

THE PHOENIX HOLDINGS

Looking Ahead

Q3 / 2020

Financial Statements → Investors Presentation



→ From the CEO's Desk

The Phoenix Commitment

Looking Ahead



Mr. Eyal Ben Simon, CEO

The company's results in the last quarter demonstrate once again the group's ability to maintain financial strength and stability even during the Covid-19 pandemic. We continued to drive accelerated growth, focusing on activities that generate higher profitability and returns over time. We will continue to improve our product mix, increasing the share of high yield-generating assets over activities requiring higher capital allocations.

We continued our focus on building the group's portfolio and synergies between companies. As Excellence Investment House and our asset management and financial activities continued to show exceptional results, we continued our organic growth efforts. Our offer to acquire Hellman-Aldubi is an expression of this strategy.

The onset of Covid-19 has prompted us to work faster to create technological and operational infrastructure, improving our flexibility and dynamism required in this changing reality. We will continue to increase efficiency within the company and invest in technological and digital transformation. As a result of these and other key efforts, the company won first place in overall customer service levels for all major Israeli insurance companies.

This quarter, the Phoenix continued to develop its distribution channels, insurance agencies and direct (Smart and others), while focusing on customer satisfaction across services and activities.

During the quarter, we formulated a dividend distribution policy at a rate that will not be less than 30% of the annual comprehensive profit (this distribution includes the announced share repurchase plan).

We have recently completed the formulation of a multi-year strategic plan for the group's main areas of activity. The plan is formulated with the assistance of an international consulting firm with relevant expertise, accompanying the Strategy Committees of the company and Phoenix Insurance. We will communicate plan highlights during December. This plan forms the foundation for creating the next breakthrough for Phoenix.



THE PHOENIX PATH TO BUSINESS GROWTH



Yield-focused
growth



Technological
Innovation and
Efficiency



Maximizing Profits



Wealth
Management

71

Years of
Operations

NIS 222^(*)Bn

Assets under management

→ The Phoenix Group ID

2,500

Agents

FINANCIAL STRENGTH

EXCELLENCE
Investment house

Insurance
AA+

Holdings
AA-

Credit Rating

owned
Distribution
channels

Executive Summary 1-9/2020 →

Resilient performance led by continuous improvement of **AUM**

AUM



NIS **218**^{Bn} as of September 30, 2020



NIS **222**^{Bn} as of October 31, 2020

Market cap exceeds pre-Covid-19 levels despite the ongoing crisis

Market cap¹



NIS **5.1**^{Bn}

P/B 0.72

Shareholder's Equity, as of 30.09.2020, totaled NIS 7.1 bn, compared to NIS 6.6 bn as of 31.12.2019.

Shareholders' equity



NIS **7.1**^{Bn}

Profits of NIS 323m in Q3/20 and NIS 494m in 1-9/20. Q3/20 profits benefited from market recovery.

Shareholders' comprehensive income



1-9/20
NIS **494**^m



Q3
NIS **323**^m

Investments loss recovery, leads to variable fee collection expectation as soon as Q4/20

Covid-19²
negative impact



NIS **333**^m

post balance
investment recovery



NIS **176**³^m

New dividend distribution policy - minimum of 30% of comprehensive income

Solvency



31.12.2019
165%⁴

Continuous improvement in **ROE** during Q3/20, however remain lower than 5Y average

ROE



1-9/20
9.7%



average ^{5Y}
13.3%

1) As of November 12, 2020.

2) Post tax, see appendix A.

3) Pro forma investments adjustment, post-tax, related to Nostro marketable assets as of 01.10.2020 – 11.11.2020. please refer to slide 19.

4) The solvency ratio regardless of the transition provisions during the deployment period is at a rate of 105%.

PHOENIX HOLDINGS

1-9/20 Vs 1-9/19 (NIS m)
Q3/20 Vs Q3/19 (NIS m)



Resilient performance led by continuous improvement of Q3 results

COVID-19 IMPACT¹

NIS (333m)

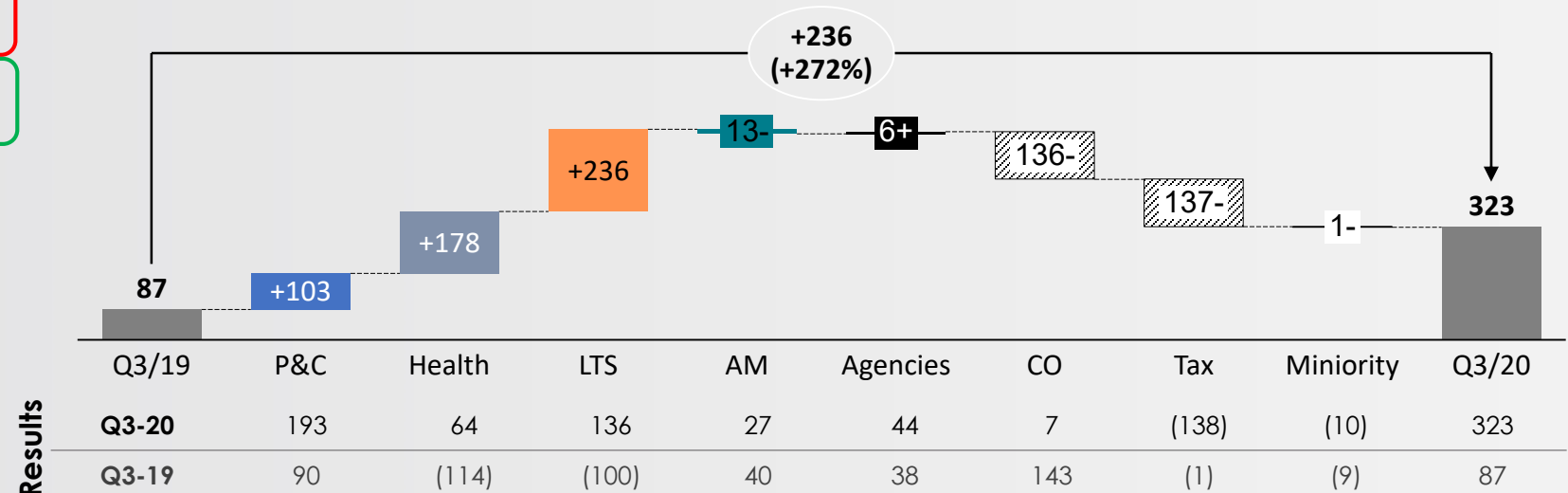
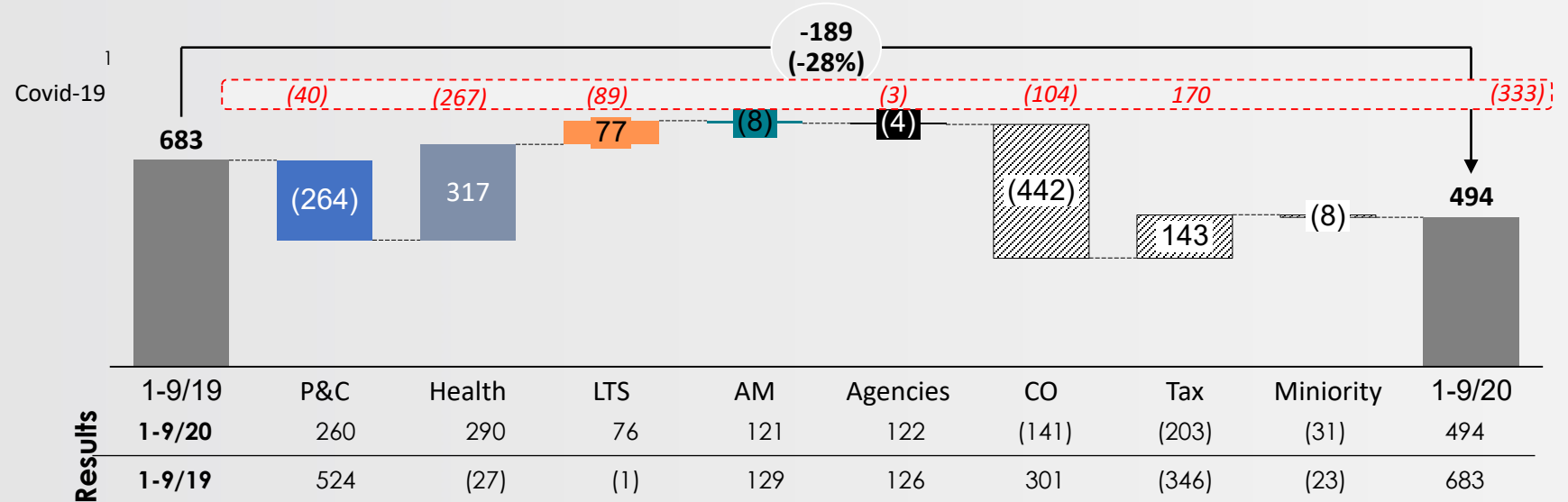
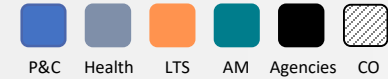
COVID-19 Post BS IMPACT²

