



**Q1/2020**

Financial Statements  
Investors Presentation



# Q1 2020 Disclaimer

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Some of the information in this presentation that does not refer to historical facts constitutes forward-looking information, as defined in the Securities Law 1968. Forward-looking information reflects our the Company's current views with respect to future events and are based on assumptions and subject to risks and uncertainties (such as Covid-19 impacts) that could cause actual results to differ materially from those contemplated. The Forward-looking information shall not be considered as a representation, warranty, declaration, obligation, undertaking and/or commitment, of any kind, made or owed by the Company and/or its directors, officers, employees, representatives. You should not unduly rely on any forward-looking information. The forward-looking information speaks only as of the date of this presentation, and the Company assume no obligation to update or revise the forward-looking information for any reason.

## From the CEO's Desk



Eyal Ben Simon

The Covid-19 crisis, which caused financial market turmoil, led to a global and local economic slowdown and impacted all financial services companies including the Phoenix Group. However, we adjusted quickly to the situation and successfully maintained business continuity and financial strength, focusing on crisis management and preparing to exit the crisis, while strengthening our position as the leading insurance company in Israel.

Phoenix as a responsible forthcoming market leader, is constantly looking at the changing economy, both at the local and global environment, while executing immediate needed changes and adjustments, the group also oversees and looks for the opportunities at hand, while maintaining groups rating as recently announced by Maalot (S&P) and Midroog (Moody's) that confirmed rating at IAA and Aa3.il respectively with a stable outlook.

Early in the process, the Group called on its Business Continuity Management (BCM) team which uses a contingency protocol and a business continuity strategy. The Group mapped the critical processes across the organization, assessed the needed resources and staff, established an emergency management structure with emergency situation teams, and allocated resources and technology infrastructure to allow for remote work now and in the future. These steps enabled the Company to maintain a high standard of service to its agents and clients.

While coping with the initial impact of the Coronavirus crisis, the Company also prepared for the "day after" as part of the groups plan to exit the crisis. The Phoenix group made adjustments in order to cope with the changing business landscape, both in variable and fixed costs. Moreover, the Company strengthened and supported its distribution channels through its agent-based sales activity, the direct sales channel "Smart", and agencies owned by the Company. The Company also focused through its leading and experienced investment team to identify and capture market opportunities.

# HIGHLIGHTS

## Q1/2020

### The Phoenix - Israel's Leading Insurance Group

#### Q1 results, recovery post reporting date

- » AUM – **NIS 196 B**<sup>(1)</sup> as of March 31, 2020, **NIS 209 B** as of June 16, 2020
- » Market cap. – **NIS 4 B**<sup>(2)</sup>
- » Shareholders' equity. – **NIS 6.1 B**
- » Shareholders' comprehensive Loss – **NIS (577) M**
- » Covid-19 negative impact – **NIS (932) M**, post balance investment recovery – **NIS 628 M**<sup>(3)</sup>
- » Life LAT circular – additional amount of **NIS 251 M**<sup>(4)</sup> credited to shareholders' equity
- » ROE 8Y Avg – **11.2%**

1) As of March 31, 2020. For changes after the balance sheet date, please refer to page 9.

2) As of June 16, 2020.

3) Pro forma investments adjustment, post-tax, related to Nostro marketable assets, as of June 16, 2020 (Pre-tax adjustment NIS 952m), for further information please refer to page 15.

4) Restated, as of December 31, 2019, based on Commissioner's LAT Circular.



# Our response to Covid -19

Supporting our customers, agents and employees...



## Supporting our customers

- » 3 months complementary risk coverage for customers put on unpaid leave
- » Allowing delayed payments for certain products
- » Online medical assistance



## Assisting agents

- » Advancing commission payments for agents
- » Setting up a COVID-19 portal for agents



## Helping employees

- » Financial aid fund for employees in need for NIS 7.5mn
- » Providing health insurance and other benefits for employees on unpaid leave



# Our response to Covid -19

... while ensuring Phoenix business continuity and lowering expenses



## Ensuring business continuity

- » Setting up infrastructure for 100% remote working
- » Building performance dashboard management
- » Developing new digital tools to optimize processes



## Lowering cost and managing expenses

- » Lateral salary decrease across the company for managers and employees who earn over NIS 7,000
- » Lowered unnecessary procurement cost
- » Postponement of IT development projects

# Phoenix Holdings

Q1/20 Vs Q1/19 (NIS m)

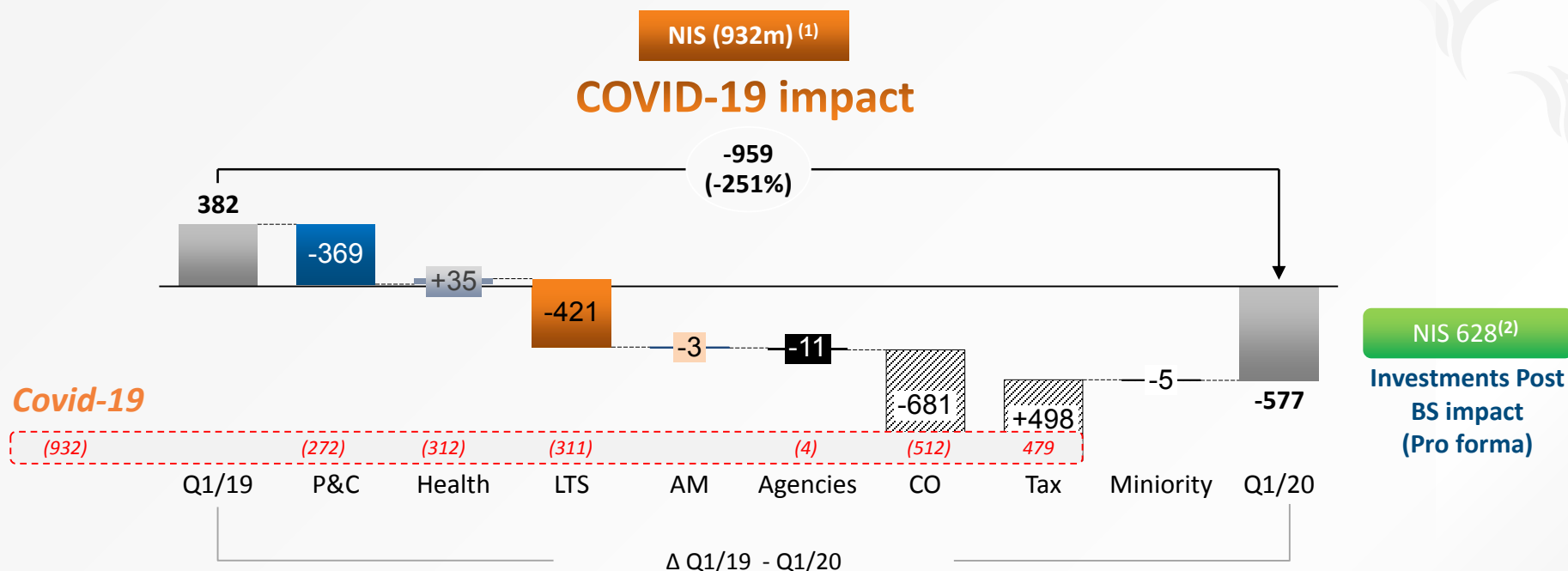
## Covid-19 impact

the Company loss NIS 932m, mostly due to investments losses

## Post reporting date

Investments show significant recovery of – NIS 628m

Overall loss driven by investments and deficit in variable management fees mainly in Insurance, improvement in underwriting results



