts	2,319,779	2,139,138	2,045,495
Liabilities for employee benefits	32,260	20,214	31,260
Derivatives	16,953	21,084	20,436
Deferred taxes	188,210	172,088	208,981
	<u>7,697,391</u>	<u>6,712,209</u>	<u>6,629,585</u>
<b>EQUITY</b>			
Share capital	143,085	217,531	143,085
Share premium	45,427	38,469	45,427
Reserves	(137,542)	(184,618)	(142,402)
Retained earnings	332,662	318,015	336,831
Treasury shares	-	(67,599)	-
	<u>383,632</u>	<u>321,798</u>	<u>382,941</u>
Total equity attributed to the Company's shareholders	383,632	321,798	382,941
Non-controlling interests	<u>1,003,204</u>	<u>849,481</u>	<u>1,011,209</u>
Total equity	<u>1,386,836</u>	<u>1,171,279</u>	<u>1,394,150</u>
	<u><u>12,174,846</u></u>	<u><u>10,455,110</u></u>	<u><u>11,183,578</u></u>

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF PROFIT AND LOSS

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2018	2017	2018	2017	2017
	Unaudited				Audited
	NIS in thousands (except for net earnings per share data)				
<b>INCOME</b>					
Premiums earned on retention	1,150,503	1,035,625	575,578	529,754	2,182,752
Income from lease of properties	116,728	105,910	58,868	53,893	219,189
Increase in value of investment property and property under construction, net	3,536	2,674	2,688	2,674	17,462
Net gains from investments and other finance income	33,380	45,155	24,283	22,801	110,479
Income from management fees	2,880	3,125	1,453	1,552	6,222
Income from grant of consumer credit	275,233	190,401	127,152	102,568	422,680
Income from commissions	23,129	8,783	13,850	3,968	17,960
Company's share in losses of affiliate	-	(333)	-	(333)	(578)
Other income	168	169	-	134	399
Total income	1,605,557	1,391,509	803,872	717,011	2,976,565
<b>EXPENSES</b>					
Payments and change in liabilities in respect of insurance contracts and investment contracts on retention	800,222	725,873	400,155	368,979	1,539,327
Marketing and other acquisition expenses	256,858	212,973	133,552	110,145	449,780
Maintenance, administrative and general expenses	200,385	168,305	103,759	84,205	348,562
Finance expenses	116,096	116,522	67,109	63,421	218,555
Other expenses	367	352	238	248	921
Total expenses	1,373,928	1,224,025	704,813	626,998	2,557,145
Income before taxes on income	231,629	167,484	99,059	90,013	419,420
Taxes on income	95,178	29,528	42,701	40,472	112,885
Net income	136,451	137,956	56,358	49,541	306,535
<b>Net income attributed to:</b>					
Company's shareholders	39,140	44,228	14,574	9,437	103,911
Non-controlling interests	97,311	93,728	41,784	40,104	202,624
	136,451	137,956	56,358	49,541	306,535
Net earnings per share attributed to shareholders of the Company (in NIS)					
Basic earnings, net	0.61	0.69	0.23	0.15	1.63
Diluted earnings, net	0.60	0.69	0.21	0.14	1.61

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2018	2017	2018	2017	2017
	Unaudited				Audited
	NIS in thousands				
Net income	136,451	137,956	56,358	49,541	306,535
<b>Other comprehensive income (loss) (after the tax effect):</b>					
<b>Amounts that will be reclassified subsequently to profit or loss</b>					
Net loss in respect of debt instruments measured at fair value through other comprehensive income (loss)	(4,274)	-	(2,887)	-	-
Net profit in respect of debt instruments measured at fair value through other comprehensive income transferred to profit or loss	2,525	-	2,474	-	-
Profit (loss) from cash flow hedge transactions	(1,653)	6,655	(2,401)	3,781	7,458
Transfer to profit or loss in respect of cash flow hedging transactions, net	1,951	-	-	-	-
Adjustments resulting from the translation of financial statements of foreign activities	6,176	(16,981)	(3,862)	4,775	(2,594)
<b>Amounts that will not be reclassified subsequently to profit or loss</b>					
Revaluation of fixed assets	-	-	-	-	29,102
Loss from remeasurement in respect of defined benefit plan	-	-	-	-	(4,612)
Total other comprehensive income (loss)	4,725	(10,326)	(6,676)	8,556	29,354
Total comprehensive income	141,176	127,630	49,682	58,097	335,889
<b>Total comprehensive income attributed to:</b>					
Company's shareholders	41,666	37,840	11,813	13,503	118,297
Non-controlling interests	99,510	89,790	37,869	44,594	217,592
	141,176	127,630	49,682	58,097	335,889



