Translated from the Hebrew original

MIGDAL INSURANCE AND FINANCIAL HOLDINGS LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS AT MARCH 31, 2012

UNAUDITED

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KPMG

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Auditors' Review Report to the Shareholders of Migdal Insurance and Financial Holdings Ltd.

Introduction

We have reviewed the accompanying financial information of Migdal Insurance and Financial Holdings Ltd. and its subsidiaries (hereunder – the Group) including the condensed consolidated statement of financial position as at March 31, 2012 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended. The Board of Directors and Management are responsible for the preparation and presentation of the financial information for this interim period in accordance with IAS 34, "Interim Financial Reporting" and in accordance with the disclosure requirements prescribed by the Regulator of Insurance pursuant to the Supervision of Financial Services (Insurance) Law, 1981, and they are responsible for the preparation of this interim financial information in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970, insofar as these regulations apply to insurance companies. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not review the condensed interim financial information of companies treated according to the equity value method the investment in which amounted to NIS 590,144 thousand as at March 31, 2012, and the Group's share in their profits amounted to about NIS 17,316 thousand for the three month period then ended. The condensed interim financial information of those companies was reviewed by other auditors whose review reports thereon were furnished to us, and our conclusion, insofar as it relates to amounts emanating from the financial information of such companies, is based solely on the said review reports of the other auditors.

Scope of review

We conducted our review in accordance with Standard on Review Engagements 1, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" of the Institute of Certified Public Accountants in Israel. 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 of 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 prescribed by the Regulator of Insurance, pursuant to the Supervision of Financial Services (Insurance) Law, 1981.

In addition to that stated in the preceding paragraph and on the review report of other auditors, 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 aforementioned 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, insofar as these regulations apply to insurance companies.

Without qualifying our above conclusion, we draw attention to that stated in Note 7 to the financial statements regarding the exposure to contingent liabilities.

Tel-Aviv, Israel	**SOMEKH CHAIKIN**	**KOST FORER GABBAY & KASIERER**
May 29, 2012	Member of KPMG International	Member of Ernst & Young Global
	Certified Public Accountants (Isr.)	Certified Public Accountants (Isr.)

Joint auditors

Condensed Interim Consolidated Statements of Financial Position

	As at March 31		As at December 31
	2012	2011	2011
	Unaudited	Unaudited	Audited
	NIS in thousands		NIS in thousands
ASSETS			
Intangible assets	1,248,440	1,207,585	1,240,774
Deferred tax assets	19,241	16,587	19,361
Deferred acquisition costs	1,571,533	1,500,253	1,539,663
Fixed assets	733,639	510,933	679,188
Investments in affiliates	591,517	562,354	579,605
Investment property for yield dependent contracts	3,740,424	3,079,578	3,519,950
Other investment property	527,652	355,408	497,226
Reinsurance assets	1,130,955	1,218,909	1,181,449
Current tax assets	60,264	79,030	54,207
Debtors and receivables	227,376	269,040	250,399
Outstanding premiums	588,819	580,443	434,983
Financial investments for yield dependent contracts	48,282,524	46,921,848	47,411,946
Other financial investments:			
Quoted debt assets	4,789,946	4,152,578	4,640,308
Unquoted debt assets	20,255,845	19,896,585	20,020,784
Shares	710,972	1,200,246	785,013
Others	1,298,280	1,178,514	995,991
Total other financial investments	27,055,043	26,427,923	26,442,096
Cash and cash equivalents for yield dependent contracts	2,498,106	1,033,219	750,299
Other cash and cash equivalents	1,248,485	1,254,143	1,497,706
Total assets	89,524,018	85,017,253	86,098,852
Total assets for yield dependent contracts in an insurance subsidiary	54,715,991	51,234,836	51,845,273

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

Condensed Interim Consolidated Statements of Financial Position

	As at March 31		As at December 31
	2012	2011	2011
	Unaudited	Unaudited	Audited
	NIS in thousands		NIS in thousands
EQUITY AND LIABILITIES			
EQUITY			
Share capital	110,607	110,607	110,607
Share premium	273,735	273,735	273,735
Capital reserves	168,140	294,045	80,002
Retained earnings	4,015,331	3,886,200	4,073,275
Total equity attributed to the Company's shareholders	4,567,813	4,564,587	4,537,619
Non-controlling interests	2,481	1,949	1,803
Total equity	4,570,294	4,566,536	4,539,422
LIABILITIES			
Liabilities in respect of non-yield dependent insurance and investment contracts	27,504,780	(*26,567,874	27,277,993
Liabilities in respect of yield dependent insurance and investment contracts	54,378,097	(*51,099,175	51,388,142
Liabilities in respect of deferred taxes	439,150	449,839	386,937
Liabilities for employee benefits, net	272,164	252,704	271,617
Liabilities for current taxes	4,832	8,103	5,601
Creditors and payables	1,385,209	1,516,687	1,449,038
Dividend payable	150,000	150,000	-
Financial liabilities	819,492	406,335	780,102
Total liabilities	84,953,724	80,450,717	81,559,430
Total equity and liabilities	89,524,018	85,017,253	86,098,852

* Reclassified. See Note 3b.

May 29, 2012			
Date of approval of the financial statements	Aharon Fogel Chairman of the Board	Yonel Cohen General Manager	Eran Czerninski Chief Financial Officer

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

Condensed Interim Consolidated Statements of Income

	For the three months ended March 31		For the year ended December 31
	2012	2011	2011
	Unaudited		Audited
	NIS in thousands		NIS in thousands
Gross premiums earned	2,333,946	2,201,749	8,892,089
Premiums earned by reinsurers	173,349	168,229	719,034
Premiums earned on retention	2,160,597	2,033,520	8,173,055
Net investment and finance income	2,645,333	1,055,526	661,050
Income from management fees	231,661	237,262	905,958
Income from commissions	88,333	90,644	379,916
Other income	2,851	2,111	9,255
Total income	5,128,775	3,419,063	10,129,234
Payments and change in liabilities in respect of gross insurance and investment contracts	4,473,039	2,837,778	7,747,124
Reinsurers' share in payments and in change in liabilities in respect of insurance contracts	67,327	132,533	367,165
Payments and change in liabilities in respect of insurance and investment contracts on retention	4,405,712	2,705,245	7,379,959
Commission, marketing expenses and other acquisition expenses	343,034	313,872	1,264,223
Administrative and general expenses	252,625	233,348	971,849
Other expenses	7,213	7,209	26,759
Finance expenses	3,248	2,860	25,152
Total expenses	5,011,832	3,262,534	9,667,942
Share in profits of investees treated according to the equity value method	17,347	13,148	48,614
Income before taxes on income	134,290	169,677	509,906
Taxes on income	42,893	56,031	213,198
Income for the period	91,397	113,646	296,708
Attributed to:			
Company’s shareholders	90,719	112,864	296,268
Non-controlling interests	678	782	440
Income for the period	91,397	113,646	296,708
Basic and diluted earnings per share attributed to Company’s shareholders (in NIS)	0.09	0.11	0.28

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

Condensed Interim Consolidated Statements of Comprehensive Income

	For the three months ended March 31		For the year ended December 31
	2012	2011	2011
	Unaudited		Audited
	NIS in thousands		NIS in thousands
Income for the period	91,397	113,646	296,708
Other comprehensive income			
Net change in the fair value of available for sale financial assets recognized in capital reserves	156,837	6,725	(393,398)
Net income and losses from the realization of available for sale financial assets recognized in statement of income	(34,557)	(69,122)	(150,338)
Impairment in value of available for sale financial assets recognized in statement of income	13,840	6,379	163,144
Share in other comprehensive income of investee treated according to the equity value method	-	-	(420)
Tax benefit (taxes on income) relating to components of other comprehensive income	(47,982)	19,186	130,137
Other comprehensive income (loss) for the period, net of tax	88,138	(36,832)	(250,875)
Total comprehensive income for the period	179,535	76,814	45,833
Attributed to:			
Company's shareholders	178,857	76,032	45,393
Non-controlling interests	678	782	440
Comprehensive income for the period	179,535	76,814	45,833

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

Condensed Interim Consolidated Statements of Changes in Equity

	Attributed to the Company's shareholders							
	Share capital	Share premiums	Capital reserves in respect of available for sale assets	Reserve from investment revaluation due to rise to control	Retained earnings	Total	Non-controlling interest	Total capital
	NIS thousands							
Balance as at January 1, 2012 (Audited)	110,607	273,735	73,013	6,989	4,073,275	4,537,619	1,803	4,539,422
Income for the period	-	-	-	-	90,719	90,719	678	91,397
Other comprehensive income, net of tax	-	-	88,138	-	-	88,138	-	88,138
Total comprehensive income	-	-	88,138	-	90,719	178,857	678	179,535
Benefit in respect of option warrants to employees					1,337	1,337		1,337
Dividend	-	-	-	-	(150,000)	(150,000)	-	(150,000)
Balance as at March 31, 2012 (Unaudited)	110,607	273,735	161,151	6,989	4,015,331	4,567,813	2,481	4,570,294

	Attributed to the Company's shareholders							
	Share capital	Share premiums	Capital reserves in respect of available for sale assets	Reserve from investment revaluation due to rise to control	Retained earnings	Total	Non-controlling rights	Total capital
	NIS thousands							
Balance as at January 1, 2011 (Audited)	110,607	273,735	323,888	6,989	3,919,656	4,634,875	1,167	4,636,042
Income for the period	-	-	-	-	112,864	112,864	782	113,646
Other comprehensive loss, net of tax	-	-	(36,832)	-	-	(36,832)	-	(36,832)
Total comprehensive income (loss)	-	-	(36,832)	-	112,864	76,032	782	76,814
Benefit in respect of option warrants to employees					3,680	3,680		3,680
Dividend	-	-	-	-	(150,000)	(150,000)	-	(150,000)
Balance as at March 31, 2011 (Unaudited)	110,607	273,735	287,056	6,989	3,886,200	4,564,587	1,949	4,566,536

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

Condensed Interim Consolidated Statements of Changes in Equity

	Attributed to Company's shareholders							
	Share capital	**Share premiums**	**Capital reserves in respect of available for sale assets**	**Reserve from investment revaluation due to rise to control**	**Retained earnings**	**Total**	**Minority interest**	**Total capital**
	NIS thousands							
Balance as at January 1, 2011	110,607	273,735	323,888	6,989	3,919,656	4,634,875	1,167	4,636,042
Income for the period	-	-	-	-	296,268	296,268	440	296,708
Other comprehensive loss, net of tax	-	-	(250,875)	-	-	(250,875)	-	(250,875)
Total comprehensive income (loss)	-	-	(250,875)	-	296,268	45,393	440	45,833
Issuance of share capital	*) -	-						
Benefit in respect of option warrants to employees	-	-	-	-	7,351	7,351	-	7,351
Non-controlling interest in respect of business combination	-	-	-	-	-	-	196	196
Dividend	-	-	-	-	(150,000)	(150,000)	-	(150,000)
Balance as at December 31, 2011	110,607	273,735	73,013	6,989	4,073,275	4,537,619	1,803	4,539,422

*) Less than NIS thousand

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

Condensed Interim Consolidated Statements of Cash Flows

	Appendix	For the three months ended March 31 2012	For the three months ended March 31 2011	For the year ended December 31 2011
		Unaudited	Unaudited	Audited
		NIS in thousands	NIS in thousands	NIS in thouands
CASH FLOWS FROM CURRENT ACTIVITIES	A	1,196,652	114,051	524,122
CASH FLOWS FROM INVESTMENT ACTIVITIES				
Investment in investees		(134)	-	(8,608)
Cash on acquisition of subsidiary consolidated for the first time	D	(6,397)	-	(14,071)
Investment in fixed assets		(81,352)	(42,375)	(191,996)
Investment in intangible assets		(36,999)	(39,732)	(134,623)
Dividend received from investee		-	-	32,500
Proceeds from the sale of intangible assets		-	-	2,901
Proceeds from the sale of fixed assets		535	-	457
Net cash used in investment activities		(124,347)	(82,107)	(313,440)
CASH FLOWS FROM FINANCE ACTIVITIES				
Realization of employees options into shares		-	-	*) -
Receipt of loans from banks and others		499,035	-	500
Settlement of loans from banks and others		(19,002)	(37,776)	(70,157)
Change in short term credit from banking institutions and others, net		(47,609)	1,853	(17,415)
Dividends		-	-	(196,308)
Net cash (used in) provided by finance activities		432,424	(35,923)	(283,380)
Effect of exchange rate fluctuations on the cash and cash equivalent balances		(6,143)	(12,484)	16,878
Change in cash and cash equivalents		1,498,586	(16,463)	(55,820)
Balance of cash and cash equivalents as at beginning of the period	B	2,248,005	2,303,825	2,303,825
Balance of cash and cash equivalents as at end of the period	C	3,746,591	2,287,362	2,248,005

*) Less than NIS thousand.

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

Condensed Interim Consolidated Statements of Cash Flows (cont'd)

	Appendix	For the three months ended March 31 2012	For the three months ended March 31 2011	For the year ended December 31 2011
		Unaudited	Unaudited	Audited
		NIS in thousands	NIS in thousands	NIS in thousands
Income for the period		91,397	113,646	296,708
Items not involving cash flows:				
Company's share in net results of affiliates treated according to the equity value method		(17,347)	(13,148)	(48,614)
Income from financial investments for yield dependent insurance and investment contracts		(2,220,615)	(413,734)	1,896,543
Net income from other financial investments:				
Quoted debt assets		(48,073)	(71,136)	(258,751)
Unquoted debt assets		(286,211)	(428,356)	(1,509,304)
Shares		(7,439)	(32,894)	109,797
Other investments		(19,737)	(38,683)	(375,160)
Finance expenses in respect of financial liabilities and others		6,039	3,715	13,365
Profit from realization of:				
Intangible assets		-	-	(2,901)
Fixed assets		169	-	(86)
Affiliates		-	-	(1,169)
Change in fair value of investment property for yield dependent contracts		-	-	(178,072)
Change in fair value of other investment property		-	-	(10,327)
Depreciation and amortization:				
Fixed assets		12,244	12,132	50,159
Intangible assets		31,843	31,030	123,419
Change in liabilities for yield dependent insurance and investment contracts		2,989,955	*)1,230,617	1,519,584
Change in liabilities for non-yield dependent insurance and investment contracts		226,787	*)434,969	1,145,088
Change in share based payment transactions		1,337	3,680	7,351
Change in reinsurance assets		50,494	(62,257)	(24,797)
Change in deferred acquisition costs		(31,870)	(44,352)	(83,762)
Taxes on income		42,893	56,031	213,198
C/forward		730,469	667,614	2,585,561

*) Reclassified

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

Condensed Interim Consolidated Statements of Cash Flows (cont'd)

APPENDIX A – CASH FLOWS FROM CURRENT ACTIVITIES BEFORE TAXES ON INCOME

	App	For the three months ended March 31		For the year ended December 31
		2012	2011	2011
		Unaudited		Audited
		NIS in thousands		NIS in thousands
B/forward		730,469	667,614	2,585,561
Changes in other balance sheet items:				
Financial investments and investment property for yield dependent insurance and investment contracts:				
Acquisition of investment property		(220,474)	(140,621)	(437,287)
Proceeds from sale of investment property		-	-	34,366
Net acquisitions of financial investments		640,489	(741,530)	(4,360,421)
Financial investments and other investment property:				
Acquisition of investment property		(30,426)	(1,604)	(133,095)
Proceeds from sale of investment property		-	-	-
Net acquisitions of financial investments		(239,078)	(15,598)	(271,777)
Outstanding premiums		(153,836)	(159,470)	(14,010)
Debtors and receivables		29,302	(36,503)	(21,073)
Creditors and payables		(50,727)	127,291	35,249
Liabilities for employee benefits, net		444	8,513	27,412
Total adjustments required for presenting cash flows from current activities		706,163	(291,908)	(2,555,075)
Cash paid and received during the period for:				
Interest paid		(3,381)	(2,665)	(17,443)
Interest received		343,419	325,535	2,152,694
Taxes paid, net		(45,368)	(101,049)	(192,292)
Dividend received		104,422	70,492	839,530
Net cash provided by current activities		1,196,652	114,051	524,122

(1) The cash flows from current activities include net acquisitions and sales of financial investments, mainly deriving from the activity in respect of insurance and investment contracts.

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

Condensed Interim Consolidated Statements of Cash Flows

	App	For the three months ended March 31 2012	For the three months ended March 31 2011	For the year ended December 31 2011
		Unaudited	Unaudited	Audited
		NIS in thousands	NIS in thousands	NIS in thousands
Appendix B - Cash and cash equivalents as at the beginning of the period				
Cash and cash equivalents for yield dependent contracts		750,299	895,169	895,169
Other cash and cash equivalents		1,497,706	1,408,656	1,408,656
		2,248,005	2,303,825	2,303,825
Appendix C – Cash and cash equivalent as at the end of the period				
Cash and cash equivalents for yield dependent contracts		2,498,106	1,033,219	750,299
Other cash and cash equivalents		1,248,485	1,254,143	1,497,706
		3,746,591	2,287,362	2,248,005
Appendix D – Cash used for acquisition of subsidiary consolidated for the first time				
Intangible assets		(6,952)	-	(20,975)
Fixed assets		(58)	-	(90)
Debtors and receivables		(662)	-	(1,703)
Other financial investments		-	-	(1,151)
Non-controlling interests		-	-	196
Liabilities in respect of deferred taxes		-	-	1,672
Liabilities for employee benefits, net		103	-	14
Creditors and payables		1,172	-	3,627
Financial liabilities		-	-	4,339
		(6,397)	-	(14,071)
Appendix E – Significant activities not involving cash flows				
Acquisition of fixed assets and intangible assets against creditors		59,938	12,889	79,543
Dividend declared but not yet paid		150,000	150,000	-
Dividend from affiliate declared but not received		5,617	-	-

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

Note 1 - The Reported Entity

Migdal Insurance and Financial Holdings Ltd. (hereunder - “the Company”) is a company incorporated and residing in Israel and its formal address is No. 4 Ef’al Str., Kiryat Aryeh, Petach Tikva 49511. The condensed consolidated financial statements of the Company as at March 31, 2012 include the statements of the Company, its subsidiaries (together referred to hereunder as “the Group”) and investments in affiliates. The Company is controlled by Assicurazioni Generali S.p.A. (for information about the sale of the holdings in the Company, see Note 8.b). The Group operates primarily in the insurance, pension, provident funds and financial services lines of business. The Company’s securities are listed for trade on the Tel Aviv Stock Exchange.

Note 2 - Basis of Preparation of the Financial Statements

A. Preparation of condensed consolidated interim financial statements

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and do not include all of the information required for full annual financial statements. They should be read in conjunction with the financial statements as at and for the year ended December 31, 2011 (hereinafter – “the annual financial statements”). Furthermore, these financial statements have been prepared in accordance with the disclosure requirements of the Law for Supervision of Financial Services (Insurance) – 1981, and the provisions of Section D of the Securities Regulations (Periodic and Immediate Reports) – 1970, to the extent these regulations apply to a corporation that consolidates an insurance company.

B. Use of estimates and judgments

The preparation of condensed financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group accounting policies and the principal assumptions used in making estimations involving uncertainty are consistent with those used for the preparation of the annual financial statements.

Note 3 - Significant Accounting Policies

Except as described below in Item A, the accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its annual financial statements.

A. Initial application of new standards

IAS 12 – Tax on income

Amendment to IAS 12 *Income Taxes*, (hereunder – "the Amendment"), applies to investment property measured according to the fair value model. The Amendment provides that the measurement of the deferred tax asset/liability on the said assets is to be based on the presumption that the carrying amount of the investment property will be recovered fully through sale (and not usage). Nevertheless, if for example the investment property is depreciable and the objective of holding the asset according to the Company's business model is to recover substantially all the economic benefits inherent in the asset over its life through consumption and not sale, the Company must measure the deferred taxes according to the expected recovery method of the underlying asset.

The amendment supersedes the provisions of SIC 21 that requires separation of the land component and the building component of investment property measured at fair value in order to calculate the deferred tax.

Implementation of the Standard did not have a material effect on the Company's financial statements.

B. Reclassification

Amounts deposited with the Group in a defined benefit plan for Group's employees, the balance of which as at March 31, 2011 is NIS 42 million, were reclassified from the item liabilities in respect of non-yield dependent insurance contracts and investment contracts to the item liabilities in respect of yield dependent insurance contracts and investment contracts. The reclassifications had no effect on the equity, profit or loss and comprehensive income.

C. Details of changes in the CPI and in the representative exchange rate of the U.S. dollar

	CPI		Representative exchange
	Index for the month	Last known index	rate of the U.S. dollar
	%		
For the three months ended as at:			
March 31, 2012	**0.4**	**0.0**	**(2.8)**
March 31, 2011	0.7	0.9	(1.9)
For the year ended December 31, 2011	2.1	2.5	7.7

Note 4 - Seasonality

A. Life and health insurance

Revenues from life and health insurance premiums are not characterized as being seasonal. However, due to the fact that life assurance payments have tax benefits, a considerable part of the new sales are effected mainly at the end of the year.

Note 4 - Seasonality (cont'd)

B. General insurance

The turnover from gross general insurance premiums are characterized as being seasonal, due mainly to the insurance of motor vehicles of various groups of employees and fleets of motor vehicles of businesses, for which the renewal dates are generally in January, as well as various policies for businesses, which are generally renewed in January or April. The effect of this seasonal characteristic on reported income is neutralized through the provision for unearned premium.

In the components of other expenses, such as claims, and in components of other income, such as income from investments, there is no clear seasonality, and therefore, there is no clear seasonal impact on income. However, it is worth noting that a harsh winter could cause an increase in claims, mainly in the motor casco branch, in the first and fourth quarters of the year, and consequently, to a reduction in reported income.

Note 5 - Segments Of Activity

A. General

The Group operates in the following segments of activity:

1. <u>The segment of life assurance and long term savings</u>

The segment of life assurance and long term savings includes the lines of life assurance, pension and provident funds and it concentrates mainly on long term savings (in the framework of various types of insurance policies, pension and provident funds including educational fund), as well as insurance coverages for various risks such as: death, disability, disability income insurance, etc. According to the Regulator's directives the life assurance and long term savings segment is broken down into life assurance, pension and provident funds.

2. <u>Health insurance segment</u>

The health insurance segment concentrates all the Group's activities in health insurance – the segment includes long term care insurance, medical expense insurance, operations, transplants, dental insurance, etc.

3. <u>General insurance segment</u>

The general insurance segment includes the liability and property branches. Under the Regulator of Insurance's directives, the general insurance segment is broken down into the lines of motor act, motor casco, other property branches, other liability branches.

- <u>The motor act insurance line of insurance</u>

  The motor act insurance line of business focuses on coverages acquisition of which by the owner of the vehicle or the driver is compulsory by law and it provides coverage for bodily injuries (to the driver of the vehicle, the passengers in the vehicle or to pedestrians), as a result of the use of the motor vehicle.

Note 5 - Segments Of Activity (cont'd)

A. General (cont'd)

- The motor casco line of insurance

  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.

- Other liability branches

  The liability branches are intended for the coverage of the policyholders' liabilities for any damage that he will cause to a third party. These lines of business include: third party liability, employers' liability, professional liability, product warranty, marine hull and aviation hull.

- Property and other branches

  The other general insurance branches that are not vehicles and liabilities, including property loss, comprehensive business premises, comprehensive residential, mortgage banks, personal accidents, cargo in transit, engineering insurance and other risks.

4. Financial services segment

   This segment mainly includes financial assets management services and marketing for investments (mainly management of mutual funds and portfolio management), stock exchange brokerage in regulated markets, underwriting services, market making of various securities as well as other services.

