

DIRECT INSURANCE - FINANCIAL INVESTMENTS LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS AT MARCH 31, 2007

UNAUDITED

DIRECT INSURANCE - FINANCIAL INVESTMENTS LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS AT MARCH 31, 2007

UNAUDITED

INDEX

	<u>Page</u>
Auditors' Report to the Interim Consolidated Financial Statements	2
Consolidated Balance Sheets	3 - 4
Consolidated Statements of Profit and Loss	5
Statements of Changes in Shareholders' Equity	6
Consolidated Life Assurance Business Statements	7
Consolidated General Insurance Business Statements	8
Consolidated Statements of Cash Flows	9 - 13
Notes to Financial Statements	14 - 20
Schedule A – Details of the Assets and Liabilities of the Insurance Subsidiary Registered in Israel	22 - 23
Schedule B – Results of the Consolidated General Insurance Business according to the Main Insurance Lines of Business	24 - 26

The Board of Directors

The Board of Directors
Direct Insurance - Financial Investments Ltd.

Dear Sirs,

Re: Review of the unaudited interim consolidated financial statements
for the three months period ended March 31, 2007

At your request, we have reviewed the interim consolidated balance sheet of Direct Insurance - Financial Investments Ltd. as at March 31, 2007, and the consolidated statement of profit and loss, statement of changes in shareholders' equity, the consolidated insurance business statements and the consolidated statement of cash flows for the three months period then ended. Our review was conducted in accordance with the procedures prescribed by the Institute of Certified Public Accountants in Israel, and included, among others, reading the aforementioned interim consolidated financial statements, reading the minutes of meetings of the shareholders and the Board of Directors and its committees and making inquiries with certain officers responsible for financial and accounting matters.

Since the review performed was limited in scope and does not constitute an audit in accordance with generally accepted auditing standards, we do not express an opinion on the said interim consolidated financial statements.

Based on our review, nothing came to our attention that would indicate that material changes to the aforementioned financial statements are required in order that they may be considered prepared in accordance with generally accepted accounting principles including accounting, reporting and presentation principles prescribed by the Supervision of Financial Services (Insurance) Law, 1981 and the regulations enacted pursuant thereto and in accordance with Chapter D to the Securities Regulations (Periodical and Immediate Financial Statements), 1970, insofar as these regulations are applicable to insurance companies.

Tel-Aviv, Israel
May 27, 2007

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

DIRECT INSURANCE – FINANCIAL INVESTMENTS LTD.

CONSOLIDATED BALANCE SHEETS

	March 31		December 31
	2007	2006	2006
	Unaudited		Audited
	Reported NIS in thousands		
INVESTMENTS			
Cash and cash equivalents	149,374	142,268	110,467
Securities	1,315,519	1,208,652	1,332,593
Loans and deposits:			
Loans	10,396	7,132	7,050
Deposits with banks	200,437	235,862	203,107
	210,833	242,994	210,157
Other companies	943	943	943
Total investments	1,676,669	1,594,857	1,654,160
FIXED ASSETS, NET	55,974	32,169 *)	47,807 *)
AMOUNTS RECEIVABLE			
Insurance companies:			
Reinsurers' share in insurance reserves	6,432	5,572	6,456
Reinsurers' share in outstanding claims	130,751	106,147	129,043
Other accounts	54,263	56,395	56,557
	191,446	168,114	192,056
Outstanding premiums	252,015	176,449	241,256
Other debtors and receivables	50,970	40,850	46,837
Total amounts receivable	494,431	385,413	480,149
DEFERRED ACQUISITION COSTS AND OTHER ASSETS			
Deferred acquisition costs:			
In life assurance	51,575	44,528	50,889
In general insurance	75,300	68,773	71,900
In health insurance	2,744	1,948	2,603
Total deferred acquisition costs	129,619	115,249	125,392
Other assets	103,364	92,025 *)	103,836 *)
Deferred taxes	35,713	34,585	36,690
	139,077	126,610	140,526
Total deferred acquisition costs and other assets	268,696	241,859	265,918
	<u>2,495,770</u>	<u>2,254,298</u>	<u>2,448,034</u>

*) Reclassified.

The accompanying notes are an integral part of the interim consolidated financial statements.

DIRECT INSURANCE – FINANCIAL INVESTMENTS LTD.

CONSOLIDATED BALANCE SHEETS

	March 31		December 31
	2007	2006	2006
	Unaudited		Audited
	Reported NIS in thousands		
SHAREHOLDERS' EQUITY	262,631	221,988	237,897
MINORITY INTEREST	53,727	50,237	52,012
LONG TERM LIABILITIES			
Deferred taxes	9,290	7,511	9,538
Long term liabilities to banking institutions	127,307	129,090	127,726
Subordinated deeds	253,989	250,998	253,884
Liability to cover an affiliate's losses	5,075	8,359	5,108
Total long term liabilities	395,661	395,958	396,256
INSURANCE RESERVES AND OUTSTANDING CLAIMS			
Life assurance:			
Assurance reserve	182,975	121,401	165,114
Reserve for extraordinary risks	-	19,069	36,665
Outstanding claims	8,809	8,528	7,159
Total life assurance	191,784	148,998	208,938
General insurance:			
Reserve for unexpired risks	432,647	398,232	410,504
Outstanding claims	921,005	878,332	919,374
Total general insurance	1,353,652	1,276,564	1,329,878
Total insurance reserves and outstanding claims	1,545,436	1,425,562	1,538,816
OTHER LIABILITIES			
Insurance companies:			
Deposits by reinsurers	3,932	3,344	3,795
Other accounts	14,079	13,015	13,875
	18,011	16,359	17,670
Short term credit from banking institutions	59,189	3,878	33,163
Creditors and payables	161,115	140,316	172,220
Total other liabilities	238,315	160,553	223,053
	<u>2,495,770</u>	<u>2,254,298</u>	<u>2,448,034</u>

The accompanying notes are an integral part of the interim consolidated financial statements.

<u>May 27, 2007</u>			
Date of approval of the financial statements	Moshe (Moki) Schneidman Chairman of the Board of Directors	Doron Schneidman Director and Managing Director	Yigal Mor Chief Financial Officer

DIRECT INSURANCE – FINANCIAL INVESTMENTS LTD.