NIS 176m

RESULTS

- Group posts NIS 323 million of quarterly profit
- Group posts NIS 494m 9M³ profit

COMPREHENSIVE INCOME DRIVERS > (Pre-tax, Nis m)



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 01.10.2020 – 11.11.2020 (Does not include variable management fees). please refer to slide 19.
3) 9M is an abbreviation for 9 months

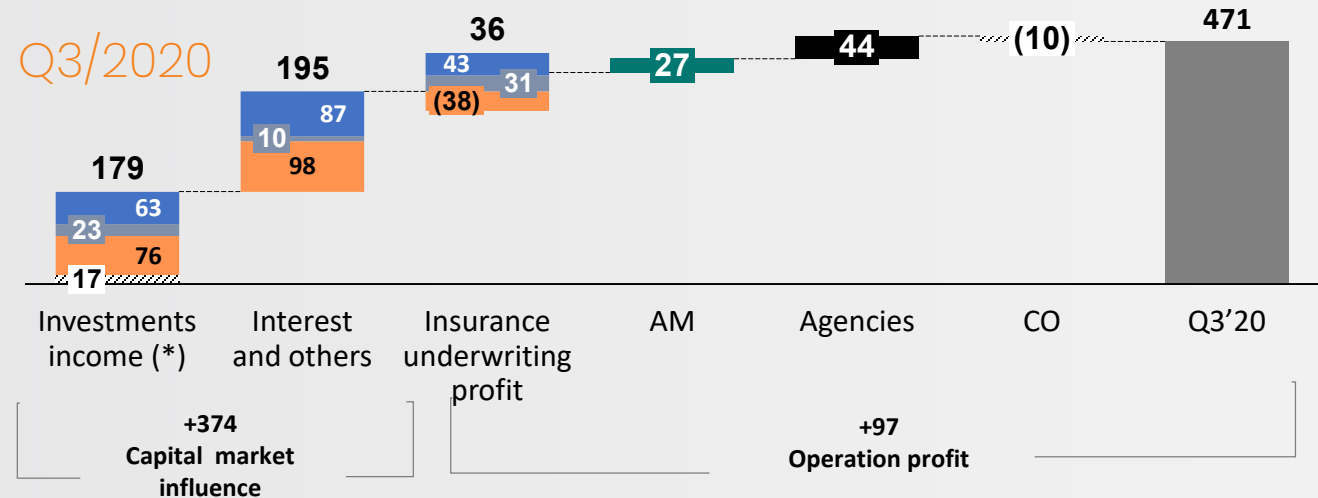
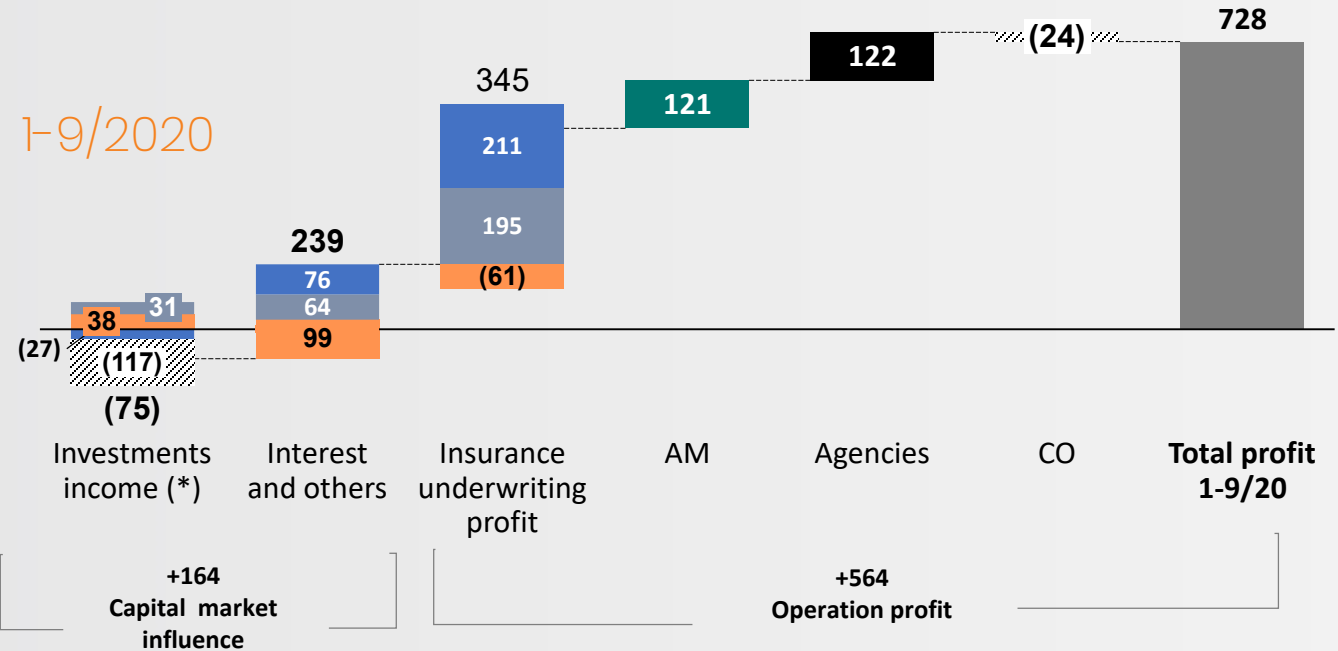
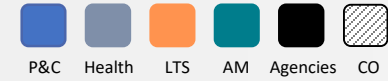
Profit before tax Composition

Significant capital market impact on Q3 results pushes profit higher



- Capital markets and interest influence in 9M/20 totaled NIS **164m**, and in Q3 NIS **374m**
- Operational profit in 9M/20 totaled **NIS 564m**, and in Q3 **NIS 97m**
- Non insurance operating income, independent from solvency regulations, in 9M/20 totaled NIS **243m**, and in Q3 NIS **71m**
- For interest and other influence on each segment please see segment slides.