**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>Total</u>		
	<u>NIS in thousands</u>						
<b>Balance at January 1, 2018 (Audited)</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 at January 1, 2018, after the first-time implementation</b>	143,085	45,427	308,537	(140,156)	356,893	981,373	1,338,266
Net income	-	-	39,140	-	39,140	97,311	136,451
Total other comprehensive income	-	-	-	2,526	2,526	2,199	4,725
Total comprehensive income	-	-	39,140	2,526	41,666	99,510	141,176
Cost of share-based payment	-	-	-	88	88	2,258	2,346
Realization of options into shares in subsidiaries by non-controlling interests	-	-	(15)	-	(15)	614	599
Dividend to Company's shareholders	-	-	(15,000)	-	(15,000)	-	(15,000)
Dividend to non- controlling interests holders	-	-	-	-	-	(80,551)	(80,551)
<b>Balance at June 30, 2018 (Unaudited)</b>	<u>143,085</u>	<u>45,427</u>	<u>332,662</u>	<u>(137,542)</u>	<u>383,632</u>	<u>1,003,204</u>	<u>1,386,836</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>							
<b>Balance at January 1, 2017 (Audited)</b>	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's shareholders	-	-	(12,000)	-	-	(12,000)	-	(12,000)
Dividend to non- controlling interests holders	-	-	-	-	-	-	(36,625)	(36,625)
<b>Balance at June 30, 2017 (Unaudited)</b>	<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>

**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>Total</u>		
	<u>NIS in thousands</u>						
<b>Balance at April 1, 2018 (Unaudited)</b>	143,085	45,427	318,103	(134,825)	371,790	966,903	1,338,693
Net income	-	-	14,574	-	14,574	41,784	56,358
Total other comprehensive loss	-	-	-	(2,761)	(2,761)	(3,915)	(6,676)
Total comprehensive income (loss)	-	-	14,574	(2,761)	11,813	37,869	49,682
Cost of share-based payment	-	-	-	44	44	1,014	1,058
Realization of options into shares in subsidiaries by non-controlling interests	-	-	(15)	-	(15)	614	599
Dividend to non- controlling interests holders	-	-	-	-	-	(3,196)	(3,196)
<b>Balance at June 30, 2018 (Unaudited)</b>	<u>143,085</u>	<u>45,427</u>	<u>332,662</u>	<u>(137,542)</u>	<u>383,632</u>	<u>1,003,204</u>	<u>1,386,836</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>							
<b>Balance at April 1, 2017 (Unaudited)</b>	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
<b>Balance at June 30, 2017 (Unaudited)</b>	<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>

**ZUR SHAMIR HOLDINGS LTD.**

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	<u>Attributable to equity holders of the Company</u>						<b>Non- controllin g interests</b>	<b>Total equity</b>
	<b>Share capital</b>	<b>Share premium</b>	<b>Retained earnings</b>	<b>Reserves</b>	<b>Treasury shares</b>	<b>Total</b>		
	<b>NIS in thousands</b>							
<b>Balance at January 1, 2017 (Audited)</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
Cost of share-based payment	-	-	-	320	-	320	8,153	8,473
Issue of shares, net of a subsidiary to non-controlling interests	-	-	(28,867)	21,376	-	(7,491)	115,663	108,172
Realization of options into company shares	17	94	-	(94)	-	17	-	17
Cancellation of treasury shares	(74,463)	6,864	-	-	67,599	-	-	-
Dividend to Company's shareholders	-	-	(24,000)	-	-	(24,000)	-	(24,000)
Dividend to non- controlling interests holders	-	-	-	-	-	-	(121,499)	(121,499)
<b>Balance at December 31, 2017 (Audited)</b>	<u>143,085</u>	<u>45,427</u>	<u>336,831</u>	<u>(142,402)</u>	<u>-</u>	<u>382,941</u>	<u>1,011,209</u>	<u>1,394,150</u>

