

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

ZUR SHAMIR HOLDINGS LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF SEPTEMBER 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 November 21, 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.

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AS OF SEPTEMBER 30, 2018

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AUDITORS' REPORT

To the Shareholders of

ZUR SHAMIR HOLDINGS LTD.

Introduction

We have reviewed the accompanying financial information of ZUR SHAMIR HOLDINGS LTD. and its subsidiaries (hereunder - the Group) which comprise the condensed consolidated statements of financial position as of September 30, 2018, and the related condensed interim consolidated statements of profit or loss, other comprehensive income (loss), changes in equity and cash flows for the period of nine and three months then ended. The Company's Board of Directors and Management are responsible for the preparation and presentation of interim financial information for this period in accordance with IAS 34, "Interim Financial Reporting" and in accordance with the disclosure requirements as prescribed by the Supervisor of Insurance Business pursuant to the Supervision of Financial Services (Insurance) Law, 1981, and are also responsible for the preparation of financial information for this interim period in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970, to the extent that these regulations apply to a corporation that unifies insurance companies. Our responsibility is to express a conclusion regarding the financial information for this interim period, based on our review.

We did not review the condensed interim financial information of consolidated subsidiaries whose assets constitute about 21.9% of the total consolidated assets as at September 30, 2018, and whose revenues constitute about 4.7% and about 4.8% of the total consolidated revenues for the period of nine 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,
November 21, 2018

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<u>September 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>		
CURRENT ASSETS			
Cash and cash equivalents	1,230,863	901,466	916,362
Cash and cash equivalents for yield-dependent contracts	8,623	6,914	8,279
Financial assets	869,442	701,041	579,471
Derivatives	2,916	847	2,198
Outstanding insurance premiums	607,105	556,589	540,705
Debtors and receivables	177,831	159,628	499,240
Deposits	39,702	80,672	78,512
Current taxes receivable	3,217	73,976	75,357
Reinsurance assets	111,040	41,297	55,214
Deferred acquisition costs	120,620	106,872	98,515
	<u>3,171,359</u>	<u>2,629,302</u>	<u>2,853,853</u>
Assets designated for sale	<u>956,246</u>	<u>901,104</u>	<u>844,634</u>
	<u>4,127,605</u>	<u>3,530,406</u>	<u>3,698,487</u>
NON-CURRENT ASSETS			
Financial assets	2,563,030	2,270,276	2,557,583
Derivatives	4,488	7,256	6,485
Investment property and investment property under construction	4,109,417	3,893,326	3,887,801
Reinsurance assets	380,878	163,476	138,995
Fixed assets	185,424	132,458	184,883
Deferred acquisition costs	207,046	194,300	199,426
Debtors and receivables	87,537	79,613	88,458
Deposits	119,083	105,917	107,835
Goodwill and intangible assets	330,444	300,939	304,127
Deferred taxes	9,097	1,346	9,498
	<u>7,996,444</u>	<u>7,148,907</u>	<u>7,485,091</u>
	<u>12,124,049</u>	<u>10,679,313</u>	<u>11,183,578</u>

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30,		December 31,
	2018	2017	2017
	Unaudited		Audited
	NIS in thousands		
CURRENT LIABILITIES			
Financial liabilities	1,170,768	1,103,210	1,419,818
Creditors and payables	652,756	409,828	539,170
Current taxes payable	34,267	25,009	1,107
Derivatives	14,170	26,179	13,340
Liabilities for insurance contracts and investment contracts	1,322,744	992,158	1,186,408
	<u>3,194,705</u>	<u>2,556,384</u>	<u>3,159,843</u>
NON-CURRENT LIABILITIES			
Financial liabilities	4,973,573	4,407,307	4,285,904
Creditors and payables	39,820	36,028	37,509
Liabilities for insurance contracts and investment contracts	2,289,517	2,230,867	2,045,495
Liabilities for employee benefits	32,719	23,814	31,260
Derivatives	14,764	23,453	20,436
Deferred taxes	187,567	179,080	208,981
	<u>7,537,960</u>	<u>6,900,549</u>	<u>6,629,585</u>
EQUITY			
Share capital	143,097	217,531	143,085
Share premium	45,488	38,469	45,427
Reserves	(138,017)	(172,877)	(142,402)
Retained earnings	331,378	330,759	336,831
Treasury shares	-	(67,599)	-
	<u>381,946</u>	<u>346,283</u>	<u>382,941</u>
Total equity attributed to the Company's shareholders	381,946	346,283	382,941
Non-controlling interests	<u>1,009,438</u>	<u>876,097</u>	<u>1,011,209</u>
Total equity	<u>1,391,384</u>	<u>1,222,380</u>	<u>1,394,150</u>
	<u><u>12,124,049</u></u>	<u><u>10,679,313</u></u>	<u><u>11,183,578</u></u>