(*) Investment income above 3% annual return



PREMIUMS, BENEFIT CONTRIBUTION

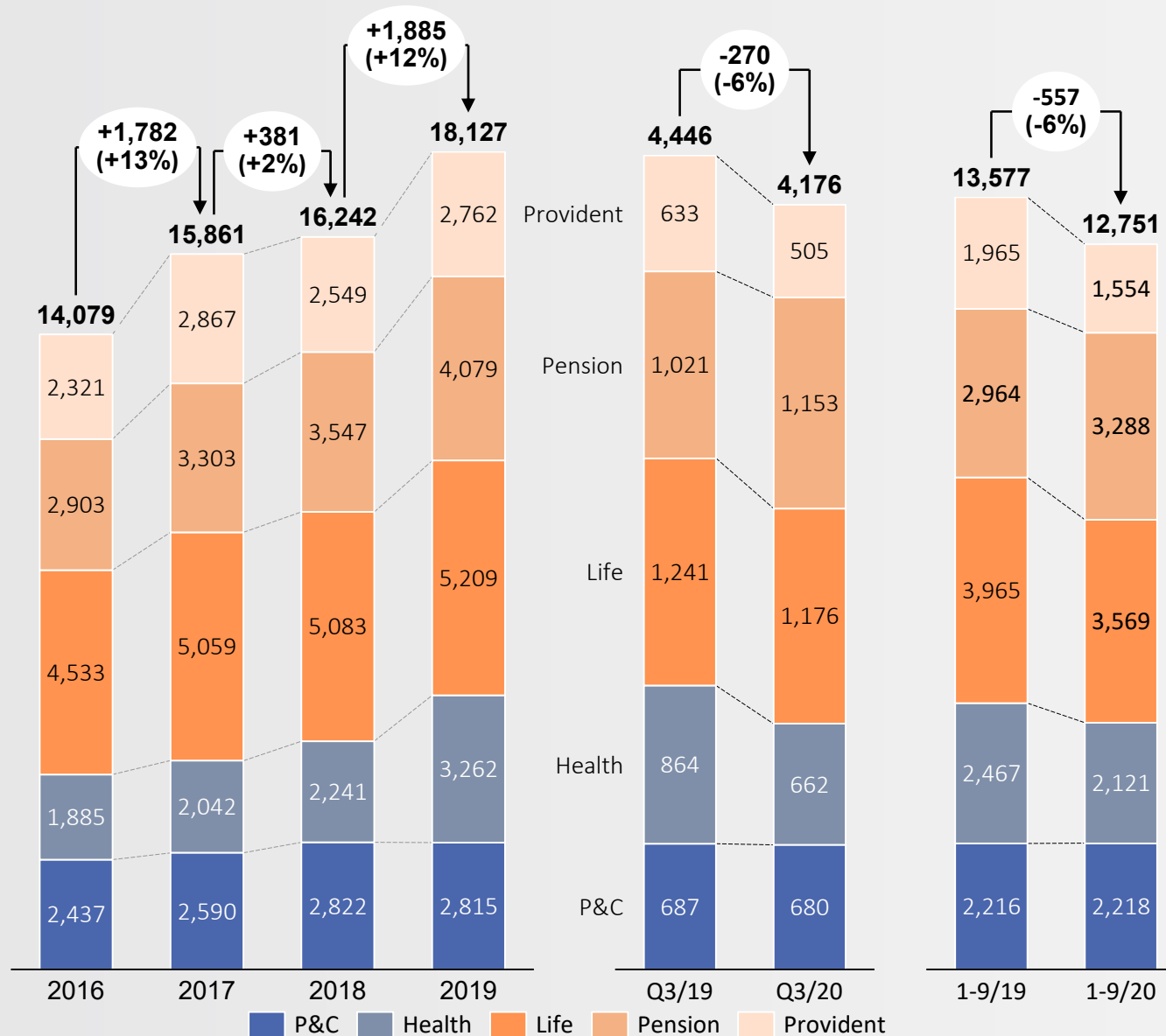
Decrease in premiums and benefit contributions, upward trend post Balance Sheet date



- P&C- average premium decrease industry wide impacted overall premiums collected
- Health – Mehuhedet HMO leaving heavily impacted the overall premiums collected, with minor impact on profit
- LTS –
 - Lower one-time deposits, mainly in Provident and Life
 - Life savings premiums & contributions in Pension were lower, due to the significant amount of unpaid leaves as a result of COVID-19



PREMIUMS & BENEFIT CONTRIBUTION > (Nis m)