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2018	2017	2018	2017	2017
	Unaudited				Audited
	NIS in thousands				
<b>CASH FLOWS PROVIDED BY (USED IN) CURRENT ACTIVITIES (App. A)</b>	(238,898)	(192,100)	(108,620)	(107,619)	25,486
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>					
Settlement of deposits	60,043	16,652	60,942	23,382	9,000
Acquisition of fixed assets and investment property and property under construction	(150,328)	(76,921)	(103,130)	(45,578)	(267,555)
Interest paid and capitalized to the cost of investment property under construction	(3,250)	(1,955)	(2,044)	(1,130)	(4,062)
Investment in affiliates, net	-	(333)	-	(333)	(578)
Proceeds from sale of fixed assets and investment property	1,652	2,502	753	2,102	4,754
Proceeds in respect of settlement of hedging transactions	1,030	7,251	563	5,486	4,528
Payment in respect of acquisition of hedging transactions	(3,859)	(1,292)	(2,391)	(1,292)	(4,346)
Acquisition of intangible assets	(38,689)	(29,667)	(20,038)	(9,450)	(59,552)
Cash deducted due to acquisitions in the framework of business combination	-	(6,000)	-	(6,000)	(6,000)
Net cash used in investment activity	(133,401)	(89,763)	(65,345)	(32,813)	(323,811)
<b>CASH FLOWS FROM FINANCE ACTIVITIES</b>					
Settlement of CPI hedging transactions and interest rate determination	(2,968)	(5,709)	-	-	(15,529)
Proceeds from the issue of Company debentures	402,336	-	402,336	-	-
Proceeds from the issue of debentures and subordinated deeds in a subsidiary	473,576	517,799	36,130	170,925	517,799
Proceeds from the realization of options to Company's shares	-	-	-	-	17
Sale, net and issue of subsidiary's shares to non-controlling interest holders, net of tax	599	-	599	-	108,172
Settlement of bonds and subordinated deeds in a subsidiary	(168,099)	(198,723)	(101,652)	(183,542)	(235,022)
Settlement of Company debentures	(51,320)	(51,067)	(51,320)	-	(51,067)
Change in short term credit from banking institutions, net	-	(764)	-	-	(764)
Receipt of long-term loans from banking institutions and others, net	355,828	58,631	284,494	34,404	168,631
Settlement of long-term loans from banking institutions and others, net	(53,358)	(290,610)	(31,030)	(40,921)	(353,480)
Dividend paid to Company's shareholders	(15,000)	(12,000)	(15,000)	-	(24,000)
Dividend paid to non-controlling interest holders	(132,079)	(42,818)	(74,383)	(3,846)	(74,523)
Net cash provided by (used in) finance activity	809,515	(25,261)	450,174	(22,980)	40,234
<b>Exchange rate differences in respect of balances of cash and cash equivalents</b>	(793)	1,313	(1,419)	1,810	4,169
<b>Increase (decrease) in cash and cash equivalents</b>	436,423	(305,811)	274,790	(161,602)	(253,922)
<b>Balance of cash and cash equivalents as at the beginning of period (App. B)</b>	924,641	1,178,563	1,086,274	1,034,354	1,178,563
<b>Balance of cash and cash equivalents as at the end of period (App. C)</b>	1,361,064	872,752	1,361,064	872,752	924,641