## Results

Q1-20	(223)	50	(256)	55	34	(533)	310	(13)
Q1-19	145	15	165	58	46	149	(188)	(8)



(1) NON-GAAP Adjustments post tax, for further information please refer to Appendix A.

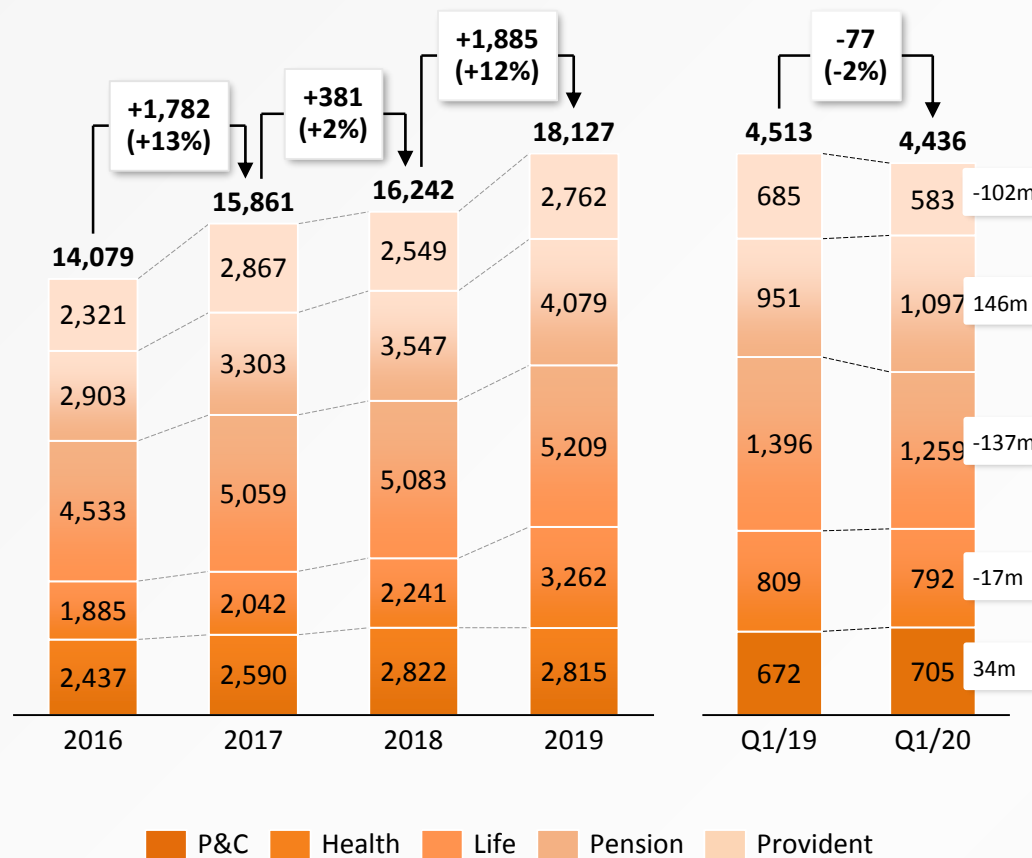
(2) Pro forma investments adjustment, post-tax, related to Nostro marketable assets, as of June 16, 2020 (Pre-tax adjustment NIS 952m), for further information please refer to page 15.