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2018	2017	2018	2017	2017
	Unaudited				Audited
	NIS in thousands (except for net earnings per share data)				
INCOME					
Premiums earned on retention	1,723,498	1,599,760	572,995	564,135	2,182,752
Income from lease of properties	175,370	161,387	58,642	55,477	219,189
Increase in value of investment property and property under construction, net	8,819	23,285	5,283	20,611	17,462
Net gains from investments and other finance income	76,645	61,660	43,265	16,505	110,479
Income from management fees	4,222	4,652	1,342	1,527	6,222
Income from grant of consumer credit	369,589	287,524	94,356	97,123	422,680
Income from commissions	43,020	14,292	19,891	5,509	17,960
Company's share in losses of affiliate	-	(578)	-	(245)	(578)
Other income	187	352	19	183	399
Total income	<u>2,401,350</u>	<u>2,152,334</u>	<u>795,793</u>	<u>760,825</u>	<u>2,976,565</u>
EXPENSES					
Payments and change in liabilities in respect of insurance contracts and investment contracts on retention	1,181,783	1,115,552	381,561	389,679	1,539,327
Marketing and other acquisition expenses	394,061	325,662	137,203	112,689	449,780
Maintenance, administrative and general expenses	295,406	260,291	95,021	91,986	348,562
Finance expenses	188,149	164,656	72,053	48,134	218,555
Other expenses	413	548	46	196	921
Total expenses	<u>2,059,812</u>	<u>1,866,709</u>	<u>685,884</u>	<u>642,684</u>	<u>2,557,145</u>
Income before taxes on income	341,538	285,625	109,909	118,141	419,420
Taxes on income	139,645	74,556	44,467	45,028	112,885
Net income	<u>201,893</u>	<u>211,069</u>	<u>65,442</u>	<u>73,113</u>	<u>306,535</u>
Net income attributed to:					
Company's shareholders	52,748	68,972	13,608	24,744	103,911
Non-controlling interests	149,145	142,097	51,834	48,369	202,624
	<u>201,893</u>	<u>211,069</u>	<u>65,442</u>	<u>73,113</u>	<u>306,535</u>
Net earnings per share attributed to shareholders of the Company (in NIS)					
Basic earnings, net	<u>0.83</u>	<u>1.08</u>	<u>0.21</u>	<u>0.39</u>	<u>1.63</u>
Diluted earnings, net	<u>0.81</u>	<u>1.07</u>	<u>0.21</u>	<u>0.38</u>	<u>1.61</u>

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2018	2017	2018	2017	2017
	Unaudited				Audited
	NIS in thousands				
Net income	201,893	211,069	65,442	73,113	306,535
Other comprehensive income (loss) (after the tax effect):					
Amounts that will be reclassified subsequently to profit or loss					
Net change in respect of debt instruments measured at fair value through other comprehensive income (loss)	(3,332)	-	942	-	-
Net change in respect of debt instruments measured at fair value through other comprehensive income transferred to profit or loss	(179)	-	(2,704)	-	-
Profit (loss) from cash flow hedging transactions	1,607	6,574	3,260	(81)	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	3,889	4,746	(2,287)	21,727	(2,594)
Amounts that will not be reclassified subsequently to profit or loss					
Revaluation of fixed assets	-	-	-	-	29,102
Loss from remeasurement in respect of defined benefit plan	-	-	-	-	(4,612)
Total other comprehensive income (loss)	3,936	11,320	(789)	21,646	29,354
Total comprehensive income	205,829	222,389	64,653	94,759	335,889
Total comprehensive income attributed to:					
Company's shareholders	54,816	74,245	13,150	36,405	118,297
Non-controlling interests	151,013	148,144	51,503	58,354	217,592
	205,829	222,389	64,653	94,759	335,889