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2018	2017	2018	2017	2017
	Unaudited				Audited
	NIS in thousands				
<b>APPENDIX A - CASH FLOWS FROM CURRENT ACTIVITIES</b>					
Net income	136,451	137,956	56,358	49,541	306,535
<b>Adjustments to profit or loss items:</b>					
Depreciation and amortization	33,007	27,256	17,023	14,439	58,551
Loss from sale of fixed assets	367	352	238	248	903
Cost of share-based payment	2,346	5,176	1,058	1,790	8,473
Company's share in losses of affiliate	-	333	-	333	578
Finance expenses, net	116,096	116,522	67,109	63,421	218,555
Investment losses (income), net and other finance expenses (income)	10,248	(6,409)	2,962	(836)	(1,764)
Increase in value of investment property	(3,536)	(2,674)	(2,688)	(2,674)	(17,462)
Taxes on income	95,178	29,528	42,701	40,472	112,885
	253,706	170,084	128,403	117,193	380,719
<b>Other financial investments:</b>					
Net acquisitions of financial investments	(163,260)	(400,775)	(200,569)	(127,183)	(562,808)
Acquisition and investment in investment property in consolidated insurance company	(16)	(808)	(16)	(656)	(821)
	(163,276)	(401,583)	(200,585)	(127,839)	(563,629)
<b>Changes in asset and liability items:</b>					
Profits from financial investments for yield- dependent contracts	(860)	(3,388)	(2,233)	(2,055)	(14,421)
Profits from other financial investments	(201,218)	(135,750)	(107,747)	(70,035)	(317,036)
Change in liabilities for non-yield- dependent insurance contracts	272,778	216,781	107,640	77,881	322,319
Change in liabilities for yield-dependent contracts	(10,786)	(8,429)	(4,150)	(4,019)	(8,673)
Change in deferred acquisition costs	(20,502)	(24,556)	(4,596)	(4,900)	(35,113)
Change in reinsurance assets	(199,398)	(21,725)	(99,234)	(9,064)	(21,654)
Change in liabilities for employee benefits	1,000	1,953	800	1,023	1,769
Short-term credit, net from banking Institutions and others in respect of consumer credit grant activities	(305,839)	136,843	6,837	(77,509)	295,821
Change in liabilities in respect of borrowing securities	-	(183,126)	-	(64,076)	(183,126)
Change in deposits used as guarantee for securities borrowing transactions, net	-	184,582	-	62,656	187,511
Change in outstanding premium	(58,054)	(82,758)	(5,965)	(23,033)	(85,886)
Change in debtors and receivables	(69,178)	(61,254)	(35,848)	(30,434)	(138,949)
Change in creditors and payables	94,895	(32,574)	71,384	36,229	66,430
	(497,162)	(13,401)	(73,112)	(107,336)	68,992
<b>Cash paid and received during the period for:</b>					
Interest paid	(107,768)	(106,133)	(49,582)	(50,057)	(210,115)
Interest received	128,737	98,241	55,000	52,871	206,655
Taxes paid	(45,323)	(83,176)	(27,750)	(43,643)	(173,465)
Taxes received	49,984	1,856	606	64	1,856
Dividend received	5,753	4,056	2,042	1,587	7,938
	31,383	(85,156)	(19,684)	(39,178)	(167,131)
Total cash flows provided by (used in) current activity	(238,898)	(192,100)	(108,620)	(107,619)	25,486

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2018	2017	2018	2017	2017
	Unaudited				Audited
	NIS in thousands				
<b>APPENDIX B - Cash and cash equivalents as at the beginning of the period</b>					
Cash and cash equivalents for yield-dependent contracts	8,279	10,740	10,537	9,235	10,740
Other cash and cash equivalents	916,362	1,167,823	1,075,737	1,025,119	1,167,823
Balance of cash and cash equivalents as at the beginning of the period	924,641	1,178,563	1,086,274	1,034,354	1,178,563
<b>APPENDIX C - Cash and cash equivalents as at the end of the period</b>					
Cash and cash equivalents for yield-dependent contracts	8,780	7,498	8,780	7,498	8,279
Other cash and cash equivalents	1,352,284	865,254	1,352,284	865,254	916,362
Balance of cash and cash equivalents as at the end of the period	1,361,064	872,752	1,361,064	872,752	924,641
<b>APPENDIX D - Significant non-cash activities</b>					
Acquisition of fixed assets, investment property and property under construction against creditors and payables	57,981	30,326	57,981	30,326	38,118
Securitization of loans portfolio against debtors	-	-	-	-	314,748
Dividend declared but not yet paid to non-controlling interest holders	-	-	-	-	51,528

**CONDENSED INTERIM CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**

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**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 coverage for various risks such as: death, disability, disability income insurance, etc. and on long term savings (in the framework of various types of life 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.