# Premiums, Benefit Contribution

Premiums and Benefit Contributions remain unchanged despite the Covid-19 crisis

Premiums and benefit contribution remain unchanged despite the **COVID-19**

*Premiums & Benefit Contribution (NIS m)*



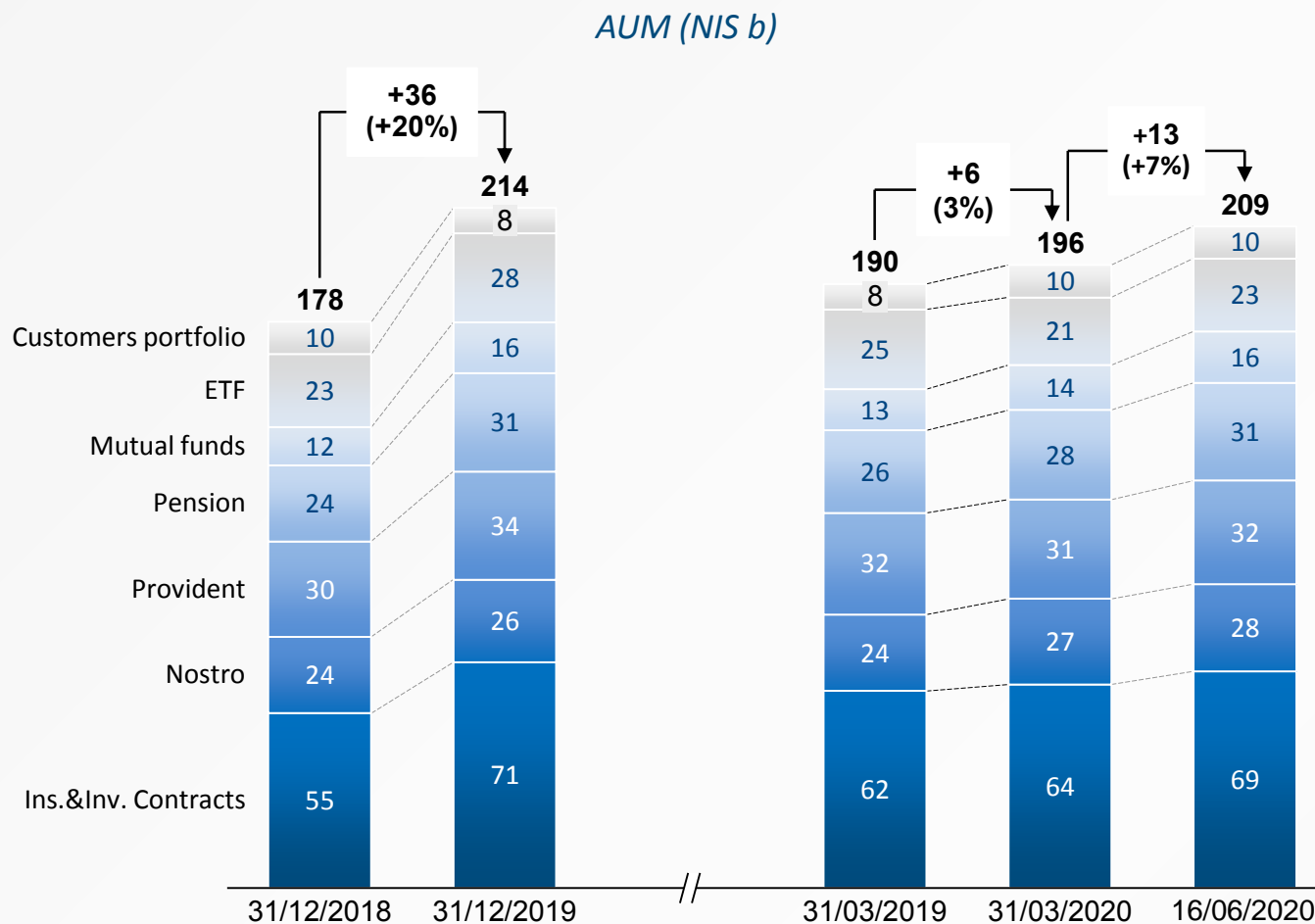


# Assets Under Management

## AUM

Recovery post reporting date

Lower AUM due to **COVID-19**, recovery post reporting date



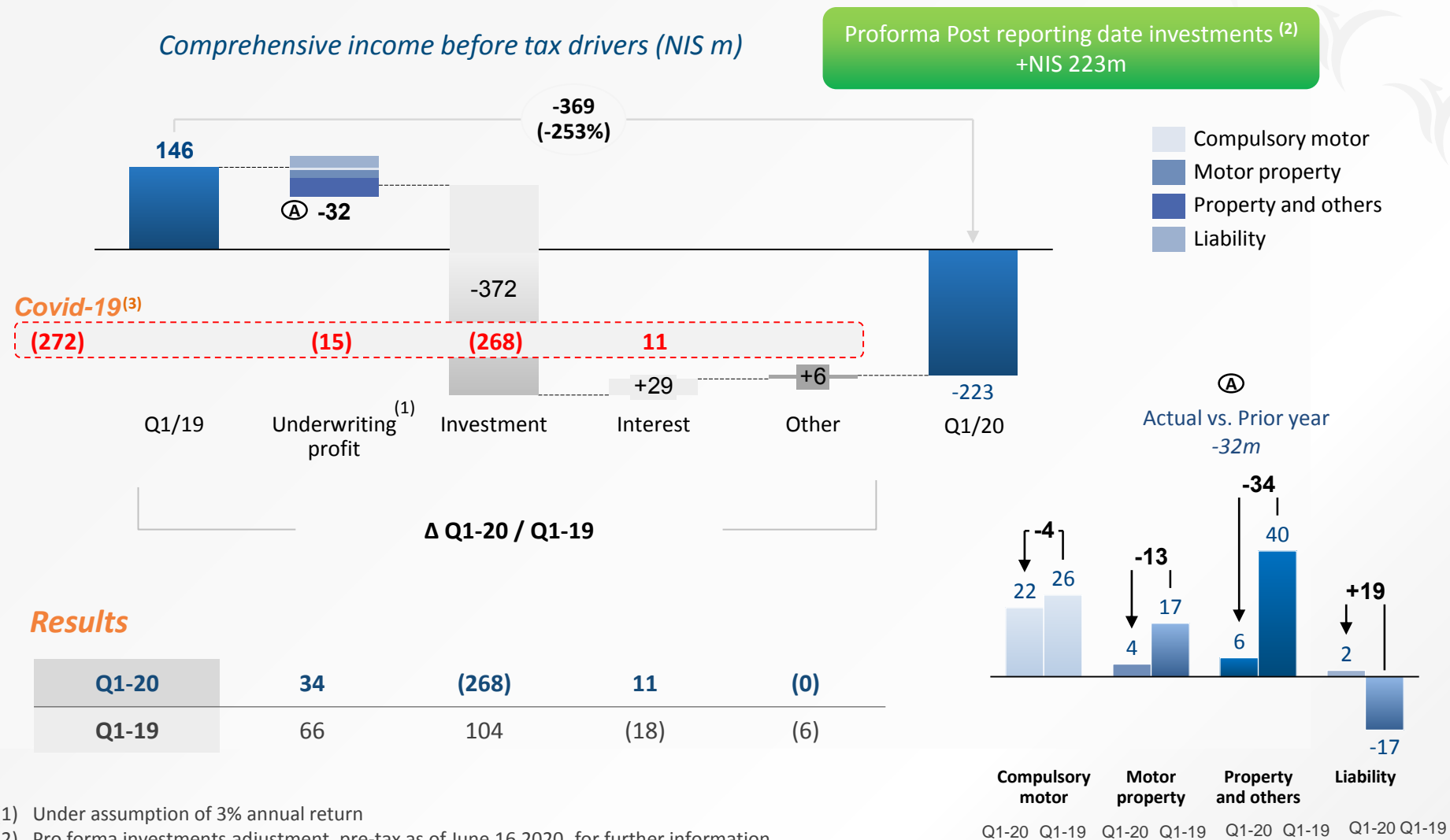
## Investments losses drive overall loss, decrease in underwriting profit mainly due to COVID-19 impact

### Covid-19 impact

Investment loss NIS 268m

### Post reporting date

Investments show significant recovery of – NIS 223m



(1) Under assumption of 3% annual return

(2) Pro forma investments adjustment, pre-tax as of June 16, 2020. for further information please refer to page 15.