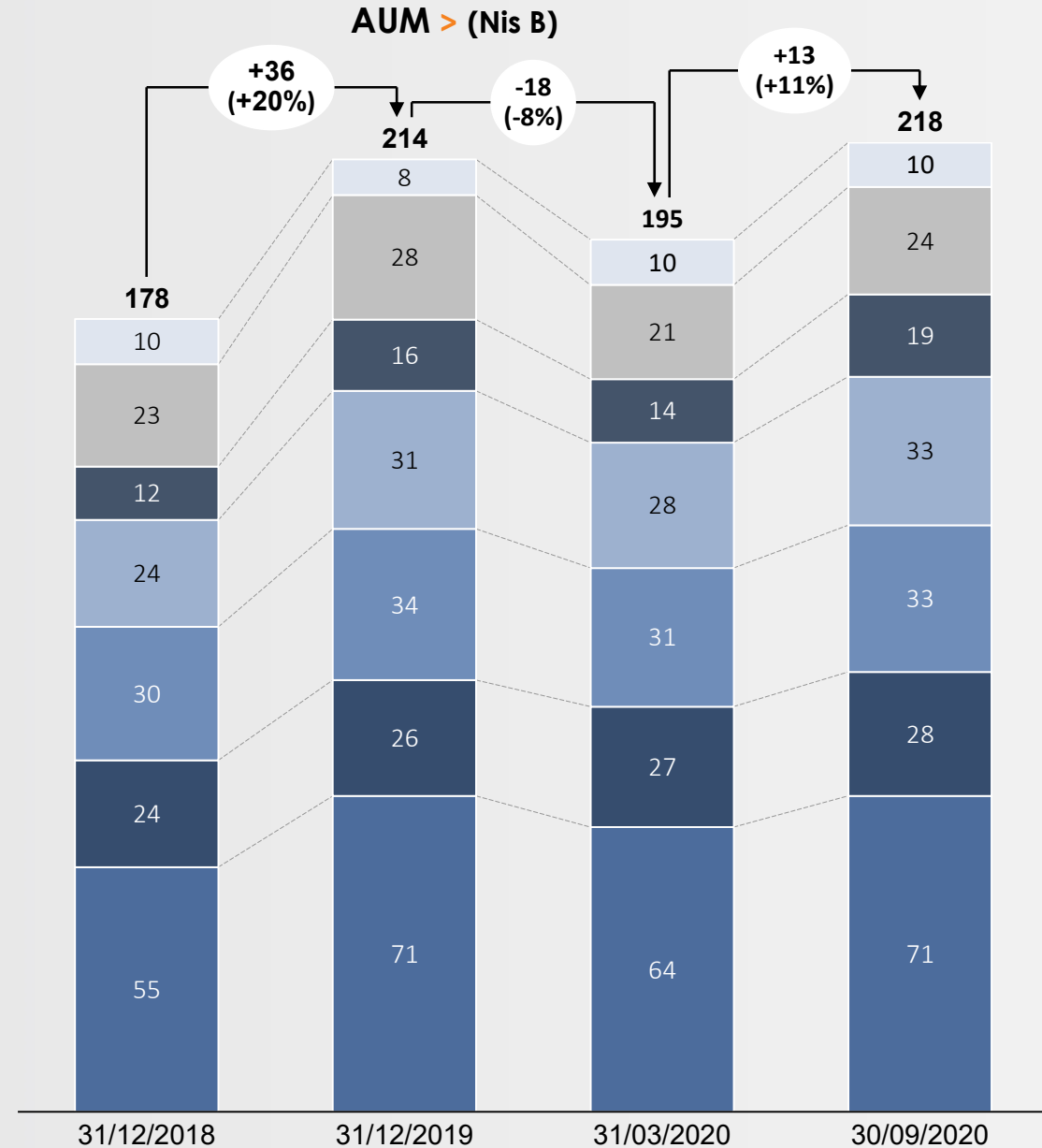
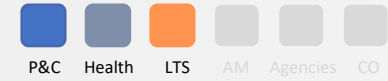
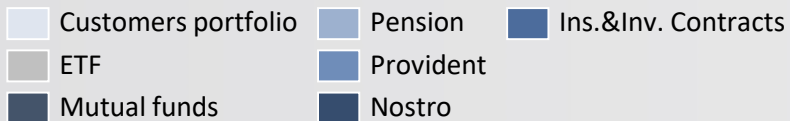


ASSETS UNDER MANAGEMENT



AUM exceeded pre-**COVID-19** levels and maintained the upward trend post Balance Sheet date

- Stable AUM despite Covid-19
- ETF stability achieved despite increased level of withdrawals
- AUM as of 31.10.2020: **NIS 222 bn**





Lower comprehensive income resulted mainly from decrease in investments profit

COVID-19 IMPACT¹

NIS (41m)

- Average premium price drop industry wide
- Claim frequency drop industry wide

COVID-19 Post BS IMPACT

NIS 61m

RESULTS

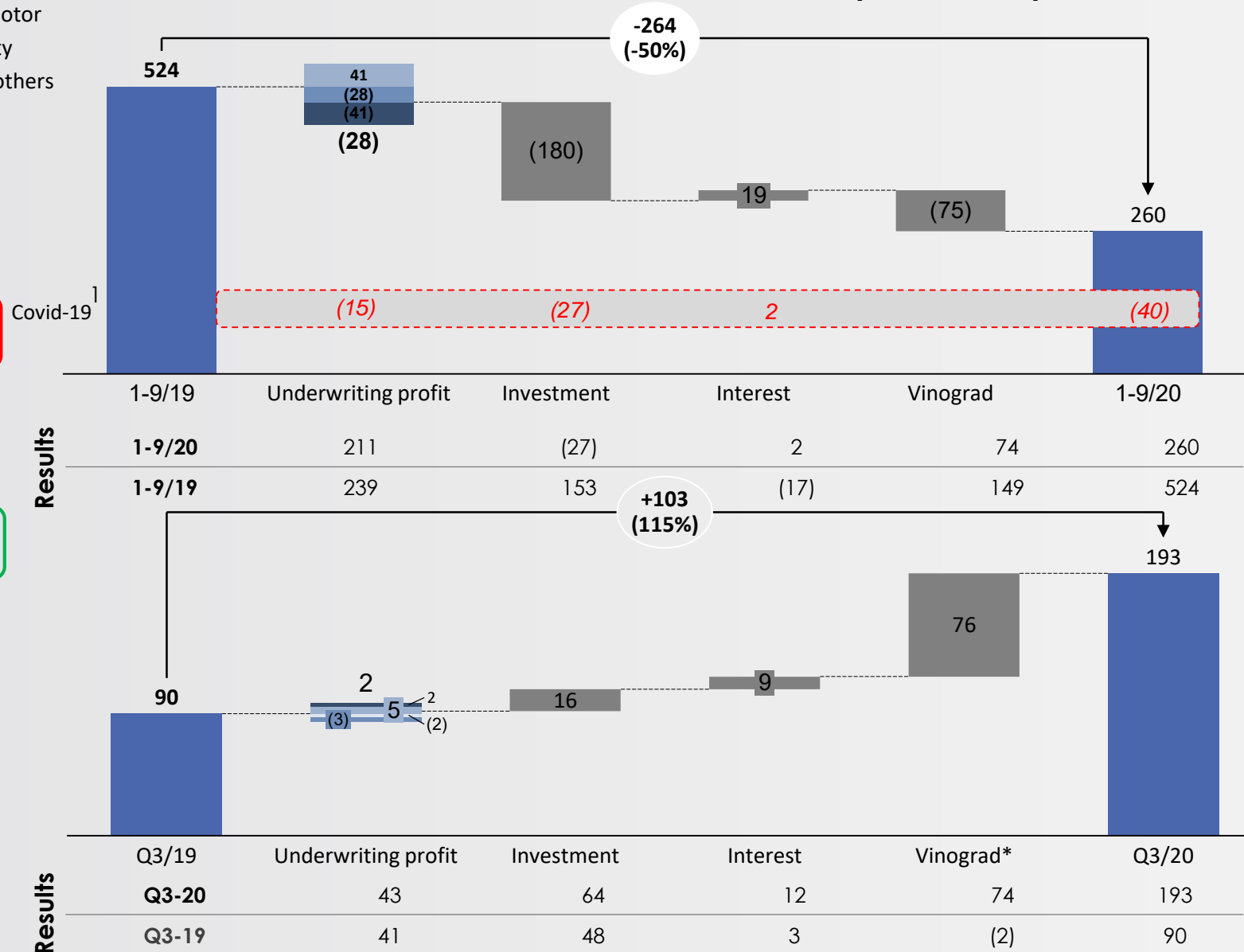
- Lower investments income 9M/20, mainly due to Covid-19
- Lower insurance liabilities in 9M/19 due to increase in capitalization rate to 3%* and lower reserve releases in 9M/20

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

2) Under assumption of 3% annual return

* Winograd Commission

COMPREHENSIVE INCOME DRIVERS > (Pre-tax, Nis m)



HEALTH



Increase in comprehensive income driven by LAT reserve changes

COVID-19 IMPACT¹

NIS (267m)

- Industry - near complete halt of international flights
- Industry - claim frequency decrease