**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. 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 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, 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				Total
	Unaudited										
NIS in thousands											
<b>INCOME</b>											
Premiums earned on retention	-	126,135	116,895	215,403	615,423	68,378	8,269	907,473	-	-	1,150,503
Income from lease of properties	120,263	-	-	-	-	-	-	-	-	(3,535)	116,728
Increase in value of investment property and property under construction, net	3,536	-	-	-	-	-	-	-	-	-	3,536
Net gains (losses) from investments and other finance income (expenses)	(2,936)	1,736	677	17,498	5,848	1,180	565	25,091	119	8,693	33,380
Income from management fees	-	2,880	-	-	-	-	-	-	-	-	2,880
Income from grant of consumer credit	-	-	-	-	-	-	-	-	275,349	(116)	275,233
Income from commissions	-	5,871	1,290	10,787	-	5,181	-	15,968	-	-	23,129
Other income	-	-	-	-	-	-	-	-	60	108	168
<b>Total income</b>	<b>120,863</b>	<b>136,622</b>	<b>118,862</b>	<b>243,688</b>	<b>621,271</b>	<b>74,739</b>	<b>8,834</b>	<b>948,532</b>	<b>275,528</b>	<b>5,150</b>	<b>1,605,557</b>
<b>EXPENSES</b>											
Payments and change in liabilities in respect of insurance contracts and investment contracts on retention	-	57,904	47,094	209,639	440,916	40,490	4,793	695,838	-	(614)	800,222
Marketing and other acquisition expenses	-	29,203	33,985	30,831	67,428	13,302	1,246	112,807	82,387	(1,524)	256,858
Maintenance, administrative and general expenses	33,934	11,188	14,588	10,646	22,865	4,225	351	38,087	90,221	12,367	200,385
Finance expenses	56,684	35	-	221	279	37	-	537	23,696	35,144	116,096
Other expenses	19	-	-	-	-	-	-	-	-	348	367
<b>Total expenses</b>	<b>90,637</b>	<b>98,330</b>	<b>95,667</b>	<b>251,337</b>	<b>531,488</b>	<b>58,054</b>	<b>6,390</b>	<b>847,269</b>	<b>196,304</b>	<b>45,721</b>	<b>1,373,928</b>
Income (loss) before taxes on income	30,226	38,292	23,195	(7,649)	89,783	16,685	2,444	101,263	79,224	(40,571)	231,629
Other comprehensive income (loss) before taxes on income	6,652	-	-	(955)	(319)	(65)	(31)	(1,370)	-	(1,288)	3,994
<b>Comprehensive income (loss) before taxes on income</b>	<b>36,878</b>	<b>38,292</b>	<b>23,195</b>	<b>(8,604)</b>	<b>89,464</b>	<b>16,620</b>	<b>2,413</b>	<b>99,893</b>	<b>79,224</b>	<b>(41,859)</b>	<b>235,623</b>

**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, 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											
<b>INCOME</b>											
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 property 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 commissions	-	5,503	1,082	-	-	2,198	-	2,198	-	-	8,783
Group's share in losses of affiliates	-	-	-	-	-	-	-	-	-	(333)	(333)
Other income	-	-	-	-	-	-	-	-	80	89	169
<b>Total income</b>	<b>118,015</b>	<b>130,637</b>	<b>99,487</b>	<b>238,957</b>	<b>521,408</b>	<b>74,826</b>	<b>7,849</b>	<b>843,040</b>	<b>190,568</b>	<b>9,762</b>	<b>1,391,509</b>
<b>EXPENSES</b>											
Payments and change 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, administrative and general expenses	30,457	12,655	11,668	11,285	23,473	3,321	404	38,483	66,583	8,459	168,305
Finance expenses	59,371	41	-	-	-	29	-	29	17,534	39,547	116,522
Other expenses	-	-	-	-	-	-	-	-	-	352	352
<b>Total expenses</b>	<b>89,828</b>	<b>93,505</b>	<b>72,165</b>	<b>240,382</b>	<b>472,073</b>	<b>51,457</b>	<b>7,191</b>	<b>771,103</b>	<b>151,147</b>	<b>46,277</b>	<b>1,224,025</b>
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
Other comprehensive loss before taxes on income	(8,735)	-	-	-	-	-	-	-	-	-	(8,735)
<b>Comprehensive income (loss) before taxes on income</b>	<b>19,452</b>	<b>37,132</b>	<b>27,322</b>	<b>(1,425)</b>	<b>49,335</b>	<b>23,369</b>	<b>658</b>	<b>71,937</b>	<b>39,421</b>	<b>(36,515)</b>	<b>158,749</b>