(3) Pre-tax

# Health

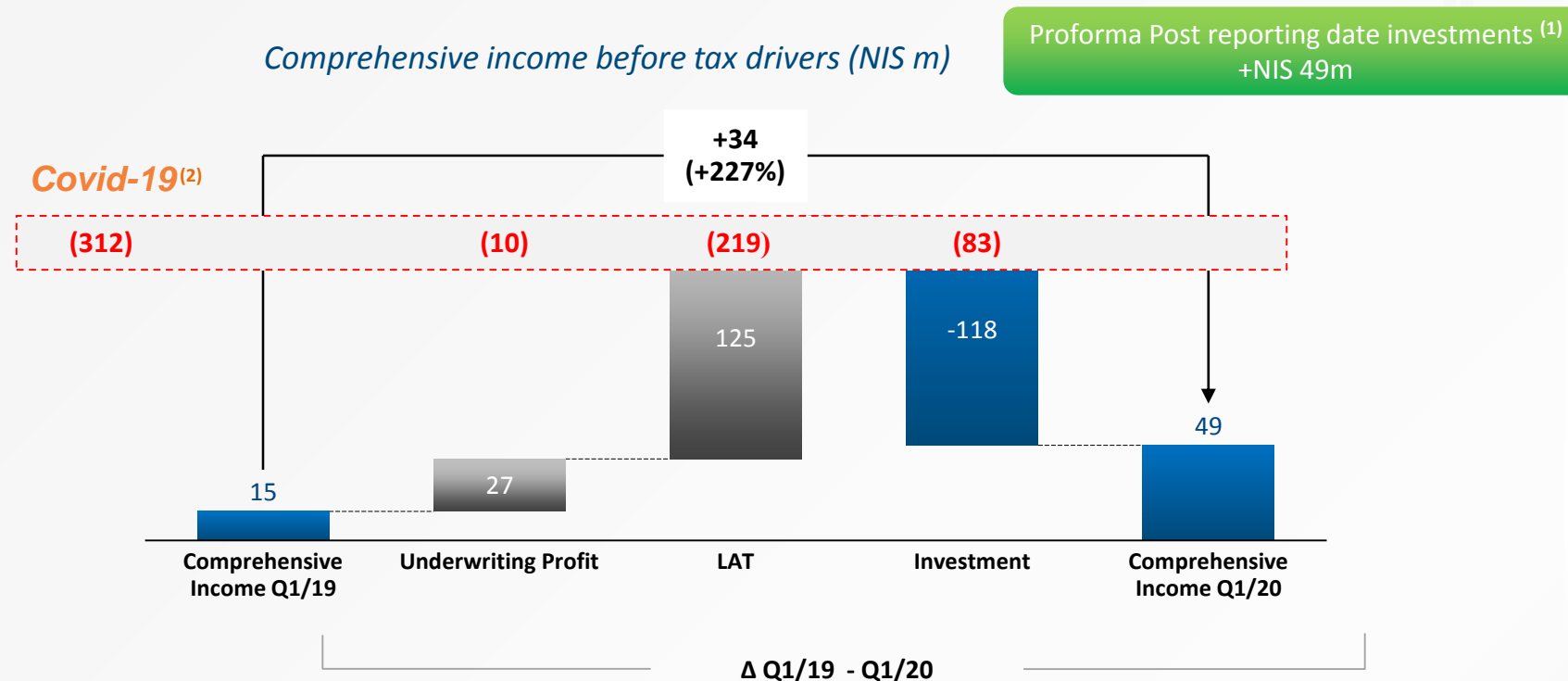
## COVID-19 impact offset by improvement of reserve

### Covid-19 impact

Investment loss NIS 83m

### Post reporting date

Investments show significant recovery of – NIS 49m



### Results

Q1-20	58	74	(83)
Q1-19	31	(51)	(35)

(1) Pro forma investments adjustment, pre-tax, as of June 16, 2020, does not take into account the Non marketable revaluation against LAT. for further information please refer to page 15.

(2) Pre-tax

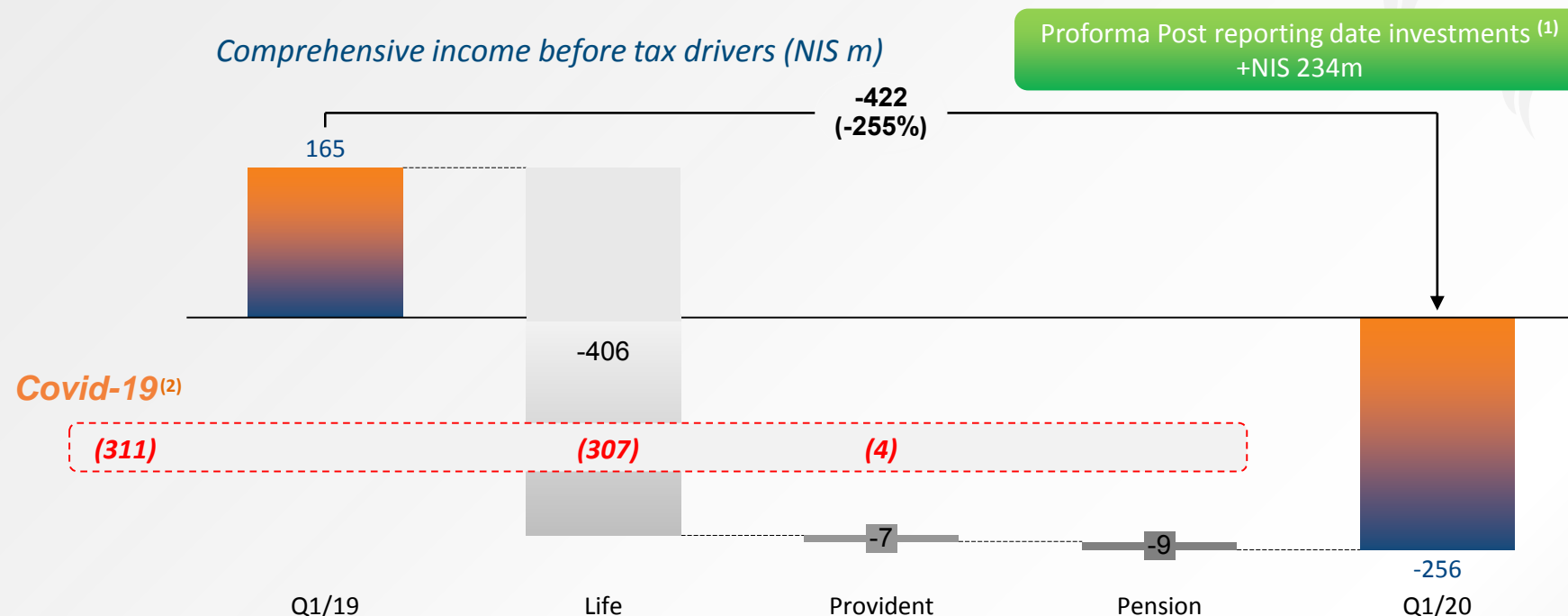
## Covid-19 impact

- Investment loss NIS 311m
- Variable management fees were not collected due to investments loss

## Post reporting date

Investments show significant recovery of – NIS 234m

## Financial market turmoil and deficit in variable management fees drive losses



## Results

	Q1-20			
	(260)	7	(3)	
	Q1-19			
	146	14	6	

(1) Pro forma investments adjustment, pre-tax as of June 16, 2020. for further information please refer to page 15.