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to shareholders of the Company					Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Reserves	Total		
	NIS in thousands						
Balance at January 1, 2018 (Audited)	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)
Balance at January 1, 2018, after the first time implementation	143,085	45,427	308,537	(140,156)	356,893	981,373	1,338,266
Net income	-	-	52,748	-	52,748	149,145	201,893
Total other comprehensive income	-	-	-	2,068	2,068	1,868	3,936
Total comprehensive income	-	-	52,748	2,068	54,816	151,013	205,829
Cost of share-based payment	-	-	-	132	132	3,385	3,517
Realization of options into Company shares	12	61	-	(61)	12	-	12
Realization of options into shares in subsidiaries by non-controlling interests	-	-	93	-	93	545	638
Dividend to Company's shareholders	-	-	(30,000)	-	(30,000)	-	(30,000)
Dividend to non-controlling interests holders	-	-	-	-	-	(126,878)	(126,878)
Balance at September 30, 2018 (Unaudited)	<u>143,097</u>	<u>45,488</u>	<u>331,378</u>	<u>(138,017)</u>	<u>381,946</u>	<u>1,009,438</u>	<u>1,391,384</u>

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to shareholders of the Company					Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Reserves	Total		
	NIS in thousands						
Balance at July 1, 2018 (Unaudited)	143,085	45,427	332,662	(137,542)	383,632	1,003,204	1,386,836
Net income	-	-	13,608	-	13,608	51,834	65,442
Total other comprehensive loss	-	-	-	(458)	(458)	(331)	(789)
Total comprehensive income (loss)	-	-	13,608	(458)	13,150	51,503	64,653
Cost of share-based payment	-	-	-	44	44	1,127	1,171
Realization of options into Company shares	12	61	-	(61)	12	-	12
Realization of options into shares in subsidiaries by non-controlling interests	-	-	108	-	108	(69)	39
Dividend to Company's shareholders	-	-	(15,000)	-	(15,000)	-	(15,000)
Dividend to non-controlling interests holders	-	-	-	-	-	(46,327)	(46,327)
Balance at September 30, 2018 (Unaudited)	<u>143,097</u>	<u>45,488</u>	<u>331,378</u>	<u>(138,017)</u>	<u>381,946</u>	<u>1,009,438</u>	<u>1,391,384</u>

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to shareholders of the Company					Total	Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Reserves	Treasury shares			
	NIS in thousands							
Balance at December 31, 2016 (Audited)	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)
Balance at December 31, 2017 (Audited)	<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>