5. Other segments of activity include mainly activities of insurance agencies'.

Notes to the Condensed Interim Consolidated Financial Statements as at March 31, 2012 (cont'd)

Note 5 – Segments of Activity (cont'd)

B. Reportable segments (cont'd)

	For the period of three months ended as at March 31, 2012							
	Life assurance and long term savings	Health	General insurance	Financial services	Other business segments	Not attributed to business segments	Adjustments and offsets	Total
	Unaudited							
	NIS in thousands							
Gross premiums earned	1,803,362	166,487	364,097	-	-	-	-	2,333,946
Premiums earned by reinsurers	43,465	16,298	113,586	-	-	-	-	173,349
Premiums earned on retention	1,759,897	150,189	250,511	-	-	-	-	2,160,597
Net investment income (losses) and finance income	2,544,855	53,445	29,796	6,600	1,209	23,028	(13,600)	2,645,333
Income from management fees	198,288	-	-	34,963	-	-	(1,590)	231,661
Income from commissions	16,817	2,934	10,419	12,222	90,110	-	(* (44,169)	88,333
Other income	-	-	-	1,349	-	1,502	-	2,851
Total income	4,519,857	206,568	290,726	55,134	91,319	24,530	(59,359)	5,128,775
Payments and change in liabilities in respect of insurance and investment contracts, gross	4,114,644	141,314	217,081	-	-	-	-	4,473,039
Reinsurers' share in payments and in change in liabilities in respect of insurance contracts	21,067	7,989	38,271	-	-	-	-	67,327
Payments and change in liabilities in respect of insurance and investment contracts on retention	4,093,577	133,325	178,810	-	-	-	-	4,405,712
Commissions, marketing expenses and other acquisition expenses	212,205	40,309	76,230	17,047	42,227	-	(44,984)	343,034
Administrative and general expenses	140,209	10,757	9,442	32,348	49,004	13,258	(2,393)	252,625
Other expenses	3,493	-	-	444	2,216	1,060	-	7,213
Finance expenses	6,194	-	(3,714)	(4)	874	12,697	(12,799)	3,248
Total expenses	4,455,678	184,391	260,768	49,835	94,321	27,015	(60,176)	5,011,832
Share in investee profits treated according to the equity value method	9,934	-	2,797	-	74	4,542	-	17,347
Income (loss) before taxes on income	74,113	22,177	32,755	5,299	(2,928)	2,057	817	134,290
Other comprehensive income before tax benefit	66,395	2,954	36,947	-	583	29,241	-	136,120
Total comprehensive income (loss) for the period before taxes on income	140,508	25,131	69,702	5,299	(2,345)	31,298	817	270,410
Liabilities in respect of yield dependent insurance and investment contracts	53,250,655	1,127,442	-	-	-	-	-	54,378,097
Liabilities in respect of non-yield dependent insurance and investment contracts	23,263,750	326,581	3,914,449	-	-	-	-	27,504,780

*) Derived from income from commissions received from agencies owned by the Group, from activities in the life assurance area and long term savings in the amount of NIS 34,082 thousand, in the health area in the amount of NIS 2,313 thousand and in the general insurance area in the amount of NIS 7,774 thousand

Note 5 – Segments of Activity (cont'd)

B. Reportable segments (cont'd)

	For the period of three months ended as at March 31, 2011							
	Life assurance and long term savings	Health	General insurance	Financial services	Other business segments	Not attributed to business segments	Adjustments and offsets	Total
	Unaudited							
	NIS in thousands							
Gross premiums earned	1,693,180	147,521	361,048	-	-	-	-	2,201,749
Premiums earned by reinsurers	46,829	15,716	105,684	-	-	-	-	168,229
Premiums earned on retention	1,646,351	131,805	255,364	-	-	-	-	2,033,520
Net investment income (losses) and finance income	932,842	16,818	65,099	3,371	1,194	39,437	(3,235)	1,055,526
Income from management fees	190,787	-	-	49,375	-	-	(2,900)	237,262
Income from commissions	13,596	4,901	13,368	13,850	94,042	-	**(49,113)	90,644
Other income	-	-	-	2,111	-	-	-	2,111
Total income	2,783,576	153,524	333,831	68,707	95,236	39,437	(55,248)	3,419,063
Payments and change in liabilities in respect of insurance and investment contracts, gross	2,408,688	103,245	325,845	-	-	-	-	2,837,778
Reinsurers' share in payments and in change in liabilities in respect of insurance contracts	20,274	10,131	102,128	-	-	-	-	132,533
Payments and change in liabilities in respect of insurance and investment contracts on retention	2,388,414	93,114	223,717	-	-	-	-	2,705,245
Commissions, marketing expenses and other acquisition expenses	193,057	32,149	73,838	22,011	40,278	-	(47,461)	313,872
Administrative and general expenses	126,433	8,052	9,675	34,816	47,341	9,931	(2,900)	233,348
Other expenses	3,456	-	-	650	3,103	-	-	7,209
Finance expenses	2,589	-	(1,210)	(189)	700	4,205	(3,235)	2,860
Total expenses	2,713,949	133,315	306,020	57,288	91,422	14,136	(53,596)	3,262,534
Share in investee profits (losses) treated according to the equity value method	7,506	-	2,408	-	(141)	3,375	-	13,148
Income before taxes on income	77,133	20,209	30,219	11,419	3,673	28,676	(1,652)	169,677
Other comprehensive income (loss) before tax benefit	7,504	3,346	(36,983)	-	(728)	(29,157)	-	(56,018)
Total comprehensive income (loss) for the period before taxes on income	84,637	23,555	(6,764)	11,419	2,945	(481)	(1,652)	113,659
Liabilities in respect of yield dependent insurance and investment contracts	*50,090,159	1,009,016	-	-	-	-	-	51,099,175
Liabilities in respect of non-yield dependent insurance and investment contracts	*22,329,730	286,625	3,951,519	-	-	-	-	26,567,874

* Reclassified, see Note 3B.

** Derived from income from commission received from agencies owned by the Group, from activities in life assurance area and long term saving in the amount of NIS 40,895 thousand in the health area in the amount of NIS 2,193 thousand and in the general insurance area in the amount of NIS 6,025 thousand.

Note 5 – Segments of Activity (cont'd)

B. Reportable segments (cont'd)

	For the year ended as at December 31, 2011							
	Life assurance and long term savings	Health	General insurance	Financial services	Other business segments	Not attributed to business segments	Adjustments and offsets	Total
	Audited							
	NIS in thousands							
Gross premiums earned	6,846,689	614,906	1,430,494	-	-	-	-	8,892,089
Premiums earned by reinsurers	179,274	62,850	476,910	-	-	-	-	719,034
Premiums earned on retention	6,667,415	552,056	953,584	-	-	-	-	8,173,055
Net investment income and finance income	398,731	328	166,378	14,656	3,933	104,706	(27,682)	661,050
Income from management fees	746,716	-	-	165,819	-	-	(6,577)	905,958
Income from commissions	82,577	19,144	52,989	50,564	376,140	-	(* (201,498)	379,916
Other income	1,169	-	-	4,814	3,508	1,579	(1,815)	9,255
Total income	7,896,608	571,528	1,172,951	235,853	383,581	106,285	(237,572)	10,129,234
Payments and change in liabilities in respect of insurance and investment contracts, gross	6,248,161	394,222	1,104,741	-	-	-	-	7,747,124
Reinsurers' share in payments and in change in liabilities in respect of insurance contracts	56,042	33,625	277,498	-	-	-	-	367,165
Payments and change in liabilities in respect of insurance and investment contracts on retention	6,192,119	360,597	827,243	-	-	-	-	7,379,959
Commissions, marketing expenses and other acquisition expenses	764,625	136,294	315,812	76,289	166,832	-	(195,629)	1,264,223
Administrative and general expenses	538,459	37,609	38,237	137,390	191,637	35,094	(6,577)	971,849
Other expenses	14,011	-	-	2,363	9,306	1,079	-	26,759
Finance expenses	7,800	-	14,604	231	2,791	27,408	(27,682)	25,152
Total expenses	7,517,014	534,500	1,195,896	216,273	370,566	63,581	(229,888)	9,667,942
Share in investee profits (losses) treated according to the equity value method	27,303	-	7,672	-	(225)	13,864	-	48,614
Income (loss) before taxes on income	406,897	37,028	(15,273)	19,580	12,790	56,568	(7,684)	509,906
Other comprehensive loss before taxes on income	(263,681)	(9,404)	(80,306)	-	(974)	(26,647)	-	(381,012)
Total comprehensive income (loss) for the period before taxes on income	143,216	27,624	(95,579)	19,580	11,816	29,921	(7,684)	128,894
Liabilities in respect of yield dependent insurance and investment contracts	50,316,643	1,071,499	-	-	-	-	-	51,388,142
Liabilities in respect of non-yield dependent insurance and investment contracts	23,093,734	317,812	3,866,447	-	-	-	-	27,277,993

*) Derived from income from commissions received from agencies owned by the Group, from activities in the life assurance area and long term savings in the amount of NIS 169,854 thousand, in the health area in the amount of NIS 10,217 thousand and in the general insurance area in the amount of NIS 21,427 thousand.

Note 5 – Segments of Activity (cont'd)

C. Additional information regarding the life assurance and long term savings segment

	Three month period ended as at March 31, 2012			
	Life assurance	**Pension funds**	**Provident funds**	**Total**
	Unaudited			
	NIS in thousands			
Gross premiums earned	1,803,362	-	-	1,803,362
Premiums earned by reinsurers	43,465	-	-	43,465
Premiums earned on retention	1,759,897	-	-	1,759,897
Net investment income and finance income	2,544,019	738	98	2,544,855
Income from management fees	94,556	68,501	35,231	198,288
Income from commissions	16,817	-	-	16,817
Total income	4,415,289	69,239	35,329	4,519,857
Payments and change in liabilities for insurance and investment contracts, gross	4,114,644	-	-	4,114,644
Reinsurers' share in payments and in change in liabilities for insurance contracts	21,067	-	-	21,067
Payments and change in liabilities for insurance and investment contracts on retention	4,093,577	-	-	4,093,577
Commissions, marketing expenses and other acquisition expenses	172,618	27,494	12,093	212,205
Administrative and general expenses	100,105	26,221	13,883	140,209
Other expenses	-	-	3,493	3,493
Finance expenses	5,719	-	475	6,194
Total expenses	4,372,019	53,715	29,944	4,455,678
The Group's share in profits of investees treated according to the equity value method	9,934	-	-	9,934
Income before taxes on income	53,204	15,524	5,385	74,113
Other comprehensive income before taxes on income	63,878	2,222	295	66,395
Total comprehensive income for the period before taxes on income	117,082	17,746	5,680	140,508

Note 5 – Segments of Activity (cont'd)

C. Additional information regarding the life assurance and long term savings segment (cont'd)

	Three month period ended as at March 31, 2011			
	Life assurance	Pension funds	Provident funds	Total
	Unaudited			
	NIS in thousands			
Gross premiums earned	1,693,180	-	-	1,693,180
Premiums earned by reinsurers	46,829	-	-	46,829
Premiums earned on retention	1,646,351	-	-	1,646,351
Net investment income and finance income	930,962	1,663	217	932,842
Income from management fees	91,394	62,128	37,265	190,787
Income from commission	13,596	-	-	13,596
Total income	2,682,303	63,791	37,482	2,783,576
Payments and change in liabilities for insurance and investment contracts, gross	2,408,688	-	-	2,408,688
Reinsurers' share in payments and in change in liabilities for insurance contracts	20,274	-	-	20,274
Payments and change in liabilities for insurance and investment contracts on retention	2,388,414	-	-	2,388,414
Commissions, marketing expenses and other acquisition expenses	160,574	21,344	11,139	193,057
Administrative and general expenses	91,890	21,306	13,237	126,433
Other expenses	-	-	3,456	3,456
Finance expenses	1,129	-	1,460	2,589
Total expenses	2,642,007	42,650	29,292	2,713,949
The Group's share in profits of investees treated according to the equity value method	7,506	-	-	7,506
Income before taxes on income	47,802	21,141	8,190	77,133
Other comprehensive income (loss) before taxes on income	9,512	(1,902)	(106)	7,504
Total comprehensive income for the period before taxes on income	57,314	19,239	8,084	84,637

Note 5 – Segments of Activity (cont'd)

C. Additional information regarding the life assurance and long term savings segment (cont'd)

	Year ended as at December 31, 2011			
	Life assurance	Pension funds	Provident funds	Total
	Audited			
	NIS in thousands			
Gross premiums earned	6,846,689	-	-	6,846,689
Premiums earned by reinsurers	179,274	-	-	179,274
Premiums earned on retention	6,667,415	-	-	6,667,415
Net investment income and finance income	393,351	4,715	665	398,731
Income from management fees	351,500	252,177	143,039	746,716
Income from commission	82,577	-	-	82,577
Other income	1,169	-	-	1,169
Total income	7,496,012	256,892	143,704	7,896,608
Payments and change in liabilities for insurance and investment contracts, gross	6,248,161	-	-	6,248,161
Reinsurers' share in payments and in change in liabilities for insurance contracts	56,042	-	-	56,042
Payments and change in liabilities for insurance and investment contracts on retention	6,192,119	-	-	6,192,119
Commissions, marketing expenses and other acquisition expenses	633,738	89,530	41,357	764,625
Administrative and general expenses	376,835	99,458	62,166	538,459
Other expenses	-	-	14,011	14,011
Finance expenses	3,039	-	4,761	7,800
Total expenses	7,205,731	188,988	122,295	7,517,014
The Group's share in profits of investees treated according to the equity value method	27,303	-	-	27,303
Income before taxes on income	317,584	67,904	21,409	406,897
Other comprehensive loss before taxes on income	(261,410)	(1,976)	(295)	(263,681)
Total comprehensive income for the period before taxes on income	56,174	65,928	21,114	143,216

Note 5 – Segments of Activity (cont'd)

D. Additional information regarding the general insurance segment

	Three month period ended March 31, 2012				
	Motor act	Motor casco	Property and other branches *)	Other liability branches *)	Total
	Unaudited				
	NIS in thousands				
Gross premiums	100,209	122,199	151,555	104,431	478,394
Reinsurance premiums	1,243	194	99,598	12,809	113,844
Premiums on retention	98,966	122,005	51,957	91,622	364,550
Change in unearned premium balance, on retention	(24,221)	(35,447)	(7,317)	(47,054)	(114,039)
Earned premium on retention	74,745	86,558	44,640	44,568	250,511
Investment income, net and finance income	15,250	2,220	1,099	11,227	29,796
Income from commission	-	-	6,913	3,506	10,419
Total income	89,995	88,778	52,652	59,301	290,726
Payments and change in liabilities for insurance contracts, gross	53,551	66,941	48,941	47,648	217,081
Reinsurers' share in payments and in change in liabilities for insurance contracts	(5,796)	7	35,352	8,708	38,271
Payments and change in liabilities for insurance contracts on retention	59,347	66,934	13,589	38,940	178,810
Commission, marketing expenses and other acquisition expenses	8,170	21,566	34,854	11,640	76,230
Administrative and general expenses	2,573	1,786	3,458	1,625	9,442
Finance expenses	58	22	(3,899)	105	(3,714)
Total expenses	70,148	90,308	48,002	52,310	260,768
Share in profits of investees treated according to the equity value method	1,432	208	103	1,054	2,797
Income (loss) before taxes on income	21,279	(1,322)	4,753	8,045	32,755
Other comprehensive income before taxes on income	18,910	2,752	1,363	13,922	36,947
Total comprehensive income for the period before taxes on income	40,189	1,430	6,116	21,967	69,702
Liabilities in respect of insurance contracts, gross as at March 31, 2012	1,478,579	272,573	632,628	1,530,669	3,914,449

*) Property and other branches mainly include the results of comprehensive residential, comprehensive business premises and engineering insurance branches whose activities constitute about 88% of the total premiums in these branches.

Other liability branches mainly include the results of employers' liability, third party and professional liability insurance branches whose activities constitute about 73% of the total premiums in these branches.

Note 5 – Segments of Activity (cont'd)

D. Additional information regarding the general insurance segment (cont'd)

	Three month period ended March 31, 2011				
	Motor act	Motor casco	Property and other branches *)	Other liability branches *)	Total
	Unaudited				
	NIS in thousands				
Gross premiums	97,793	138,161	149,714	105,460	491,128
Reinsurance premiums	1,292	179	94,124	13,652	109,247
Premiums on retention	96,501	137,982	55,590	91,808	381,881
Change in unearned premium balance, on retention	(19,124)	(48,751)	(8,775)	(49,867)	(126,517)
Earned premium on retention	77,377	89,231	46,815	41,941	255,364
Investment income, net and finance income	34,532	5,016	1,225	24,326	65,099
Income from commission	-	-	10,138	3,230	13,368
Total income	111,909	94,247	58,178	69,497	333,831
Payments and change in liabilities for insurance contracts, gross	78,167	76,205	103,038	68,435	325,845
Reinsurers' share in payments and in change in liabilities for insurance contracts	(606)	33	89,427	13,274	102,128
Payments and change in liabilities for insurance contracts on retention	78,773	76,172	13,611	55,161	223,717
Commission, marketing expenses and other acquisition expenses	8,206	19,693	36,455	9,484	73,838
Administrative and general expenses	2,784	1,675	3,484	1,732	9,675
Finance expenses	125	17	(1,427)	75	(1,210)
Total expenses	89,888	97,557	52,123	66,452	306,020
Share in profits of investees treated according to the equity value method	1,250	181	96	881	2,408
Income (loss) before taxes on income	23,271	(3,129)	6,151	3,926	30,219
Other comprehensive income (loss) before taxes on income	(19,190)	(2,788)	(1,479)	(13,526)	(36,983)
Total comprehensive income (loss) for the period before taxes on income	4,081	(5,917)	4,672	(9,600)	(6,764)
Liabilities in respect of insurance contracts, gross as at March 31, 2011	1,483,689	281,990	661,745	1,524,095	3,951,519

*) Property and other branches mainly include the results of comprehensive residential, comprehensive business premises, cargo in transit and personal accidents insurance branches whose activities constitute about 88% of the total premiums in these branches.

Other liability branches mainly include the results of third party liability insurance and professional liability insurance branches whose activities constitute about 92% of the total premiums in these branches.

Note 5 – Segments of Activity (cont'd)

D. Additional information regarding the general insurance segment (cont'd)

	Year ended December 31, 2011				
	Motor act	**Motor casco**	**Property and other branches *)**	**Other liability branches *)**	**Total**
	Audited				
	NIS in thousands				
Gross premiums	258,389	371,051	550,241	266,488	1,446,169
Reinsurance premiums	5,370	630	390,674	87,665	484,339
Premiums on retention	253,019	370,421	159,567	178,823	961,830
Change in unearned premium balance, on retention	3,222	(2,325)	(5,530)	(3,613)	(8,246)
Earned premium on retention	256,241	368,096	154,037	175,210	953,584
Investment income, net and finance income	82,069	8,819	18,538	56,952	166,378
Income from commission	-	14	44,633	8,342	52,989
Total income	338,310	376,929	217,208	240,504	1,172,951
Payments and change in liabilities for insurance contracts, gross	233,340	317,576	352,507	201,318	1,104,741
Reinsurers' share in payments and in change in liabilities for insurance contracts	(6,746)	41	299,143	(14,940)	277,498
Payments and change in liabilities for insurance contracts on retention	240,086	317,535	53,364	216,258	827,243
Commission, marketing expenses and other acquisition expenses	33,812	96,971	136,582	48,447	315,812
Administrative and general expenses	11,222	8,013	12,977	6,025	38,237
Finance expenses	726	89	13,316	473	14,604
Total expenses	285,846	422,608	216,239	271,203	1,195,896
Share in profits of investees treated according to the equity value method	4,112	441	264	2,855	7,672
Income (loss) before taxes on income	56,576	(45,238)	1,233	(27,844)	(15,273)
Other comprehensive loss before taxes on income	(43,040)	(4,619)	(2,763)	(29,884)	(80,306)
Total comprehensive income (loss) for the period before taxes on income	13,536	(49,857)	(1,530)	(57,728)	(95,579)
Liabilities in respect of gross insurance contracts as at December 31, 2011	1,456,545	244,455	675,363	1,490,084	3,866,447

*) Property and other branches mainly include the results of comprehensive residential, comprehensive business premises and engineering insurance branches whose activities constitute about 87% of the total premiums in these branches.

Other liability branches mainly include the results of employers' liability, third party, professional liability and product warranty insurance branches whose activities constitute about 84% of the total premiums in these branches.

Note 6 - Management and Requirements in the Group Companies

1. Management's policy is to maintain a strong capital base in order to preserve the Company's ability to continue its operations in order to generate returns for its shareholders and in order to support future business activities. The subsidiaries of the Company which are institutional entities, are subject to capital requirements laid down by the Regulator of Insurance.

   In August 2011, the Board of Directors of Migdal Insurance adopted a policy for management of the shareholders' equity of Migdal Insurance. Pursuant to the policy, as stated, it was resolved, among other things, that Migdal Insurance will strive to maintain existing capital in accordance with the capital requirements, which will not be less than 110% of the capital required based on the capital requirement regulations. In addition, monitoring and reporting procedures were determined with respect to the capital developments, as well as timetables for performance and completion of activities relating to the capital position of Migdal Insurance.

   It is clarified that the above policy does not constitute a determination of mandatory capital, and there is no certainty that Migdal Insurance will comply with this target at all times.

   In addition to the general requirements in the Company's Law, the distribution of dividends from surplus capital in insurance companies is also subject to liquidity requirements and compliance with investment regulations.

   The information relating to capital requirements should be read together with disclosure provided in Note 7F of the annual financial statements

Note 6 - Management and Requirements in the Group Companies (cont'd)

2. Hereunder are details with respect to the required and existing capital of Migdal Insurance pursuant to the Supervision of Financial Services (Insurance) Law (Minimum Solvency Margin Required from an Insurer), 1998 (hereunder – the capital regulations), and the Regulator's directives.

	March 31 2012 Unaudited	December 31 2011 Audited
	NIS in thousands	
Amount required as per the amended Capital Regulations (a)	3,510,733	3,546,165
The required amount as per the capital regulations:		
First tier capital - basic	3,840,124	3,882,802
Complex first tier capital	112,056	110,947
Total first tier capital	3,952,180	3,993,749
Complex second tier capital	497,573	-
Total existing capital calculated as per the Capital Regulations	4,449,753	3,993,749
Surplus	939,020	447,584
Dividend distributed subsequent to balance sheet date	(5,617)	
Surplus taking into consideration subsequent events	933,403	
Investment that should be provided against surplus capital in accordance with the Regulator's directives, and hence comprises non-distributable surplus (See Note 6 below)	19,663	11,127
a) The required amount includes capital requirements in respect of:		
Activity in general insurance/required first tier capital	327,136	327,796
Long-term care insurance activity	23,451	22,748
Extraordinary risks in life assurance	356,334	350,522
Deferred acquisition costs in life assurance and insurance for diseases and hospitalization	1,393,390	1,405,373
Requirements in respect of yield-guaranteed plans	19,478	23,258
Inadmissible assets as defined in the Capital Regulations	9,506	22,893
Investment in insurance subsidiaries and consolidated managing companies *)	229,089	210,910
Investment assets and other assets	747,106	785,951
Catastrophe risks in general insurance	121,186	117,640
Operating risks	279,838	274,094
Guarantees	4,219	4,980
Total amount required according to the amended capital regulations.	3,510,733	3,546,165
*) Capital reduction for initial difference upon acquisition (this reduction is not allowed for the purpose of dividend distribution). See Note 9a below.	63,929	63,929

Note 6 - Management and Requirements in the Group Companies (cont’d)

3. On July 10, 2007, the European Union adopted the proposed version of the Solvency II Directive (hereunder – the proposed Directive). The proposed Directive constitutes a fundamental and comprehensive change in the Regulations relating to guaranteeing the redemption ability and the capital solvency of the insurance companies who are members of the European Union.

   The Directive is based on three levels: quantitative requirements, qualitative requirements and disclosure requirements. The Company is in the process of implementing the proposed Directive according to the determined schedule.

   According to a draft letter published by the Regulator of Insurance in April 2012, there is concern that the process of implementing the Directive in Europe will be significantly delayed. Accordingly, the Ministry of Finance Capital Market, Insurance and Savings Department (hereunder – "the Department") decided to develop a risk-based solvency regime similar to Solvency II which will not be linked to progress on this process in Europe, but instead will be based on the principles of the Directive with the relevant adjustments for Israel. In this context, the Department is formulating a law memorandum which includes the relevant amendments for implementation of these principles in Israel.

   The draft letter puts forward a list of reports that the insurance companies will be required to submit to the Department in the years 2012 – 2014, following which the Regulator will review the adequacy of the equity required of each insurance company and where necessary, during the course of 2015, he will decide upon additional capital requirements (equity supplement). The Regulator's decision concerning the equity supplement will be based on the companies' reports and on the quality of the corporate governance and risk management of the company.

4. Regarding issuance of debentures, the proceeds of which serve as compound second tier capital of Migdal Insurance, see Note 8A.

5. In February 2012, the Regulator sent the insurance company managers draft clarifications for calculating their equity requirements (hereinafter - "the draft clarifications"). The key clarifications are: clarifications concerning the equity required for investments, capital requirements for operating risks, surplus or deficit created in profit-sharing policies, classification of derivative financial instruments, reporting on obligations to invest in investment funds, external rating and insurance companies' surplus/deficit capital transactions between the reporting date and the publication date. The insurance companies and the Regulator are discussing the draft clarifications. At March 31, 2012, Migdal Insurance has applied the key items in calculating the capital requirements such that the Company believes that publication of the final clarifications will not significantly affect the surplus capital of Migdal Insurance.

Note 6 - Management and Requirements in the Group Companies (cont'd)

6. During the course of February and March 2012, the Knesset Finance Committee approved Supervision of Financial Services (Provident Funds) (Investment Rules that Apply to Institutional Entities) Regulations, 5772-2012 ("New Investment Regulations") and in March 2012, the Regulator published a (third) draft circular concerning investment rules that apply to institutional entities (hereinafter - "the draft circular"). The New Investment Regulations will take effect within 30 days of their publication (excluding Article 39 relating to the rate of liquid assets that the insurer must hold against class 70 liabilities, which will take effect within six months of the publication of the New Investment Regulations).