CONSOLIDATED STATEMENTS OF PROFIT AND LOSS

	Three months ended		Year ended
	March 31		December 31
	2007	2006	2006
	Unaudited		Audited
	Reported NIS in thousands		
	(except for earnings per share data)		
Transferred from insurance business statements:			
Income from life assurance business statements	3,883	3,824	20,203
Income from general insurance business statements	23,971	22,168	131,160
	<u>27,854</u>	<u>25,992</u>	<u>151,363</u>
Income (expenses) not included in the insurance business statements:			
Expenses in respect of long term liabilities	(4,561)	(5,109)	(21,051)
Investment income	15,048	2,366	31,184
Net expenses from asset management and stock exchange services	(6,490)	(3,833)	(16,673)
Net expenses from financing business	(2,621)	-	(4,501) *
Administrative and general expenses	(18,019)	(6,745)	(51,589) *
Capital gain, net	5	-	686
Income before income taxes	11,216	12,671	89,419
Provision for income tax and profit tax	11,874	6,852	59,254
Income (loss) after income taxes	(658)	5,819	30,165
Company's share in profit (losses) of an affiliate	33	(1,868)	147
Minority's share in income of subsidiaries	(4,199)	(3,248)	(20,321) *
Net income (loss) for the period before extraordinary item	(4,824)	703	9,991
Extraordinary item:			
Cancellation of provision (provision) for reserve for extraordinary risks net of the tax affect (Note 5)	28,231	-	(7,946) *
Net income for the period	<u>23,407</u>	<u>703</u>	<u>2,045</u>
Earnings per share:			
Net earnings per share (in NIS)			
Net basic earnings			
Net earnings (loss) per share before extraordinary item	(0.10)	0.01	0.21 *
Earnings (loss) from extraordinary item	0.60	-	(0.17) *
Net earnings per share	<u>0.50</u>	<u>0.01</u>	<u>0.04</u>
Net diluted earnings			
Net earnings (loss) per share before extraordinary item	(0.10)	-	-
Earnings (loss) from extraordinary item	0.59	-	-
Net earnings per share	<u>0.49</u>	<u> **)</u>	<u> **)</u>

*) Reclassified.

***) Not applicable this year.

The accompanying notes are an integral part of the interim consolidated financial statements.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

DIRECT INSURANCE – FINANCIAL INVESTMENTS LTD.

	Share capital	Share premium	Capital reserves	Adjustments resulting from translation of financial statements of autonomous entities held	Retained earnings	Debtors in respect of shares	Less shares held by the Company	Total
	Reported NIS in thousands				Reported NIS in thousands			
Balance as at January 1, 2006 (Audited)	67,821	83,656	921	497	79,456	(1,926)	(10,163)	220,262
Realization of options into shares	203	1,110	-	-	-	-	-	1,313
Cost of share based payments	-	-	9,671	-	-	-	-	9,671
Tax benefit in respect of capital instruments for employees	-	-	609	-	-	-	-	609
Adjustments resulting from the translation of financial statements of autonomous entities held	-	-	-	1,693	-	-	-	1,693
Settlement of loan to shareholders for acquisition of Company's shares	-	378	-	-	-	1,926	-	2,304
Net profit for the year	-	-	-	-	2,045	-	-	2,045
Balance as at December 31, 2006 (Audited)	68,024	85,144	11,201	2,190	81,501	-	(10,163)	237,897
Realization of options into shares	33	196	-	-	-	-	-	229
Cost of share based payments	-	-	1,546	-	-	-	-	1,546
Tax benefit in respect of capital instruments for employees	-	-	126	-	-	-	-	126
Adjustments resulting from the translation of financial statements of autonomous entities held	-	-	-	(574)	-	-	-	(574)
Net profit for the period	-	-	-	-	23,407	-	-	23,407
Balance as at March 31, 2007 (Unaudited)	68,057	85,340	12,873	1,616	104,908	-	(10,163)	262,631
	Share capital	Share premium	Capital reserves	Adjustments resulting from translation of financial statements of autonomous entities held	Retained earnings	Debtors in respect of shares	Less shares held by the Company	Total
	Reported NIS in thousands							
Balance as at January 1, 2006 (Audited)	67,821	83,656	921	497	79,456	(1,926)	(10,163)	220,262
Cost of share based payments	-	-	1,997	-	-	-	-	1,997
Tax benefit in respect of capital instruments for employees	-	-	41	-	-	-	-	41
Adjustments resulting from the translation of financial statements of autonomous entities held	-	-	-	(1,173)	-	-	-	(1,173)
Realization of options	23	135	-	-	-	-	-	158
Net profit for the period	-	-	-	-	703	-	-	703
Balance as at March 31, 2006 (Unaudited)	67,844	83,791	2,959	(676)	80,159	(1,926)	(10,163)	221,988

The accompanying notes are an integral part of the interim consolidated financial statements.

DIRECT INSURANCE – FINANCIAL INVESTMENTS LTD.

CONSOLIDATED LIFE ASSURANCE BUSINESS STATEMENTS

	Three months ended		Year ended
	March 31		December 31
	2007	2006	2006
	Unaudited		Audited
	Reported NIS in thousands		
Premiums	32,167	26,340	115,365
Less - reinsurance	3,975	3,015	14,413
Premiums on retention	28,192	23,325	100,952
Investment income	4,985	1,224	10,806
Total revenues for the period	33,177	24,549	111,758
Claims paid and outstanding:			
Death and disability	3,286	3,791	9,135
Less - reinsurance	932	2,266	4,490
	2,354	1,525	4,645
Surrenders	2,373	2,253	9,922
Total claims for the period	4,727	3,778	14,567
Increase in assurance reserves net of reinsurance	19,076	11,299	56,210
Less - management fees for policies participating in profits	672	392	1,914
Increase in reserves, net	18,404	10,907	54,296
Increase in reserve for extraordinary risks	-	530	2,008
	18,404	11,437	56,304
Excess of income over claims for the period net of increase in reserves	10,046	9,334	40,887
Selling, administrative and general expenses	8,275	8,076	33,828
Increase in deferred acquisition costs	686	1,901	8,262
	7,589	6,175	25,566
Reinsurance commissions	1,426	665	4,882
Total expenses for the period, net	6,163	5,510	20,684
Income for the period from life assurance business - transferred to statements of profit and loss	3,883	3,824	20,203

The accompanying notes are an integral part of the interim consolidated financial statements.

DIRECT INSURANCE – FINANCIAL INVESTMENTS LTD.