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2018	2017	2018	2017	2017
	Unaudited				Audited
	NIS in thousands				
Cash flows provided by (used in) current activity (appendix A)	(173,994)	(30,719)	64,904	161,381	25,486
CASH FLOWS FROM INVESTMENT ACTIVITY					
Settlement (grant) of deposits	28,493	8,630	(31,550)	(8,022)	9,000
Acquisitions of fixed assets and investment property and property under construction	(195,441)	(222,875)	(45,113)	(145,954)	(267,555)
Interest paid and capitalized to the cost of investment property under construction	(4,985)	(2,982)	(1,735)	(1,027)	(4,062)
Investment in affiliates, net	-	(578)	-	(245)	(578)
Proceeds from sale of fixed assets and investment property	1,954	3,348	302	846	4,754
Proceeds in respect of hedging transactions	1,220	8,174	190	923	4,528
Payment in respect of hedging transactions	(9,957)	(2,527)	(6,098)	(1,235)	(4,346)
Acquisition of intangible assets	(56,218)	(46,978)	(17,529)	(17,311)	(59,552)
Cash deducted due to acquisitions in the framework of business combination	-	(6,000)	-	-	(6,000)
Net cash used in investment activity	(234,934)	(261,788)	(101,533)	(172,025)	(323,811)
CASH FLOWS FROM FINANCE ACTIVITY					
Settlement of CPI hedging transactions and interest rate determination	(2,698)	(15,529)	270	(9,820)	(15,529)
Net proceeds from the issue of Company debentures	402,043	-	(293)	-	-
Proceeds from the issue of debentures and subordinated deeds in a subsidiary	473,576	517,799	-	-	517,799
Proceeds from realization of options to Company shares	12	-	12	-	17
Sale, net and issue of subsidiary's shares to non-controlling interest holders, net of tax	638	-	39	-	108,172
Settlement of debentures and subordinated deeds in subsidiary	(168,099)	(198,723)	-	-	(235,022)
Settlement of Company debentures	(51,320)	(51,067)	-	-	(51,067)
Change in short-term credit from banking institutions, net	-	5,402	-	6,166	(764)
Receipt of long-term loans from banking institutions and others, net	368,698	168,631	12,870	110,000	168,631
Settlement of long-term loans from banking institutions and others, net	(90,628)	(309,363)	(37,270)	(18,753)	(353,480)
Dividend paid to Company's shareholders	(30,000)	(24,000)	(15,000)	(12,000)	(24,000)
Dividend paid to non-controlling interest holders	(178,406)	(76,164)	(46,327)	(33,346)	(74,523)
Net cash provided (used in) finance activity	723,816	16,986	(85,699)	42,247	40,234
Exchange rate differences in respect of balances of cash and cash equivalents	(43)	5,338	750	4,025	4,169
Increase (decrease) in cash and cash equivalents	314,845	(270,183)	(121,578)	35,628	(253,922)
Balance of cash and cash equivalents as at the beginning of period (appendix B)	924,641	1,178,563	1,361,064	872,752	1,178,563
Balance of cash and cash equivalents as at the end of period (appendix C)	1,239,486	908,380	1,239,486	908,380	924,641

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2018	2017	2018	2017	2017
	Unaudited				Audited
	NIS in thousands				
APPENDIX A - CASH FLOWS FROM CURRENT ACTIVITY					
Net income	201,893	211,069	65,442	73,113	306,535
Adjustments to profit or loss items					
Profits from financial investments for yield dependent contracts	(7,568)	(9,894)	(6,708)	(6,506)	(14,421)
Profits from other financial investments	(291,640)	(202,099)	(90,422)	(66,349)	(317,036)
Depreciation and amortization	49,850	41,908	16,843	14,652	58,551
Loss from sale of fixed assets	413	517	46	165	903
Cost of share-based payment	3,517	6,864	1,171	1,688	8,473
Company's share in losses of affiliate	-	578	-	245	578
Finance expenses, net	188,149	164,656	72,053	48,134	218,555
Investment losses (income), net and other finance expenses (income)	6,258	788	(3,990)	7,197	(1,764)
Increase in value of investment property	(8,819)	(23,285)	(5,283)	(20,611)	(17,462)
Taxes on income	139,645	74,556	44,467	45,028	112,885
	79,805	54,589	28,177	23,643	49,262
Other financial investments					
Net sales (acquisitions) of financial investments	57,369	(219,388)	220,629	181,387	(562,808)
Acquisitions and investments in investment property in consolidated insurance company	(16)	(822)	-	(14)	(821)
	57,353	(220,210)	220,629	181,373	(563,629)
Changes in asset and liability items					
Change in liabilities for non-yield- dependent insurance contracts	388,997	307,554	116,219	90,773	322,319
Change in liabilities for yield-dependent contracts	(8,639)	(7,009)	2,147	1,420	(8,673)
Change in deferred acquisition costs	(29,725)	(38,344)	(9,223)	(13,788)	(35,113)
Change in reinsurance assets	(297,709)	(32,218)	(98,311)	(10,493)	(21,654)
Change in liabilities for employee benefits	1,459	5,553	459	3,600	1,769
Short-term credit, net from banking institutions and others in respect of consumer credit grant activities	(535,819)	8,680	(229,980)	(128,163)	295,821
Change in liabilities in respect of borrowing securities	-	(183,126)	-	-	(183,126)
Change in deposits used as guarantee for borrowing securities transactions, net	-	187,526	-	2,944	187,511
Change in outstanding premium	(66,400)	(101,770)	(8,346)	(19,012)	(85,886)
Change in debtors and receivables	(127,839)	(85,953)	(58,661)	(24,699)	(138,949)
Change in creditors and payables	151,505	(6,713)	56,610	25,861	66,430
	(524,170)	54,180	(229,086)	(71,557)	400,449
Cash paid and received during the period for:					
Interest paid	(167,009)	(162,442)	(59,241)	(56,309)	(210,115)
Interest received	190,889	150,031	62,152	51,790	206,655
Taxes paid	(72,076)	(126,052)	(26,753)	(42,876)	(173,465)
Taxes received	49,984	1,856	-	-	1,856
Dividend received	9,337	6,260	3,584	2,204	7,938
	11,125	(130,347)	(20,258)	(45,191)	(167,131)
Total cash flows provided by (used in) current activity	(173,994)	(30,719)	64,904	161,381	25,486