   The New Investment Regulations include, inter alia, changes in the provisions regarding control and the holding of the means of control by an insurer (hereinafter - "Article 33"). The regulations stipulate that an insurer will not control and will not hold more than 20% of the means of control, except in the corporations listed in the regulations, and they are: (1) another insurer; (2) a management company; (3) a corporation whose principle activity is the holding and management of real-estate assets; (4) an agency; (5) a corporation whose sole activity is investment management or the extending of credit for the insurer and for other institutional entities controlled by the insurer or controlled by the entity that controls the insurer, and (6) any other class of corporation whose principal activity is connected to the insurer's on-going operations. An investment in the classes of corporation listed in sub-sections (5) and (6) above, must be approved in advance by the Regulator.

   An investment in each of the corporations that is controlled or listed above, excluding an investment in a real-estate asset through a corporation listed in sub-section (3) above, which according to the draft circular is deemed a direct investment by the insurer, and excluding investments made by an institutional investor for policyholders as specified in the New Investment Regulations, will be held against the insurer's recognized equity over and above the minimum equity required under the equity regulations only. Notwithstanding the aforementioned, an investment in another insurer and in a management company, may also be held against the minimum equity required of the insurer or against its other liabilities, subject to the conditions and limitations specified in the New Investment Regulations. Further to the stipulations in the transition provisions to the new draft regulations, the draft circular states that an insurer may continue to hold corporations for which the Regulator gave his approval prior to the publication of the regulations under the conditions defined in the Regulator's approval, and subject to the following additional conditions: from December 31, 2013, the insurer may hold a corporation as mentioned in Article 33 of the regulation. Notwithstanding the foregoing, until December 31, 2012, an insurer may hold at least 50% of the outstanding investment in the corporation against the insurer's recognized surplus capital over and above the minimum equity it is required to hold. The insurance companies and the Regulator are discussing the draft.

   Migdal Insurance has investments and assets which, based on the New Investment Regulations, it may have to operate according to the transition provisions and as defined in the draft circular, including that it may be required to hold them against capital surpluses only. In this case, these investments will constitute non-distributable surpluses. Migdal Insurance is reviewing the ramifications of the New Investment Regulations and the draft circular.

Note 6 - Management and Requirements in the Group Companies (cont'd)

7. In February 2012, a draft of the Supervision of Financial Services Regulations (Provident Funds) (Minimum Shareholders' Equity required from a Management Company of a Provident or Pension Fund), 2011, was published as well as a draft of the Income Tax Regulations (Rules for Approval and Management of Provident Funds) (Amendment No. 2), 2012 (hereunder – the new regulations).

   In accordance with the new regulation, the capital requirements from managing companies were expanded and they include capital requirements based on the amount of the managed assets and annual expenses, but not less than an initial shareholders' equity of NIS 10 million.

   The Regulator of the Capital Market, Insurance and Savings (hereinafter - "the Regulator") may instruct that the equity requirements should be reduced or increased, taking into account, inter alia, the risks that characterize the management company's activity, provided that the increased equity requirements are for a specific period.

   In accordance with his powers, in February 2012 the Regulator published a circular the main points of which are reliefs to be given to certain management companies on the equity requirements.

   A management company will be required to provide additional capital for the amount of assets held contrary to the provisions of the Ways of Investment of the Required Shareholders' Equity that are included in the new regulations.
   In addition, the new regulations include a requirement to hold liquid assets at the rate of at least 50% of the minimum required shareholders' equity.

   A managing company will be allowed to distribute dividends only if its shareholders' equity meets at least the amounts of required shareholders' equity according to these regulations.

   The new regulations include transitional directives for supplementing the difference between the equity that was required from the fund on the dates listed below, and the equity required from it immediately prior to publication of the New Regulations ("the Difference") until publication of the financial statement at December 31, 2014, as follows:

   Up to the date of publication of the financial statements as at December 31, 2012, at least 30% of the difference;

   Up to the date of publication of the financial statements as at December 31, 2012, at least 60% of the difference;

   Up to the date of publication of the financial statements as at December 31, 2013, at least 80% of the difference;

   Up to December 31, 2014 the remaining balance of the difference will be paid.

Note 6 - Management and Requirements in the Group Companies (cont'd)

7. (cont'd)

   At the reporting date, one of the managing companies is required to increase its capital in the amount of about NIS 8 million, based on data from the financial statements as at March 31, 2012 and it will be required to complete this amount gradually, as stated above. In order to meet the initial capital requirements, the management company issued subsequent to balance sheet date three million shares of NIS 1 par value each. The effect of the new regulations on the capital requirements of Migdal Insurance as at March 31, 2012 in respect of its holdings in the managing companies is immaterial.

8. In December 2010 Generali received a permit for holding the means of control, as well as the control in the Group's institutional entities:

   Migdal Insurance, Migdal Makefet Pension and Provident Funds Ltd. and Yozma – Pension Fund for the Self-Employed (hereafter in this section, together – "the Insurers"). This permit cancelled previous permits in this respect. The permit of control determined, among others, directives in respect of maintaining a controlling interest (50.01%) in the Insurers, as required in the above directives, including directives which prohibit the sale, allotment of shares, pledges, etc.

   In the framework of the controlling permit, the Company made a commitment to the Regulator, in its capacity as the controlling shareholder in the Insurers, to supplement the required shareholders' equity of the Insurers, up to the amount determined in the Capital Regulations and in the Provident Funds Law (as the case may be). This commitment is subject to the following:

   With respect to Migdal Insurance, the maximum liability will not exceed the lower of the following: 50% of the required capital or NIS 1,280 million (linked to the CPI of July 2005); The liability will be realized only when the shareholders' equity of the Insurers will be negative and will be in the amount of the supplementation, provided that the amount of the supplementation will not exceed the aforementioned maximum liability. The liability is irrevocable and will be in force as long as the Company is the controlling shareholder in these institutional entities.

   As at the date of these financial statements the existing capital of the aforementioned institutional entities met the requirements of the capital regulations and the Provident Funds Law.
   With respect to supplementary capital of the management company, see 7 above.
   For additional information about the sale of the holding in the Company, see Note 8.b.

9. One of the subsidiaries (hereunder– the subsidiary) of Migdal Capital Markets (1965) Ltd., which is wholly owned by the Company, is a member of the Stock Exchange.

   On June 30, 2011, after being approved by the Knesset Finance Committee, an amendment to the Stock Exchange Articles of Association and its instructions concerning a new model for the financial stability of non-banking Stock Exchange members (hereunder – "Non-Banking Members") entered into force. According to the new model, the new capital requirements will take effect in full at the end of June 2012, and up to that date milestones as at June 30 and December 31, 2011 were established on which 33% and 67% respectively, of the difference must be supplemented from the new capital requirements as at December 31, 2010.

Note 6 - Management and Requirements in the Group Companies (cont'd)

9. (cont'd)

Based on the calculation prepared by the subsidiary, at the commencement date for implementation of the New Model (June 30, 2011), the minimum equity required (first and second tiers) increased significantly in the newly approved model, compared to the previous requirement, and the increase is expected to be between NIS 60 and NIS 110 million. This is due to the fact that the new model is significantly influenced by the volume of activity, as well as by scope of the credit that Migdal Capital Markets provides for its customers, and the nature of the investment of liquid assets at the date of the examination, in contrast with the previous model which was based mainly on the average data over the period.

This figure may therefore change significantly within a short time, depending on the date of the examination.

So far, the New Model has been implemented gradually, from June 30, 2011, in three stages, so that by August 31, 2011, the subsidiary's capital deficiency did not exceed NIS 60 million as determined in the New Model, and by December 31, 2011, the subsidiary's capital deficiency did not exceed NIS 30 million, as determined in the New Model. The New Model will continue to be implemented until June 30, 2012, when the subsidiary must comply with the full equity requirements according to the New Model as defined in the TASE Regulations and instructions.

In this context, to comply with the equity requirements, on August 31, 2011, the Company provided an unlinked loan bearing no interest to Migdal Capital Markets in the amount of NIS 30 million to be repaid on August 31, 2021, against the issue of a capital note from Migdal Capital Markets in favor of the Company. In February 2012, the Company's Board of Directors approved recognition of the capital note as a perpetual capital note. Furthermore, the Company made a decision to invest a further NIS 70 million in Migdal Capital Markets so that Migdal Capital Markets will be in compliance with the capital requirements. This investment will be provided in installments during the course of 2012 as a subordinated loan without interest and without linkage for an unlimited period against the issue of a perpetual capital note by Migdal Capital Markets in favor of the Company, or alternatively will be paid to Migdal Capital Markets as money received on account of share capital against shares allocated to the Company.

At the same time, and to ensure that the subsidiary is in compliance with the equity requirements, Migdal Capital Markets provided the subsidiary, from time to time, with short-term owners' loans that are recognized for the purpose of equity. At the date of the report, the subsidiary is in compliance with the equity requirements according to the aforementioned milestones.

10. On March 26, 2012, the Board of Directors of Migdal Insurance approved the distribution of a dividend in the amount of about NIS 220 million. On the same date the Board of Directors of the Company approved a dividend distribution of NIS 150 million. The dividend (of Migdal Insurance and of the Company) was distributed in May 2012.
After the balance sheet date, Migdal Insurance announced the distribution of an additional dividend in the amount of NIS 5.6 million.

Note 7 - Contingent Liabilities and Commitments

The amounts of the hereunder claims are reported in the amounts on the date they were filed, unless stated otherwise.

Hereunder are details regarding pending requests to approve claims as class actions, claims that were approved as class actions, class actions that were concluded during the reported period and other material claims and proceedings against subsidiaries of the Company and/or subsidiaries, that are not in the ordinary course of their business.

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions

During the last few years there was a considerable increase in the requests to approve claims as class actions that were filed against subsidiaries of the Company, as well as in the number of claims against subsidiaries that were approved as class actions. This is part of the general increase in requests to approve claims as class actions as a whole, and it also applies to companies that are engaged in the same activities as the subsidiaries, mainly due to the legislation of the Class Actions Law, 2006. This trend significantly increases the potential exposure of the Company and/or the subsidiaries to losses in the event of the approval of class actions against the Company and/or the subsidiaries.

Requests to approve claims as class actions are filed through a procedural apparatus pursuant to the Class Actions Law, 2006 (hereunder - the Class Actions Law). The procedural proceedings in respect of the requests to approve claims as class actions is divided into two main stages: first, the stage of deliberating the request to approve the claim as a class action (hereunder - "the request for approval" and "the approval stage", respectively). If the request for approval is absolutely denied - the deliberation stage is ended regarding the class action level. A request for permission to appeal can be filed to the appellate levels in respect of a decision that was made at the approval stage. At the second stage, if the request for approval is approved, the class action will be deliberated (hereunder - "the stage of the claim as a class action"). An appeal against a verdict at the stage of the claim as a class action can be filed to the appellate levels. Pursuant to the Class Actions Law, the apparatus consists of, among others, specific arrangements regarding compromise agreements, in the approval stage as well as in the stage of the claim as a class action. It also contains arrangements in respect of the plaintiff's resignation from the request for approval or from the class action.

The requests to approve claims as class actions that are described hereunder are in various stages of the deliberation process and some are in the process of appeal after being approved as class actions (see paragraphs 6-7 hereunder).

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

Requests to approve claims as class actions (including claims that were approved and there is an appeal against their approval as class actions) detailed below in paragraphs 1-28, in which in management's opinion, based, among others, on the opinion of its legal advisors, it is more likely than not that the defense arguments of the Company and/or subsidiaries will be accepted and the request to approve the claim as a class action will be rejected, no provision has been made in the financial statements, except for requests to approve claims as class actions in which the Company and/or subsidiaries are prepared for a compromise. Requests to approve claims as class actions (including claims that were approved and there is an appeal against their approval as class actions) where it is more likely than not that the defense arguments of the Company and/or subsidiaries in respect of the claims, as a whole or in part, will be rejected, or if the Company and/or subsidiaries are prepared to come to a compromise, provisions have been made in the financial statements to cover the exposure estimated by the Company and/or its subsidiaries, or a provision in the amount in relation to which the Company and/or subsidiaries are prepared to come to a compromise, as the case may be. In Management's estimation, based, among others, on the opinions of legal counsel, appropriate provisions have been included in the financial statements, where necessary, to cover the exposure estimated by the Company and/or its subsidiaries, or a provision in the amount in relation to which the Company and/or subsidiaries are prepared to come to a compromise, as the case may be.

The chances that the requests to approve claims as class actions, as detailed in paragraphs 29 - 33 below, will be approved, cannot be estimated at this early stage. Therefore, no provision has been included in the financial statements with respect to these claims.

A considerable part of the requests to approve claims as class actions were filed against the subsidiaries with respect to various matters related to insurance contracts and to the ordinary course of business of the subsidiaries, for which the subsidiaries provided insurance reserves.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

Hereunder are details of applications to approve claims as class actions

1. In September 1999, a claim against the subsidiary, Migdal Insurance and against other insurance companies, was filed with the Tel Aviv Jaffa District Court regarding the use of mortality tables A49-52 in computing the premiums of its life assurance policies. The plaintiff, who holds a life assurance policy of Migdal Insurance, claims breach of trust by Migdal Insurance and/or deception and/or conducting negotiations not in good faith and/or breach of the assurance agreement and/or breach of the duty of disclosure and/or breach of the duty of good faith at the contractual stage and/or unlawful enrichment and/or deception in violation of the Consumer Protection Law, 1981 (hereunder – the Consumer Protection Law) and/or the exploitation of the distress of the plaintiff and/or his ignorance according to the Financial Services Supervision Law (Insurance), 1981 (hereinafter – the Insurance Supervision Law) and/or the exploitation of the distress of the plaintiff or his ignorance or lack of experience according to the Insurance Supervision Law.

   The Court was requested to declare that the plaintiff is entitled to cancel the insurance agreements with Migdal Insurance and/or is entitled to take all remedies that follow from breach of contract.

   The claim was filed together with a request for its approval as a class action (hereinafter – "the request for approval"). A similar claim and request to approve the claim as a class action was filed in 1997 against Migdal Insurance and other insurance companies with the District Court of Jerusalem, and was stricken at the request of the plaintiffs.

   In his claim or in the request for approval, the claimant did not include an estimate of the remedies demanded for the group he wishes to represent.

   The Tel Aviv Jaffa District Court rejected in limine the claim and the request for approval. The plaintiff appealed against this decision to the Supreme Court. Before a decision was made with respect to the appeal, the appeal against the other insurance companies was stricken and only the appeal against Migdal Insurance remained. The Supreme Court accepted the appeal and ruled that there had been no justification to dismiss the claim against Migdal Insurance in limine. Therefore, the case was remanded in order to consider the request for approval.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

1. (cont'd)

On March 2, 2008, the Court ordered Migdal Insurance to submit a response to the request to approve the claim as a class action and its statement of defense.

On September 10, 2009 Migdal Insurance submitted its response to the request for approval and its statement of defense. The plaintiff submitted its reply to the response of Migdal to the request for approval. On March 2, 2010 the plaintiff submitted a motion according to Section 7(b) of the Class Actions Law in which the Court is requested to hear the request for approval without hearing the similar request for approval that had been submitted and to order elimination of parts of the similar request for approval that had been submitted. On June 8, 2010, the Court ordered, in view of the similarity between the requests for approval against Migdal Insurance and the request for approval which was filed against Clal Insurance Company Ltd. (hereunder - the request for approval against Clal), that the parties shall submit their positions pursuant to Section 7(B) of the Class Actions Law, with respect to the request for approval against Clal as well. On July 11, 2010, Michael Ruash (the plaintiff in the request for approval against Clal) filed a request pursuant to Section 7(B) of the Class Actions Law. On July 20, 2010, the plaintiff filed its response to the request of Michael Ruash. On August 1, 2010, a response to the request of Michael Ruash was filed on behalf of Migdal Insurance. See paragraph 2, below. On September 7, 2010, Clal filed its response to the request of Michael Ruash.

On November 10, 2011, the Court ruled in its decision to strike part of the claim's causes of action and to limit them to Sections 55 and 58 of the Law for Supervision of Insurance Businesses (Amendment No. 7), 1997 only, as well as to limit the members of the group (class) accordingly to only a party that acquired life assurance policies from Migdal Insurance commencing from the start of the Law, namely, from August 5, 1997 (hereunder – "the ruling"). The Court scheduled the case for hearing the deponents in the request for approval for April 18, 2012.

On March 6, 2012, an appeal of the Court's ruling was filed with the Supreme Court on behalf of the plaintiff. On April 22, 2012, a notice of amended appeal of the Court's ruling was filed by the plaintiff. A hearing on the appeal was scheduled for July 15, 2013.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

1. (cont'd)

On March 28, 2012, Migdal Insurance requested a postponement of the hearing on the motion for approval until a decision on the appeal. On April 22, 2012, the Court accepted the motion for postponement of the hearing until the decision on the ruling.

With respect to an additional claim and an additional request to approve the claim as a class action which were filed against Migdal Insurance regarding mortality tables, see paragraph (2) hereunder.

2. In December 2003, a claim against Migdal Insurance was filed with the Tel Aviv-Jaffa District Court together with a request to approve the claim as a class action (hereunder – "the request for approval") regarding the issue of mortality tables (as detailed in paragraph (1) above).

The claimant claims that over a period of decades Migdal Insurance concealed its use of out of date mortality tables (A-49-52), in determining premiums in life assurance. This, he claims, was done in spite of the steep increase in life expectancy and the decrease in mortality rates. The claimant also claims that Migdal Insurance also concealed the amount of commissions included in premiums and/or policies. Furthermore, with regard to annuities which Migdal Insurance paid to its policyholders that are affected by the said mortality tables, Migdal Insurance did not use the mortality tables from the year 1952, but used up to date mortality tables, since the use of the out of date tables with higher mortality rates would have forced Migdal Insurance to pay higher rates of annuities to its policyholders.

The claimant estimates that the claim will be in the amount of about NIS 900 million.

Since the issue of mortality tables has been raised in another similar request for approval of a class action, Migdal Insurance requested a stay of proceedings on the claim and the request for approval. On October 31, 2007, a hearing was held on the request for a stay of proceedings, and the Court ordered under the Class Action Law that the claim and the request for approval be transferred to the Central District Court in Petah Tikva where a similar request for approval of a class action is being heard (see paragraph (1) above).

Note 7 - Contingent Liabilities and Commitments (cont’d)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont’d)

2. (cont’d)

On September 10, 2009 Migdal Insurance submitted its response to the request for approval and its statement of defense. The plaintiff filed its reply to the response of Migdal Insurance to the request for approval. On March 1, 2010 the claimant submitted a motion according to Section 7(b) of the Class Actions Law, in which the Court is requested to hear the request for approval that had been submitted by the claimant and to order the dismissal of the similar request for approval that had been submitted. On June 8, 2010, the Court ordered, in view of the similarity between the requests for approval against Migdal Insurance and the request for approval which was filed against Clal Insurance Company Ltd. (hereunder - the request for approval against Clal), that the parties shall submit their positions pursuant to Section 7(B) of the Class Actions Law, with respect to the request for approval against Clal as well. On July 11, 2010, Michael Ruash (the plaintiff in the request for approval against Clal) filed a request pursuant to Section 7(B) of the Class Actions Law. On July 20, 2010, the plaintiff filed, under the request for approval, in accordance with paragraph 1 above, its response to the request of Michael Ruash. On August 1, 2010, a response to the request of Michael Ruash was filed on behalf of Migdal Insurance. See paragraph 2, below. On September 7, 2010, Clal filed its response to the request of Michael Ruash. Also see paragraph 1 above.

On November 10, 2011, the Court handed down a decision rejecting the request of approval against Clal, and the request for approval under this Section due to the Statute of Limitations, and reduced some of the causes of action of the claim and the definition of the class members in the request of approval detailed in paragraph 1 above, and charged the plaintiff for expenses in favor of Migdal Insurance (hereunder – "the verdict"). The petitioner in the request of approval filed an appeal of the verdict. The hearing on the appeal was scheduled for April 25, 2013.

On March 28, 2012, Migdal Insurance filed a request to postpone the hearing on the motion for approval until a decision on the appeal. On April 22, 2012, the Court accepted the motion for postponement of the hearing until the decision on the ruling.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

3. In December 2006, an additional claim was filed against Migdal Insurance with the Tel Aviv Jaffa District Court, together with an additional request to approve the claim as a class action (hereunder – "the request for approval"), with respect to group life assurance policies to insure persons who have taken mortgage loans from Leumi Mortgage Bank. The claim and request for approval were also filed against Leumi Mortgage Bank. The request to approve the claim as a class action was filed under the Class Actions Law.

   The grounds of the claim and the request for approval is the alleged payment of partial insurance benefits, in group life assurance policies of Migdal Insurance, written on mortgage loans marketed by Leumi Mortgage Bank, where the amount of the insured loan is lower than the amount of the loan taken by the policyholder from Leumi Mortgage Bank, at the time the loan was taken. It was contended that this is contrary to what is mentioned in the aforesaid policies and in additional relevant documents. The claimant contends that Migdal Insurance undertook to pay insurance benefits in the amount of the balance of the loan that she took from Leumi Mortgage Bank at the time an insurance event occurs or alternatively the maximum amount for insurance, at the lower of the two. The claimant contends that Migdal Insurance is not entitled to pay only partial insurance benefits according to the ratio of the amount of the insured loan and the original amount of the loan.

   The claimant contends that by acting in this manner, Migdal Insurance breached its obligations according to the insurance policy, the documents attached to it and the form for joining the insurance that is given to the borrowers by the bank at the time they take the loan. In addition, the claimant contends that Migdal Insurance misled the policyholders, in its actions and omissions (non disclosure) and took advantage of their ignorance. Finally, it was contended that by doing so Migdal Insurance unlawfully enriched itself at the expense of the claimant.

   The amount of the claimant's personal claim is about NIS 253 thousand. The claimant estimated the aggregate damage to the alleged group, and accordingly the amount of the class action, at NIS 150 million.

   Migdal Insurance submitted its response to the request for approval.

   On December 2, 2008, a compromise agreement was signed between the parties to this case, subject to the court's approval and subject to the proceedings pursuant to the Class Actions Law. A preliminary hearing of the compromise agreement was held on January 18, 2009, wherein the court determined that it does not see any point in rejecting the compromise agreement in limine.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

3. (cont'd)

Migdal Insurance published notices in the newspapers, detailing the main points of the compromise agreement. The court instructed to appoint a tester for this case and the parties transferred all the relevant material to him. The tester has submitted his findings to the court. On November 9, 2009 a hearing was held for approving the compromise agreement and in it the court requested to receive from the parties the outline of the amended compromise according to the recommendations of the tester. The parties agreed to amendment of the compromise according to the recommendations of the tester and are now waiting for the Court's decision with respect to the request for approval of the compromise agreement. On September 7, 2010, the compromise agreement was approved and was validated as a verdict, wherein it was determined that the compromise agreement will serve as a court action towards any group of policyholders insured by this policy. The compromise agreement sets a mechanism for determining the amount of compensation according to various parameters with respect to the group members who underwent an insurance event. In addition, the compromise agreement determines that group members who did not have an insurance event will receive an offer to acquire a supplementary insurance at a lower premium and hence if an insurance event occurs, insurance benefits will be paid to Bank Leumi based on the balance of the loan it granted. Under the court's ruling it was determined that the benefits to the plaintiff, as well as her legal counsel's fees, will be deducted from the amount determined in the compromise agreement. In addition, it was stated in the ruling that the group members' participation in these legal fees will also be deducted. The amount of the provision for the compromise agreement is immaterial (see immediate report dated September 15, 2010). On October 28, 2010, the plaintiff filed an appeal against the ruling, with respect to the portion of her legal counsel's fees and the reduction in the group's rate of participation in these legal fees. On September 11, 2011, the appellant submitted a summation of her arguments regarding the matter of the appeal. Migdal Insurance has submitted a summation of its arguments regarding the appeal. The hearing on the appeal was set for July 19, 2012.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

4. In April 2006 a claim was filed with the Tel Aviv Jaffa District Court against Migdal Insurance together with a request to approve the claim as a class action with respect to the illegal charging of a premium for the risk component and expenses of managers insurance policies in the period between filling out the insurance proposal and the date Migdal Insurance actually approves the proposal. The claimant contends that Migdal Insurance's insurance proposal includes a statement regarding the effective date of the insurance contract by which, inter alia, the insurance contract between the parties will be valid only if the insurance proposal is approved by Migdal Insurance.

   The claimant contends that the insurance contract comes into effect on the date the proposal is approved by Migdal Insurance and that the period from the date of signing the proposal form (or any other date prior to the approval of the proposal by Migdal Insurance) until the date of approval is an interim period (hereinafter – "the interim period") in respect of which premiums should not be paid. Furthermore, the claimant contends that if the insurance contract refers to the date of the proposal or to a date prior to the date of approval of the insurance contract, the insurance contract is invalid since, as contended by the claimant, it constitutes retroactive insurance coverage and Migdal Insurance is unable to provide any consideration in respect of the premium paid in the said interim period. Accordingly the claimant contends that Migdal Insurance has breached insurance contracts, has breached a higher duty of good faith both during the period of the negotiations preceding the signing of the agreement and with respect to the collection of risk fees in the premium for the interim period, has illegally collected a premium and has become unlawfully enriched.