CONSOLIDATED GENERAL INSURANCE BUSINESS STATEMENTS

	Three months ended		Year ended
	March 31		December 31
	2007	2006	2006
	Unaudited		Audited
	Reported NIS in thousands		
Premiums	233,352	212,289	845,706
Fees	7,337	7,743	28,752
Total insurance premiums	240,689	220,032	874,458
Less - reinsurance	9,793	9,893	39,759
Insurance premium on retention	230,896	210,139	834,699
Increase in reserve for unexpired risks net of reinsurance	(23,030)	(13,739)	(24,292)
Earned insurance premiums	207,866	196,400	810,407
Investment income	17,343	9,799	46,676
Total income for the period	225,209	206,199	857,083
Claims paid and outstanding	138,730	117,577 *)	491,682 *)
Less - reinsurance	3,416	1,020	36,004
Total claims for the period	135,314	116,557	455,678
Excess of income over claims for the period	89,895	89,642	401,405
Selling, administrative and general expenses	70,827	70,627 *)	278,913 *)
Reinsurance commissions	(1,046)	(1,069)	(3,675)
Co-insurance commissions	-	183	815
	69,781	69,741	276,053
Increase in deferred acquisition costs	(3,857)	(2,267)	(5,808)
Total expenses for the period, net	65,924	67,474	270,245
Profit for the period from general insurance business - transferred to the statements of profit and loss	<u>23,971</u>	<u>22,168</u>	<u>131,160</u>

*) Reclassified.

The accompanying notes are an integral part of the interim consolidated financial statements.

DIRECT INSURANCE – FINANCIAL INVESTMENTS LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Three months ended		Year ended
		March 31		December 31
		2007	2006	2006
		Unaudited		Audited
Reported NIS in thousands				
CASH FLOWS FROM CURRENT ACTIVITIES				
In life assurance business	(a)	28,672	5,094	(15,104)
In general insurance business	(b)	19,287	(806)	150,083
In other current activities	(c)	14,543	(11,400)	(97,902)
Net cash provided by (used in) current activities		<u>62,502</u>	<u>(7,112)</u>	<u>37,077</u>
CASH FLOWS FROM INVESTMENT ACTIVITIES				
Changes in investment items earmarked to shareholders' equity and non-insurance liabilities:				
Securities		(29,358)	14,057	(23,150)
Loans		(2,962)	442	1,677
		<u>(32,320)</u>	<u>14,499</u>	<u>(21,473)</u>
Investment in deposits		(553)	(54)	(89)
Acquisition of subsidiary's shares from minority shareholders		(1,177)	-	-
Acquisition of fixed assets		(16,994)	(4,616)	(46,293)
Proceeds from sale of fixed assets		1,315	90	4,521
Acquisition of other assets		-	(40,159)	(56,556)
Acquisition of subsidiary proportionally consolidated in the past	(d)	-	-	514
Acquisition of subsidiary consolidated for the first time	(e)	-	-	(4,401)
Net cash used in investment activities		<u>(49,729)</u>	<u>(30,240)</u>	<u>(123,777)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Settlement of interested party loans		-	-	2,304
Credit from banking institutions		25,802	(4,732)	24,822
Share issue to a minority in a subsidiary net of issue expenses		286	-	-
Realization of options		229	158	1,313
Receipt of long term loans from a banking institution		-	50,000	50,000
Dividend paid to minority in subsidiaries		-	-	(15,070)
Receipt of loan from minority subsidiaries		-	-	600
Settlement of loans received from minority in subsidiaries		(300)	-	-
Net cash provided by financing activities		<u>26,017</u>	<u>45,426</u>	<u>63,969</u>
Translation differences due to cash balances in autonomic entities held		<u>117</u>	<u>2,645</u>	<u>1,649</u>
Increase (decrease) in cash and cash equivalents		<u>38,907</u>	<u>10,719</u>	<u>(21,082)</u>
Balance of cash and cash equivalents as at the beginning of the period		<u>110,467</u>	<u>131,549</u>	<u>131,549</u>
Balance of cash and cash equivalents as at the end of the period		<u><u>149,374</u></u>	<u><u>142,268</u></u>	<u><u>110,467</u></u>

The accompanying notes are an integral part of the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended		Year ended
	March 31		December 31
	2007	2006	2006
	Unaudited		Audited
	Reported NIS in thousands		
(a) Cash flows from current activities in life assurance business			
Income from life assurance business	3,883	3,824	20,203
Items not involving cash flows:			
Increase (decrease) in insurance reserves net of reinsurance	(18,259)	11,436	72,425
Increase (decrease) in outstanding claims net of reinsurance	1,188	(51)	34
Depreciation	291	245	962
Realization of investments (investments), net:			
Securities	6,275	(11,058)	(73,840)
Deposits with banks	34,049	95	(33,956)
Loans	(390)	(24)	(1,175)
Changes in other balance sheet items, net:			
Insurance companies	2,079	1,009	915
Outstanding premiums	(212)	(220)	(666)
Debtors and receivables	(8)	79	89
Creditors and payables	(224)	(241)	(95)
Net cash provided by (used in) current activities in life assurance business	<u>28,672</u>	<u>5,094</u>	<u>(15,104)</u>

The accompanying notes are an integral part of the interim consolidated financial statements.

DIRECT INSURANCE – FINANCIAL INVESTMENTS LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended		Year ended
	March 31		December 31
	2007	2006	2006
	Unaudited		Audited
	Reported NIS in thousands		
(b) Cash flows from current activities in general insurance business			
Income from general insurance business	23,971	22,168	131,160
Items not involving cash flows:			
Increase in insurance reserves net of reinsurance	23,074	13,669	24,666
Increase (decrease) in outstanding claims net of reinsurance	1,142	(1)	15,763
Increase in deferred acquisition costs	(3,400)	(1,957)	(5,578)
Depreciation	2,039	1,973	6,583
Investment activity, net:			
Securities	38,207	(27,979)	(51,105)
Deposits with banks	(30,844)	7,054	73,907
Changes in other balance sheet items, net:			
Insurance companies	555	(8,178)	(7,009)
Outstanding premium	(10,984)	1,490	(62,701)
Debtors and receivables	(3,433)	(1,276)	3,724
Creditors and payables	(21,040)	(7,769)	20,673
Net cash provided by (used in) current activities in general insurance business	<u>19,287</u>	<u>(806)</u>	<u>150,083</u>

The accompanying notes are an integral part of the interim consolidated financial statements.