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2018	2017	2018	2017	2017
	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	8,279	10,740	8,780	7,498	10,740
Other cash and cash equivalents	916,362	1,167,823	1,352,284	865,254	1,167,823
Balance of cash and cash equivalents as at the beginning of the period	<u>924,641</u>	<u>1,178,563</u>	<u>1,361,064</u>	<u>872,752</u>	<u>1,178,563</u>
APPENDIX C - Cash and cash equivalents as at the end of the period					
Cash and cash equivalents for yield-dependent contracts	8,623	6,914	8,623	6,914	8,279
Other cash and cash equivalents	1,230,863	901,466	1,230,863	901,466	916,362
Balance of cash and cash equivalents as at the end of the period	<u>1,239,486</u>	<u>908,380</u>	<u>1,239,486</u>	<u>908,380</u>	<u>924,641</u>
APPENDIX D - Significant non-cash activities					
Acquisition of fixed assets, investment property and property under construction against creditors and payables	<u>51,028</u>	<u>34,312</u>	<u>51,028</u>	<u>34,312</u>	<u>38,118</u>
Securitization of loans against debtors	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>314,748</u>
Dividend declared but not yet paid to non-controlling interest holders	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,528</u>

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3:- SEGMENTS OF ACTIVITY

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

1. The segment of life assurance and long term savings

The segment of life assurance and long term savings includes the lines of life assurance and it focuses mainly, on insurance 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.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3:- SEGMENTS OF ACTIVITY (Cont.)

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

3. General insurance segment (Cont.)

d. Other liabilities branches

Liabilities lines are designated for coverage of the policyholder liabilities in respect of damage he causes to a third party. 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.

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

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

	Nine months ended as at September 30, 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											
INCOME											
Premiums earned on retention	-	191,232	181,802	300,455	937,634	99,946	12,429	1,350,464	-	-	1,723,498
Income from lease of properties	180,783	-	-	-	-	-	-	-	-	(5,413)	175,370
Increase in value of investment property and property under construction, net	8,819	-	-	-	-	-	-	-	-	-	8,819
Net gains (losses) from investments and other finance income (expenses)	(1,752)	7,609	1,014	29,131	11,672	2,029	950	43,782	1,320	24,672	76,645
Income from management fees	-	4,222	-	-	-	-	-	-	-	-	4,222
Income from grant of consumer credit	-	-	-	-	-	-	-	-	369,757	(168)	369,589
Income from commissions	-	9,541	2,018	22,270	-	9,191	-	31,461	-	-	43,020
Other income	-	-	-	-	-	-	-	-	60	127	187
Total income	187,850	212,604	184,834	351,856	949,306	111,166	13,379	1,425,707	371,137	19,218	2,401,350
EXPENSES											
Payments and change in liabilities in respect of insurance contracts and investment contracts on retention	-	86,021	71,008	284,292	675,592	57,484	8,311	1,025,679	-	(925)	1,181,783
Marketing and other acquisition expenses	-	45,431	51,667	47,317	103,561	20,754	1,790	173,422	125,835	(2,294)	394,061
Maintenance, administrative and general expenses	50,538	17,589	23,884	16,179	36,261	7,557	482	60,479	125,692	17,224	295,406
Finance expenses	86,849	52	-	418	367	80	-	865	34,471	65,912	188,149
Other expenses	45	-	-	-	-	-	-	-	-	368	413
Total expenses	137,432	149,093	146,559	348,206	815,781	85,875	10,583	1,260,445	285,998	80,285	2,059,812
Income (loss) before taxes on income	50,418	63,511	38,275	3,650	133,525	25,291	2,796	165,262	85,139	(61,067)	341,538
Other comprehensive income (loss) before taxes on income	8,424	-	-	(1,981)	(794)	(138)	(65)	(2,978)	-	(2,357)	3,089
Comprehensive income (loss) before taxes on income	58,842	63,511	38,275	1,669	132,731	25,153	2,731	162,284	85,139	(63,424)	344,627