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

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

	Three months ended as at June 30, 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				Total
	Unaudited										
NIS in thousands											
<b>INCOME</b>											
Premiums earned on retention	-	63,535	59,583	100,037	314,248	34,181	3,994	452,460	-	-	575,578
Income from lease of properties	60,577	-	-	-	-	-	-	-	-	(1,709)	58,868
Increase in value of investment property and property under construction, net	2,688	-	-	-	-	-	-	-	-	-	2,688
Net gains from investments and other finance income	1,320	3,199	511	11,319	4,295	1,096	380	17,090	104	2,059	24,283
Income from management fees	-	1,453	-	-	-	-	-	-	-	-	1,453
Income from grant of consumer credit	-	-	-	-	-	-	-	-	127,208	(56)	127,152
Income from commissions	-	2,813	605	7,634	-	2,798	-	10,432	-	-	13,850
<b>Total income</b>	<b>64,585</b>	<b>71,000</b>	<b>60,699</b>	<b>118,990</b>	<b>318,543</b>	<b>38,075</b>	<b>4,374</b>	<b>479,982</b>	<b>127,312</b>	<b>294</b>	<b>803,872</b>
<b>EXPENSES</b>											
Payments and change in liabilities in respect of insurance contracts and investment contracts on retention	-	35,964	23,936	102,675	216,172	19,829	1,885	340,561	-	(306)	400,155
Marketing and other acquisition expenses	-	14,602	17,112	16,050	35,709	7,076	502	59,337	43,262	(761)	133,552
Maintenance, administrative and general expenses	17,695	5,742	7,566	5,683	11,775	2,124	141	19,723	45,499	7,534	103,759
Finance expenses	32,022	17	-	135	143	26	-	304	17,433	17,333	67,109
Other expenses	19	-	-	-	-	-	-	-	-	219	238
<b>Total expenses</b>	<b>49,736</b>	<b>56,325</b>	<b>48,614</b>	<b>124,543</b>	<b>263,799</b>	<b>29,055</b>	<b>2,528</b>	<b>419,925</b>	<b>106,194</b>	<b>24,019</b>	<b>704,813</b>
Income (loss) before taxes on income	14,849	14,675	12,085	(5,553)	54,744	9,020	1,846	60,057	21,118	(23,725)	99,059
Other comprehensive loss before taxes on income	(5,694)	-	-	(143)	(115)	(54)	(7)	(319)	-	(309)	(6,322)
<b>Comprehensive income (loss) before taxes on income</b>	<b>9,155</b>	<b>14,675</b>	<b>12,085</b>	<b>(5,696)</b>	<b>54,629</b>	<b>8,966</b>	<b>1,839</b>	<b>59,738</b>	<b>21,118</b>	<b>(24,034)</b>	<b>92,737</b>

**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											
<b>INCOME</b>											
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 property 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 commissions	-	2,545	454	-	-	969	-	969	-	-	3,968
Group's share in losses of affiliates	-	-	-	-	-	-	-	-	-	(333)	(333)
Other income	-	-	-	-	-	-	-	-	45	89	134
<b>Total income</b>	<b>57,156</b>	<b>65,231</b>	<b>51,263</b>	<b>123,587</b>	<b>269,504</b>	<b>38,312</b>	<b>3,976</b>	<b>435,379</b>	<b>102,696</b>	<b>5,286</b>	<b>717,011</b>
<b>EXPENSES</b>											
Payments and change 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, administrative and general expenses	14,712	6,374	5,866	5,211	11,532	1,662	149	18,554	33,644	5,055	84,205
Finance expenses	29,780	22	-	-	-	14	-	14	11,205	22,400	63,421
Other expenses	-	-	-	-	-	-	-	-	-	248	248
<b>Total expenses</b>	<b>44,492</b>	<b>44,701</b>	<b>36,868</b>	<b>123,048</b>	<b>240,194</b>	<b>27,633</b>	<b>3,579</b>	<b>394,454</b>	<b>79,845</b>	<b>26,638</b>	<b>626,998</b>
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
Other comprehensive income before taxes on income	9,529	-	-	-	-	-	-	-	-	-	9,529
<b>Comprehensive income (loss) before taxes on income</b>	<b>22,193</b>	<b>20,530</b>	<b>14,395</b>	<b>539</b>	<b>29,310</b>	<b>10,679</b>	<b>397</b>	<b>40,925</b>	<b>22,851</b>	<b>(21,352)</b>	<b>99,542</b>

**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, 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
	Audited										
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 on 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 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>