DIRECT INSURANCE – FINANCIAL INVESTMENTS LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended		Year ended
	March 31		December 31
	2007	2006	2006
	Unaudited		Audited
	Reported NIS in thousands		
(c) Cash flows from other current activities			
Net income for the period	23,407	703	2,045
Income from insurance business	(27,854)	(25,992)	(151,363)
	(4,447)	(25,289)	(149,318)
Items not involving cash flows:			
Erosion of subordinated deeds	105	1,487	4,373
Deferred taxes	(3,679)	(920)	3,278
Minority share in profits of subsidiaries	12,633	3,248	17,923
Capital loss (gain)	(122)	67	(1,041)
Erosion of loans received from minority in subsidiaries	8	-	18
Negative initial difference created upon acquisition	-	-	(812)
Depreciation and amortization	6,051	2,640	13,430
Company's share in losses (profits) of an affiliate	(33)	1,868	(147)
Cost of share based payments	2,178	1,997	10,308
Increase in deferred acquisition costs	(1,150)	(2,204)	(8,558)
Changes in other balance sheet items, net:			
Decrease (increase) in debtors and receivables	282	7,616	(280)
Increase (decrease) in creditors and payables, net	2,717	(1,910)	12,924
Net cash provided by (used in) other current activities	<u>14,543</u>	<u>(11,400)</u>	<u>(97,902)</u>
(d) Acquisition of a subsidiary proportionally consolidated in the past			
Working capital (not including cash and cash equivalents)	-	-	199
Fixed assets, net	-	-	(1,309)
Negative initial difference	-	-	812
Minority interest	-	-	812
	<u>-</u>	<u>-</u>	<u>514</u>

DIRECT INSURANCE – FINANCIAL INVESTMENTS LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended		Year ended
	March 31		December 31
	2007	2006	2006
	Unaudited		Audited
	Reported NIS in thousands		
(e) Acquisition of subsidiary consolidated for the first time			
Working capital (not including cash and cash equivalents)	-	-	(1,886)
Fixed assets, net	-	-	(417)
Initial difference upon acquisition	-	-	(2,808)
Outstanding premium	-	-	(5)
Insurance reserve net of reinsurance	-	-	16
Outstanding claims net of reinsurance	-	-	625
Insurance companies	-	-	74
	-	-	(4,401)
(f) Activities not involving cash flows			
Dividend to minority that was declared and not yet paid	10,352	-	-

The accompanying notes are an integral part of the interim consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1:- GENERAL

The interim financial statements have been prepared in accordance with accountings, reporting and presentation principles prescribed by the Regulator of Insurance Business Regulations (Financial Statements Details), 1998, and in accordance with generally accepted accounting principles for the preparation of financial statements for interim periods, as prescribed in Accounting Standard No. 14 of the Israel Accounting Standards Board, in accordance with the Securities Regulations (Periodical and Immediate Financial Statements), 1970, insofar as these regulations are applicable to insurance companies.

These financial statements should be read in conjunction with the Company's audited annual financial statements and accompanying notes as of December 31, 2006 and for the year then ended (hereunder – the annual financial statements).

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

- a. The accounting principles have been applied in the interim financial statements consistently with the annual financial statements except as detailed in b below.
- b. Initial adoption of the new Accounting Standards
 1. With respect to the reserve for extraordinary risks in life assurance, see Note 5 below.
 2. Accounting Standard No. 16 - Investment Property

On January 1, 2007, the Company adopted the provisions of Accounting Standard No. 16, Investment Property (hereunder - the Standard) of the Israel Accounting Standards Board. The Standard prescribes the accounting treatment and the disclosure requirements for investment property.

An investment property is defined as property (land or a building or part of a building or both) held (by the owner or by the lessee under a financial lease) to earn rentals or for capital appreciation (or both) and not for use in manufacture or the supply of goods or services or for administrative purposes or sale during the ordinary course of business.

Investment properties will be presented at the cost model or the fair value model. The Company has chosen to adopt the cost model and therefore the investment property will be treated in accordance to the directives of Accounting Standard No. 27 – Fixed Assets, in other words, in accordance to the accounting treatment that has been implemented up to now, and therefore initial implementation of the Standard had no effect on the interim financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

b. Initial adoption of the new Accounting Standards

3. Accounting Standard No. 23 - Accounting Treatment of Transactions between an Entity and the Controlling Shareholder Therein

From January 1, 2007 the Company implements Accounting Standard No. 23 (hereunder - the Standard) which prescribes the Accounting Treatment of Transactions between an Entity and the Controlling Shareholder Therein". The Standard is applicable, among others, to transactions involving the transfer of assets, the assumption of liabilities, indemnification or waiver and the granting of loans between a company and its controlling shareholder and between companies under common control that occur subsequent to January 1, 2007 as well as to a loan granted or received from the controlling shareholder prior to January 1, 2007.

The Standard is not applicable to business combinations of companies under common control. According to the Securities Authority's decision, as of January 1, 2007, business combinations of entities controlled by the same shareholder will be treated as pooling of interests and not using the fair value model. In cases of transactions that have the characteristics of shareholders' investments, the Standard may also apply to transactions with shareholders in their capacity as shareholders.

The initial adoption of the Standard had no effect on the interim financial statements.

4. Accounting Standards No. 27 - Fixed Assets and No. 28 - Amendment to the Transition Provisions of Accounting Standard No. 27, Fixed Assets

On January 1, 2007, the Company adopted the provisions of Accounting Standards No. 27, Fixed Assets and No. 28, Amendment to the Transition Provisions of Accounting Standard No. 27, Fixed Assets of the Israel Accounting Standards Board (hereunder – the Standards) regarding the accounting treatment of fixed assets in the financial statements.

The initial adoption of the Standards had no effect on the interim financial statements.

5. Accounting Standard No. 30 - Intangible Assets

On January 1, 2007, the Company adopted the provisions of Accounting Standard No. 30, Intangible Assets (hereunder – the Standard) of the Israel Accounting Standards Board that prescribes the accounting treatment, recognition, measurement and the disclosure requirements regarding intangible assets that are not dealt with in another standard.

As a result of the initial adoption of the directives of the Standard, the Company and the subsidiaries have reclassified computer software that is not an integral part of the related computer hardware whose depreciated cost as at March 31, 2006 is NIS 13,475 thousand and in the amount of NIS 25,458 thousand as of December 31, 2006, from "fixed assets" to "other assets".

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)c. Disclosure of the effect of a new Accounting Standard in the period prior to its adoptionAccounting Standard No. 29 - Adoption of International Financial Reporting Standards (IFRS)

In July 2006, the Israel Accounting Standards Board published Accounting Standard No. 29, Adoption of International Financial Reporting Standards (IFRS) (hereunder - the Standard).