   The application to approve the claim as a class action was filed pursuant to the Class Actions Law (hereunder – "the request for approval"). The group the claimant wishes to represent is all the holders of risk (managers or term) life assurance policies of Migdal Insurance who entered into an insurance contract with Migdal Insurance and paid Migdal Insurance risk fees in the premium for the interim period before the insurance contract entered into effect, during the last seven years prior to the submission of the claim.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

4. (cont'd)

In the complaint, the Court is requested to declare that the charging of a risk component and expenses in the premium for the period prior to the actual entering of the contract was illegal; to forbid Migdal Insurance from continuing to collect the risk fee and expenses in the premium for the period before the insurance contract entered into effect, to order Migdal Insurance to pay to each member of the group compensation in respect of the damages they incurred in the amount of the risk fees and expenses that were collected from them in the interim period with the addition of interest as required by law, or to alternatively order Migdal Insurance to refund each member of the group by the risk fees and expenses included in the premium they paid in the interim period with the addition of interest as required by law, and other remedies regarding the disclosure of accounts, the payment of expenses and lawyer's fees.

The claimant claims the amount of NIS 234 and estimates the damages to the group to amount to half of the amount of the risk component and expenses in the policy which the group members paid in the interim period. However, the request for approval does not include an estimate of the total damage that according to the claimant was caused to the group.

Migdal Insurance submitted its response to the request for approval and the case is scheduled for a preliminary hearing regarding the issue of the consolidation of proceedings with another claim and another request that were filed against Migdal Insurance (as detailed in paragraph 6 below). On April 11, 2010, the parties to the request for approval and to the request for approval described in paragraph 6 hereunder, filed a request to approve a compromise outline and to appoint an expert who will examine all the policies specified in the requests for approval and on the basis thereof a compromise agreement will be submitted at a later date for approval of the Court. On April 12, 2010 the Court approved appointment of an expert that will determine the database required for purposes of submitting a request for approval of a compromise arrangement. On November 7, 2010, the parties requested the transfer of the case before another panel which already deliberated requests for approval against other insurance companies, who raised the common questions of fact or law similar to those that were raised under the request for approval. On November 10, 2010 the court approved the request of the parties to transfer the case to another panel, as mentioned. On January 16, 2011, an expert's opinion was submitted to the Court.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

4. (cont'd)

In a preliminary hearing that was held on January 18, 2011, the Court ordered the expert to re-examine various issues that were included in the expert's opinion. On March 20, 2011, a supplemental expert's opinion was submitted to the court. Consequently, the court instructed the parties to submit a compromise agreement together with a request for its approval in accordance with the complementary opinion submitted by the expert. On February 21, 2012, the parties filed an application for approval of the compromise agreement pursuant to the outline that had been submitted in 2010. A hearing on the application for approval of the compromise agreement was scheduled for June 27, 2012.

With respect to an additional claim and an additional request to approve the claim as a class action which were filed against Migdal Insurance regarding the charging of risk premiums during the period preceding the date the policy entered into force, see paragraph (5) hereunder.

5. In May 2007, a claim was filed with the Tel Aviv-Jaffa District Court against Migdal Insurance, together with a request to approve the claim as a class action which are similar to the claim and request to approve the claims as a class action detailed in (5) above. The claim is with respect to the illegal charging of a premium for the risk component of managers insurance policy, for the period commencing from the first day of a certain month (the month in which the policyholder signs the insurance proposal) and up to the date the policyholder actually paid the premium for the first time, and at least up to the date of the policy's inception by Migdal Insurance.

The claimant contends that Migdal Insurance collected premiums from him on the first day of a certain month, although he signed the insurance proposal only towards the middle of that month and although he actually paid the premiums for the first time about a month and a half after Migdal Insurance collected the insurance premiums from him for the first time.

The claimant contends that the collection of the premiums by Migdal Insurance, as mentioned, is illegal and against the terms of the policy, since the claimant alleges that during this period Migdal Insurance could not have had an insurance risk since the policy did not reach the stage of a binding agreement. The claimant also contends that if an insurance event had occurred, according to the policy, during the period prior to the date of inception of the policy by Migdal Insurance, Migdal Insurance would have renounced its responsibility to cover the damage according to the policy.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

5. (cont'd)

The claimant contends that Migdal Insurance restricted its responsibility according to the policy, and this is against the obligation imposed on the Company, pursuant to the Insurance Contract Law, 1981; collected monies illegally; misled the policyholders of this type of policy; has become unlawfully enriched at the expense of the policyholders of this policy, breached a legislated duty; and has breached a duty of good faith.

The request to approve the claim as a class action was filed pursuant to the Class Actions Law (hereunder – the request for approval).

The group that the claimant wishes to represent includes all the customers of Migdal Insurance who entered an agreement with it regarding a life assurance policy, under which Migdal Insurance collected premiums from the first of the month in which the agreement was initially created, instead of starting to collect the premium from the date the insurance contract reached the stage of a binding contract and the insurance coverage had begun, during the last seven years prior to filing the claim.

The claimant also contends that if it turns out that Migdal Insurance collects premiums retroactively also in other types of insurance, of long term care and/or health insurance, the court is requested to instruct Migdal Insurance to pay back the excess premiums also in respect of all its policyholders in these policies and to include them as members of the requested group for representation and/or as a sub-group.

In the claim the court is requested to instruct Migdal Insurance to refund to all the policyholders who had engaged with Migdal Insurance for a life assurance policy, for the excess premium that was collected from them, as mentioned. The court is also requested to determine that the date from which Migdal Insurance is allowed to collect insurance premiums from its policyholders is the date the insurance premiums are actually paid for the first time by the policyholder; or alternatively, to determine that the date from which Migdal Insurance is allowed to collect insurance premiums from its policyholders is the date on which Migdal Insurance receives the policyholder's insurance offer and agrees to be engaged with an insurance policy agreement with him. The court is also requested to determine that the refund will also apply to sums that were collected, as mentioned, by Migdal Insurance upon changes and/or upgrades of the policy in which a retroactive charge was made during the month in which the change or upgrade were performed, and to order a special compensation, expenses and legal fees for the claimant.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

5. (cont'd)

The claimant contends that the personal damage amounts to NIS 272 and according to his calculations, the damage that was caused to the requested group for representation amounts to NIS 40.5 million.

Migdal Insurance's reply to the request for approval has not yet been submitted. On May 19, 2008, the Court ordered to transfer the hearing of this claim to a judge who is handling the hearing of the claim that is detailed in paragraph (5) above. On April 11, 2010, the parties to the request for approval and to the request for approval described in paragraph (5) above, filed a request to approve a compromise outline and to appoint an expert who will examine all the policies specified in the requests for approval and on the basis thereof a compromise agreement will be submitted at a later date for approval of the Court. On April 12, 2010 the Court approved appointment of an expert that will determine the database required for purposes of submitting a request for approval of a compromise arrangement. On November 7, 2010, the parties requested the transfer of the case before another panel which already deliberated requests for approval against other insurance companies, who raised the common questions of fact or law similar to those that were raised under the request for approval.

On November 10, 2010 the court approved the request of the parties to transfer the case to another panel, as mentioned. On January 16, 2011, an expert's opinion was submitted to the Court. In a preliminary hearing that was held on January 18, 2011, the Court ordered the expert to re-examine various issues that were included in the expert's opinion. On March 20, 2011, a supplemental expert's opinion was submitted to the court. Consequently, the court ordered the parties to submit a compromise agreement together with a request to approve it in accordance with the complementary opinion submitted by the expert On February 21, 2012, the parties filed an application for approval of the compromise agreement and the compromise agreement pursuant to the outline that was submitted in 2010. A hearing on the application for approval of the compromise agreement was scheduled for June 27, 2012.

With respect to an additional claim and an additional request to approve the claim as a class action which were filed against Migdal Insurance regarding risk premiums collected during the period preceding the date the insurance contract entered into force, see paragraph (4) above.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

6. In April 2006 a claim was filed against Migdal Insurance with the Tel Aviv District Court together with a request to approve the claim as a class action. A similar claim was filed against other insurance companies.

   The plaintiffs contend that Migdal Insurance had collected insurance premiums in respect of a disability insurance policy until the end of the insurance period, including the last three months of the insurance period according to the policy.

   The plaintiffs contend that in accordance with the policy, the compensation will be paid for an insurance event only after a waiting period of three months, providing that the disability has continued and no later than the end of the policy. Accordingly, the plaintiffs claim that Migdal Insurance had collected insurance fees in the last three months of the insurance period even though according to the policy the plaintiffs could not have received any insurance benefits during that period according to the policy terms, even if an insurance event had occurred.

   The plaintiffs also contend that Migdal Insurance did not inform them that it intends to collect monthly premiums in respect of that period.

   Therefore, the plaintiffs contend that in its actions Migdal Insurance had breached the Insurance Contract Law, had breached Article 55 of the Supervision of Financial Services Law (Insurance), 1981, had provided a misleading description of the disability policy, had not acted in good faith, had included a depriving condition in a policy that constitutes a standard contract, had been negligent, had breached its statutory duty and had become unlawfully enriched.

   The request to approve the claim as a class action was filed pursuant to the Class Actions Law (hereunder – "the request for approval").

   The Court was requested to order Migdal Insurance to cease collecting insurance premiums in respect of the said period and to order it to refund the insurance premiums it had collected from the group members in respect of the aforementioned period with the addition of linkage differences and interest as stated in Section 28(c) of the Insurance Contract Law from the date of the claim until the actual date of payment.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

6. (cont'd)

The plaintiffs contend that according to an expert opinion they received, the initial estimate of the damage for 1998-2004, which includes the damage, they contend, was caused by Migdal Insurance and the other insurance companies amounts to NIS 47.61 million, out of which the amount that is demanded from Migdal Insurance is NIS 19.2 million.

In the court's decision on February 3, 2009, it approved the claim as a class action. In this decision the court determined that the remedy will be the refund of the insurance fees that Migdal Insurance actually collected from its policyholders under this policy, with respect to the three months of the last waiting period under the policy, plus interest linkage differences from the date of collection and up to the actual refund (hereinafter – "decision on application for approval"). The court determined that Migdal Insurance should submit a defense statement regarding the claim, within 45 days from the date of the decision.

The District Court approved Migdal's request from February 16, 2009, to postpone the date for deliberating the claim and to postpone the date for submitting the defense statement and the publication of a notice regarding the approval of the request to approve the claim as a class action, until the Supreme Court comes to a decision regarding the application for grant of permission to appeal against the decision to approve the claim as a class action, a request that was filed on April 26, 2009 to the Supreme Court (hereinafter – "the postponement decision"). The plaintiff submitted a request for leave to appeal the postponement decision and on November 24, 2009 the Supreme Court denied the request for leave to appeal the postponement decision. The request for leave to appeal of the decision on the application for approval is scheduled to be heard by a panel of judges on January 21, 2013.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

7. In May 2006 a claim was filed against Migdal Insurance with the Tel Aviv Jaffa District Court, together with a request to approve the claim as a class action.

The main allegation in the claim is that in matters relating to the insurance coverage for accident disability (hereinafter – "accident disability annex") that is included in the life assurance policy of Migdal Insurance, Migdal Insurance customarily lowers its liability by using a formula that significantly reduces the rate of compensation, which results in the compensation not being paid according to the rate of disability that was determined but a much lower compensation, and thus the defendant limits its liability according to the policy.

The grounds for the claim are, inter alia, breach of the duty of disclosure provided in insurance laws including in the Supervision Law and the regulations enacted thereunder, the provision of a misleading description, breach of agreement, charging in mala fide, breaching fiduciary duties and unlawful enrichment. The request to approve the claim as a class action was filed pursuant to the Class Actions Law (hereunder – "the request for approval").

The group for which the class action is filed includes any person who is insured or is a beneficiary or who was insured or was a beneficiary in a policy in which the Company provides coverage for accident disability, who is entitled or was entitled to compensation according to this insurance, when the policy states that the compensation is the amount of insurance as stated in the policy according to the appropriate percentage of disability that was or will be determined, but notwithstanding the compensation was paid according to a lower rate of disability and the payment was made in the last seven years. The group will also include policyholders and beneficiaries under policies issued by insurance companies other than the defendant, which as a result of merger transactions or other transactions, the defendant had provided or is providing the insurance coverage for them. The remedy that the plaintiff demands is that the Company be ordered to pay the difference between the amount of compensation the plaintiff contends is due according to the policy and the amount of compensation that was actually paid to the entire group.

The claimant contends that his personal damages amount to about NIS 11 thousand. The request for approval does not include an estimate of the damage that the claimant contends was allegedly caused to the group he wishes to represent, and according to the claimant this is due to the lack of information required in order to estimate the overall damages.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

7. (cont'd)

In the court's decision on January 11, 2009, it approved the claim as a class action and it determined that Migdal Insurance reduced its liability by utilizing a certain formula whereby it reduces the rate of compensation that is due to the policyholder according to the accident disability appendix. The court determined that the remedy in this case will be the supplementation of the compensation that is due to each of the plaintiffs to the full amount of insurance, multiplied by the disability percent that was determined and this will apply to all those who purchased an accident disability policy of Migdal Insurance and received during the relevant years (which were not specified in the decision) insurance benefits that are not equal to the multiplication of the partial and permanent disability that was determined by the Company's doctor at the maximum amount of insurance (hereinafter – "the approval decision").

On January 29, 2009, Migdal Insurance submitted a request to the court to postpone the hearing of the claim, to postpone the date for filing a defense statement and to postpone the date for publishing an advertisement in the newspapers regarding the approval of the claim as a class action, until the Supreme Court comes to a decision regarding the application for grant of permission to appeal which Migdal Insurance filed against the approval decision (hereunder in this paragraph – "the request for postponing the date").

On March 25, 2009, the Court rejected the request for postponing the date and determined that Migdal Insurance should submit a defense statement and publish a notice up to May 18, 2009. On May 3, 2009, Migdal Insurance filed an application for grant of permission to appeal to the Supreme Court against the District Court's decision not to postpone the date for deliberating the claim until the Supreme Court's decision regarding the approval decision.

On May 13, 2009 Migdal Insurance submitted to the Supreme Court an urgent request to postpone the dates until a decision is made on the request for permission to appeal on the matter of the request for postponing the date. On May 13, 2009 the Supreme Court ordered the claimant to submit a reply to the request for permission to appeal the request for postponing the date, and decided that Migdal Insurance is not required to publish a notice in the newspaper and submit a defense statement until such date as it is decided otherwise.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

7. (cont'd)

The plaintiff filed a response to the application for permission to appeal the approval decision. A hearing was held on January 6, 2011, with respect to the application for permission to appeal before a panel of judges, which was filed by Migdal Insurance. The parties are waiting for the Supreme Court's decision with respect to the request for permission to appeal.

8. In March 2007 a claim was filed against Migdal Insurance with the Tel Aviv Jaffa District Court, together with a request to approve the claim as a class action (hereunder – the request for approval). The request for approval and the claim were filed against two other insurance companies (hereunder – the other companies). The request for approval was filed pursuant to the Class Actions Law.

The main allegation in this claim is that Migdal Insurance continues to collect from its policyholders, under managers insurance policies, after they had passed the retirement age (65), premium in respect of the risk component under this policy. The claimants allege that by doing so, Migdal Insurance is acting in contrary to the agreement under the policy, and thus it has breached the agreement with its policyholders.

In addition, the claimants allege that by doing so Migdal Insurance is illegally enriched and is taking advantage of its greater power versus its policyholders. On the grounds of these allegations, the claimants demand that they be refunded the premiums that were collected, as mentioned above.

The group that the claimants wish to represent is comprised of all the present policyholders of Migdal Insurance and the other companies, as well as all those who were insured by them in the past by managers insurance policies and/or the other types of policies – "Yoter" and/or "Adif" and/or "Meitav" (policies with a savings value), and these policyholders had reached the age of 65 at the time they were insured, and they continued to be insured with these companies also after they had reached the age of 65.

The remedy that the claimants demand is that Migdal Insurance and the other companies be ordered to pay back the insurance fees that were collected by them from the group members, in respect of the risk component, commencing from the date the group members reached the age of 65 and onwards, with the addition of linkage differences and interest from the date of the claim and up to the date of the actual refund, as well as an order to disclose documents which relate to the group members.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

8. (cont'd)

The personal damage that the claimants contend was caused to them amounts to about NIS 39 thousand. The claimants contend that according to their calculations, the damage that they claim for all the members of the group, which is estimated for the period of 10 years with respect to all the defendants (Migdal Insurance, and the additional companies) is about NIS 900 million.

Migdal Insurance has submitted its reply to the request for approval. In a hearing that took place on April 6, 2010, the Court instructed to turn to the Regulator of Insurance in order to obtain his opinion on the issue raised in the claim. The Regulator submitted his opinion regarding the case, whereby the end of the insurance period is a condition that should be agreed upon between the parties and as a whole there is nothing preventing the insurance period from running beyond the retirement age and that the matter in dispute should be examined based on the agreement between the parties, as determined in the policy. The parties submitted their response to the Insurance Regulator's opinion and they are required to notify the court how they intend to continue managing the case. On December 11, 2011, the removal of one of the three plaintiffs was approved, and this is against another insurance company that had been party to the legal proceedings, in the absence of a personal cause of action. A preliminary hearing on the case was held on January 25, 2012, after the plaintiffs replaced their legal representation. The parties are waiting for the scheduling of the date for presenting evidence on the request for approval.

9. In April 2007 a claim was filed with the Tel Aviv Jaffa District Court, together with a request to approve the claim as a class action (hereunder – the request for approval), against Migdal Stock Exchange Services (Securities) Ltd. (hereunder – Stock Exchange Services") and against a number of banks and other stock exchange members (hereunder – the defendants). Stock Exchange Services is a company held, indirectly, and wholly owned by the Company.

The request for approval was filed pursuant to the Class Actions Law.

The claimants contend that they own participation units in various mutual funds that were managed by subsidiaries of the defendants, including participation units in mutual funds managed by subsidiaries of the banks and that were sold, among others, to stock exchange members.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

9. (cont'd)

The grounds for the claim is, among others, collection of commission in respect of the acquisition and sale of securities (brokerage commission) and/or foreign exchange rate differences in respect of the acquisition/sale of foreign currency, from the mutual funds managed by the subsidiaries of the aforementioned entities, at rates that are considerably higher than the rates that were collected from their other clients. In addition, it was also alleged that in the framework of the transactions for the acquisition of the mutual funds from the banks, subsidiaries of the stock exchange members agreed that the banks will continue to serve as the securities agents of the mutual funds that were sold, hence enabling the banks to continue collecting excessive commissions, unlawfully. In doing so, the claimants' claim that the defendants allegedly acted, among others, against the provisions of Section 69 to the Law for Joint Investments in Trust.

The group that the claimants wish to represent consist of all those who acquired, hold and/or held during the periods relevant to the claim, participation units in mutual funds managed by the managers of mutual funds that were and/or are controlled by any of the defendants.

The personal damage that was caused to the claimants, as they allege, as a result of the alleged actions of the defendants amounts to the total sum of about NIS 1.7 thousand. The claimants estimate, according to calculations they made, among others, based on the assumption that the commissions that the mutual funds were supposed to pay would have amounted to about 50% of the commissions that were actually paid, and the exchange rate differences that the mutual funds would have had to pay were lower by about NIS 0.015 per dollar from what was actually paid, the alleged damages for the relevant period (from January 1, 2004) in respect of all the defendants at NIS 386 million.

The claimants allege that from the above amount Stock Exchange Services is responsible for the sum of NIS 48.5 million. Stock Exchange Services is sued alone for part of the amount and in respect of the other part it is sued together and separately with the Israel First International Bank Ltd., from which the claimants allege that a subsidiary of Stock Exchange Services acquired the mutual funds of Dikla. The remedy that is demanded in this claim is that the defendants be ordered to pay back the sums that the claimants contend were collected unlawfully, as well as a mandatory injunction ordering the defendants to change the manner of their operations and to refrain from collecting the sums that are illegally collected by them and to order the defendants to disclose to the claimants materials and data for the clarification of the claim.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

9. (cont'd)

Stock Exchange Services submitted its reply to the request for approval. The plaintiff submitted his response to the reply of Stock Exchange Services to the request for approval. Within the scope of the preliminary hearing held on April 17, 2012, it was ruled that the request for approval would be sent for the position of the State Attorney-General, who will respond on behalf of the State within 60 days. The case was scheduled for an internal reminder as of August 5, 2012.

10. In August 2007 a claim and request to approve the claim as a class action (hereinafter – the request for approval) were filed against Migdal Insurance with the Tel Aviv Jaffa District Court. The request for approval was filed in accordance with the Class Actions Law.

The claimant contends that contrary to the directives of the Regulator of Insurance, Migdal Insurance did not inform the claimant in the insurance proposal, before signing the insurance contract, the rules that will apply to calculation of the insurance benefits when an insurance event occurs (total loss, constructive total loss and theft of a vehicle). The claimant contends that Migdal Insurance unlawfully reduced the amount of the insurance benefits paid to the claimant following an accident that occurred to the motor vehicle of the claimant as a result of which the motor vehicle was declared a total loss. In doing this, according to the claimant, Migdal Insurance breached its duty according to the circular of the Regulator of Insurance to pay the full amount of the insurance benefits without taking into consideration any reducing variables.

The Group the claimant wishes to represent consists of any person and/or other legal entity that purchased from Migdal Insurance, between January 1, 2001 and the date of filing the request for approval, insurance and/or an insurance contract in respect of a private vehicle and/or commercial vehicle and/or motor vehicle, for any period of insurance, and during that period an insurance event occurred following which the insured vehicle was declared a "constructive total loss" and/or the insured vehicle was caused damage defined as a "total loss", including a stolen motor vehicle, and in respect of that insurance event Migdal Insurance incurred an insurance and/or monetary liability towards that same person and/or other legal entity, and Migdal Insurance did not pay that same person and/or other legal entity the full amount of the insurance benefits and/or the full value of the vehicle on the date of the insurance event and/or did not replace the vehicle with a vehicle of the same type and quality.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

10. (cont'd)

The remedies requested by the claimant are as follows: an order instructing Migdal Insurance to act precisely according to the directives of the Regulator of Insurance; an order requiring Migdal Insurance to return to its policyholders the amounts that were deducted unlawfully, as argued by the claimant, from the insurance benefits; and the awarding of special compensation to the claimant. The claimant contends that he was caused personal damages in the amount of NIS 509 by the alleged actions of Migdal Insurance and that the overall damage for the group defined above is NIS 122 million.

On June 28, 2010, the parties submitted a notice they had agreed to with respect to a compromise outline and a request for instructions to appoint an expert for examination of the data required for formulation of a compromise agreement. On June 29, 2010, the Court approved appointment of an expert who will examine the data required for formulation of the compromise agreement and who will express his opinion regarding, among other things, the size of the group and the value of the benefit. On February 15, 2011, the expert submitted the results of his examination to the Court. On March 30, 2011, a compromise agreement was submitted, together with a request to approve it. On April 27, 2011 the deliberation in respect of the request for approval, including the request to approve the compromise agreement, were transferred to another panel of judges which deliberates requests for approvals regarding the same issue as filed against other insurance companies, in the framework of which requests to approve compromise agreements that were approved in principle and were transferred to receive the Attorney General's opinion (hereunder "the other requests for approval" and "the new panel of judges", respectively). On May 2, 2011, the new panel of judges, who received the request for approval as mentioned above, wished to inform what is the relation between the compromise agreement that was submitted and the compromise arrangements that were submitted in the other requests for approval.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

10. (cont'd)

On May 11, 2011, a request was filed that the request to approve the compromise agreement will be approved in principle, as in the case of the other requests for approval, and that all the requests to approve compromise agreements will be deliberated together. On May 16, 2011, the new panel of judges gave his principle approval of the request for approval and instructed to issue a press release in respect of the compromise agreement and the transfer of a copy of the request for approval and a copy of the decision to the Attorney General and to the courts. In addition, the new panel of judges set a 45 days interval from the date of the press release to the date of submitting the objections, or a notice of refusing to be included in the group in respect of the compromise agreement. In the event that no objections will be submitted, the parties should inform the new panel of judges that they wish to approve the compromise agreement. On June 9, 2011, the Attorney General submitted a request to stop the proceedings regarding the request for approval for the period of 60 days, during which the Regulator of Insurance will consider his involvement in respect of the object of the claim regarding all the insurance companies that operate in the Israeli market. On June 22, 2011 Migdal Insurance issued its response to the Attorney General's request. On June 26, 2011 the court determined that the Attorney General has no authority to stop the proceedings and gave the Attorney General an extension for submitting his opinion in respect of the compromise agreement up to September 1, 2011, which was later extended up to October 30, 2011.