(2) Pre-tax

# Corporate (CO)

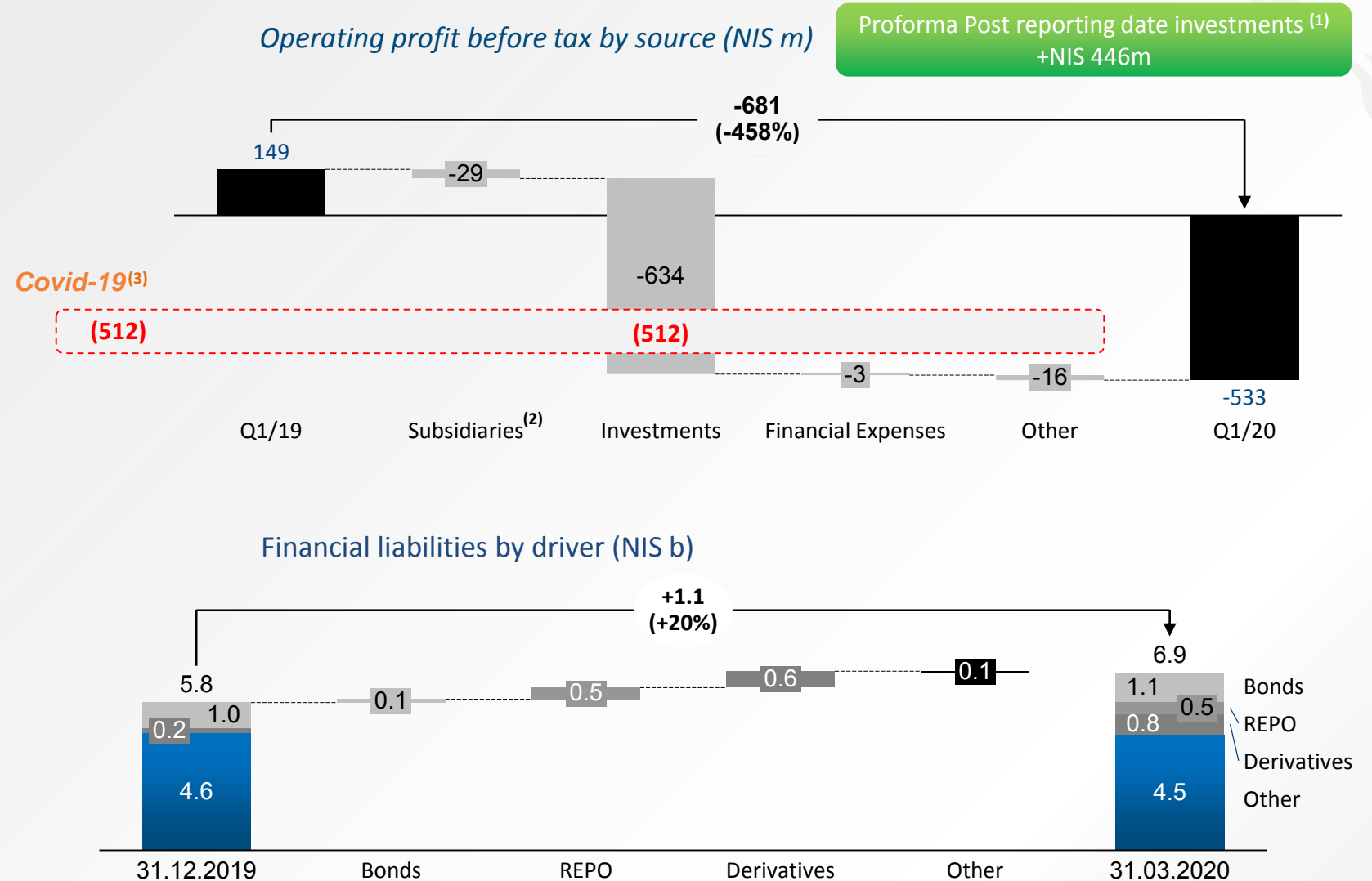
## Covid-19 impact

Investment loss NIS 512m

## Post reporting date

Investments show significant recovery of – NIS 446m

## Losses due to COVID-19, significant recovery post reporting date



(1) Pro forma investments adjustment, pre-tax (as of June 16, 2020). for further information please refer to page 15.

(2) Mainly attributed to Mehadrin which was paid as dividend on kind in amount of NIS 230m

(3) Pre-tax

# Main Market indices v-shaped

(Q1/19, Q1/20 & Post reporting date)