International Financial Reporting Standards (hereunder – IFRS Standards) comprise standards and interpretations adopted by the International Accounting Standards Board, and include:

- a) International Financial Reporting Standards (IFRS)
- b) International Accounting Standards (IAS)
- c) Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and by its predecessor, the Standing Interpretations Committee (SIC).

Pursuant to the Standard, companies that are subject to the provisions of the Securities Law, 1968, and that are required to report according to the regulations published thereunder, will be required to prepare their financial statements in accordance with IFRS starting from the period commencing on January 1, 2008. These companies, as well as other companies, may adopt IFRS early and prepare their financial statements in accordance with IFRS starting with financial statements that are issued subsequent to July 31, 2006. The Company will prepare its financial statements in accordance with IFRS Standards commencing on January 1, 2008.

Companies that prepare their financial statements for the first time in accordance with IFRS will be required upon transition to adopt the provisions of IFRS 1, First-time Adoption of IFRS.

A company that adopts IFRS commencing in 2008, and that has elected to include comparative data for only one year (2007) will be required to prepare an opening balance sheet as of January 1, 2007 (hereunder - Opening IFRS Balance Sheet). The Opening IFRS Balance Sheet will require the following:

- Recognition of all assets and liabilities whose recognition is required by IFRS.
- De-recognition of assets and liabilities if IFRS do not permit such recognition.
- Classification of assets, liabilities and components of equity according to IFRS.
- Application of IFRS in the measurement of all recognized assets and liabilities.

In order to ease first-time adoption, a number of exemptions from IFRS have been granted in respect of the Opening IFRS Balance Sheet, which exemptions may be elected, in whole or in part. In addition, exceptions have also been established which prohibit retrospective application of certain aspects of IFRS.

According to the Standard, the Company is required to include in a note to the annual financial statements as of December 31, 2007, a balance sheet as of December 31, 2007, and a statement of profit and loss for the year then ended, that have been prepared based on the recognition, measurement and presentation criteria of IFRS.

There are differences between IFRS and generally accepted accounting principles in Israel in the recognition and measurement of assets and liabilities and in reporting and disclosure requirements. These differences could have a material impact on the Company's financial position and results of operations. The first-time adoption of IFRS will require the Company to identify such differences, a process that will entail a significant amount of time and resources.

The Company's management is evaluating the effect of the new Standard on its financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3:- DETAILS OF THE RATES OF CHANGE IN THE CPI AND FOREIGN CURRENCY REPRESENTATIVE EXCHANGE RATES

	Israeli CPI		Representative exchange rate				
	Month	Known	U.S. dollars	Polish Zolty	Euro	Russian ruble	Czech koruna
	%	%	%	%	%	%	%
Three months ended at:							
March 31, 2007	(0.2)	(0.4)	(1.7)	(1.1)	(0.5)	(0.2)	(1.8)
March 31, 2006	0.6	0.1	1.3	2.3	3.9	5.2	(2.2)
Year ended as at							
December 31, 2006	(0.1)	(0.3)	(8.2)	3.0	2.2	0.3	7.9

NOTE 4:- INSURANCE SUBSIDIARIES COMPLIANCE WITH CAPITAL REQUIREMENTS

- a. Hereunder is data regarding the equity of the insurance subsidiary, Direct I.D.I. Insurance Company Ltd. according with the Regulator of Insurance Business Regulations (Minimum Solvency Margin Required from an Insurer), 1998 as amended in the year 2004 - (hereunder - Capital Regulations):

	March 31, 2007
	<u>NIS in thousands</u>
Minimum solvency margin:	
Amount required as per regulations	(1) 209,161
Amount calculated as per regulations	(2) <u>341,183</u>
Surplus	(3) <u><u>132,022</u></u>
 Primary capital:	
Minimum solvency margin as per regulations	74,329
Amount calculated as per regulations	<u>227,455</u>
Surplus	<u><u>153,126</u></u>

- (1) The amount required includes unallowable assets in respect of amount at risk on retention in the event of death in life assurance in the amount of NIS 39,510 thousand (see Note 5 below).
- (2) The amount includes subordinated deeds in the amount of NIS 113,728 thousand which constitute subordinated capital in relation to Capital Regulations.

- b. As at March 31, 2007 the insurance subsidiary operating in Poland, LINK4 Towarzystwo Ubezpieczen S.A., complies with the equity requirements prescribed by the Supervision Authorities in Poland.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5: CANCELLATION OF EXTRAORDINARY RISKS RESERVE IN LIFE ASSURANCE

In March 2004, the International Accounting Standards Board published an International Accounting Standard regarding "Insurance Contracts" (IFRS 4). The directives of this Standard prescribe that the provision for extraordinary risks does not comply with the Standard's directives and therefore it should be eliminated. Taking this into account and in view of the necessity to classify the reserve for extraordinary risks in life assurance in the financial statements of insurance companies in Israel as shareholders' equity, a Temporary Provision was published in the framework of the States Capital Market Regularization Law (Legislation Amendments to Achieve the Targets of the Budget and Financial Policy for the Year 2007), 2007, which grants a tax exemption with respect to the classification of the reserve for extraordinary risks as shareholders' equity, at the rate of up to 0.17% of the amount at risk that the insurer holds.

In February 2007, the Regulator published a circular whereby commencing from the first quarter of 2007, the provision for the reserve for extraordinary risks in life assurance will be cancelled in the financial statements of insurance companies.

According to the aforementioned circular, the cancellation of the provision will be allocated to the statement of profit and loss as an extraordinary item, net of the effect of income taxes, if any.

At the same time, a capital requirement was defined at the rate of 0.17% of the amount on retention at risk, see Note 4 above. In addition, it was determined that the minimum capital requirement in respect of the amount at risk will not be deducted from the requirement on the date of transfer.

As at December 31, 2006, the consolidated insurance company in Israel has an extraordinary risks reserve in the amount of about NIS 36 million, which constitutes about 0.17% of the amount at risk on retention.

As a result of the above Regularizations, in the first quarter of the year 2007 the subsidiary reported a profit, net of tax in the amount of about NIS 36 million. The Company recorded a profit, net of tax, after deduction of the minority share in the amount of about NIS 28 million.