Since the Attorney General's position was not submitted, the parties to the proceeding filed a request to render a decision on the request to approve the compromise agreement. The Attorney General submitted his reply to the said request to render a decision and requested an additional extension following the serving to him of the approval requests. On January 19, 2012, the Attorney General submitted his objection to the compromise's outline and announced that the Regulator of Insurance intends to regulate the subject of the request for approval. The Attorney General submitted a similar announcement on the other requests for approval. Migdal Insurance submitted its response to the Attorney General's objection. The hearing was scheduled for May 31, 2012.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

10. (cont'd)

On May 9, 2012, the Regulator of Insurance submitted an announcement on his behalf with the court, in which he announced on April 30, 2012 a draft decision in principle was issued in the matter of the request for approval which ruled a refund of monies to insured parties where the provisions of the circular regarding reducing variables are breached. Likewise, within the scope of the said announcement, the Regulator of Insurance requested that continuation of the clarification of the compromise arrangement will be suspended until after the end of the administrative proceeding. On May 15, 2012, Migdal Insurance sent its opposition to the Regulator's announcement and his request to suspend the legal proceedings. On May 17, 2012, the court ruled that the hearing on approval of the compromise arrangements would be suspended until after the administrative proceedings are exhausted, and scheduled the case for an internal memorandum as of September 24, 2012.

11. In January 2008 a claim was filed with the Tel Aviv Jaffa District Court against Migdal Insurance, together with a request to approve the claim as a class action (hereinafter – the request for approval). The request for approval was filed in accordance with the Class Actions Law.

The claim and the request for approval filed by seven claimants (hereinafter – the claimants) were filed against 4 other insurance companies (Migdal Insurance and the other 4 insurance companies are hereinafter referred to as – the defendants).

The claimants allege, that the "sub-annual factor" payment (hereinafter – "sub-annual payment") is a payment the insurance company is entitled to collect from its policyholders when the insurance rate is fixed at an annual sum, but such payment is actually made in installments. The claimants allege that the defendants collected from their policyholders sub-annual payments which contradicts the circulars of the Regulator of Insurance.

The claimants allege, that the defendants were not entitled to collect sub-annual payments in relation to the "policy factor" which, according to the claimants, is a payment collected out of necessity to collect the premium from the policyholder and to distribute it between the various policy components.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

11. (cont'd)

The claimants also allege that the defendants collected sub-annual payments at a rate higher than that permitted, that the defendants collected sub-annual payments with respect to policies other than life assurance policies, while it was permissible to collect sub-annual payments with respect to life assurance policies only, and that the defendants collected sub-annual payments with respect to the savings component of the policy, contrary to the Circular of the Regulator of Insurance on the matter.

The group the claimants wish to represent consists of: Anyone who engaged with the defendants or in possession of an insurance contract and payment with respect to the "sub-annual" component was collected from him in unlawful circumstances or amounts.

The remedies demanded by the claimants are as follows: refund of the sub-annual amount unlawfully collected from the Group members as defined above, and an injunction instructing the defendants to change their mode of operation.

The claimants contend they were caused personal damages with respect to one insurance year in the amount of about NIS 1,600. The claimants contend the overall damage to the group defined above is approximately NIS 2.3 billion, out of which the amount attributed to Migdal Insurance, the claimants contend, is approximately NIS 827 million.

On February 1, 2010 the District Court approved a procedural arrangement pursuant to which the allegation that Migdal Insurance had charged a sub-annual payment higher than the rate allowed in the circulars of the Regulator of Insurance in respect of insurance policies that were issued before 1992 will be stricken from the claim and from the request for approval, and the claimant submitted a revised claim and request accordingly. Migdal Insurance submitted its reply to the request for approval. The claimant filed a response to the reply of Migdal Insurance to the request for approval. Migdal Insurance filed a request to delete sections of the claimant's response as stated. As part of a preliminary hearing on the request for approval on November 8, 2011, it was provided that Migdal will be granted the right to submit a written reply to the claimant's response as stated. An additional preliminary hearing was set for July 2, 2012.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

12. In January 2008, a claim was filed with the Tel Aviv Jaffa District Court against Migdal Insurance, together with a request to approve the claim as a class action (hereinafter – the request for approval). The request for approval was filed in accordance with the Class Actions Law.

The claim and the request for approval filed by four claimants (hereinafter – the claimants) were also filed against 4 other insurance companies (Migdal Insurance and the other 4 insurance companies are hereinafter called – the defendants).

The claimants allege that the defendants collected from their policyholders management fees in "profit-participating" type life assurance policies, contrary to the Regulations for the Supervision of Insurance Business (Conditions in Insurance Contracts), 1981 (hereinafter – Supervision Regulations) and contrary to the Circular of the Regulator of Insurance. The claimants allege that the defendants collected fixed management fees at a rate higher than the permissible rate (above 0.05% per month of the estimated value of the investment portfolio of each one of the defendants) and collected from their policyholders variable management fees on a monthly basis rather than at year end, thereby depriving the policyholders of the return on those variable fees collected during the year.

The Group the claimants wish to represent consists of anyone who was or is a policyholder of one or more of the defendants in a "profit-participating" type life assurance blended with savings policy issued from 1992 through 2003, inclusive.

The remedies that are demanded are as follows: a refund to each of the Group members as defined above of the excess management fees unlawfully collected from him or the return lost, as well as an injunction instructing them to change their mode of operation.

The claimants contend the personal damages caused to one of the claimants who was a Migdal Insurance policyholder with respect to one year is about NIS 7. The claimants contend the overall damage to the group defined above is the nominal amount of approximately NIS 244 million, out of which the amount attributed to Migdal Insurance, the claimants contend, is approximately NIS 101 million.

Migdal Insurance submitted its reply to the request for approval. As part of a preliminary hearing held on September 18, 2011, the Court gave the force of a decision to agreements reached between the parties that the arguments in the request for approval relating to the fixed management fees will be stricken from the claim and the request for approval. The case was scheduled for written summaries.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

13. In April 2008, a claim was filed with the Jerusalem Labor Court against Migdal Insurance, together with a request to approve the claim as a class action (hereinafter – the request for approval). The request for approval was filed in accordance with the Class Actions Law.

    The plaintiff contends that Migdal Insurance pays to its insured women who reach the age of retirement a monthly pension that is lower than the pension it pays to an insured man under the same circumstances, on the basis of the higher life expectancy of women. Conversely, as alleged by the plaintiff, Migdal Insurance charges its women policyholders the same "risk" premium that it charges its men policyholders even though the mortality rates of women are much lower.

    The plaintiff contends that Migdal Insurance takes into account the gender of the policyholder only when it is in its favor, and lowers the amount it is required to pay. On the other hand Migdal Insurance disregards the policyholder's gender when it is inconvenient for it and it is required to charge a lower premium.

    According to the plaintiff, sometime after 2000, Migdal Insurance and the other insurance companies amended the policies by removing the said discrimination, and established different "risk" premiums for women that are lower than the accepted rates for men. Nevertheless, according to the plaintiff, Migdal Insurance did not amend the discrimination in the old policies that were issued before the date of the change, and the plaintiff alleges that it continues such discrimination through the present.

    The plaintiff also alleges that Migdal Insurance tried to conceal the said discrimination, by specifying in the policy the different pension coefficients for men and women, but that it did not state anything regarding the rate of the risk premium.

    The group the plaintiff seeks to represent is all women who purchased from Migdal Insurance "Executive Pension Plan" insurance policies in which distinctions were made between men and women in respect of pension payments but no distinctions were made between them in respect of the risk premium, including – but not only – policies called "Yoter", "Atid", "Adif", etc.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

13. (cont'd)

The remedies sought from the court are to rule and/or order that: (a) The discrimination practiced by Migdal Insurance, as alleged by the plaintiff, is against the law, and any provision and/or action based on this discrimination is null and void; (b) The plaintiff and the other members of the group are entitled to select between the following alternatives: (1) To equalize the pension coefficient for an insured woman and an insured man of the same age and to order that in the event of a one-time payment instead of a pension, the one-time payment shall be increased to the insured woman, in the ratio of the pension coefficient of an insured man to the pension coefficient of an insured woman at the relevant age; (2) To reduce the amounts for risk charged to the plaintiff in respect of the policy in question and to the other policyholders of this kind of insurance, and to set them at appropriate risk amounts for an insured woman, whereby the reduced amounts shall be added to the accumulated amount of savings; (c) To issue appropriate orders regarding the other members of the group who have not been located and/or have not exercised their right to choose between these alternatives.

The plaintiff does not stipulate the amount of damage allegedly caused her. She estimates that in light of the size of the group (estimated at tens of thousands of women), the overall amount of damage to the members of the group is hundreds of millions of shekels.

On September 28, 2008, the Court ordered to dismiss the claim and the request for approval due to lack of material jurisdiction to discuss it. On November 20, 2008, the claimant filed an appeal against the above decision to the National Labor Court. In the appeal the claimant requests that the Court will instruct to cancel the aforementioned decision and that it will determine that the jurisdiction to discuss the above claim should be in the hands of the regional court, and alternatively it should only instruct to dismiss the causes that are not under the Labor Court's unique material jurisdiction, or according to another alternative, the Court will instruct to transfer the hearings to the Jerusalem District Court. Migdal Insurance has replied to the appeal of the claimant and a hearing was held before the National Labor Court.

On September 17, 2009 the National Labor Court accepted the appeal of the claimant and decided that the Court has material jurisdiction to hear the request for approval and the claim only with respect to salaried women (hereinafter – "the material jurisdiction decision").

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

13. (cont'd)

The Court decided that the parties should amend their statement briefs according to the decision of the National Labor Court.

On November 24, 2009 the plaintiff submitted an amended claim and request for approval.

On December 15, 2009 Migdal Insurance submitted a motion to the Supreme Court convened as the High Court of Justice with respect to the material jurisdiction decision (hereinafter – "the motion"). The regional court decided to postpone the hearing on the request for approval until a ruling is rendered on the motion. On October 11, 2010, the Attorney General submitted his position regarding this case, whereby he supports the decision by the National Labor Court and he intends to take part in the proceedings, On February 16, 2011, a hearing was held in relation to the motion. On February 22, 2011, Migdal Insurance (and other insurance companies who joined this motion) filed a request to withdraw the motion. On March 13, 2011 the Supreme Court ordered to strike-out the petition in view of the request.

Migdal Insurance filed its reply to the request for approval. As part of a preliminary hearing on the request for approval held on September 21, 2011, the plaintiff was granted an extension to submit her reply to the response of Migdal Insurance to the request for approval. On January 3,2012, Migdal Insurance filed a motion for dismissal in limine of the motion for approval due to prescription.

On January 9, 2012, a hearing of proofs was held, in which the claimant's witnesses were examined. Within the scope of the hearing, the court ruled that a response to the motion for dismissal will be filed on behalf of the claimant, and that Migdal Insurance will be able to file its reply to the said response. Likewise, the court ruled that the hearing of proofs would continue only after the ruling on the motion for dismissal in limine.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

14. In August 2008, a claim was filed with the Tel Aviv District Court against Migdal Insurance, together with a request to approve the claim as a class action (hereinafter – the request for approval). The request for approval was filed in accordance with the Class Actions Law.

    The plaintiff contends that in the vehicle insurance plan, Migdal Insurance refrains from paying and/or refunding a third party, extensively and in violation of the provisions of the law and the Regulator of Insurance, the total appraiser's fees which the third party paid for the preparation of the appraiser's opinion.

    The plaintiff alleges that Migdal Insurance offsets sums of money and it pays only part of the sum the third party paid for the appraiser's fees, and it signs the third parties on bills of discharge, illegally and against the Regulator of Insurance's directives.

    The group the plaintiff wishes to represent is: any person and/or any other legal entity who was entitled to receive from Migdal Insurance, as a third party, monies and/or insurance benefits due to damage to the vehicle, including sums of money in respect of an appraiser's fees, which he had paid to an appraiser, in order to prepare the assessment of the damage to the vehicle, during the seven years prior to the date the claim was filed, and Migdal Insurance did not reply and/or pay him the full amount he paid for the appraiser's fees and/or part of it.

    The personal damage that was caused to the plaintiff, as she contends, is NIS 49. The plaintiff alleges that the estimated damage that was caused to the entire group, as defined above, with respect to the period of seven years, amounts to about NIS 13 million.

    On May 13, 2009, the Court ordered the consolidation of the hearing with requests for approval on a similar matter that was filed against other insurance companies.

    Migdal Insurance has submitted its reply to the request for approval. The plaintiff filed a response to the reply of Migdal Insurance. On July 6, 2010, following a request by Migdal Insurance, the Court ordered to remove appendixes and to write-off allegations from the plaintiff's reply. On April 26, 2011, a preliminary hearing in respect of the proceedings was held. As part of an additional preliminary hearing held on September 13, 2011, the Court instructed the parties to transfer the statements of claims to the Supervisor of Insurance to receive his position with respect to the request for approval. On December 8, 2011, the Regulator of Insurance submitted his position, adopting the principles of the contentions against Migdal Insurance. An additional preliminary hearing was scheduled for June 17, 2012.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

15. In September 2009 a claim and request for approval of the claim as a class action were filed with the Tel Aviv District Court (hereinafter – "the claim" and "the request for approval", respectively) by a career soldier in the IDF who is insured under a group life assurance policy for IDF professional soldiers and retirees (hereinafter – the policy and the plaintiff, respectively) against Migdal Insurance, an additional insurance company and Hever Professional Army Personnel and Retired Personnel Ltd. (hereinafter – the defendants). The request for approval was submitted in accordance with the Class Actions Law.

    The plaintiff alleges that contrary to the instructions of any law, the professional solders and retirees of the IDF were charged premiums in respect of the policy without them being able to cancel the policy. The plaintiff also alleges that over the years the defendants raised the premium payments contrary to the terms of the policy, thus violating them and acting contrary to the law.

    Furthermore, the plaintiff alleges that the defendants do not comply with their duties in accordance with the law and do not transfer to the group members the full terms of the policy and updates as required by law.

    The group the plaintiff requests to represent consists of all the professional army soldiers and retirees of the IDF including those who had this status in the last seven years and whose lives were insured under the policy (hereinafter – the group members). The plaintiff contends that the group consists of 70,000 members on the basis of newspaper publications.

    The plaintiff alleges to having incurred personal damages from the actions of Migdal Insurance in the amount of the premiums that he paid in respect of the policy in the nominal amount of NIS 2,165. Alternatively, the plaintiff alleges to have incurred personal damages from the actions of Migdal Insurance in the amount of the excess amount that he paid in the amount of NIS 483.

    According to the plaintiff, on the basis of his calculations, the group defined above was caused overall general damages by the defendants in respect of the collection of premiums on the policy in an estimated amount of NIS 490 million (with the addition of linkage differences and interest). Alternatively, the plaintiff alleges that according to his calculations the overall general damages the defendants caused to the group, as defined above, in respect of the collection of excess premiums on the policy from all the members of the group are estimated to amount to NIS 85 million (with the addition of linkage differences and interest).

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

15. (cont'd)

The remedy requested by the plaintiff in the claim is to annul the policy and refund all the amounts that were collected in the last seven years in respect of the policy from the group members, except for those group members who forego their right to a refund of the money and request in writing to be insured under the said insurance policy. Alternatively, the requested remedy is a refund of all the excess amounts that were collected (beyond that specified in the policy), as alleged by the plaintiff, from the group members in the last seven years. In addition, a mandatory injunction is requested for the deliberate disclosure of a full copy of the policy to each of the group members and monetary compensation in the amount of 20% of the amount of the excess premiums the plaintiff alleges were charged to the group members in respect of infringement on autonomy.

Migdal Insurance submitted its reply to the request for approval. The hearing regarding the request for approval was consolidated with another request for approval that was filed by the plaintiff against the State of Israel and refers to the same issue. On February 17, 2011, a preliminary hearing was held in respect of the request for approval, wherein the Court requested from the State to submit, within 90 days, its opinion in respect of the renewal of the policy in its present format. On July 17, 2011, the State submitted its opinion whereby from April 2012 the policy will be renewed and joining the policy will be on a voluntary basis. The court ordered the plaintiff to submit his response to the State's opinion. On January 26, 2012, notice with consent was filed by the parties to dismissal of the request for approval and the action and for payment of compensation and fees. On March 27, 2012, the Court ordered the parties to provide, within 30 days, the reasons for the amounts agreed upon. The announcement of the parties on this matter was submitted on May 1, 2012. The parties are awaiting the decision on the request to dismiss the request for approval.

16. In December 2009 a claim and request for approval of the claim as a class action were filed with the Petach Tikva District Court (hereinafter – "the claim" and "the request for approval", respectively) against Migdal Platinum by a member of Maoz Educational Fund (hereinafter – "the fund") which is managed by Migdal Platinum (Migdal Platinum is a company that was merged as at January 1, 2011 into Makefet) (hereinafter – "the defendants" and "the plaintiff", respectively). The request for approval was submitted in accordance with the Class Actions Law.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

16. (cont'd)

According to the plaintiff, the fund was publicized and marketed by Migdal Platinum as a "conservative" educational fund. The plaintiff alleges that in 2007 and 2008 the fund held unrated debentures in the amount of 50% of its assets, which reflects a high level of risk that is inappropriate for a "conservative" fund. According to the plaintiff, in 2008 the fund lost about 35% of the assets of the fund's members, a rate indicating that the fund was managed carelessly and unprofessionally.

The group the plaintiff requests to represent consists of any person who was a member of the fund at any time from August 8, 2006 until the date of submitting the request for approval (hereinafter – "the group members").

The plaintiff alleges to have incurred pecuniary (the loss of a reasonable return according to the plaintiff) and non-pecuniary damages in the amount of NIS 33,916 as the result of the actions of the defendant. Alternatively, the personal damage that was caused amounts to NIS 13,415 according to the plaintiff for the refund of management fees Migdal Platinum charged the plaintiff and non-pecuniary damages.

According to the plaintiff all the group members were allegedly caused damages in the amount of NIS 62,898,000 as the result of the alleged actions of Platinum in respect of pecuniary and non-pecuniary damages. Alternatively, the alleged damage for all the group members is estimated at NIS 49,977,118 for the refund of management fees and compensation to the group members for non-pecuniary damages.

The remedy requested in the claim is monetary and consists of paying to all the group members the aforementioned amounts of damage.

The defendant has submitted its reply to the request for approval. On September 7, 2010, the plaintiff submitted a reply to the defendant's response to the request for approval and added, in support for its response, an expert opinion. On October 7, 2010, a preliminary hearing in respect of the request for approval was held, and it was determined that the defendant could submit an opinion on its behalf as a response to the opinion submitted by the plaintiff. On February 6, 2011, the defendant submitted an affidavit and a supplementary opinion on its behalf as a reply to the opinion submitted by the plaintiff.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

16. (cont'd)

On March 23, 2011, the court approved the plaintiff's request to change the identity of the defendant that is stated in the request for approval and in the claim from Migdal Platinum to Makefet, following Migdal Platinum's merger into Makefet after the request for approval was filed. On March 30, 2011 the plaintiff filed a response to the supplementary deposition. Following a preliminary hearing that was held on April 7, 2011, the parties were referred to a mediation proceeding which is still being held. In a decision rendered in a preliminary hearing held on October 24, 2011 it was determined by the court that the parties are to respond to the mediator's proposal within 30 days. Within the framework of the additional preliminary hearing on January 2, 2012, the court was notified that the mediation was not successful. Within the framework of the hearing held on January 22, 2012, the outline of the principles of a compromise were presented to the court. The parties must submit a compromise outline within 30 days. A hearing of proofs was scheduled for June 27, 2012.

On May 1, 2012, the parties submitted an agreed upon request for approval of the compromise agreement. Pursuant to the compromise agreement, Makefet will take various actions, inter alia, in the fields of financial disclosure and education of the members of the Fund and of the educational funds it manages, including, inter alia, producing informative brochures that assist in obtaining information about the field of investments; presentation of educational material on the website on the subject of reports to members; producing a short film on the subject of investments in the capital market; and providing a course on investments to the Fund's members. Likewise, pursuant to the agreement, Makefet must, inter alia, bear the expenses and special compensation to the plaintiff and his representative. The amount that Makefet will bear pursuant to the compromise agreement is not material. The compromise agreement is subject to court approval, in accordance with the process prescribed in the Class Action Law. On May 24, 2012, the court ruled, in its decision, that it does not find it appropriate to dismiss the compromise agreement in limine and ordered its publication in accordance with the Class Action Law and sending notice to the State Attorney-General and the Regulator of Insurance. Likewise, a pre-trial date of September 12, 2012 was scheduled for an examination of objections, if any.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

17. In February 2010 a claim and request for approval of the claim as a class action were filed with the Tel Aviv Jaffa District Court (hereinafter – "the claim" and "the request for approval", respectively) against Migdal Insurance by a policyholder of motor vehicle insurance (property and third party property) (hereinafter – "the plaintiff"). The request for approval was submitted in accordance with the Class Actions Law.

    According to the plaintiff, Migdal Insurance does not pay and/or compensate its policyholders in respect of the damage caused to the protection measures installed in their motor vehicles at its request. Furthermore, the plaintiff alleges that Migdal Insurance illegally and contrary to the directives of the Regulator of Insurance demands from the policyholders to sign settlement letters.

    The group the plaintiff requests to represent is any person who as from April 1, 2004 received insurance benefits from Migdal Insurance in respect of damages to a private car or a commercial motor vehicle of up to 4 tons, including for total loss, constructive loss or theft, at the time of being insured by Migdal Insurance, for motor vehicle insurance according to Chapter A of the addendum to the Supervision of Insurance Business Regulations (Terms of Private Motor Vehicle Insurance Contract) – 1986, all or part, and did not receive all and/or part of the insurance benefits in respect of the loss or damage that was caused to the protection measures that were installed in the motor vehicle at the request of Migdal Insurance (hereinafter – "the group members").

    The plaintiff alleges to have incurred personal damages in the amount of NIS 6,000. According to the plaintiff, he does not have the information required for accurately assessing the size of the group and the compensation to the public. Nevertheless, the plaintiff estimates that all the group members were caused damages in the amount of NIS 81.9 million.

    The remedies requested in the framework of the claim consists of monetary compensation in the amount of NIS 81.9 million to the group members, either directly or by means of compensating the public, compensation to the plaintiff and fees to the attorneys representing the plaintiff, as a percentage from the overall compensation awarded to the group members.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

17. (cont'd)

Migdal Insurance submitted its reply to the request for approval. According to the court's decision on June 16, 2011, the opinion of the Attorney General was requested in respect of the request of approval and the other requests for approval that were filed in the same respect against other insurance companies. On July 19, 2011 the Attorney General submitted his opinion whereby if the protective measures are installed in the vehicle at the insurer's request or they match the insurer's demand (even if they were installed before the beginning of the insurance contract), the insurer should indemnify the policyholder for the entire loss (total loss, constructive loss or theft) of the protective means. Nevertheless, in the event that the policyholder installed a more expensive protective means which exceeds the insurer's demand, the insurer is required to pay only the cost of the protective means he demanded. In addition, the insurance company is not required to pay for an immobilizer for vehicles that were imported from the year 1988, and are installed as an integral part of the vehicle. As noted in the Attorney General's opinion, the opinion does not take a stand in respect of the essence of the claim and the request for approval or if the claim is suitable to be deliberated as a class action.

On April 23, 2012, within the scope of a hearing on the request for approval, the outline for a compromise agreement in the request for the approval and the action and the modifications proposed by the court were discussed. Likewise, it was decided in that hearing that the parties must announce, within 60 days, whether they have reached a compromise, and if so, to submit it within the said time period.

18. In April 2010, a claim and request for approval of the claim as a class action were filed with the Petach Tikva District Court (hereunder – "the claim" and "the request for approval", respectively) against Migdal Insurance and 3 other insurance companies (hereunder together – "the defendants") by the Israel Consumer Council (hereunder – "the plaintiff"). The request for approval was submitted in accordance with the Class Actions Law.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

18. (cont'd)

According to the plaintiff, the defendants breach their duties to locate persons who have rights to moneys that were deposited in insurance policies, of any kind whatsoever or in relation to them, in deposits and in other rights that the holders of the rights are or were entitled to receive, which are held with the defendants and have not been claimed (hereunder – "the moneys" and "the rights' holders", respectively); to manage the moneys separately from other amounts; and to transfer any unclaimed moneys to the Administrator General when their transfer is required. According to the plaintiffs, as a result of the defendants' omissions the rights' holders do not receive the moneys, and excessive amounts of management fees are charged in respect of the moneys. In addition, the plaintiff alleges that the defendants become unlawfully enriched from the revenues generated by the unclaimed moneys.

The group the plaintiff requests to represent in the claim consists of all the holders of rights in moneys held by the defendants, under their responsibility or control, who according to the plaintiff the defendants did not notify that they have rights to moneys held by the defendant, as their duties require them to do (hereunder – "the group members"). The plaintiff did not estimate the number of the group members and the amount of the claim.