COVID-19 Post BS IMPACT

NIS 16m

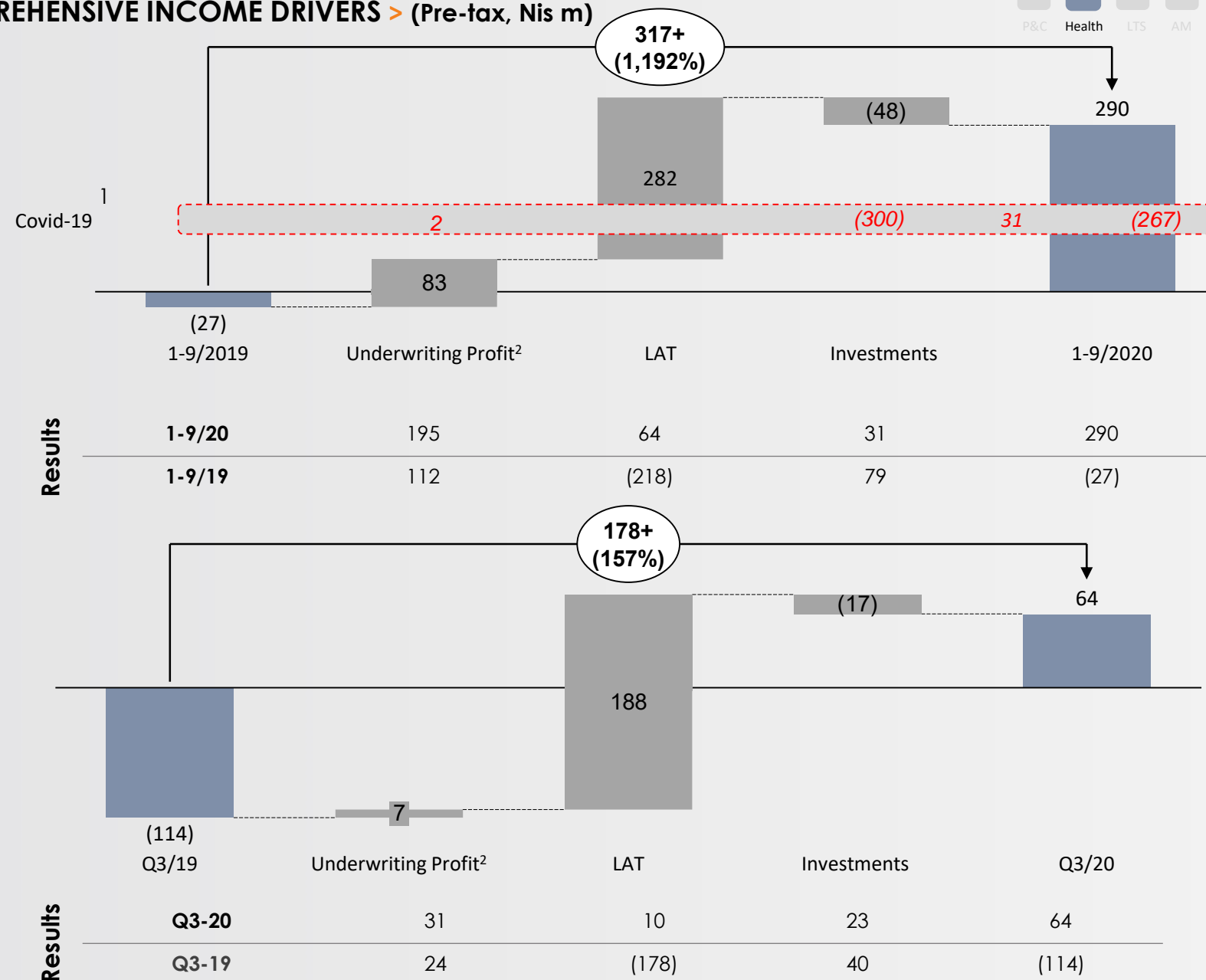
RESULTS

- Company posts NIS 290m in profit 1-9/20, and NIS 64m of profit in Q3
- LAT reserve changes due to initial application of regulatory amendments of the LAT circular and of the liquidity premium

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

COMPREHENSIVE INCOME DRIVERS > (Pre-tax, Nis m)

P&C Health LTS AM Agencies CO





**Strong performance in Life LOB
offset by decrease in Pension
and Provident**

COVID-19 IMPACT¹

NIS (89m)

- Variable management fees were not collected due to negative yields, improvement in deficit during Q3