## Covid-19 impact

Financial turmoil in the local and global financial markets

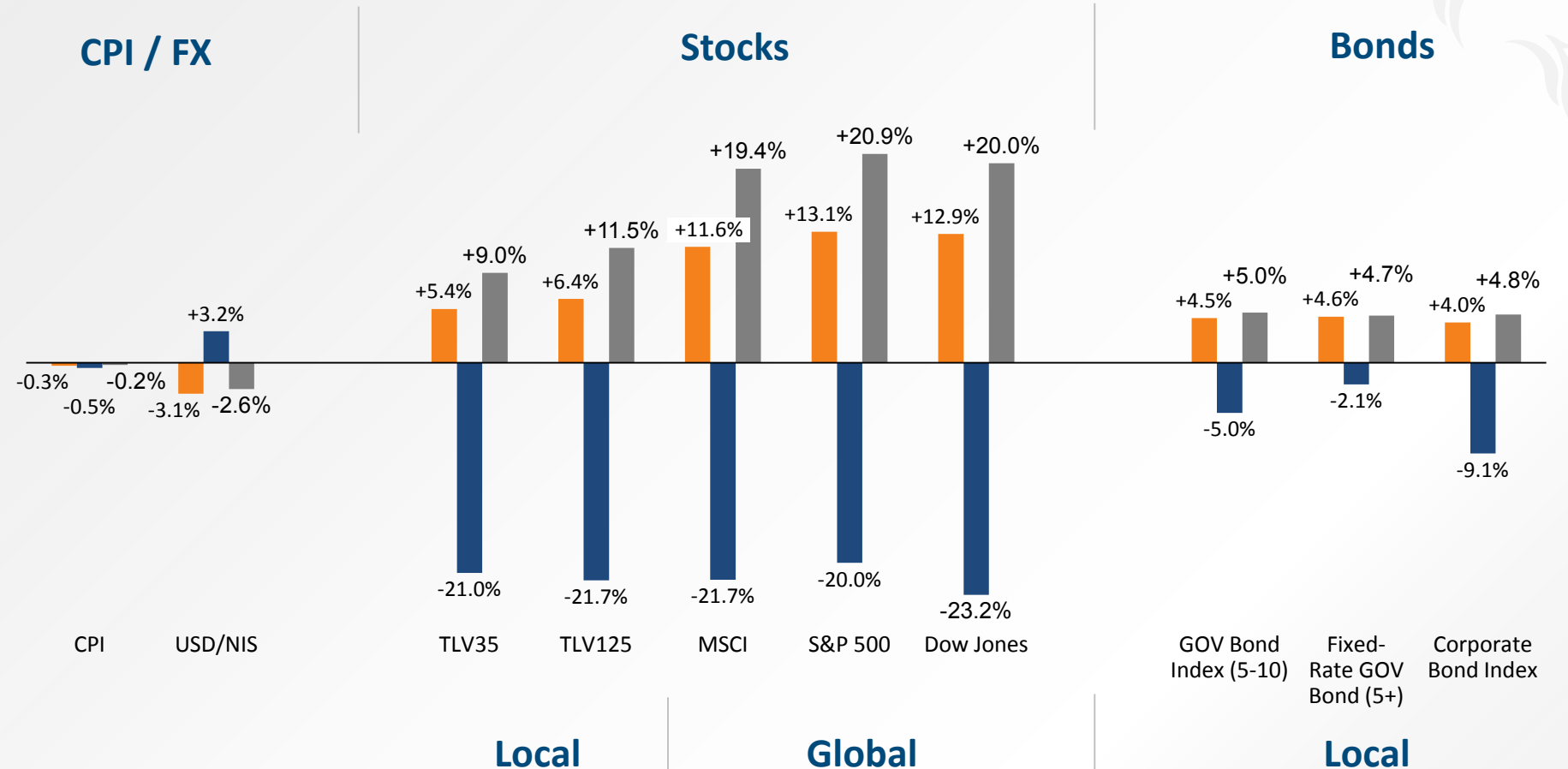
## Post reporting date

**Investments:**  
recovery in local and global financial markets



V-shaped indicator reflects a post reporting date recovery to near pre-crisis levels

## Main Market Indices



Q1/19 Q1/20 04-06/2020<sup>(1)</sup>

(1) As of June 16, 2020

# Market vs. Phoenix yields

(Q1/19, Q1/20 & Post reporting date)

## Covid-19 impact

- Nostro account suffers significant losses
- Deficit in variable MF of NIS 517m

## Post reporting date

### Investments:

- Investments profits of NIS 952m
- Deficit in variable MF to NIS 243m

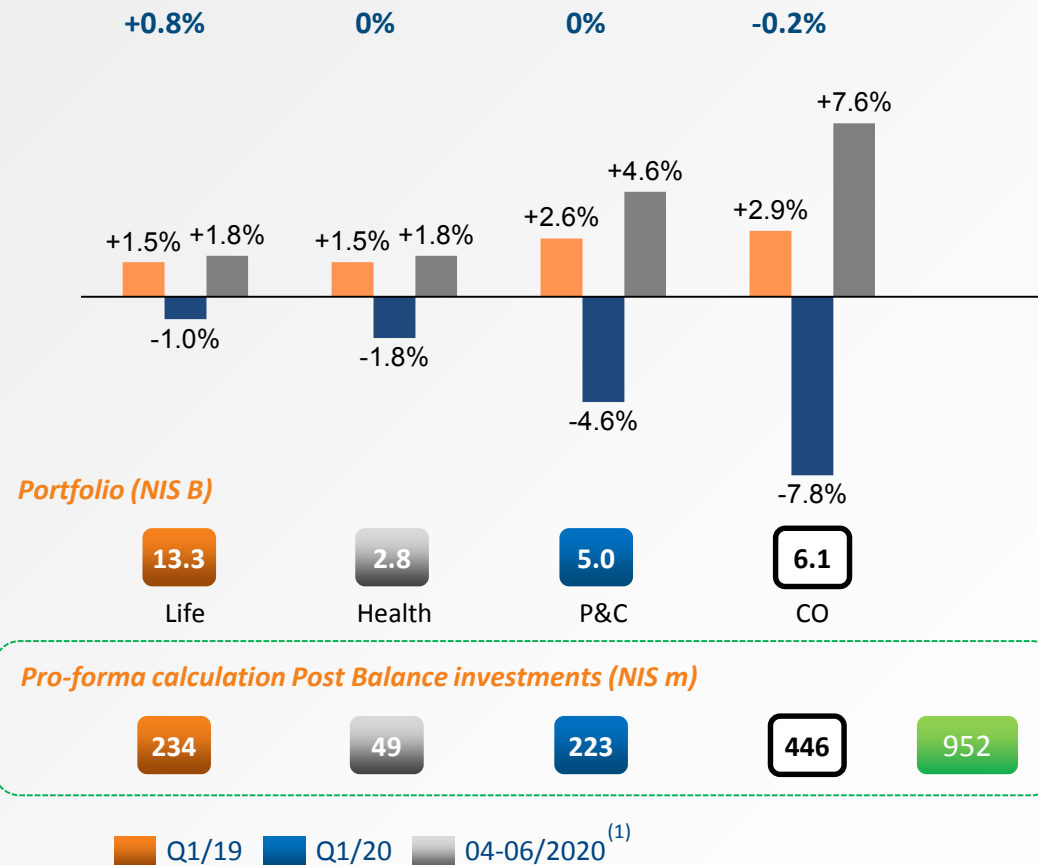


## V-shaped indicator reflects a post reporting date recovery to near pre-crisis levels

### Nostro

1.1.20 – 16.06.20

Pro-forma calculation before tax:  
Post reporting date investments – NIS 952m

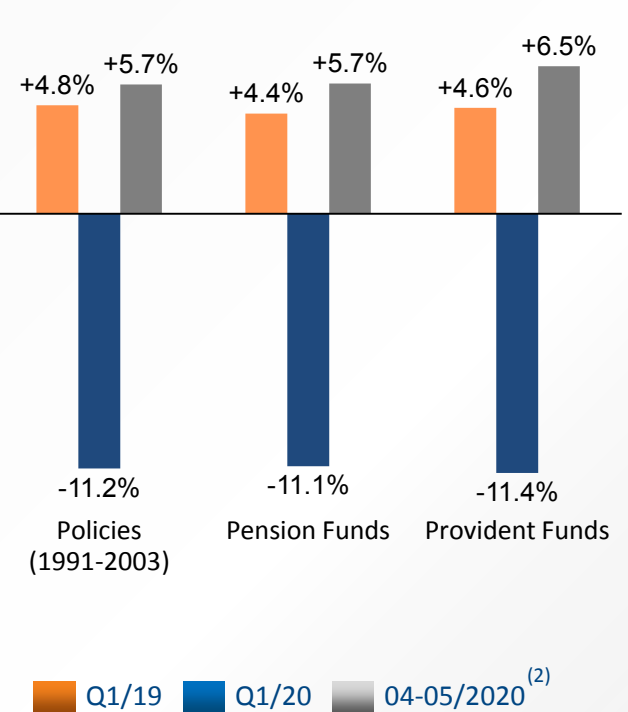


(1) As of June 16, 2020

(2) As of May 31, 2020

### OPM

MF Deficit  
31.03.20 – (517)  
16.06.20 – (243)