The remedies requested by the plaintiff in the claim include, inter alia, ordering the defendants to transfer the moneys to the rights' holders and in order to do so ordering the defendants to carry out all actions necessary, as provided in directives of the Regulator of Insurance; ordering the defendants to transfer unclaimed moneys to the Administrator General as required in the Administrator General Law and in directives of the Regulator of Insurance; to return to the group members amounts they were unlawfully charged, by means of commissions and management fees, contrary to directives of the Regulator of Insurance; to return the revenues generated as a result of unlawfully holding the moneys of the group members and to order the defendants to pay the trial expenses.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

18. (cont'd)

Migdal Insurance has submitted its response to the request for approval. The plaintiff submitted a reply to Migdal Insurance's response to the request for approval. On May 23, 2011, a request for a procedural arrangement for filing requests in the framework of the request for approval proceedings was submitted as agreed upon between the parties. A preliminary hearing was held on January 16, 2012. The defendants must serve notice within 90 days, whether they wish to evaluate a compromise arrangement within the framework of the motion for approval. Likewise, the position of the Attorney General was requested in the matter of the arrangements related to the subjects of the motion for approval and the content of the new regulation relating to the case. On April 23, 2012, notice was submitted on behalf of the defendants about the willingness to negotiate with the plaintiff toward a compromise. An additional preliminary trial was scheduled for June 21, 2012.

19. In April 2010, a claim and request for approval of the claim as a class action were filed with the Nazareth District Court (hereunder – "the claim" and "the request for approval", respectively) against Migdal Insurance, The Phoenix Insurance Company Ltd. (hereunder – "the Phoenix"), Tzevet – Israel Defense Forces Veterans Association (hereunder – "Tzevet") and Medi Gap Ltd. Health Division – Madanes Group (hereunder – "Medi Gap") (hereunder – the defendants) by three members of Tzevet who are insured under a group health insurance policy (hereunder – "the policy"). The request for approval was filed in accordance with the Class Actions Law.

According to the plaintiffs, the defendants added persons to the policy without receiving their consent and without notifying them that they are being added to the policy, renewed the policy without their knowledge and charged the policyholders insurance fees for the policy without their consent.

The group the plaintiffs request to represent consists of all those who joined the policy following an agreement between Tzevet and/or Medi Gap on the one hand and Migdal and/or the Phoenix (the insurers) on the other hand. Between September 2000 and the date of filing the claim, members of Tzevet were added to this arrangement without their knowledge and their consent and the policy was even renewed without their knowledge and/or consent (hereunder – "the group members").

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

19. (cont'd)

The plaintiffs claim that the actions of the defendants caused them personal damages in the amount of NIS 72,000 with the addition of interest and linkage (NIS 24,000 per each plaintiff). The plaintiffs estimate that the group consists of 36,000 members but did not estimate the amount of the damages for the entire group.

The remedies requested in the claim from Migdal and the Phoenix consist of a declaratory remedy that annuls the policy, and a monetary remedy ordering the defendants to return to the group members the amounts they were charged with the addition of interest and linkage, including special interest according to Section 28A of the Insurance Contract Law and attorneys' fees.

On June 17, 2010, Migdal Insurance filed a request with the President of the Supreme Court, to transfer the location of the hearing on the request for approval to the District Court in Nazareth, which is hearing two prior requests for approval filed with respect to the same matter by the plaintiff's representative, and to extend the date for filing the response to the request for approval (hereunder – "the request for transfer"). Concurrently, Migdal Insurance filed a request for summary dismissal of the request for approval and the claim. On August 1, 2010, a decision was made whereby the date for submission of the response to the request for approval is stayed until it is decided otherwise. On September 19, 2010, the Superior Court rejected the request to transfer the hearing. On November 8, 2010, the plaintiff's response to the request for dismissal was submitted to the Court. On January 5, 2011, the District Court determined that the defendants' request for dismissal in limine will be discussed in a preliminary hearing in respect of the request for approval. On February 9, 2011, Migdal Insurance submitted its reply to the plaintiffs' response to the request for dismissal. On October 9, 2011, Migdal Insurance submitted its response to the request for approval. A preliminary hearing on the request for approval was held on December 13, 2011. The court ruled that the parties must file their summaries on the motion for dismissal. On January 12, 2012, Migdal Insurance filed its summary on the motion for dismissal. On May 1, 2012, Migdal Insurance filed its motion for issuance of a decision on the motion for dismissal, for which a ruling was not given to date.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

20. In April 2010 a claim and request for approval of the claim as a class action were filed with the Petach Tikva Central District Court (hereunder – "the claim" and "the request for approval", respectively) against Migdal Insurance and 4 other insurance companies (hereunder together – "the defendants") by 5 policyholders (hereunder – "the plaintiffs"). The request for approval was filed in accordance with the Class Actions Law.

    The plaintiffs allege that when the insurance stops, for any reason whatsoever, this usually occurs after the premium was already paid for the month in which the insurance stopped, since the premium for that month is paid in advance at the beginning of the month. According to the plaintiffs, even though the policyholder is entitled to a refund in respect of a proportionate part of the month, the defendants do not return to the policyholders a proportionate part of the premium or the amount is returned in nominal values.

    The group the plaintiffs request to represent in the claim consists of all those who hold or held any kind of insurance policy of one or more of the defendants, other than property insurance, or is/was the heir of such a policyholder and the insurance policy was stopped for any reason whatsoever, either following its cancellation by the policyholder or following occurrence of the insurance event (hereunder – "the group members"). According to the plaintiffs the group consists of about 2 million policyholders.

    One plaintiff claims that he was caused personal damages by Migdal Insurance in the amount of NIS 23.27 and another plaintiff claims that she was caused personal damages by Migdal Insurance in the amount of NIS 56.29. The plaintiffs estimate that the group members were caused damages in the nominal amount of about NIS 225 million over a period of 10 years.

    The remedies requested in the claim by the plaintiffs consist of a monetary remedy returning the excess premiums that the group members were unlawfully charged and/or were unlawfully not returned to them and/or the revaluation differences that were not paid; a mandatory injunction ordering the defendants to change their method of operation and return the insurance fees from the date the right arose for their return with the addition of linkage differences and interest; compensation to the plaintiffs and the fees of the attorneys representing the plaintiffs.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

20. (cont'd)

Migdal Insurance submitted its reply to the request for approval. Within the framework of the preliminary hearing on the request for approval on December 12, 2011, the court ordered the cancelation of the plaintiffs' contentions in all that relates to Section 28A of the Insurance Contract Law and in all that relates to insured parties whose policies expired partially or temporarily. The motion for approval is scheduled for an internal reminder on May 23, 2012.

21. In January 2011, a claim and request for approval of the claim as a class action were filed with the Regional Labor Court in Tel-Aviv Jaffa (hereunder – "the Claim" and "the Request for Approval", respectively) against Migdal Insurance and Makefet (hereunder together – "the defendants") by a party insured in the Migdal Insurance life insurance (hereunder – "Managers Insurance") and a member in Makefet pension fund (hereunder - "the pension fund", "Migdal's plaintiff", "Makefet's plaintiff", respectively and together "the plaintiffs"). The request for approval was filed in accordance with the Class Actions Law.

The plaintiffs contend that their employers were systematically late in depositing monies in the Managers Insurance and the pension fund. The plaintiffs contend that it was Migdal Insurance and Makefet's duty to see to it that the employers will make the deposits on time and since they did not do so, it was the defendants' duty to allocate the money, plus arrears interest, in favour of the employee (the plaintiffs) and to credit them for the yield on these amounts.

The group the plaintiffs wish to represent in this claim is the group members of the pension funds, educational funds, managers insurance and provident fund managed by the defendants and/or by anyone on their behalf, whose employers were late in making the deposits by more than 15 days from the end of the month for which the employee is entitled to a salary and they were not credited by arrears interest and/or they did not receive any yield in respect of the arrears interest and the amounts of the principal.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

21. (cont'd)

The remedies that are demanded in this claim are: a declarative remedy and a monetary remedy whereby the defendants should "credit each of the group members for the arrears interest in respect of the delay in the employers' deposits and to give them the yield as determined in the pension/provident fund, for the arrears interest as well as the amounts of the principal during the period of the delay. Alternatively, to make a statement and to order the defendants to credit each of the group members only for the arrears interest due to the delay, or as another alternative, to declare and order the defendants to credit each of the group members for the arrears interest up to the yield amount in the pension/provident fund. In addition, it was demanded to make a statement that the defendants had breached a legislated duty and the articles of association of the pension fund and the terms of the managers' insurance policy. Furthermore, a compensation was demanded for the plaintiffs, as well as legal expenses and legal fees for the attorneys who represent the plaintiffs.

The personal damage that was caused to Migdal's plaintiff over three years, as she contends, was estimated at NIS 258.38 and her average annual damage is, as she contends, NIS 86.12. the personal damage that was caused to Makefet's plaintiff over three years, as he contends, is estimated at NIS 47.61 and his average annual damage is, as he contends, NIS 15.87.

The plaintiffs estimate that there are more than a million members and policyholders and the employers are late in the deposits in the funds for at least 10% of the group members (100,000). Therefore, the average annual damage that was estimated for each of the group members amounts to NIS 51 and the accumulated damage for all the group members over 7 years amounts to NIS 35.7 million.

Migdal Insurance and Makefet have submitted their responses to the request for approval. On June 22, 2011 there was a preliminary hearing in respect of the request for approval. The court determined that if the parties do not come to an understanding in this case, the parties will submit their opinion regarding the question of the inclusion of the Commissioner of the Capital Market, Insurance and Savings Division. The court hearing the request for approval was changed and the procedural dates for the hearing on the request for approval were also changed correspondingly. The plaintiffs filed their reply to the response of Migdal Insurance and Makefet, as well as a request for issuance of a document discovery order. A hearing on the request for approval was held on April 30, 2012. Summaries of the case are to be submitted on behalf of the parties.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) <u>Class actions - requests to approve claims as class actions and claims that were approved as class actions</u> (cont'd)

22. In February 2011, a claim and request for approval of the claim as a class action were filed with the Tel Aviv Jaffa District Court (hereunder – "the Claim" and "the Request for Approval", respectively) against Migdal Insurance, by a former policyholder of comprehensive motor insurance , for at least one day during the last seven years (hereunder – "the plaintiff"). The request for approval was filed in accordance with the Class Actions Law.

    The claim and the request for approval were filed by the plaintiff and 4 other plaintiffs (hereunder together – "the plaintiffs"), against Migdal Insurance and 5 other insurance companies (hereunder together - "the defendants").

    The plaintiffs contend that when an insurance event occurs, the defendants do not compensate the policyholders for the impairment in value that reflects the damage that was caused to the vehicle, in market terms. The compensation they receive is significantly lower than the decrease in value that there is in the market, which appraisers call "a technical and not a commercial decrease in value" or "a decrease in value according to the "Sasson Committee". The alleged grounds for the claim are, among others, non-disclosure, mala fide, breach of the fiduciary duty at the contractual and pre-contractual stage, unlawful enrichment and breach of legislated

    The group the plaintiffs wish to represent are all the policyholders who were misled by the plaintiffs to purchase a comprehensive motor insurance policy, while, as alleged, concealing essential information regarding the calculation of the impairment in value during the last seven years.

    The remedies demanded by the plaintiffs in this claim include a declarative remedy that the plaintiffs are entitled to a proper disclosure in respect of the kind and manner of compensation for the component of impairment in value in the comprehensive motor insurance policy and/or that the policyholders are entitled,, when an insurance event occurs, to a compensation that is essentially based on the market value of the vehicle on the day the insurance event had occurred.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

22. (cont'd)

In addition, a monetary remedy was demanded as a compensation for the alleged damage. The calculation of the alleged damage in the claim is based on information regarding the size of the group that is insured by Migdal Insurance, according to the annual report of the Regulator of Insurance from the year 2009. In this claim the plaintiffs stated several amounts of damage according to various calculations which include, in relation to Migdal Insurance: NIS 1,174,510,400 for the expense regarding the acquisition of comprehensive motor insurance which is not, as alleged, an insurance product as they were misled to believe; the total amount of NIS 88,088,700 in respect of the premium difference between various tracks of comprehensive motor insurance with respect to the deductible component regarding the decrease in value; and the amount of NIS 587,255,200 for the value of the impairment in value component.

On September 22, 2011 a report and joint request were submitted by the parties whereby the defendants are not required to respond to the request since the plaintiffs are considering the submission of a petition to amend the request. Migdal Insurance has not yet submitted its response to the request for approval. The plaintiffs filed a request to amend the application for certification. Within the scope of the pre-trial hearing held on May 6, 2012, the court decided that the parties are allowed to file a motion for dismissal from the process by May 28, 2012. If a motion for dismissal is submitted, the court ruled that the parties will file summaries on the ruling and expenses and legal fees. The case was scheduled for an internal reminder as of May 29, 2012.

23. In April 2011, a claim was filed with the Tel Aviv Jaffa District Court against Migdal Insurance, together with a request to approve the claim as a class action (hereunder – "the claim" and "the request for approval", respectively), by a policyholder of managers insurance and by a plaintiff who filed a claim in respect of bodily injuries as a result of a car accident that were caused, as he alleges, by another policyholder of Migdal Insurance (hereunder together – the plaintiffs). The request for approval was filed in accordance with the Class Actions Law.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

23. (cont'd)

The plaintiffs contend that Migdal Insurance makes unlawful use of foreclosure orders that did not confiscate any assets at the time they were sent to it as a third party, but they were still registered in Migdal Insurance's registries, but they have no legal effect. As a result, they contend that Migdal Insurance prevents and/or delays monies, by virtue of the insurance policy, to policyholders and/or beneficiaries and/or to third parties under liability insurance and by doing so it is unlawfully enriched on their expense. The plaintiffs contend that as a condition for the payment of these monies, Migdal Insurance request the group members to remove and/or cancel the foreclosures that are ineffective, and are still registered in Migdal Insurance's registries, despite the fact that they did not foreclose and asset and/or right of any of the group members, as they are defined below.

The group the plaintiffs wish to represent in this claim is anyone who was entitled, during the 7 years prior to the date the claim was filed, to receive from Migdal insurance benefits and/or monies that were provided under any type of insurance policy whatsoever or in their respect and Migdal Insurance is delaying and/or had delayed the monies by claiming that the foreclosure orders that are registered with it as a third party in the name of a person, while that person did not have any insurance contract with Migdal Insurance or any asset he owns that can be foreclosed by law and is held with Migdal Insurance, at the time of registration of the foreclosure orders in the registries of Migdal Insurance and/or within three months from the above date or at any other time that was determined in the foreclosure order and/or when the foreclosure was ineffective for any reason whatsoever (hereunder – "the group members").

The plaintiffs estimate that 15% of the monies that are managed by Migdal Insurance (which are estimated by the plaintiffs at about NIS 109 billion), are foreclosed at third part foreclosures through the various Execution bureaus and the courts all over the country. The plaintiffs estimate that at least half of these foreclosure orders are expired and/or no asset of the debtor was taken at the time of imposing the foreclosure and/or they did not take any existing or future rights that their materialization is certain. Hence, the plaintiffs estimate that the monies that are held-back with Migdal Insurance amounts to NIS 8,175 billion.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

23. (cont'd)

In addition, the plaintiffs contend that to the amount of the claim they should add interest and linkage differences for an average period of delay, which the plaintiffs estimate is about three years; a special interest pursuant to Section 28a' to the Insurance Contract Law; an additional amount in respect of the collection of management fees on the held-back amounts, as well as another sum of money in respect of unlawful enrichment. The plaintiffs estimated the total sum of the claim at NIS 13,427 billion. The personal damage that was caused to the plaintiffs, as they contend, due to the contentions under this claim, amounts to NIS 40,564.

The remedies demanded by the plaintiffs in this claim are, among others, a declarative remedy that Migdal Insurance breached the duties imposed on it by preventing and/or delaying the transfer of money to the group members, in respect of unlawful foreclosures; a mandatory injunction in order to prevent future delay in transferring monies to the group members due to legally ineffective foreclosures, as they contend, that are still registered in Migdal Insurance's registries; to cancel all the foreclosure orders that are no longer in force and/or they have no legal force and to report to the Execution if and which asset of the debtor is in the possession of Migdal Insurance; to inform those who are going to make an insurance agreement with Migdal Insurance and/or its policyholders and/or third parties who are filing claims by virtue of the liability insurance, that foreclosure orders were sent to Migdal Insurance and due to this when the time comes Migdal Insurance will not be able to pay the money; a decree ordering Migdal Insurance to compensate the group members and to repay the held-back monies, as contended by the plaintiffs, illegally, with the addition of interest and linkage differences by law, as well as a special interest pursuant to Section 28a' to the Insurance Contract Law, and the repayment of the profit and/or the commissions and management fees that were collected by Migdal Insurance in respect of these monies.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

23. (cont'd)

Migdal Insurance submitted its response to the request for approval. The reply of the plaintiffs to the response of Migdal Insurance. Migdal Insurance submitted a motion to dismiss the response of the plaintiffs to the reply of Migdal Insurance to the request for approval (hereinafter – "motion for dismissal"). The plaintiffs submitted a reply to the motion for dismissal. Migdal Insurance submitted a response to the reply of the plaintiffs to the motion for dismissal. A preliminary hearing on the request for approval was held on May 2, 2012, in which the court proposed to the parties to reach agreement among themselves, in a manner that will bring the request for approval to a conclusion, without an act arising toward the group members, and to notify the court by July 1, 2012. An additional pre-trial hearing was scheduled for July 4, 2012.

Regarding an additional claim and an additional request for approval as a class action against Migdal Insurance in connection with various claims in connection with recording attachments as a holder, holding back monies recorded as attached and the manner of their release, see Section 25 below.

24. In April 2011, a claim was filed with the Petach Tikva Central District Court against Migdal Insurance, together with a request to approve the claim as a class action (hereunder – "the claim" and "the request for approval", respectively), by a life assurance policyholder (hereunder plaintiff). The request for approval was filed in accordance with the Class Actions Law.

The claim and the request for approval were filed by the plaintiff and two other plaintiffs (hereunder together – the plaintiffs) also against 3 other insurance companies (Migdal Insurance and the 3 other insurance companies will be referred to collectively hereunder as – "the defendants").

The grounds for the claim is the collection, without anchoring it by an agreement between the parties, of sums of money that exceed, as contended by the plaintiffs, by a considerable rate from the premium that is paid by the policyholder and which is entitled "the policy factor" and/or "other management fees". The plaintiffs contend that the defendants were allowed, in principle, to collect under certain conditions a payment called "the policy factor", in accordance with circulars issued by the Capital Market Insurance and Savings Division. However, the plaintiffs contend that the collection of this commission was never agreed upon with them and they were never told that they will be charged, by any amount of money, for other management fees and/or the policy factor.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

24. (cont'd)

The plaintiffs contend that on April 12, 2011 the Petach Tikva Central District Court received a request to approve a claim as a class action which was filed against another insurance company and which is the same as the claim filed by them against the defendants in the claim with is the subject of this report.

The grounds for the claim as contended are, among others, misleading the customers at the pre-contract stage as well as in the contract stage, a breach of the provisions of the law, as well as the Supervision of Financial Services (Insurance) Law, 1981 and the Regulations by its virtue, mala fide and unlawful enrichment. In addition, the plaintiffs contend that there was a breach of an agreement, a breach of legislated duty and relying on instructions and agreements, as far as it is, constitutes a reliance on deprivation condition in a standard contract.

The group the plaintiffs wish to represent in this claim is anyone who is and/or was insured by the defendants or any of them and he was charged by any amount of money as "other management fees" and/or "the policy factor". In the framework of this claim the plaintiffs filed a plea for the remedy of the payment of compensation/refund equal to the amount of the policy factor that was actually collected from the group members, plus the yield that was deprived from them in relation to this sum of money due to the fact that the amount that was deducted from the premium for the policy factor was not invested in their favor, after the multiplication of the yield amount by the coefficient of 85% in view of the insurance company's entitlement to 15% of the yield. Another remedy that is requested is to issue a mandatory order to instruct the defendants to change their actions in respect of the collection of a commission that is called "other management fees" and/or "the policy factor".

The plaintiffs contend that the personal damage that was caused to all the plaintiffs during one year is estimated at NIS 1,522 in nominal values, which was calculated for convenience purposes, as contended by the plaintiffs, in respect of one specific year only. According to various estimates and assumptions in relation to the collection of the policy factor during the last seven years by the defendants and the relevant annual yields, the group members' claim was estimated at the amount of NIS 2,325,335,040 in nominal values.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

24. (cont'd)

Migdal Insurance submitted its response to the application for certification. The plaintiff submitted a reply to Migdal Insurance's response to the application for certification. The court allowed Migdal Insurance to submit a supplementary affidavit concerning the "Osim Hayim" plan mentioned in the arguments and also allowed the plaintiff to submit a supplementary affidavit of its own after receiving Migdal Insurance's affidavit. Migdal Insurance submitted a supplementary affidavit on its behalf. The plaintiff waived the submission of a supplementary affidavit on its behalf. On May 20, 2012, the supplementary questioning of the deponents was completed. The application for certification was scheduled for a pre-trial hearing as of October 16, 2012.

25. In June 2011, a claim was filed with the Petach Tikva Central District Court against Migdal Insurance and against Hamagen Insurance Company Ltd. which was merged into Migdal Insurance, together with a request to approve the claim as a class action (hereunder – "the claim" and "the request for approval", respectively), by a motor act insurance policyholder and by a third party who has a motor act insurance (hereunder collectively - the plaintiffs). The request for approval was filed in accordance with the Class Actions Law.

The request for approval and the claim were filed by 8 other plaintiffs against 8 other insurance companies (Migdal insurance and the other defendants hereunder collectively - the defendants).

The group the plaintiffs wish to represent in this claim are all the policyholders of the defendants as well as those who suffered damages and sued the defendants by virtue of Section 68 to the Insurance Contract Law, 1981 (hereunder - the Insurance Contract Law) who were entitled to receive insurance benefits or money from the defendants but the payment was delayed by the defendants due to foreclosures or receivership decrees or any rights whatsoever of third parties or due to a misconception of the defendants that there are foreclosure decrees or receivership decrees or any rights whatsoever of third parties and who finally received the insurance benefits or other monies from the defendants, at nominal value only or only with the addition of linkage differences not including interest (hereunder - the group members).

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

25. (cont'd)

The plaintiffs contend that the defendants give the group members payments in nominal values without any justification. The plaintiffs contend that the defendants do not refund the group members for the earnings generated from the monies of the group members that were delayed in the events of (1) a lawful delay of the payment of insurance benefits to the group members due to a lawful foreclosure; (2) an unlawful delay due to a "foreclosure" that was not imposed pursuant to the foreclosure laws; (3) an unlawful delay due to a misconception that there is a foreclosure or deprivation to pay any money whatsoever.

The grounds for the claim as contended are, inter alia, the breach of the provisions of the Guards Law, 1967, Insurance Contract Law, the civil wrongs ordinance, breach of legislated duty, unlawful enrichment and breach of the duty of fidelity.

The personal damage that was caused to one plaintiff against Migdal Insurance, as he contends, due to the causes for the claim, amounts to NIS 193.24, whereas the personal damage that was caused to another plaintiff against Migdal Insurance and another insurance company, amounts to, as he contends, NIS 11,236.25 (as at November 10, 2005). All the plaintiffs estimate that the total damage caused to the entire group members by all the defendants is above NIS 350,000,000.

The remedies demanded by the plaintiffs in this claim are: (1) a monetary damage to order the defendants to refund the group members for all the yields the defendants earned by holding the delayed insurance benefits or the interest and linkage differences in respect of holding the monies over the entire period that the money was delayed, at the higher of the two, with the addition of linkage differences and interest up to the actual date of payment; (2) a monetary remedy - to order the defendants to pay some other special compensation according to the court's discretion; (3) and also a declarative remedy that the defendants are required to pay insurance benefits or compensation to those who suffered damages, who are lawfully estimated as at the date of actual payment and these benefits were paid after the date that was determined for this purpose, in both cases - either if the delay was lawful or unlawful; (4) to instruct the respondents to set internal procedures relating to the approval of foreclosures or the approval of notifications to the holder in order to make sure that the monies of the policyholders or other beneficiaries will not be unlawfully delayed by the insurers; (5) in addition, a special remedy was demanded for the plaintiffs, as well as legal fees.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

25. (cont'd)

Migdal Insurance submitted its response to the request for approval. The plaintiffs filed their reply to Migdal Insurance's response to the approval. Migdal filed a request for transfer of the hearing to the Court hearing the request for approval detailed in Section 23 above, in light of the overlap of the requests for approval and to dismiss the request for approval, or alternatively to stay the hearing on the request for approval, in light of the request for approval detailed in Section 23 above.

A preliminary hearing on the motion for approval was held on February 6, 2012. The plaintiffs announced that they agree that the hearing on the motion for approval would be held based on the assumption that the money of the class members was delayed due to attachments or other judicial orders duly given, but they stand by all the causes of action included in the motion for approval. Migdal Insurance must notify the court by February 20, 2012 whether it stands by its motion to transfer the hearing and the motion for dismissal, and whether it intends to approach the Supreme Court with a motion to prevent the splitting of the hearings between this motion for approval and the motion for approval detailed in Section 23 above. Migdal filed a motion for leave to appeal this decision with the Supreme Court. Within the scope of the evidentiary hearing held on May 1, 2012, an expert's questioning was conducted on behalf of the plaintiffs. Furthermore, it was determined that the parties will be able to submit their key arguments by June 5, 2012, and the application for approval was scheduled for oral summaries for June 12, 2012.