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

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

	Nine months ended as at September 30, 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	-	178,344	152,948	345,719	802,037	109,383	11,329	1,268,468	-	-	1,599,760
Income from lease of properties	166,388	-	-	-	-	-	-	-	-	(5,001)	161,387
Increase in value of investment property and property under construction, net	23,285	-	-	-	-	-	-	-	-	-	23,285
Net gains from investments and other finance income	383	10,749	801	21,067	6,996	1,232	596	29,891	78	19,758	61,660
Income from management fees	-	4,652	-	-	-	-	-	-	-	-	4,652
Income from grant of consumer credit	-	-	-	-	-	-	-	-	287,596	(72)	287,524
Income from commissions	-	9,409	1,273	-	250	3,360	-	3,610	-	-	14,292
Group's share in losses of affiliate	-	-	-	-	-	-	-	-	-	(578)	(578)
Other income	31	-	-	-	-	-	-	-	130	191	352
Total income	190,087	203,154	155,022	366,786	809,283	113,975	11,925	1,301,969	287,804	14,298	2,152,334
EXPENSES											
Payments and change in liabilities in respect of insurance contracts and investment contracts on retention	-	90,125	58,198	303,215	601,235	56,246	7,439	968,135	-	(906)	1,115,552
Marketing and other acquisition expenses	-	33,689	37,688	43,376	90,500	17,072	1,874	152,822	103,712	(2,249)	325,662
Maintenance, administrative and general expenses	47,558	19,285	17,856	16,614	36,566	5,119	566	58,865	103,162	13,565	260,291
Finance expenses	83,918	62	-	-	-	43	-	43	22,984	57,649	164,656
Other expenses	-	-	-	-	-	-	-	-	-	548	548
Total expenses	131,476	143,161	113,742	363,205	728,301	78,480	9,879	1,179,865	229,858	68,607	1,866,709
Income (loss) before taxes on income	58,611	59,993	41,280	3,581	80,982	35,495	2,046	122,104	57,946	(54,309)	285,625
Other comprehensive income before taxes on income	12,913	-	-	-	-	-	-	-	-	-	12,913
Comprehensive income (loss) before taxes on income	71,524	59,993	41,280	3,581	80,982	35,495	2,046	122,104	57,946	(54,309)	298,538

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

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

	Three months ended as at September 30, 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				
	Unaudited										
NIS in thousands											
INCOME											
Premiums earned on retention	-	65,097	64,907	85,052	322,211	31,568	4,160	442,991	-	-	572,995
Income from lease of properties	60,520	-	-	-	-	-	-	-	-	(1,878)	58,642
Increase in value of investment property and property under construction, net	5,283	-	-	-	-	-	-	-	-	-	5,283
Net gains from investments and other finance income	1,184	5,873	337	11,633	5,824	849	385	18,691	1,201	15,979	43,265
Income from management fees	-	1,342	-	-	-	-	-	-	-	-	1,342
Income from grant of consumer credit	-	-	-	-	-	-	-	-	94,408	(52)	94,356
Income from commissions	-	3,670	728	11,483	-	4,010	-	15,493	-	-	19,891
Other income	-	-	-	-	-	-	-	-	-	19	19
Total income	66,987	75,982	65,972	108,168	328,035	36,427	4,545	477,175	95,609	14,068	795,793
EXPENSES											
Payments and change in liabilities in respect of insurance contracts and investment contracts on retention	-	28,117	23,914	74,653	234,676	16,994	3,518	329,841	-	(311)	381,561
Marketing and other acquisition expenses	-	16,228	17,682	16,486	36,133	7,452	544	60,615	43,448	(770)	137,203
Maintenance, administrative and general expenses	16,604	6,401	9,296	5,533	13,396	3,332	131	22,392	35,471	4,857	95,021
Finance expenses	30,165	17	-	197	88	43	-	328	10,775	30,768	72,053
Other expenses	26	-	-	-	-	-	-	-	-	20	46
Total expenses	46,795	50,763	50,892	96,869	284,293	27,821	4,193	413,176	89,694	34,564	685,884
Income (loss) before taxes on income	20,192	25,219	15,080	11,299	43,742	8,606	352	63,999	5,915	(20,496)	109,909
Other comprehensive income (loss) before taxes on income	1,772	-	-	(1,026)	(475)	(73)	(34)	(1,608)	-	(1,069)	(905)
Comprehensive income (loss) before taxes on income	21,964	25,219	15,080	10,273	43,267	8,533	318	62,391	5,915	(21,565)	109,004