NOTE 6:- INFORMATION REGARDING GEOGRAPHIC SEGMENTS

Hereunder is information regarding the geographic segments:

	Three months ended as at March 31, 2007					
	Israel	Poland	Czech	Russia	Adjustments	Total
	Unaudited					
	Reported NIS in thousands					
Income from premiums	200,261	72,595	-	-	-	272,856
Other income	8,197	-	-	-	-	8,197
Intercompany income	576	-	-	-	(576)	-
Total	<u>209,034</u>	<u>72,595</u>	<u>-</u>	<u>-</u>	<u>(576)</u>	<u>281,053</u>
Segment results	<u>27,537</u>	<u>2,544</u>	<u>(6,123)</u>	<u>(4,290)</u>		19,668
Administrative and general expenses and financing expenses, net, not attributed to the geographic segments						(8,457)
Capital gain, net						5
Income before taxes on income						<u>11,216</u>

DIRECT INSURANCE – FINANCIAL INVESTMENTS LTD.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6:- INFORMATION REGARDING GEOGRAPHIC SEGMENTS (Cont.)

	Year ended as at December 31, 2006					
	Israel	Poland	Czech	Russia	Adjustments	Total
	Audited					
	Reported NIS in thousands					
Income from premiums	736,158	253,665	-	-	-	989,823
Other income	19,028	-	-	-	-	19,028
Intercompany income	2,280	-	-	-	(2,280)	-
Total	757,466	253,665	-	-	(2,280)	1,008,851
Segment results	<u>143,972</u>	<u>(2,159)</u>	<u>(12,629)</u>	<u>(6,228)</u>		122,956
Administrative and general expenses and financing expenses, net, not attributed to the geographic segments						(34,223)
Capital gain, net						686
Income before taxes on income						<u>89,419</u>

	Three months ended as at March 31, 2006					
	Israel	Poland	Czech	Russia	Adjustments	Total
	Unaudited					
	Reported NIS in thousands					
Income from premiums	189,595	56,777	-	-	-	246,372
Other income	2,277	-	-	-	-	2,277
Intercompany income	607	-	-	-	(607)	-
Total	192,479	56,777	-	-	(607)	248,649
Segment results	<u>22,472</u>	<u>(3,253)</u>	<u>(583)</u>	<u>(980)</u>		17,656
Administrative and general expenses and financing expenses, net, not attributed to the geographic segments						(4,985)
Income before taxes on income						<u>12,671</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

a. Realization of options

During the reporting period 33,000 options were realized into 33,000 shares of NIS 1 nominal value each.

b. Increase in the Company's capital

In March 2007 the Company's recorded capital increased by 10,000 shares of NIS 1 nominal value each. After the change the Company's total registered capital amounts to 75,000 shares of NIS 1 nominal value.

NOTE 8:- OUTSTANDING CLAIMS

On February 27, 2007, a financial claim was filed with the Tel-Aviv-Jaffa District Court together with a request to approve the claim as a class action against an insurance subsidiary in Israel and against other insurance companies, together with a request to approve the claim as a class action. The claimant contends that when there is an insurance event of an auto theft in the motor casco line, the policyholder is not reimbursed for the relative premium charged from him in respect of additional policy coverage. The claimant estimated the amount of the class action at about NIS 6.5 million. The subsidiary filed its response to the claim on May 20, 2007. According to the subsidiary the claim will be dismissed due to the claimant's lack of cause and due to the fact that the claim does not comply with the legal provisions with respect to an approval of a claim as a class action. In the opinion of the subsidiary and its legal advisors, the probability that the defense arguments will be approved is higher than the probability that the claimant's arguments will be approved. Therefore, no provision was included in the financial statements in respect of this claim.

NOTE 9:- NON-BINDING LETTER OF INTENT WITH R&SA

On November 27, 2006, pursuant to the approval of the Company's audit committee and Board of November 26, 2006, the Company signed a non-binding letter of intent ("the letter of intent") with Royal & Sun Alliance Group Plc ("R&SA") regarding the possibility of establishing a joint venture under common control by allocating shares of GDII to R&SA so that following the allocation, the Company and R&SA will hold GDII's shares in equal parts. According to the letter of intent, the purpose of the joint venture is to market insurance products to individuals under direct sales in Central and Eastern Europe in the countries of the former Soviet Union and in other countries, as determined in the letter of intent.

According to the letter of intent, subject to conducting a due diligence study by R&SA, GDII will allocate R&SA shares that will represent 50% of its share capital following the allocation at a company valuation of U.S. \$ 170 million before the investment. In consideration for the shares, R&SA shall pay GDII a sum of U.S. \$ 85 million upon closing and will commit to another U.S. \$ 85 million to be transferred based on the payment schedule as agreed upon between the Company and R&SA.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9:- NON-BINDING LETTER OF INTENT WITH R&SA (Cont.)

Since the signing of the letter of intent, and up to the date of this report, the parties have been conducting negotiations while exchanging drafts of the agreement (to include, among other things, an agreement for purchasing shares and a shareholders' agreement arranging the common control and management rights in GDII, including the Company's right in connection with the appointment of GDII's CEO and his dismissal). The investment is subject to statutory requirements and prerequisites that will be agreed upon between the parties. The Company will report as soon as a binding agreement is signed, if it is signed.

According to the letter of intent, the signing of agreements by the parties is conditional upon the parent company committing not to sell, directly and/or indirectly, the control over the Company for the duration of five years from signing and after said period, in the event of the sale of control over the Company, R&SA will be granted a first offer right, a tag-along right and, under certain conditions, a first right of refusal, as detailed in the letter of intent. The letter of the intent also stipulates that in the event that R&SA elects not to exercise these rights, then the management rights conferred to each party in the shareholders' agreement will be adjusted to equal the above rights, including the Company's right to nominate GDII's CEO and to dismiss him. The letter of intent also stipulates that signing binding agreements is conditional upon the holding companies controlling the parent company ("the controlling shareholders") undertaking that in the event that the controlling shareholders collectively decide to transfer the control over the parent company, they will be required to provide R&SA with advance notice. The Company estimates that subject to signing binding agreements by the parties as mentioned above and subject to the completion of the transaction, it shall derive a capital gain of approximately NIS 300 million (approximately U.S. \$ 70 million). The aforementioned information with respect to the Company's anticipated capital gain is future forecasting information, and the actual capital gain that will be derived may be different, among others, due to accounting aspects and also if there will be changes in the terms of the transaction under the binding agreements.

DIRECT INSURANCE – FINANCIAL INVESTMENTS LTD.