COVID-19 Post BS IMPACT

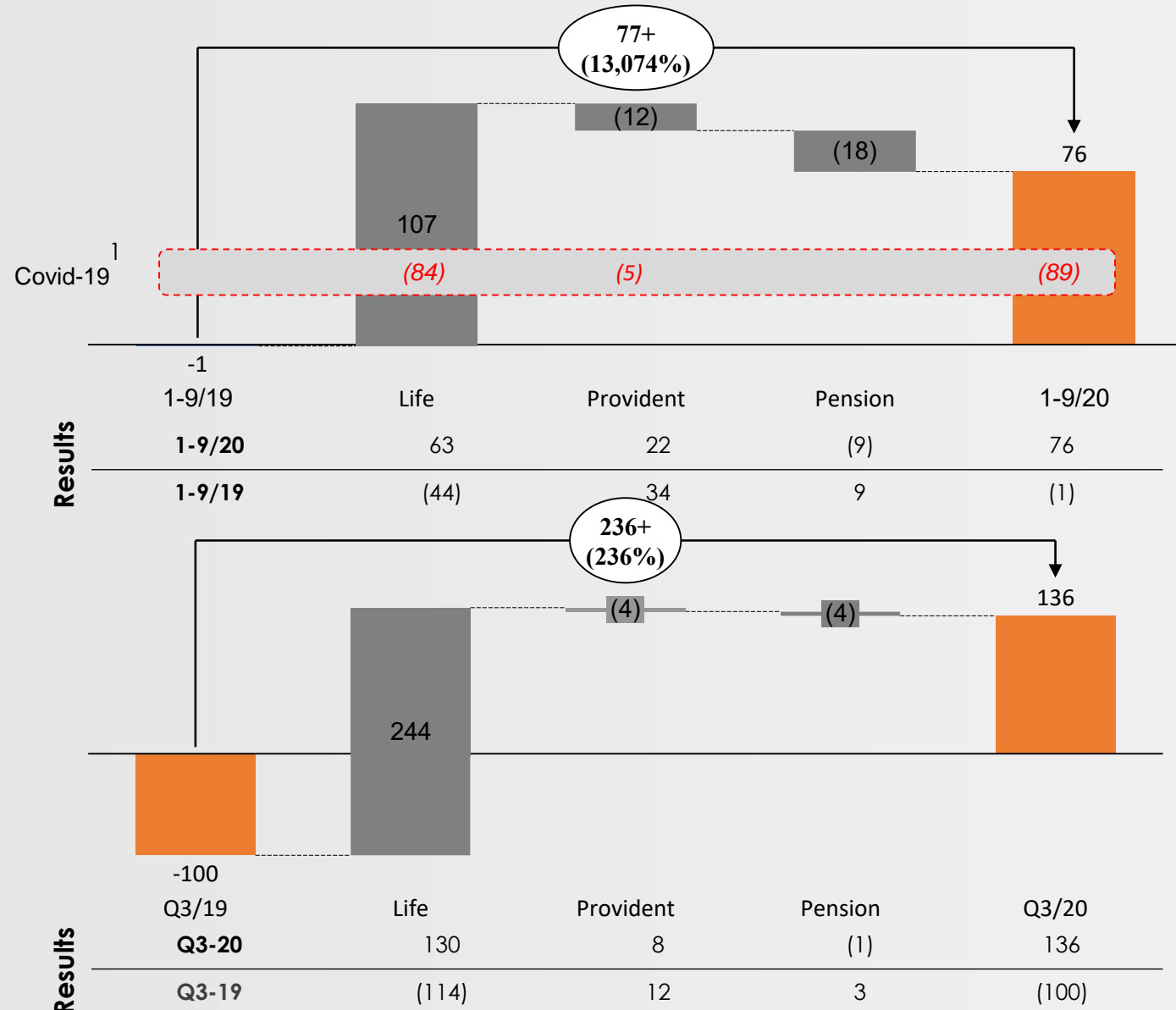
NIS 78m

RESULTS

- Strong results in Life due to positive interest impacts drive profit higher in Q3
- Variable fee are expected to be collected as soon as Q4/20

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

COMPREHENSIVE INCOME DRIVERS > (Pre-tax, Nis m)



LIFE



Strong performance in Life LOB offset

COVID-19 IMPACT¹

NIS (84m)

- Variable management fees were not collected due to investments loss, improvement in deficit during Q3

COVID-19 Post BS IMPACT

NIS 78m

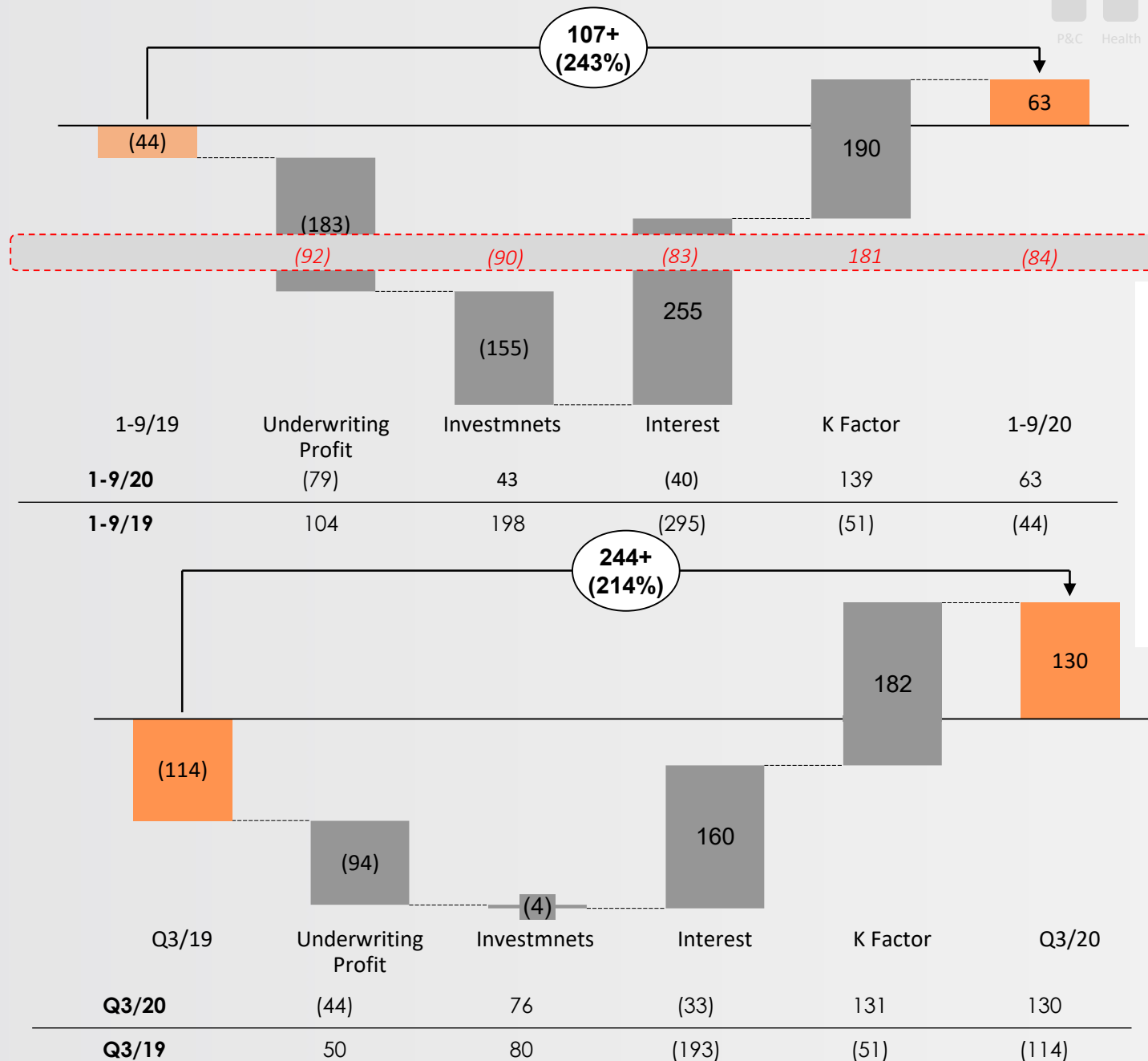
RESULTS

- Financial margin negatively impacted from yield-guaranteed policies and lower management fees
- Higher redemption rate during Q3 as a result of local microeconomic conditions