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

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

	Three months ended as at September 30, 2017										
	Investment property	Life assurance and long term savings	Health insurance	General insurance				Consumer credit granted	Unallocated and offset in activities between segments	Total	
				Motor act	Motor casco	Property and others	Other liabilities				
	Unaudited										
NIS in thousands											
INCOME											
Premiums earned on retention	-	60,440	55,246	121,676	285,255	37,617	3,901	448,449	-	-	564,135
Income from lease of properties	57,267	-	-	-	-	-	-	-	-	(1,790)	55,477
Increase in value of investment property and property under construction, net	20,611	-	-	-	-	-	-	-	-	-	20,611
Net gains (losses) from investments and other finance income (expenses)	(5,837)	6,644	98	6,153	2,370	370	175	9,068	23	6,509	16,505
Income from management fees	-	1,527	-	-	-	-	-	-	-	-	1,527
Income from grant of consumer credit	-	-	-	-	-	-	-	-	97,163	(40)	97,123
Income from commissions	-	3,906	191	-	250	1,162	-	1,412	-	-	5,509
Group's share in losses of affiliate	-	-	-	-	-	-	-	-	-	(245)	(245)
Other income	31	-	-	-	-	-	-	-	50	102	183
Total income	72,072	72,517	55,535	127,829	287,875	39,149	4,076	458,929	97,236	4,536	760,825
EXPENSES											
Payments and change in liabilities in respect of insurance contracts and investment contracts on retention	-	31,345	22,655	102,333	212,347	19,299	2,008	335,987	-	(308)	389,679
Marketing and other acquisition expenses	-	11,660	12,734	15,161	30,788	5,912	518	52,379	36,682	(766)	112,689
Maintenance, administrative and general expenses	17,101	6,630	6,188	5,329	13,093	1,798	162	20,382	36,579	5,106	91,986
Finance expenses	24,547	21	-	-	-	14	-	14	5,450	18,102	48,134
Other expenses	-	-	-	-	-	-	-	-	-	196	196
Total expenses	41,648	49,656	41,577	122,823	256,228	27,023	2,688	408,762	78,711	22,330	642,684
Income (loss) before taxes on income	30,424	22,861	13,958	5,006	31,647	12,126	1,388	50,167	18,525	(17,794)	118,141
Other comprehensive income before taxes on income	21,648	-	-	-	-	-	-	-	-	-	21,648
Comprehensive income (loss) before taxes on income	52,072	22,861	13,958	5,006	31,647	12,126	1,388	50,167	18,525	(17,794)	139,789

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

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

	Year ended as at December 31, 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											
INCOME											
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
Total income	245,504	274,087	211,791	504,302	1,112,056	154,185	16,385	1,786,928	423,670	34,585	2,976,565
EXPENSES											
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
Total expenses	173,373	199,326	156,740	514,588	984,299	106,093	12,196	1,617,176	318,916	91,614	2,557,145
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
Comprehensive income (loss) before taxes on income	116,929	73,632	53,791	(11,444)	124,800	47,631	4,147	165,134	104,754	(57,029)	457,211