Regarding an additional claim and an additional request for approval as a class action against Migdal Insurance in connection with various claims in connection with recording attachments as a holder, holding back monies recorded as attached and the manner of their release, see Section 23 above.

26. In June 2011, a claim was filed with the Tel Aviv Jaffa District Court against Migdal Platinum (Migdal Platinum is a company that was merged into Makefet on January 1, 2011), together with a request to approve the claim as a class action (hereunder – "the claim" and "the request for approval", respectively), by two members of the educational fund "Migdal Kahal Educational Fund" (hereunder - Kahal) and a member in the educational fund "Migdal Platinum Educational Fund General Track" (hereunder: "Migdal Platinum Educational Fund" and "Makefet plaintiffs", respectively). The request for approval was filed in accordance with the Class Actions Law.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

26. (cont'd)

The claim and the request for approval were filed by three other members against five other companies (the plaintiffs of Makefet and the other plaintiffs hereunder collectively: "the plaintiffs", Makefet and the other defendants, hereunder collectively - "the defendants").

The plaintiffs contend that the defendants, who are managing companies of provident funds, chose to favour some of the members and to grant them better conditions with the management fees that are collected from them for managing their provident fund. The plaintiffs contend that by granting a privilege to one member or to part of the members implies a discrimination against the rest of the members and it deprives the other part of the members from a financial right.

The grounds for the claim as alleged are, inter alia, a breach of the Supervision of Financial Services (Provident Funds) Law, 2005, a breach of the defendants' articles of association, an action in contradiction to the public rule and the duty of fidelity.

The group the plaintiffs wish to represent in this case is the members of the provident funds that are managed by the defendants who collected from them management fees that are higher than the minimum management fees of the fund (hereunder - the group members).

The personal pecuniary damage that was caused as contended by the plaintiffs of Makefet in the year 2009 is: overcharging of management fees compared to the average management fees that were collected from members of the same fund. The overcharged rate is 0.46% regarding each of Makefet's plaintiffs who are members of the Kahal fund, and 0.82% relating to the plaintiff of Makefet who is a member of the educational fund Platinum. The plaintiffs estimate that the group members pecuniary damage from Makefet in respect of the last five years amounts alternatively to NIS 106 million (reduction of the management fees to the average management fees that were collected in respect of the fund) and NIS 246 million (a reduction of the management fees to the minimum management fees that were collected from any member of the fund).

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

26. (cont'd)

The remedies demanded by the plaintiffs in this claim are, inter alia, a declarative remedy that the collection of the management fees in the manner that discriminates a certain group of members of the provident funds with the defendants is illegitimate and unlawful and therefore it is discontinued. Accordingly, the plaintiffs request not to allow the defendants to grant priorities, privileges, benefits, etc. to some of the members without granting them to all the members. The plaintiffs also request to order the defendants to collect uniform and identical management fees from all the fund members, in the manner that there will be no discrimination between the members. The plaintiffs also request the court to order the funds to apply the same management fees for all the fund members, which will match the discounts that were granted up to now to part of the members. In addition, the members request to order the defendants to set the same management fees for all the members, in each fund, retroactively from the year 2006, so that the management fees will be determined and reduced according to the minimum management fees that the managing company collected from any member, and alternatively only, that the management fees will be reduced to the average management fees that were actually collected.

Makefet submitted its response to the request for approval. The plaintiffs submitted a reply to the response. The plaintiffs filed a motion for issuing a ruling against Makefet. Makefet filed its response to the motion for issuance of a ruling against it.

On March 8, 2012, the plaintiff filed an appeal to the High Court of Justice against the Commissioner of the Capital Market, Insurance and Savings, demanding that he enforce the obligation of equality on the provident funds when collecting management fees. Makefet is not a party to the said appeal. In the framework of the preliminary hearing on the request for approval, the court instructed that it will wait to obtain the State's reply to the said appeal filed. A pre-trial hearing was scheduled for June 13, 2012.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

27. In July 2011, a claim was filed with the Petach Tikva Central District Court against Migdal Insurance, together with a request to approve the claim as a class action (hereunder – "the claim" and "the request for approval", respectively), by a policyholder of comprehensive motor vehicle insurance of Migdal Insurance (hereunder - the plaintiff). The request for approval was filed in accordance with the Class Actions Law. Claims and requests for approval on the same issue were filed under separate proceedings by the plaintiff's attorney also against other insurance companies.

    The claim is in respect of the alleged collection of credit fees from the general insurance policyholders of Migdal Insurance at the rate which is higher than the maximum annual interest that Migdal Insurance is permitted to collect or at an interest rate which is higher than the rate it presents to its policyholders.

    The grounds for the claim as contended are, inter alia, misleading, breach of the provisions of the Supervision of Financial Services (Insurance) Law, 1981, the Supervision of Insurance Business Regulations (Setting Uniform Currency for Insurance Contracts and Insurance Fees for Credit), 1984, the Supervision of Insurance Business Regulations (Prohibition to Collect Additions to Insurance Fees), 1983; breach of legislated duty; breach of agreement; breach of the duty of reinforced disclosure and mala fide during negotiations and compliance with the contract; negligence; unlawful enrichment, and breach of the Regulator's directives.

    The group members the plaintiff wishes to represent are all the policyholders and/or the beneficiaries who were insured by Migdal Insurance with insurance policies in the general insurance branches, and who paid Migdal Insurance excess credit fees and/or collection fees and/or payment arrangement fees, while deviating from the provisions of the law and/or while deviating from the interest rates that were presented to the policyholders in the policies, beginning from May 1, 1984 (hereunder - the group members).

    The plaintiff's personal damage, as revaluated as of the date of filing the request for approval, was set at NIS 15.93, whereas the estimate of the damage caused to the entire group members beginning from May 1984, as revaluated as of the date of filing the request for approval, is alternatively NIS 252,974,106 and NIS 868,658,649.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

27. (cont'd)

The remedies request by the plaintiff are, among others, to instruct Migdal Insurance to refund the group members the money that was allegedly overcharged unlawfully, with the addition of linkage differences to the consumer price index and with the addition of interest by law, and plus a special interest as implied by the Insurance Contract Law, from the date of each payment up to the date of the actual repayment of the sums of money, to order a compensation to the group members or to the public, in respect of the yields that were accumulated from the monies that were allegedly excessively collected, to order Migdal Insurance to stop overcharging its policyholders for credit fees and/or payment arrangement fees and/or collection fees for each policy and/or an addition to a policy that will be issued by it from the date of filing the request and onwards and to stop collecting credit fees and/or payment arrangement fees and/or collection fees for each existing policy and/or any addition to existing policies for which the credit fees were collected in excess.

Migdal Insurance has not yet submitted its response to the request for approval. A preliminary hearing on the request for approval is set for November 13, 2012.

28. In December 2011, a claim was filed with Tel Aviv Jaffa District Court, together with a motion to approve the claim as a class action (hereunder – "the claim" and the "motion for approval") against Makefet, by two members of the "Migdal Makefet Personal" Pension Fund (hereunder – "the pension fund" and "the plaintiffs", respectively). The motion for approval was filed in accordance with the Class Action Law.

The plaintiffs contend that they are forced – on a monthly basis and in an annual calculation – to pay various amounts of money to the defendant, in respect of their joining the pension fund, and the track defined as the "basic" track, under the terms of which they set aside amounts of money to the defendant for "death and disability risks" insurance coverage, which is called "survivors' insurance", (hereunder – "survivors' insurance") when they are bachelors. The plaintiffs contend that the insurance coverage for survivors' insurance has no significance and/or benefit, and that they were added to this track by Makefet, which is a "default" track of Makefet, they contend, without clarifying the significance of this matter and without being asked for or receiving active consent to do so, after the matters were clarified to them and other options were presented to them.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

28. (cont'd)

The causes being contended are, inter alia, breach of legal obligation, deceit by virtue of the Consumer Protection Law and Supervision of Financial Services (Insurance) Law, 1981, and unlawful enrichment.

The Group that the plaintiffs wish to represent in the action defined in the motion for approval is as follows: members who joined the pension fund in the last seven years on the track defined as "basic", and from whom payments are collected for "death and disability risks" insurance coverage, when those members have the status of bachelor/ette or widow/er, or a parents in single-parent families (including divorced parents) with children aged over 21, as applicable, without knowing that they are paying for the insurance coverage (hereunder – "class members").

The plaintiffs contend that the personal damage that has been sustained is NIS 77 for the last quarter of 2011 with respect to Plaintiff No. 1 and is NIS 22 for the last half of 2011 with respect to Plaintiff No. 2. The plaintiffs' assess, in a rough and conservative estimate, that the damage sustained by the class members was calculated based on an assumption of 60,000 members who pay for the insurance coverage, according to the plaintiffs, unnecessarily, and on the assumption that the payment by the rest of the class, according to them, stands at NIS 300 per person annually. Hence, the cumulative total of the claim for seven years totals NIS 126,000,000 (principal alone, without accrued interest and linkage).

The remedies demanded by the plaintiffs in the action include, inter alia, to order Makefet to refund to the class members a total of NIS 126 million and/or another sum based on the data Makefet has; to issue an order instructing the defendant to cease collection of the payment from members of the pension fund managed by Makefet for survivors' insurance coverage, where it is not relevant for these members, due to their personal family status; and to order the judgment of special damages to the petitioner and fees to the representing legal counsel.

Makefet has not yet filed its response to the motion for approval.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

29. In February 2012, an action and motion for approval of the action as a class action (hereunder – "the action" and the "motion for approval") were filed in Tel Aviv Jaffa District Court (hereunder – "the court") against Bourse Services, by a company with a securities deposit account (hereunder – "the plaintiff") in the matter of the commissions paid for transactions in securities and options overseas. The motion for approval was filed according to the Class Action Law.

    The plaintiff contends that Bourse Services collections a commission from its customers for correspondent services overseas, which exceeds the commission that Bourse Services is charged by the foreign correspondent banks. The plaintiff has no data on the actual payments made by Bourse Services to the foreign correspondents.

    The causes of action being contended include, inter alia, are unlawful enrichment, the unlawful over-charging of commissions, breach of the duty of faith, lack of good faith, deceit and/or false representation.

    The class that the plaintiff wishes to represent is all of the customers of Bourse Services who bought and/or sold securities and/or options, etc., through it during the last 7 years, and from whom Bourse Services collected commissions for a foreign correspondent beyond the commissions stated on the correspondent's website and/or collected foreign correspondent commissions from them that actually exceed that paid eventually by Bourse Services to the foreign correspondents. Likewise, the plaintiff wishes to represent all the mutual funds managed by "Migdal" and/or its representative offices that engage in the purchase and sale of securities, including options, overseas, including the overseas buy-side funds managed by the Migdal Group, and anyone for whom Bourse Services executes transactions on a foreign stock exchange and collects correspondent fees from him overseas (hereunder – "class members"). The personal damage that the plaintiff contends it has sustained totals NIS 24,217. The damage sustained by the class members was estimated by the plaintiff at NIS 43,344,000.

    The remedies claimed by action are, inter alia, to order Bourse Services to compensate and/or indemnify the class members for the excessive commissions and/or for the overcharged amounts related to the correspondent commissions in the United States.

    Bourse Services has not yet filed its response to the motion for approval.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

30. In February 2012, a claim was filed against Migdal Insurance in the Tel Aviv-Jaffa District Court ("hereunder - "the Court") together with an application to certify it as a class action ("hereunder - "the Claim" and "the Application for Certification" respectively) by a household insurance policyholder (hereunder - "the Plaintiff"). The application for certification was filed under the Class Action Law. Claims on the same matter were filed in parallel separately against 7 other insurance companies. Together with the claim, the plaintiff filed an application to consolidate the hearing of the action with the other aforementioned claims.

    The plaintiff asserts that Migdal Insurance issued the plaintiff with an insurance policy for building property insurance, without disclosing that should the building sustain extensive damage, to the extent that it cannot be reinstated, the policy does not cover the full value of the apartment (including the value of the land), as the building can only be reinstated if the consent of all the owners of the apartments in the apartment building is obtained, and all the owners of the apartments in the apartment building are therefore dependent upon one another. The plaintiff further argues that Migdal Insurance sold her an extended policy for insurance benefits at reinstatement value, based on the provisions of the standard policy set forth in the Supervision of Insurance Business (Conditions of a contract for homeowners' insurance and home contents) Regulations, 5746-1986, despite the fact that the chances of reinstating the apartment building or the apartment, when the insured event occurs, are extremely low and "close to zero", in view of the aforementioned dependence on the other apartment owners in the building. Furthermore, the plaintiff alleges that despite the policy extension for payment of insurance benefits at reinstatement value, should the insured event occur, the benefits will be calculated according to the indemnity value which is lower and constitutes only part of the reinstatement value of the apartment, as defined in the policy, due to the slim chance of reconstruction of the building.

    The grounds for the claim are, inter alia, breach of the Consumer Protection Law, 5741-1981, Supervision of Financial Services (Insurance) Law, 5741-1981, Contracts Law (General Section), 5741-1981, Contracts (Insurance) Law, 5741-1981, Basic Law: Human Dignity and Liberty, Civil Wrongs Ordinance, deception and breach of trust, breach of the obligation for proper disclosure, fairness, trust, good faith, and unjust enrichment.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

30. (cont'd)

The group that the plaintiff seeks to represent is any person who purchased various forms of structural insurance from Migdal Insurance, from the date of purchase of the policy until the date on which the claim is filed and who has rights in and/or owns an apartment/s in an apartment building or in a building that can be registered as an apartment building and has been harmed by Migdal Insurance's actions as detailed in the claim (hereunder: "the group members").

The plaintiff did not quantify her personal loss. The plaintiff estimates that the number of group members who have purchased structural insurance through Migdal Insurance is in the many thousands. Consequently, the plaintiff estimates (as an approximation only) the damage caused to all the group members in the amount of NIS 20 million.

The reliefs claimed in the action are, inter alia, to obligate Migdal Insurance to pay and refund the plaintiff and all the group members the entire premium collected in respect of the premiums for the structural insurance for the period from such time as Migdal Insurance issued the policy, i.e. from the commencement of the building property, plus interest and linkage difference and VAT (if VAT is applicable by law). Alternatively, the plaintiffs asks that Migdal Insurance be obligated to pay and refund the group members the premiums it collected for the insurance benefits at reinstatement value. Furthermore, Migdal Insurance is asked to pay each of the group members non-monetary (symbolic) damage due to their exposure to loss of property without compensation in the amount of NIS 10,000, as well as a bonus to the plaintiff and lawyers' fees for the attorneys representing the plaintiff.

Migdal Insurance has not yet submitted its response to the application for certification.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

31. In April 2012, a claim was filed in Haifa District Court (hereunder: "the Court") and an application for certification as a class action (hereunder: "the claim" and "the application for certification", respectively) against Migdal Insurance by a third party that sued a party insured in Migdal's comprehensive motor insurance ("the plaintiff"). An application for certification was filed according to the Class Action Law.

    The claim asserts that Migdal indemnified third parties for damage equal to the decline in value, according to the date the claim was received and not according to the date of the accident, despite the decision by the Regulator of Insurance from 2011, whereby when involving a third party claim, the damage for decline in value may be calculated according to the filing date of the claim.

    The causes of the claim asserted are, inter alia, breach of a legislated obligation, breach of contractual obligation by virtue of the policy, negligence, unlawful enrichment.

    The group that the plaintiff is requesting to represent is any person who, during the 7 years preceding the filing date of this claim, received insurance compensation from Migdal for motor damage in respect of a decline in value that was calculated not according to the value of the vehicle on the date of the accident, whether insured with Migdal in comprehensive insurance or whether received insurance compensation as a third party (hereunder: "Group Members").

    The plaintiff estimated its personal damage at NIS 707, excluding interest and linkage difference until the date of actual payment. The plaintiff estimates that the number of group members at 67,200 vehicles that sustained declines in value in the 7 years preceding the filing of the claim, with average damage of NIS 500. Accordingly, the plaintiff estimates the damage sustained by all group members at NIS 33,600,000.

    The remedies claimed in the claim are, inter alia, refund of monies and/or paying personal compensation to the group members or alternatively, if a refund is not possible to the group members, to prescribe alternative mechanisms to compensate the group members due to the plaintiff's assertion of an unlawful reduction of insurance compensation.

    Migdal Insurance has not yet filed its response to the application for certification.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

32. In May 2012, claims and an application for certification of a class action (hereunder: "the claim" and "the application for certification", respectively), were filed in Jerusalem District Court against Migdal Insurance by 4 people, some of whom are insured in managers' insurance in the company. The application for certification was filed according to the Class Action Law.

    The claim and application for certification were filed by 4 additional plaintiffs against additional insurance companies and an additional company (Migdal Insurance and the remaining defendants shall be called hereunder: "the defendants", the plaintiffs against Migdal Insurance and the remaining plaintiffs shall hereunder be called: "the plaintiffs").

    The plaintiffs assert that, according to them, the defendants refused to grant them insurance, or alternatively, prescribed terms that are not possible for him, while they do not rely on relevant data for the insurance candidate and do not check each application on its own merits. The plaintiffs assert that the defendants treated them differently, not on the basis of the data relevant for the particular insurance of each plaintiff, but rather on the basis of a single piece of data, the illness from which each of the plaintiffs suffered, without examining his physical condition and the medical data for each of them. The plaintiffs further assert that the defendants did not provide the plaintiffs with a substantiated reason for the refusal to insure him and were satisfied with a laconic reason that does not relate to the relevant data and medical information for each of the plaintiffs, but rather based the reason on a most general piece of data – the illness from which each of the plaintiffs suffers. Therefore, the plaintiffs assert that by refusing to grant essential services such as insurance, the defendants are violating the law and preventing the worthy integration of people with handicaps in Israeli society.

    The causes of the claims asserted are, inter alia, breach of the Law for Equal Rights for People with Handicaps – 1998, the Law for Regulation of Financial Services (Insurance) – 1981, Contracts Law (General Part) – 1981, Basic Law: Respect of Man and His Freedom, Regulatory Insurance Businesses (Terms of Insurance Contract)(Provisions regarding Previously Existing Medical Condition) Regulations – 2004, lack of good faith, discrimination and violation of right to equality.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

32. (cont'd)

The group that the plaintiffs want to represent in the action is all those who applied to insure themselves with the defendants during the period of record, who the defendants refused to insure in one of the personal insurance plans, such as: health, travel, pension, personal accident, nursing, disability insurance, all due to an illness or limitation with which they deal, as well as people with handicaps who did not nor will apply to the defendants to be insured, due to the knowledge that the defendants will refuse to insure them due to their handicaps (hereunder: "group member"). The plaintiffs divided the group members into two sub-groups: the first, any person dealing with a handicap who applied to be insured in one of the personal insurance policies, such as: life insurance, disability insurance, health insurance, travel insurance, pension, personal accident, nursing care insurance, but was refused by the defendants (hereunder: "members of the first group"). The second group specified by the plaintiffs is any person with a handicap that is not insured in one of the personal insurance policies, and was not insured in such insurance, and would or will want to insure himself in such insurance, but did not or will not apply to the defendants in the future to insure him, with the knowledge that in any case they will not insure him due to his handicap (hereunder: "members of the second group").

Four of the plaintiffs against Migdal Insurance provided that they sustained damage to their self respect and emotional pain, and to their equality and autonomy, as well as financial damage, without proving damage. The plaintiffs did not quantify their personal damage.

In the estimation of the plaintiffs, based, inter alia, on a survey of society from 2010 conducted by the Central Bureau of Statistics and reports of the Ministry of Finance, the number of group members is 700,000 with serious handicaps, of which 538,100 are members of the first group and 161,900 are members of the second group. In the plaintiffs' estimation, the compensation wanted by the first group for the primary damage to self respect and for emotional pain totals NIS 225,300,000; for the primary damage of violating equality and autonomy totaling NIS 269,050,000; for primary financial damage without proof of damages totaling NIS 439,820,000. Accordingly, the plaintiffs estimate the damage sustained by all members of the first group at NIS 934,170,000.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

32. (cont'd)

The declaratory reliefs claimed in the action, with respect to all members of the group (first and second) are, inter alia, that the defendants violated the provisions of the aforementioned law, and that the mandatory injunction requiring the defendants to carry out a fair process of underwriting, which examines each request for insurance individually and is based on the personal information of each candidate for insurance; a mandatory order that requires the defendants, if they decide not to insure the candidate, after a fair process of evaluating the request, to provide the reason for their refusal, while referring to the information that led to the refusal, together with informing the candidate of his right to appeal the decision before the Regulator of Insurance or the Complaints Board or to file a claim against the decision in court; to prescribe procedures for everything involved in refusing to give insurance and the receipt of insurance by a person with handicaps; to give retroactive coverage to the group members who will be found qualified to receive insurance after an equal underwriting process; and compensation to the plaintiffs and fees to the attorneys representing them.

Migdal Insurance has not yet filed its reply to the application for certification.

33. In May 2012, a claim and application for certification as a class action (hereunder – "the claim" and "the application for certification", respectively) were filed with the Tel-Aviv District Court (hereunder: "the court") against Migdal Insurance and a second-tier subsidiary of Migdal Insurance, Ihud Insurance Agencies Ltd. (hereunder together: "the defendants"), by two plaintiffs who requested an offer for comprehensive motor insurance from the defendants (hereunder: "the plaintiffs"). An application for certification was filed under the Class Action Law.

The plaintiffs assert that they were discriminated against when receiving offers from the defendants for comprehensive motor insurance for a disabled person's vehicle, which also includes covering the special accessories for people with handicaps which are valued (the accessories) at more than NIS 30,000 and they entered into a comprehensive motor insurance contract with the defendants and/or approached one of the defendants to receive an offer for comprehensive motor insurance and/or did not approach any of the defendants to receive an offer because of their aforementioned invalid policy of not insuring vehicles of the handicapped, all commencing 7.10.2005.

Note 7 - Contingent Liabilities and Commitments (cont'd)

a) Class actions - requests to approve claims as class actions and claims that were approved as class actions (cont'd)

33. (cont'd)

The plaintiffs quantified their personal damages at NIS 60,000 for compensation without proof of damage. In the plaintiffs' estimation, according to National Insurance Institute data, as of 1.11.2011, the size of the group is 2,000 people. Accordingly, the plaintiffs assert that the members of the group are owed NIS 120 million for compensation without proof of damages.

The reliefs claimed within the framework of the claim are, inter alia, compensation without proof of damage to the group members, issuing an order to the defendants ordering a halt to the discriminatory treatment of people with handicaps in comprehensive motor insurance; an order instructing the defendants to insure every vehicle of a handicapped person, with all its special accessories, at its real value and at reasonable prices that reflect a reasonable assessment of the insurance risk; to order the defendants to refund the overcharged insurance fees paid to them by the remaining group members under Section 19AJ(b) of the Equality Law as well as compensation to the plaintiffs and fees to the attorneys representing the plaintiffs.

The defendants have not yet filed their reply to the application for certification.

b) Legal and other proceedings

Below is a description of additional material legal and other proceedings against the Company and/or the subsidiaries. In management's opinion, based on, among other things, legal opinions it received, in claims where it is more likely than not that the defense arguments of the Company will be accepted and the claim will be rejected no provision has been made in the financial statements. In actions where it is more likely than not that the defense arguments of the Company will be rejected, in part of in whole, provisions have been made in the financial statements to cover the exposure estimated by the Company and/or the subsidiaries. In the opinion of management, which is based on, inter alia, legal opinions it received, the financial statements include appropriate provisions where provisions are required in order to cover the exposure assessed by the Company and/or the subsidiaries.

34. The Company and/or the subsidiaries are parties to additional legal proceedings, which are not insurance claims, brought by customers, former customers and various third parties in insignificant amounts, for a total amount of approximately NIS 116 million. The grounds for the claims against the Company and/or its subsidiaries under these proceedings, are varied.

Note 7 - Contingent Liabilities and Commitments (cont'd)

b) Legal and other proceedings (cont'd)

35. a. From time to time complaints are filed against the Group, including complaints to the Supervisor of Capital Market, Insurance and Savings Division of the Ministry of Finance (hereunder – "the Supervisor") with respect to rights of policyholders according to insurance policies and/or the law. These complaints are handled regularly by the Group's Public Complaints Departments. The Supervisor's decisions on these complaints, if and insofar as a decision has been made, are sometimes, and in the recent years even more, across the board decisions relating to a group of policyholders. Furthermore, following complaints and/or criticism on his behalf, some of the Commissioner's requests from the Group included, inter alia, requirements for changes in the insurance policies and/or requests to receive various information regarding the Group's treatment of the insurance policies in the past and/or other instructions. In addition, the Commissioner is authorized to order the Group to pay a monetary penalty, based on the data that was transferred to him and/or will be transferred to him, inter alia, after his appeals.

b. In May 2012, the Commissioner published a draft of a decision in principle on the subject of raising management fees without prior notice. According to the decision, the Commissioner is of the opinion that Regulation 53B of the Income Tax Regulations (Rules for Approval and Management of Provident Fund) – 1964 ("the Regulation"), which requires management companies to inform a member about an expected increase in management fees two months prior to the expected increase, is not dealt with appropriately by the management companies, which did not give their members notice of their intention to raise management fees, as required by the regulation. Therefore, the Commissioner will issue a decision in principle, in which he will instruct the management companies of pension and provident funds to refund the management fees over-charged, contrary to the regulation in the last seven years preceding the date on which the instruction will take effect (hereunder: "effective date"); the refunded amounts will include linkage differences and interest from the date the management fees were raised in violation of the regulation until their actual refund; instances were prescribed in which the refund instructions will not apply; a management company must prepare a detailed work plan for implementation of the refund instructions within three months of the effective date; the refund will be made within six months of the effective date; the management company will send the Commissioner a summary report on behalf of the company's internal auditor regarding the refund process existing in the company.