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

Results

Results



P&C Health LTS AM Agencies CO

Variable MF Deficit



31.03.20 – (517)
30.06.20 – (296)
30.09.20 – (101)
15.11.20 – 0



Provident & Pension



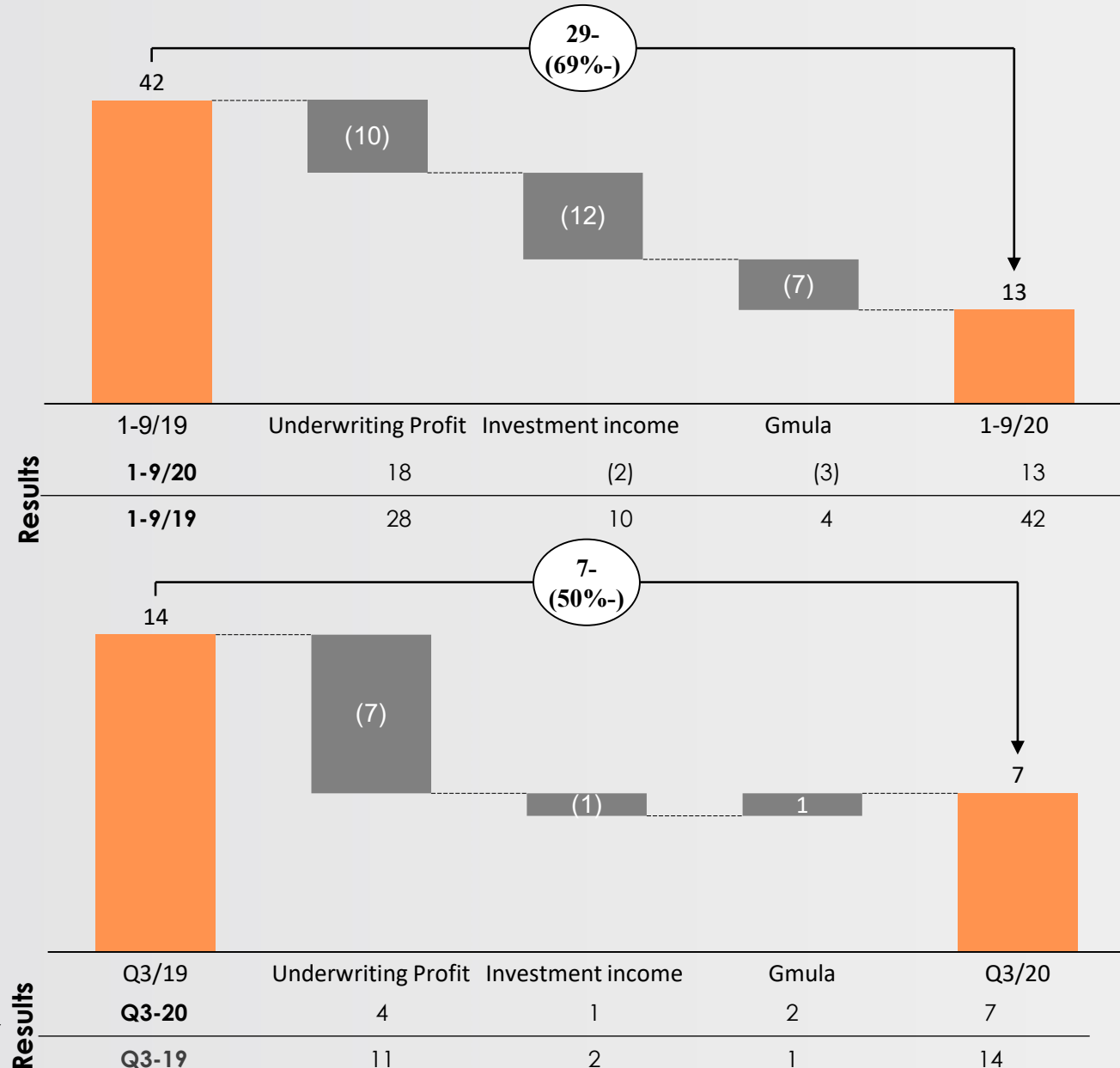
COVID-19 IMPACT¹ NIS (5m)

RESULTS

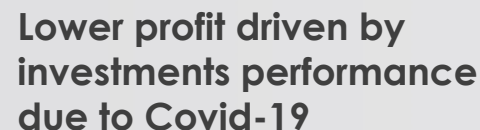
- Increase in management and general expenses due to changes in operational agreements
- Underwriting profit decrease as a result of management fee reduction

COMPREHENSIVE INCOME DRIVERS > (Pre-tax, Nis m)

P&C Health LTS AM Agencies CO



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



NIS (104m)

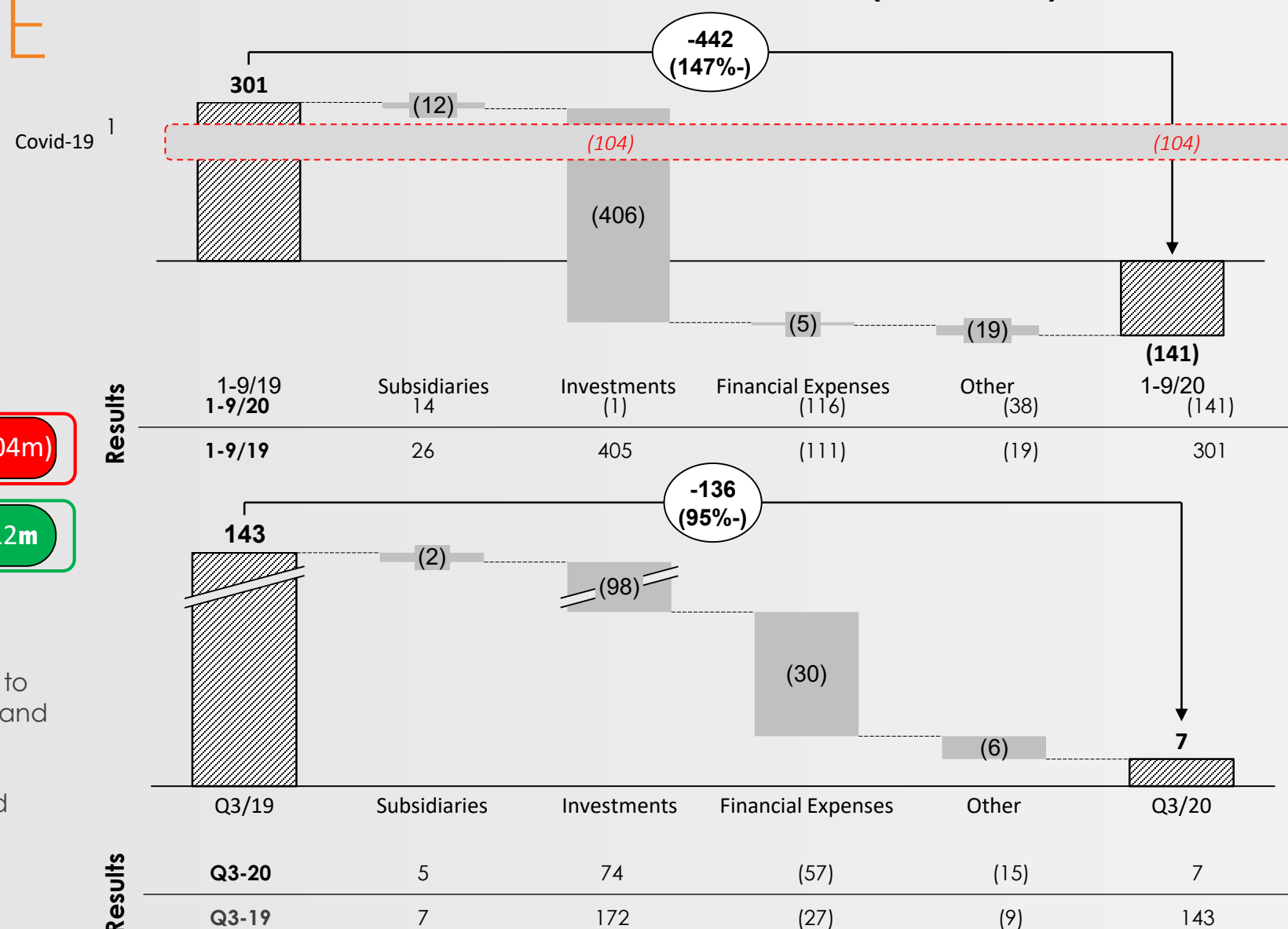
NIS 112m

RESULTS

- Decrease in subsidiaries income due to re-classification of affiliates in health and life according to LAT regulations
- Increase in expenses resulting of CPI changes and series 2 to series 5 bond exchange

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

COMPREHENSIVE INCOME DRIVERS > (Pre-tax, Nis m)