# STRATEGY

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# STRATEGY

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## **Promoting innovation**

Supporting insurtech and startup's through PIX accelerator



## **Improving service quality and efficiency**

Shifting towards self-service and digital to lower cost and provide superior customer experience



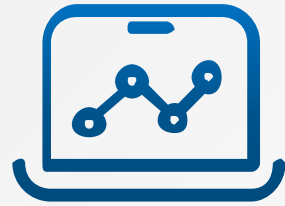
## **Developing existing and new growth engines**

Increase sales through existing channels (Agents, SMART) and through new growth engine



## **Improving synergies in Phoenix Group**

Optimizing the Group structure in integrative view of financial returns and capital allocation



# INNOVATION

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Motor Insurance  
(P&C)

## INNOVATION

Pay as you Drive



Smart, advanced products

**NEW!**

**Pay as you Drive**

Innovative motor insurance  
that lets you pay  
only for the distance you drive





Phoenix accelerator

Motor Insurance  
(P&C)

## INNOVATION

Young drivers



Smart, advanced products

**young drivers**

New drivers pay only  
when they drive and save  
thousands of shekels



ROTORCRAFT  
(P&C)

# INNOVATION



Smart, advanced products

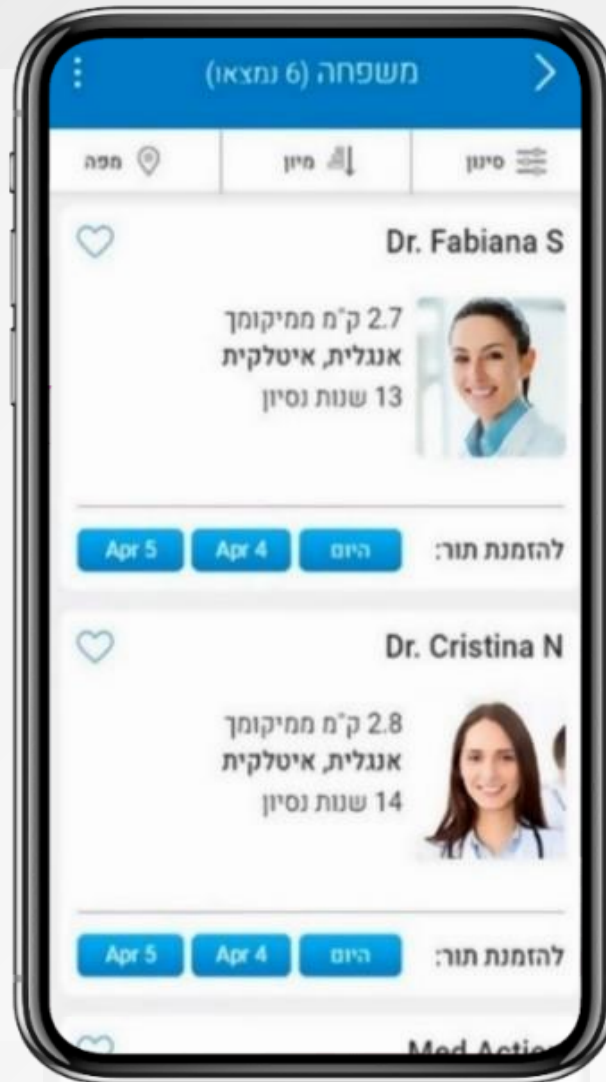
**Rotorcraft insurance**

Pay insurance only for  
flight time, in the safest route



TRAVEL  
(Health)

**INNOVATION**

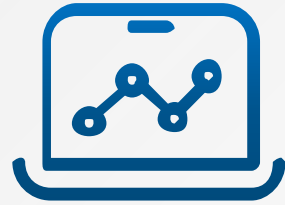


**Smart, advanced products**

**Travel insurance**

Revolutionary service that locates physicians abroad, schedules an appointment, and pays the physician for you