SCHEDULE A - DETAILS OF ASSETS AND LIABILITIES OF AN INSURANCE SUBSIDIARY REGISTERED IN ISRAEL)

Part A - Distribution of Assets Earmarked to Liabilities

	As at March 31, 2007							
	Total assets and receivables	Life assurance		Total life assurance	General insurance	Minimum capital	Surplus capital	Other liabilities
		Linked to the CPI	Policies participating in profits					
	Unaudited							
	Reported NIS in thousands							
Investments								
Cash and cash equivalents	99,994	31,577	4,941	36,518	30,575	28,596	-	4,305
Securities								
Quoted government debentures:								
in Israel	461,579	-	112,914	112,914	57,147	83,170	17,090	191,258
Other quoted debentures:								
In Israel	122,388	-	6,463	6,463	114,857	1,068	-	-
Abroad	34,488	-	861	861	33,627	-	-	-
Other unquoted debentures								
in Israel	352,893	-	27,840	27,840	325,053	-	-	-
Quoted shares:								
In Israel	97,331	-	11,117	11,117	-	-	86,214	-
Abroad	30,730	-	2,583	2,583	-	-	28,147	-
Mutual funds	1,349	-	-	-	-	1,349	-	-
Investment funds	11,155	-	1,068	1,068	-	10,087	-	-
Quoted options	498	-	(73)	(73)	-	-	571	-
Loans								
Secured by life assurance								
policies	3,451	3,451	-	3,451	-	-	-	-
Secured by mortgage	955	-	-	-	-	955	-	-
Secured by other guarantees	5,086	-	-	-	-	5,086	-	-
Deposits with banks	198,288	-	4,535	4,535	193,753	-	-	-
Fixed assets, net	24,531	-	-	-	-	24,531	-	-
Amounts receivable								
Insurance companies:								
Reinsurers' share in insurance reserves	6,432	1,548	-	1,548	4,884	-	-	-
Reinsurers' share in outstanding claims	130,681	3,183	-	3,183	127,498	-	-	-
Other accounts	51,209	-	-	-	51,209	-	-	-
Outstanding premiums	212,040	1,585	-	1,585	210,455	-	-	-
Debtors and receivables	23,022	9	-	9	17,899	-	-	5,114
Deferred acquisition costs and other assets								
Deferred acquisition costs in life assurance	51,575	-	-	-	-	51,575	-	-
Deferred acquisition costs in general insurance	44,937	-	-	-	44,937	-	-	-
Deferred acquisition costs in health insurance	2,744	-	-	-	-	2,744	-	-
Other assets	14,024	-	-	-	-	-	-	14,024
Deferred taxes	5,109	-	-	-	-	-	-	5,109
Total assets and receivables	1,986,489	41,353	172,249	213,602	1,211,894	209,161	132,022	219,810
Total capital and liabilities (according to part B)	1,986,489	33,949	172,249	206,198	1,219,298	209,161	132,022	219,810
Surplus	-	7,404	-	7,404	(7,404)	-	-	-

DIRECT INSURANCE – FINANCIAL INVESTMENTS LTD.

SCHEDULE A - DETAILS OF ASSETS AND LIABILITIES OF AN INSURANCE SUBSIDIARY REGISTERED IN ISRAEL) (CONT.)

Part B - Details of Capital and Liabilities according to type

	As at March 31, 2007							
	Total assets and receivables	Life assurance			General insurance	Minimum capital	Surplus capital	Other liabilities
		Linked to the CPI	Policies participating in profits	Total life assurance				
Reported NIS in thousands								
Shareholders' equity	227,455	-	-	-	-	209,161	18,294	-
Minority interest	1,403	-	-	-	-	-	-	1,403
Deferred taxes	9,081	-	-	-	-	-	-	9,081
Subordinated deeds	253,989	-	-	-	-	-	113,728	140,261
Insurance reserves	476,632	10,726	172,249	182,975	293,657	-	-	-
Outstanding claims	852,867	8,809	-	8,809	844,058	-	-	-
Other liabilities								
Insurance companies:								
Deposits	3,932	-	-	-	3,932	-	-	-
Other accounts	13,999	12,349	-	12,349	1,650	-	-	-
Creditors and payables:								
Prepaid premiums	9,079	316	-	316	8,763	-	-	-
Policyholders	22,408	1,493	-	1,493	20,915	-	-	-
Others	115,644	256	-	256	46,323	-	-	69,065
Total capital and liabilities	1,986,489	33,949	172,249	206,198	1,219,298	209,161	132,022	219,810

Comment

The assets held for coverage and liabilities in life assurance in accordance to item 54 of the Supervision of Financial Services (Insurance), 1981, are included in the details of assets and liabilities based on the separate accounting system managed in accordance with the Supervision of Insurance Business Regulations (Mode of Separation of Accounts and Assets of an Insurer in Life Assurance), 1984.

The assets held to cover liabilities in general insurance, other liabilities and those dependent on the statement are prepared in accordance with the Supervision of Insurance Business Regulations (Ways of Investment of Capital and Reserves of an Insurer and Management of its Liabilities), 2000, and the amendments thereto.

DIRECT INSURANCE – FINANCIAL INVESTMENTS LTD.

Schedule B – Consolidated General Insurance Business Results according to main Insurance Lines of Business

	For the three month period ended March 31, 2007									
	Insurance activities in Israel			Total			Insurance activities abroad			Total
	Property	Liabilities	Motor in Poland	Motor general insurance business results in Israel	Third party	Motor Casco	Others	Total insurance business abroad	Total	
Premiums	90,942	17,682	48,700	3,433	160,757	46,178	24,623	1,794	72,595	233,352
Fees	-	-	7,337	-	7,337	-	-	-	-	7,337
Total insurance premiums	90,942	17,682	56,037	3,433	168,094	46,178	24,623	1,794	72,595	240,689
Less reinsurance	200	4,307	4,035	372	8,914	879	-	-	879	9,793
Change in reserve for unexpired risks net of reinsurance	90,742	13,375	52,002	3,061	159,180	45,299	24,623	1,794	71,716	230,896
	(9,498)	(806)	(3,970)	(306)	(14,580)	(3,693)	(3,946)	(811)	(8,450)	(23,030)
Insurance premiums earned	81,244	12,569	48,032	2,755	144,600	41,606	20,677	983	63,266	207,866
Investment income	3,950	629	10,204	145	14,928	1,409	936	70	2,415	17,343
Total revenues for the year	85,194	13,198	58,236	2,900	159,528	43,015	21,613	1,053	65,681	225,209
Claims paid and outstanding	60,032	13,950	25,161	1,460	100,603	26,701	11,433	(7)	38,127	138,730
Less reinsurance	(39)	3,453	(119)	139	3,434	-	-	(18)	(18)	3,416
Total claims for the year	60,071	10,497	25,280	1,321	97,169	26,701	11,433	11	38,145	135,314
Excess of revenues over claims for the year	25,123	2,701	32,956	1,579	62,359	16,314	10,180	1,042	27,536	89,895
Selling, administrative and general expenses	22,939	4,518	15,142	1,097	43,696	16,594	8,705	1,832	27,131	70,827
Commission from reinsurance	-	1,019	3	24	1,046	-	-	-	-	1,046
Change in deferred acquisition costs	22,939	3,499	15,139	1,073	42,650	16,594	8,705	1,832	27,131	69,781
Total expenses for the year, net	(1,758)	(149)	(397)	(197)	(2,501)	(266)	(893)	(197)	(1,356)	(3,857)
Profit (loss) from general insurance business	21,181	3,350	14,742	876	40,149	16,328	7,812	1,635	25,775	65,924
	3,942	(649)	18,214	703	22,210	(14)	2,368	(593)	1,761	23,971