In the Company's estimation, the effect of the draft decision will apply to the pension and provident fund sectors, although at this preliminary stage, it is too early to assess its implications and degree of influence on the Company.

36. In addition to the requests for approval of claims as class actions that were filed against the Group and the legal and other proceedings, there is a general exposure which cannot be estimated and/or quantified, due to, among others, the complexity of the services granted by the Group to its policyholders. The complexity of these arrangements entails, among others, a potential for interpretation and other arguments resulting from differences in information between the Group and the third parties to the insurance contracts that relate to a long list of commercial and regulatory conditions.

Note 7 - Contingent Liabilities and Commitments (cont'd)

b) Legal and other proceedings (cont'd)

36. (cont'd)

This exposure is expressed mainly in the areas of pension and long term insurance savings, including health insurance, in which the Group operates. In these areas the policies are managed over the years in which there are changes in policies, regulations and legal trends, including court rulings. These changes are made by EDP systems that undergo frequent changes and adaptations. The complexity of these changes and application of change with respect to many years, creates increased operating exposure.

Receipt of a new interpretation to insurance policies and long term pension products may, at times, affect the Group's future profitability with respect to the existing portfolio, in addition to the exposure involved in the demands to compensate customers for past activities. It is not possible to forecast the types of claims that will arise in this field and the exposure deriving from these and other claims related to the insurance contract raised, inter alia, Under the litigating mechanism prescribed by the Class Actions Law.

Furthermore, long-term savings products are characterized by a prolonged lifespan and are extremely complex, particularly in view of the various regulations relating both to management of the products and to taxation, attribution of the deposits, investment management, the insured's employment status, his deposit payments, etc.

As part of the changes in regulations and legal trends, in December 2011, Circular no. 2011-9-10 was published for institutional entities - "Improvement of data on the rights of members in the institutional entities". The circular prescribes the operations that an institutional entity must perform in relation to the data specified in the holdings interface, with the context of the circular on a uniform structure for the transfer of information in the pension savings market, and it obligates the institutional entity to improve the holdings interface data so that the data in the holdings interface are complete and continuous insofar as such data are available for the duration of the savings period. With respect to members who joined before 1997, the data must be improved at least from 1997, and for provident funds that are not insurance funds or provident funds that pay an annuity, the information on deposits, transfers and withdrawals will be improved at the very least as of January 1, 2005 and thereafter. The circular contains instructions for the gradual implementation of the provisions during the period from December 31, 2012 through June 30, 2016. The Group's institutional entities are studying and continuously dealing with improvement of policyholders' rights, in connection with management of the products by the institutional entities, based on the gaps that emerge from time to time. Following the entering into effect of the improvement circular, the Company is also preparing to carry out the operations required from the implementation of the circular. At this stage, the Company is unable to estimate and quantify the scope and costs of the aforementioned improvement processes, and their repercussions also with respect to its past activity. Consequently, at this early stage, it is impossible to estimate whether provision must be made in connection with the process of improving data on members rights as required in the circular, and the financial statements therefore contain no provision in respect of this circular.

Note 7 - Contingent Liabilities and Commitments (cont'd)

b) Legal and other proceedings (cont'd)

Summary table

Hereunder is a summary table of the amounts that are demanded under pending requests to approve claims as class actions, claims that were approved as a class action and other material claims against the subsidiaries, as stated by the plaintiffs in the statements of claims that were filed on their behalf. It should be noted that the claimed amount does not necessarily comprise a quantification of the amount of exposure that is estimated by the Company and/or the subsidiaries, since these estimates were made by the plaintiffs and they will be deliberated under legal proceedings. It should also be noted that the table below does not include proceedings that have ended, including proceedings that were concluded after a compromise agreement in their respect was approved.

Type	**Number of claims**	**Claimed amount NIS in thousands**
Claims approved as class actions *):		
Amount related to the Group was stated	1	19,200
The claims relates to a number of companies and no specific amount was attributed to the Group	1	150,000
The claim amount was not stated	1	-
Pending requests to approve Claims as class actions:		
Amount related to the Group was stated **)	19	18,294,186
The claims relates to a number of companies and no specific amount was attributed to the Group	6	5,225,100
The claim amount was not stated ***)	5	-
Other material claims	0	-

*) The claims that were approved as class actions also include proceedings in which a compromise agreement was approved at the stage of the deliberation of the request to approve the claim as a class action (in this respect see paragraph 3 above).

**) Whenever various alternative amounts of claims were stated in the requests to approve claims as class actions, the highest amount from among the amounts that were stated was taken into account (see paragraphs 26 and 27 above).

***) Including requests to approve claims as class actions wherein the exact claimed amount was not stated. (see details regarding a request to approve a claim as a class action in paragraph 13 above, where the claimed amount was estimated at millions of NIS without stating the precise amount of the claim).

The total amount of the provision for class actions, legal proceedings and others, that were filed against the Group, as detailed above, is about NIS 59 million (as at December 31, 2011 - NIS 59 million).

Note 8 -Significant Events During the 3-Month Period Ended March 31, 2012

a. Issuance of debentures

In January 2012, a second-tier subsidiary of the Company, Migdal Insurance Private Equity Ltd. ("Migdal P.E.") made a private placement to classified investors of NIS 500 million debentures (Series A), each of NIS 1 nominal value in total consideration of NIS 500 million. The debentures were registered in the institutional investors' trading system.

The debentures fund will be repaid in a lump sum on December 31, 2021. The debentures bear interest at an annual rate of 3.5% (effective interest rate of 3.61%), to be paid in two semi-annual installments beginning June 30, 2012. The principal and interest are CPI linked. The debentures are not guaranteed by any lien.

The debentures have an Aa2 rating issued by Midroog Ltd. For additional information, including about the Aaa rating that Midroog Ltd. issued for Migdal Insurance, see the Company's immediate report from December 18, 2011.

The proceeds of the issuance were deposited with Migdal Insurance and serve as hybrid second-tier capital, in accordance with the Regulator's approval. Migdal Insurance undertook to pay the full amounts that may required for repayment of the debentures to their holders. This undertaking is subordinate to the other liabilities of Migdal Insurance towards its creditors and takes precedence over its obligations towards creditors based on the components and instruments included in the first-tier capital of Migdal Insurance.

The debenture conditions define mechanisms for delaying payment of the interest and/or principal if, on the effective date for the payments, "delaying circumstances" are present, as defined below. Payment of the principal and/or interest will be postponed to such time as the delaying circumstances are no longer present or until three years from the repayment date for the principal and/or interest specified originally, whichever is earlier, unless the Regulator has approved payment of the interest on an earlier date.

"Delaying circumstances" refer to the presence of one or more of the following:

1. With respect to the deferment of payment of the interest - according to the last financial statement of Migdal Insurance published before the interest repayment date, if Migdal Insurance has no distributable profits as this term is used in the Companies Law, 5759-1999 ("the Companies Law").

2. With respect to deferment of payment of the principal and/or interest - (1) according to the last financial statement of Migdal Insurance published before the relevant interest and/or principal repayment date, if the recognized equity of Migdal Insurance is less than the minimum it is required to hold (according to the Capital Regulations), and Migdal Insurance has not supplemented the equity at the date of publication of the report; (2) the Board of Directors of Migdal Insurance instructed that payment of the interest or principal should be deferred if it believes that there is a real fear of Migdal Insurance being unable to meet its minimum equity requirements (according to the Capital Regulations), or to repay on time liabilities that take precedence over the debentures, provided that the Regulator of Insurance approves this in advance; (3) the Regulator orders deferment of principal or interest payments if he believes that there is significant infringement of the recognized equity of Migdal Insurance or if there is real, immediate concern that Migdal Insurance will be unable to meet its minimum equity requirements (according to the Capital Regulations).

Note 8 - Significant Events During the 3-Month Period Ended March 31, 2012 (cont'd)

a. Issuance of debentures (cont.)

2. (cont'd)
As long as principal and/or interest repayments whose payment date is deferred have not been made, Migdal Insurance will not make any distribution, will not repay any capital note, promissory note or loan from its controlling shareholders or in which the controlling shareholders have a personal interest, and it will not pay any amount on account of a transaction that is approved or requires approval under the provisions of Section 270(4) at the end of the Companies Law, until after all the aforesaid deferred principal and interest payments have been made. These restrictions will not apply to categories of payment specified in the Regulator's circular on "Composition of the Recognized Equity of the Insurer" (hereinafter - "Composition of Equity Circular") and to other payments to be made to the controlling shareholders of Migdal Insurance by virtue of agreements relating to regular activity, including payments made to the controlling shareholders by virtue of reinsurance agreements.

Migdal P.E. may perform early redemption of the debentures, fully or partially, provided that the first date for early redemption is at the end of seven years from the date of issuance. Insofar as this right to early redemption is not utilized, additional interest will be paid on the interest born by the debentures at that time, in respect of the remaining period, at a rate of 50% of the original risk spread defined in the issuance. Early redemption may take place through one of the following: (a) a capital instrument (as this term is defined in the Composition of Equity Circular) is issued of the same or better quality; or (b) the Regulator's approval is obtained under the conditions specified.

It was determined that early redemption of the debentures is possible under certain conditions such as a delay of more than the period specified for repayment of any amount in connection with debentures, the liquidation of Migdal P.E., appointment of a liquidator or receiver, etc. A trustee may not ask for early repayment of unredeemed debentures without first obtaining the Regulator's written approval.

The balance of unamortized deferred issue costs as of March 31, 2012 amounts to NIS 2.4 million. The deferred issue costs are amortized by the effective interest method.

b. Sale of the parent company's holdings in the Company

In March 2012 Generali Group signed an agreement with Mr. Shlomo Eliahu for the sale of all its holdings in the Company, accounting for 69.135% of the Company's issued and paid-up share capital.

The consideration for these shares is EUR 835 million, and it will be paid upon closing the transaction.

On the agreement signing date, EUR 125 million was deposited with the trustee. Offset from the proceeds will be the pro rata share that will be distributed to Generali for any dividend that will be distributed by the Company between the signing and the closing of the transaction. As a result of the dividend distributed by the Company on May 15, 2012 (see Note 10.a below), the price of the consideration was updated to EUR 813.9 million. Closing the transaction is contingent on obtaining the relevant approval from the authorities in Israel, including the Regulator of the Capital Market, Insurance and Savings; the Licensing Committee of the Israel Securities Authority; Board of Directors of the Tel Aviv Stock Exchange; and the Antitrust Authority, all within six months of signing the agreement.

Note 8 - Significant Events During the 3-Month Period Ended March 31, 2012 (cont'd)

c. Reduction of management fees

On February 27, 2012, the Knesset Finance Committee approved the bill to amend the Supervision of Financial Services (Provident Funds) (Management Fees) Regulations, 5772-2012, Supervision of Financial Services (Insurance) (Conditions of Insurance Contracts) (Amendment) Regulations, 5772-2012, and the Income Tax Regulations (Rules to Approve and Manage Provident Funds) (Amendment), 5772-2012, all of which address the amendment to management fees on pension savings products (hereinafter - "the Regulations").

1. Changes in the maximum rate of the management fees

Pursuant to the management fees reform, there will be a gradual change in the rate of maximum management fees on managers insurance (for new products), in provident funds and in new, general pension funds. The change in the management fees will not apply with respect to:

Insurance policies that were issued before the commencement of the regulations, to guaranteed-yield insurance funds, guaranteed-yield provident funds, an old pension fund, new comprehensive pension fund, education fund, individually managed provident fund, central provident fund, sector provident fund, provident fund for sick pay, provident fund for vacation, and a provident fund for any other purpose.

The following table shows the change in the rate of the maximum annual management fees for the different products (excluding for members who already receive annuities):

Maximum management fees	Managers' insurance (profit sharing)	Provident fund	New general pension fund:
Situation before the amendment	Up to 2.0% of the accrual + 0.0% of the deposits, or a lower rate of the accrual and a higher rate of the deposits (according to the mix approved by the Commissioner, where management fees from the deposits ranged from 0.0%-13.0%).	up to 2.0% of the accrual and up to 0.0% of the deposits	up to 2.0% of the accrual and up to 0.0% of the deposits
For the transition period from January 1, 2013 until December 31, 2013	up to 1.1% of the accrual and up to 4.0% of the deposits		
Commencing January 1, 2014	up to 1.05% of the accrual and up to 4.0% of the deposits		

2. The entering into force of the regulations and the change in the maximum management fees are expected to led to a reduction in the management fees to be collected by the Group's institutional entities due to a reduction in the management fees from the accrual in the provident funds, also for existing members, to a reduction in the management fees to be collected on insurance products that are sold as of January 1, 2013, and to a reduction in the management fees in respect of members with whom contact has been severed. Furthermore, the entering into force of these regulations may increase the rate of policy cancellations for policies with high management fees sold by Company in the past, and their replacement or a shift to new policies with lower management fees.

Note 8 - Significant Events During the 3-Month Period Ended March 31, 2012 (cont'd)

c. Reduction of management fees (cont'd)

2. (cont'd)

The aforesaid has no effect on the goodwill attributed to the Group's provident unit. See Note 4 - Intangible assets.

The Company is reviewing the overall impact of the regulations on its revenues and profitability which at this stage cannot be estimated, particularly in view of additional reforms in the pension savings sector that have taken effect in recent years and/or that are in the legislative process and are designed to increase competition, transparency and mobility in the pension savings sector.

d. State of the markets

In 2011, there was a negative trend in the financial markets in Israel and globally. The Company is affected by the falling prices on capital markets with respect to the Company's marketable investments portfolio, which is not held against yield-dependent liabilities (the "nostro" portfolio) and in respect of the variable management fees it collects for managing the profit-participating policies that were issued between 1991 and 2003.

Due to the cumulative negative yield obtained, Migdal Insurance will not be able to collect variable management fees on profit-participating policies that were issued between 1991 - 2003, until a real, positive yield is attained to cover the investment losses that were accumulated at the policyholders' expense. In the 3-month period ended March 31, 202, price increases were posted, so that the estimated management fees that will not be collected due to the real negative yield, until a positive cumulative yield is attained, as aforementioned, amounted to NIS 96 million before tax as at March 31, 2012 (compared with NIS 357 million before tax as at December 31, 2011). Regarding developments subsequent to the reporting date, see Note 10.b below.

Note 9 - Taxes on Income

On March 27, 2011, an agreement was signed between the Association of Insurance Companies and the tax authorities that extends the effective period of the previous agreement, from 2008, to the year 2009 and 2010. The financial statements for year 2011 and for the three-month period ended on March 31, 2012, were prepared in accordance with the principles of the said agreement.

Note 10 - Subsequent Events

1. <u>Dividend</u>

   Regarding the dividend distribution subsequent to the reporting date, see Note 6 paragraph 10.

2. <u>Condition of the market</u>

   Subsequent to the date of the financial statements, the financial markets experienced volatility. As of April 30, 2012, the estimate of management fees that will not be collected by Migdal Insurance due to the negative real yield until obtaining a cumulative positive yield, as stated in Note 8.d amounts to NIS 60 million, before tax, and proximate to the publication date of the financial statements amounts to NIS 280 million before tax.

3. Regarding the supplementation of the capital of the management company, see Note 6 paragraph 7.

DETAILS OF ASSETS FOR YIELD DEPENDENT CONTRACTS AND OTHER FINANCIAL INVESTMENTS OF AN INSURANCE SUBSIDIARY IN ACCORDANCE WITH THE DIRECTIVES OF THE REGULATOR OF INSURANCE

a. Assets for yield dependent contracts

Hereunder are details of assets held against insurance contracts and investment contracts, reported at fair value *) through profit and loss:

	March 31		December 31
	2012	2011	2011
	Unaudited		Audited
	NIS in thousands		
Investment property	3,740,424	3,079,578	3,519,950
Financial investments:			
Quoted debt assets	13,135,172	11,243,707	12,515,618
Unquoted debt assets	8,553,291	8,610,856	8,563,739
Shares	9,137,464	**)10,024,936	8,943,047
Other financial investments	17,456,597	**)17,042,349	17,389,542
Total financial investments	48,282,524	46,921,848	47,411,946
Cash and cash equivalents	2,498,106	1,033,219	750,299
Other	194,937	200,191	163,078
Total assets for yield dependent contracts	54,715,991	51,234,836	51,845,273
*) Includes debt assets carried at amortized cost in accordance with circular 2-9-2009 regarding valuation of unquoted debt assets.	1,018,330	1,079,787	984,427

**) Reclassified

APPENDIX TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

DETAILS OF ASSETS FOR YIELD DEPENDENT CONTRACTS AND OTHER FINANCIAL INVESTMENTS OF AN INSURANCE SUBSIDIARY IN ACCORDANCE WITH THE DIRECTIVES OF THE REGULATOR OF INSURANCE

b. Details of other financial investments

	March 31, 2012			
	Reported at fair value through profit and loss	Available for sale	Loans and debtors	Total
	Unaudited			
	NIS thousands			
Quoted debt assets	2,301	4,758,069	-	4,760,370
Unquoted debt assets	-	-	20,126,054	20,126,054
Shares	-	705,486	-	705,486
Others	101,280	1,170,863	-	1,272,143
Total other financial investments	103,581	6,634,418	20,126,054	26,864,053

	March 31, 2011			
	Reported at fair value through profit and loss	Available for sale	Loans and debtors	Total
	Unaudited			
	NIS thousands			
Quoted debt assets	2,923	4,114,369	-	4,117,292
Unquoted debt assets	-	-	19,681,406	19,681,406
Shares	-	1,196,596	-	1,196,596
Other	112,065	1,037,311	-	1,149,376
Total other financial investments	114,988	6,348,276	19,681,406	26,144,670

	December 31, 2011			
	Reported at fair value through profit and loss	Available for sale	Loans and debtors	Total
	Audited			
	NIS thousands			
Quoted debt assets	1,983	4,596,695	-	4,598,678
Unquoted debt assets	-	-	19,853,711	19,853,711
Shares	-	781,754	-	781,754
Other	108,311	861,826	-	970,137
Total other financial investments	110,294	6,240,275	19,853,711	26,204,280

APPENDIX TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

DETAILS OF ASSETS FOR YIELD DEPENDENT CONTRACTS AND OTHER FINANCIAL INVESTMENTS OF AN INSURANCE SUBSIDIARY IN ACCORDANCE WITH THE DIRECTIVES OF THE REGULATOR OF INSURANCE

b. Details of other financial investments (cont'd)

b1. Quoted debt assets

Composition:

	March 31, 2012	
	Carrying amount	Amortized cost
	Unaudited	
	NIS in thousands	
Government bonds	2,646,974	2,614,906
Other debt assets:		
Other non-convertible debt assets	2,111,095	2,080,339
Other convertible debt assets	2,301	2,628
Total quoted debt assets	4,760,370	4,697,873
Permanent impairment carried to profit and loss (on a cumulative basis)	557	

	March 31, 2011	
	Carrying amount	Amortized cost
	Unaudited	
	NIS in thousands	
Government bonds	2,298,246	2,331,286
Other debt assets:		
Other non-convertible debt assets	1,816,123	1,768,529
Other convertible debt assets	2,923	3,190
Total quoted debt assets	4,117,292	4,103,005
Permanent impairment carried to profit and loss (on a cumulative basis)	5,418	

APPENDIX TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

DETAILS OF ASSETS FOR YIELD DEPENDENT CONTRACTS AND OTHER FINANCIAL INVESTMENTS OF AN INSURANCE SUBSIDIARY IN ACCORDANCE WITH THE DIRECTIVES OF THE REGULATOR OF INSURANCE

b. Details of other financial investments (cont'd)

b1. Quoted debt assets (cont'd)

Composition: (cont'd)

	December 31, 2011	
	Carrying amount	Amortized cost
	Audited	
	NIS in thousands	
Government bonds	2,274,952	2,238,804
Other debt assets:		
Other non-convertible debt assets	2,321,743	2,363,980
Other convertible debt assets	1,983	2,224
Total quoted debt assets	4,598,678	4,605,008
Permanent impairment carried to profit and loss (on a cumulative basis)	2,002	

b2. Unquoted debt assets

Composition:

	March 31, 2012	
	Carrying amount	Fair value
	Unaudited	
	NIS in thousands	
Designated bonds	16,794,397	20,139,701
Other debt assets:		
Other non-convertible debt assets	3,331,657	3,622,169
Total unquoted debt assets	20,126,054	23,761,870
Permanent impairment carried to profit and loss (on a cumulative basis)	48,185	

APPENDIX TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

DETAILS OF ASSETS FOR YIELD DEPENDENT CONTRACTS AND OTHER FINANCIAL INVESTMENTS OF AN INSURANCE SUBSIDIARY IN ACCORDANCE WITH THE DIRECTIVES OF THE REGULATOR OF INSURANCE

b. Details of other financial investments (cont'd)

b2. Unquoted debt assets (cont'd)

Composition: (cont'd)

	March 31, 2011	
	Carrying amount	Fair value
	Unaudited	
	NIS in thousands	
Designated bonds	16,192,245	18,807,462
Other debt assets:		
Other non-convertible debt assets	3,489,161	3,919,742
Total unquoted debt assets	19,681,406	22,727,204
Permanent impairment carried to profit and loss (on a cumulative basis)	39,142	

	December 31, 2011	
	Carrying amount	Fair value
	Audited	
	NIS in thousands	
Designated bonds	16,449,790	19,719,360
Other debt assets:		
Other non-convertible debt assets	3,403,921	3,625,981
Total unquoted debt assets	19,853,711	23,345,341
Permanent impairment carried to profit and loss (on a cumulative basis)	48,273	

APPENDIX TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

DETAILS OF ASSETS FOR YIELD DEPENDENT CONTRACTS AND OTHER FINANCIAL INVESTMENTS OF AN INSURANCE SUBSIDIARY IN ACCORDANCE WITH THE DIRECTIVES OF THE REGULATOR OF INSURANCE

b. Details of other financial investments (cont'd)

b3. Shares

	March 31, 2012	
	Carrying amount	Cost *)
	Unaudited	
	NIS in thousands	
Quoted shares	676,934	587,799
Unquoted shares	28,552	28,962
Total shares	705,486	613,761
Permanent impairment carried to profit and loss (on a cumulative basis)	105,139	

	March 31, 2011	
	Carrying amount	Cost (*)
	Unaudited	
	NIS in thousands	
Quoted shares	1,175,461	1,061,173
Unquoted shares	21,135	18,437
Total shares	1,196,596	1,079,610
Permanent impairment carried to profit and loss (on a cumulative basis)	52,515	

	December 31, 2011	
	Carrying amount	Cost *)
	Audited	
	NIS in thousands	
Quoted shares	752,586	693,826
Unquoted shares	29,168	25,867
Total shares	781,754	719,693
Permanent impairment carried to profit and loss (on a cumulative basis)	142,700	

(*) Less provisions for impairment.

APPENDIX TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

DETAILS OF ASSETS FOR YIELD DEPENDENT CONTRACTS AND OTHER FINANCIAL INVESTMENTS OF AN INSURANCE SUBSIDIARY IN ACCORDANCE WITH THE DIRECTIVES OF THE REGULATOR OF INSURANCE

b. Details of other financial investments (cont'd)

b.4 Other financial investments

	March 31, 2012	
	Carrying amount	Cost (*)
	Unaudited	
	NIS in thousands	
Quoted financial investments	867,133	781,870
Unquoted financial investments	405,010	370,464
Total other financial investments	1,272,143	1,152,334
Permanent impairments carried to profit and loss (on a cumulative basis)	74,010	

	March 31, 2011	
	Carrying amount	Cost (*)
	Unaudited	
	NIS in thousands	
Quoted financial investments	618,388	506,651
Unquoted financial investments	530,988	304,053
Total other financial investments	1,149,376	810,704
Permanent impairments carried to profit and loss (on a cumulative basis)	76,354	

	December 31, 2011	
	Carrying amount	Cost (*)
	Audited	
	NIS in thousands	
Quoted financial investments	560,381	498,179
Unquoted financial investments	409,756	368,973
Total other financial investments	970,137	867,152
Permanent impairments carried to profit and loss (on a cumulative basis)	74,698	

(*) Less provisions for impairment.

Other financial investments include mainly investments in ETN's, participation certificates in mutual funds, investment funds, hedge funds, financial derivatives, future contracts, options and structured products.

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