# Digital

## Self – Service

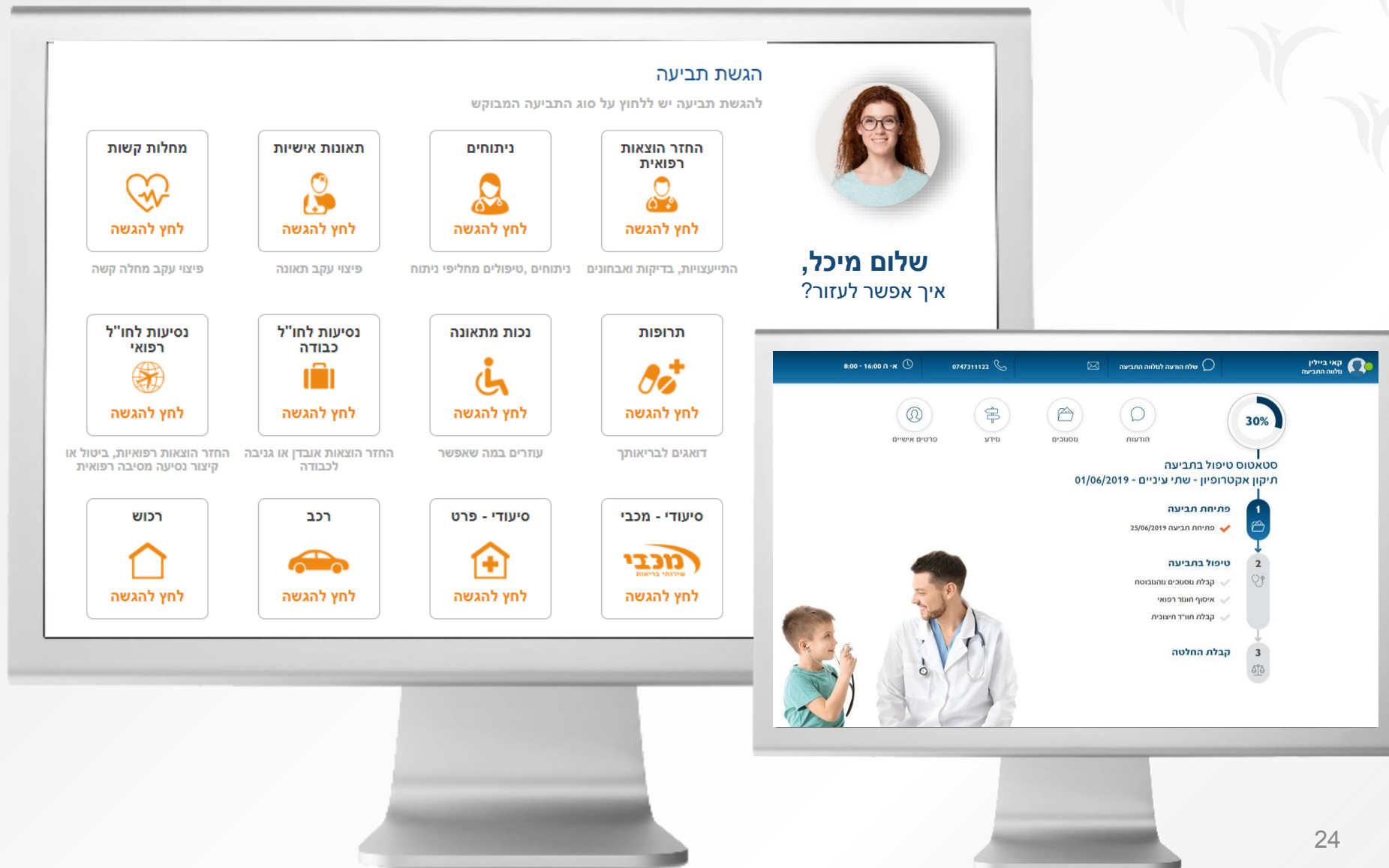
Customer experience

DIGITAL

Self-Service



## On-Line Claims Service





# DIGITAL

## Self-Service

### Information & Self Service



International Travel  
Insurance Extension



Smart Search  
Engine For Service  
Providers



Document  
Orders



Capital  
Declaration  
and Tax Forms



Redemption  
Status

### Payment



Payment Breakdown



Loan Eligibility  
Inquiries



Payment  
Method Update



Charges  
Breakdown

### Claims



Claim History  
Report



Initiate New  
Claims



Digital Claim  
Lobby





# Appendix

## Appendix A: Non gap - COVID 19 Economic impact



NIS (932m)

### COVID-19 Non GAAP impact adjustments

Adjustments of the impact reported at the financial statements to the economic impact of COVID-19.

#### Financial Statements (Pre Tax)<sup>1</sup>

NIS m	Investment Loss	Interest <sup>(2)</sup>	Underwriting Impact	Total impact	Economic impact (pre tax) <sup>(3)</sup>	Total impact (pre tax)	Tax	Total covid-19 Impact (post tax)
P&C	(256)	11	(15)	(260)	(12)	(272)	92	(180)
Health	(67)	(219)	(10)	(296)	(16)	(312)	106	(206)
LTS	(94)	(138)	-	(232)	(79)	(311)	106	(205)
Agencies	(4)	-	-	(4)	-	(4)	1	(3)
CO	(497)	-	-	(497)	(15)	(512)	174	(338)
<b>Total impact</b>	<b>(918)</b>	<b>(346)</b>	<b>(25)</b>	<b>(1,289)</b>	<b>(122)</b>	<b>(1,411)</b>	<b>479</b>	<b>(932)</b>

(1) As reported in the Covid-19 Note 1 and Note 7 to the financial statements.

(2) Not including effects of reclassifying excess asset value resulting from the first time implementation of LAT Circular's amendment.

(3) Investments under assumption of ( 3% + CPI )annual return.

## Appendix B:

Decrease of approximately 10% in total assets for yield dependent contracts from 31/12/2019 mainly due to the outbreak of Covid19. However, the impact is offset by the positive net inflows throughout the quarter.

Total liabilities in respect of yield dependent insurance contracts are down approximately 10%, mainly due to the outbreak of Covid19. However, the impact is offset by the positive net inflows throughout the quarter.

## Phoenix Holding – Balance Sheet As of 31/03/2020 (NIS m)

Assets	31.03.2020	31.12.2019	Equity and Liabilities	31.03.2020	31.12.2019
Total assets for yield-dependent contracts in consolidated insurance company	64,492	71,662	Liabilities in respect of yield-dependent insurance contracts and investment contracts	63,931	71,091
Other financial investments	24,946	24,809	Liabilities in respect of non-yield-dependent insurance contracts and investment contracts	23,312	23,192
Financial investments and cash for holders of debt instruments, ETFs, short ETFs, complex ETFs, currency ETFs, and structured bonds	275	284	Liabilities in respect of ETFs, complex ETFs, and structured bonds	272	282
Intangible assets	1,796	1,760	Others	9,721	8,863
Cash and other cash equivalents	1,703	1,732			
Others	10,079	9,817	Total equity	6,056	6,636
<b>Total assets</b>	<b>103,292</b>	<b>110,064</b>	<b>Total equity and liabilities</b>	<b>103,292</b>	<b>110,064</b>

# Glossary

AM	Asset Management; i.e. Excellence Nessuah
AUM	Assets Under Management; the total market value of all the investments that are managed by the Group
CI	Comprehensive Income
CO	Corporate, Other and Consolidation
CPI	Consumer Price Index; measures the average change of prices in an agreed upon basket of consumer goods and services over time
Index Linked Gov Bonds	A government issued bond for which the interest income payment is related (or linked) to the CPI
LAT	Liability Adequacy Test
LOB	Line of Business
LTS	Long Term Services; including but not limited to Life, Provident and Pension funds
Marketable Securities	Liquid financial assets that can be quickly converted into cash; most are trading assets
MF	Management Fees; wages charged by a financial manager
NIS	New Israeli Shekel
Non-Marketable Securities	Asset group that is considered to be difficult to buy or sell due to the fact they are not traded on any major exchange; could include government issued debt securities, limited partnerships, real estate investments and more
Nostro	The account in which a financial institution manages its own funds
P&C	Property and Casualty insurance
ROE	Return On Equity; calculated by dividing net income over total equity
SME60	“the Rest Index”; tracks the performance of the 60 largest market value companies that are excluded from the Tel Aviv Stock Exchange

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# Thank You

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**Israel's most profitable  
insurance group**

Financial Statements  
Investor Presentation

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