DIRECT INSURANCE – FINANCIAL INVESTMENTS LTD.

Schedule B – Consolidated General Insurance Business Results according to main Insurance Lines of Business (Cont.)

	For the three month period ended March 31, 2006									
	Insurance activities in Israel			Total			Insurance activities abroad			Total
	Property	Liabilities	Others	general insurance business results in Israel	Motor in Poland	Total insurance business abroad	Motor Casco	Motor Comprehensive residential	Property	
Premiums	86,693	17,357	48,170	3,292	155,512	37,750	19,027	56,777	212,289	7,743
Fees	-	-	7,743	-	7,743	-	-	-	-	-
Total insurance premiums	86,693	17,357	55,913	3,292	163,255	37,750	19,027	56,777	220,032	7,743
Less reinsurance	220	4,146	4,228	303	8,897	996	-	996	9,893	-
Change in reserve for unexpired risks net of reinsurance	86,473	13,211	51,685	2,989	154,358	36,754	19,027	55,781	210,139	(13,739)
Insurance premiums earned	(3,162)	(1,636)	1,530	(563)	(3,831)	(6,155)	(3,753)	(9,908)	(13,739)	196,400
Investment income	83,311	11,575	53,215	2,426	150,527	30,599	15,274	45,873	196,400	9,799
Total revenues for the year	1,748	249	5,912	77	7,986	1,113	700	1,813	206,199	206,199
Claims paid and outstanding	85,059	11,824	59,127	2,503	158,513	31,712	15,974	47,686	206,199	117,577
Less reinsurance	55,991	6,921	26,602	1,242	90,756	19,098	7,723	26,821	117,577	1,020
Total claims for the year	(66)	1,371	(372)	87	1,020	-	-	-	1,020	-
Excess of revenues over claims for the year	56,057	5,550	26,974	1,155	89,736	19,098	7,723	26,821	116,557	89,642
Selling, administrative and general expenses	29,002	6,274	32,153	1,348	68,777	12,614	8,251	20,865	89,642	20,865
Commission from reinsurance	23,853	4,445	15,275	1,177	44,750	17,685	8,192	25,877	70,627	(1,069)
Commission from co-reinsurance	-	(913)	(18)	(138)	(1,069)	-	-	-	(1,069)	183
Change in deferred acquisition costs	-	183	-	-	183	-	-	-	183	-
Total expenses for the year, net	23,853	3,715	15,257	1,039	43,864	17,685	8,192	25,877	69,741	(2,267)
Profit (loss) from general insurance business	(586)	(303)	154	(407)	(1,142)	(305)	(820)	(1,125)	(2,267)	67,474
	23,267	3,412	15,411	632	42,722	17,380	7,372	24,752	67,474	67,474
	5,735	2,862	16,742	716	26,055	(4,766)	879	(3,887)	22,168	22,168

*) Reclassified.

DIRECT INSURANCE – FINANCIAL INVESTMENTS LTD.

Schedule B – Consolidated General Insurance Business Results according to main Insurance Lines of Business (Cont.)

	For the year ended December 31, 2006																				
	Insurance activities in Israel					Insurance activities abroad															
	Property	Liabilities	Total general insurance business results in Israel	Motor in Poland	Total insurance business abroad	Total	Motor Casco	Motor comprehensive residential	Motor act	Others	Total										
Premiums	326,374	68,330	185,711	11,626	592,041	167,270	86,395	253,665	845,706												
Fees	-	-	28,752	-	28,752	-	-	-	28,752												
Total insurance premiums	326,374	68,330	214,463	11,626	620,793	167,270	86,395	253,665	874,458												
Less reinsurance	804	17,410	15,961	1,315	35,490	4,269	-	4,269	39,759												
Change in reserve for unexpired risks net of reinsurance	325,570	50,920	198,502	10,311	585,303	163,001	86,395	249,396	834,699												
Insurance premiums earned	7,166	(1,779)	8,325	(63)	13,649	(22,711)	(15,230)	(37,941)	(24,292)												
Investment income	332,736	49,141	206,827	10,248	598,952	140,290	71,165	211,455	810,407												
Total revenues for the year	10,320	1,637	28,138	396	40,491	3,957	2,228	6,185	46,676												
Claims paid and outstanding Less reinsurance	343,056	50,778	234,965	10,644	639,443	144,247	73,393	217,640	857,083												
Total claims for the year	210,698	28,924	127,488	5,257	372,367 *)	84,692	34,623	119,315	491,682												
Excess of revenues over claims for the year	(116)	5,090	30,171	859	36,004	-	-	-	36,004												
Selling, administrative and general expenses	210,814	23,834	97,317	4,398	336,363	84,692	34,623	119,315	455,678												
Commission from reinsurance	132,242	26,944	137,648	6,246	303,080	59,555	38,770	98,325	401,405												
Commission from co-reinsurance	88,417	17,364	60,248	4,236	170,265 *)	71,146	37,502	108,648	278,913												
Change in deferred acquisition costs	-	(3,167)	(46)	(462)	(3,675)	-	-	-	(3,675)												
Total expenses for the year, net	88,417	15,012	60,202	3,774	167,405	71,146	37,502	108,648	276,053												
Profit (loss) from general insurance business	1,327	(329)	832	(970)	(800)	3,524	3,144	6,668	5,808												
	89,744	14,683	61,034	2,804	168,265	67,622	34,358	101,980	270,245												
	42,498	12,261	76,614	3,442	134,815	(8,067)	4,412	(3,655)	131,160												

*) Reclassified.