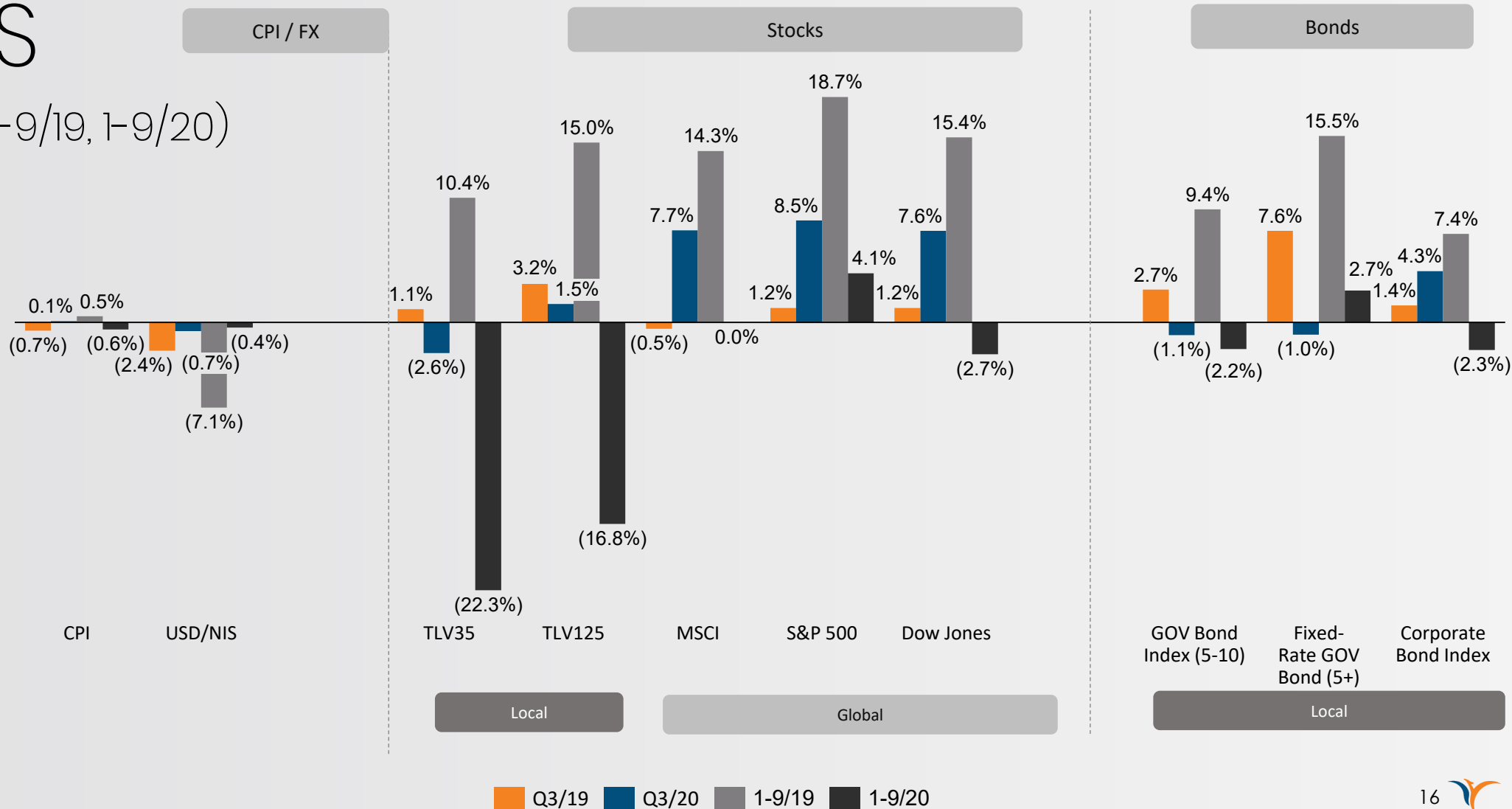


MAIN MARKET INDICES

(Q3/19, Q3/20, 1-9/19, 1-9/20)

P&C Health LTS AM Agencies CO

Main Market Indices



MARKET VS. PHOENIX YIELDS

(Q3/19, Q3/20, 1-9/19, 1-9/20)



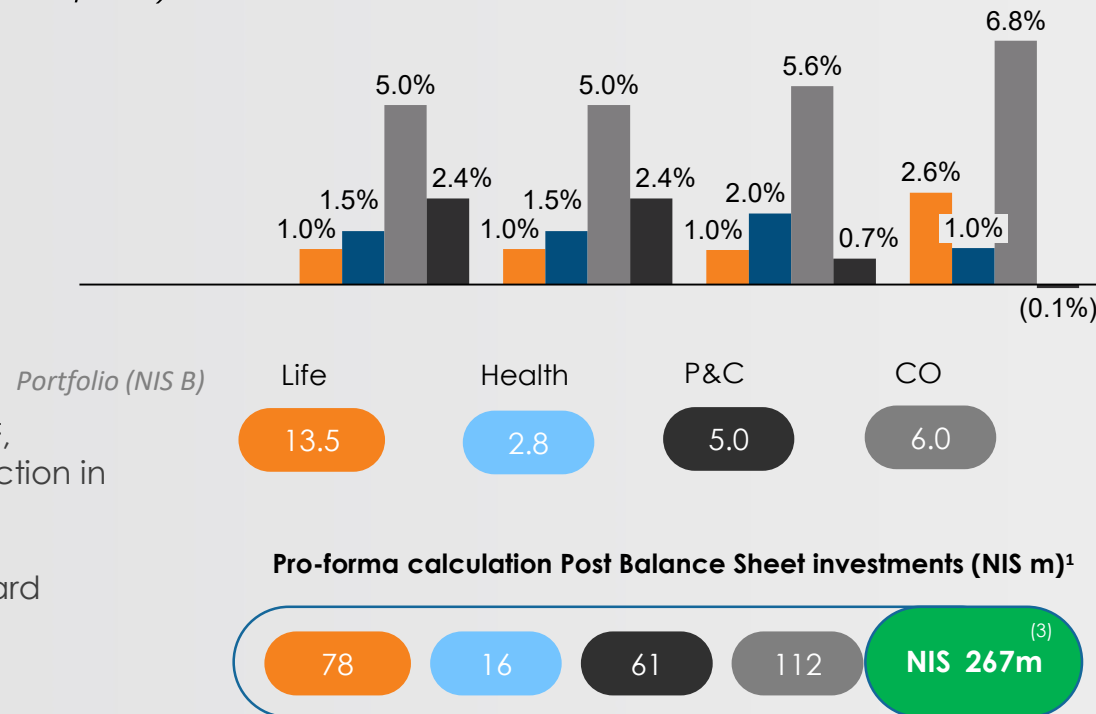
**Q3/20 financial
markets recovery and
low global interest rates
generate solid returns**

- Smaller deficit in variable MF, expected variable fee collection in Q4/20
- Nostro post reporting date improvement across the board

- 1) Pre tax Pro Forma calculation for 01.10.2020 – 11.11.2020
- 2) Refers to yields in the general plan
- 3) Does not include variable management fees
- 4) Variable management fees are expected to collected starting Q4/20

NOSTRO

1.1.20 – 11.11.20



OPM

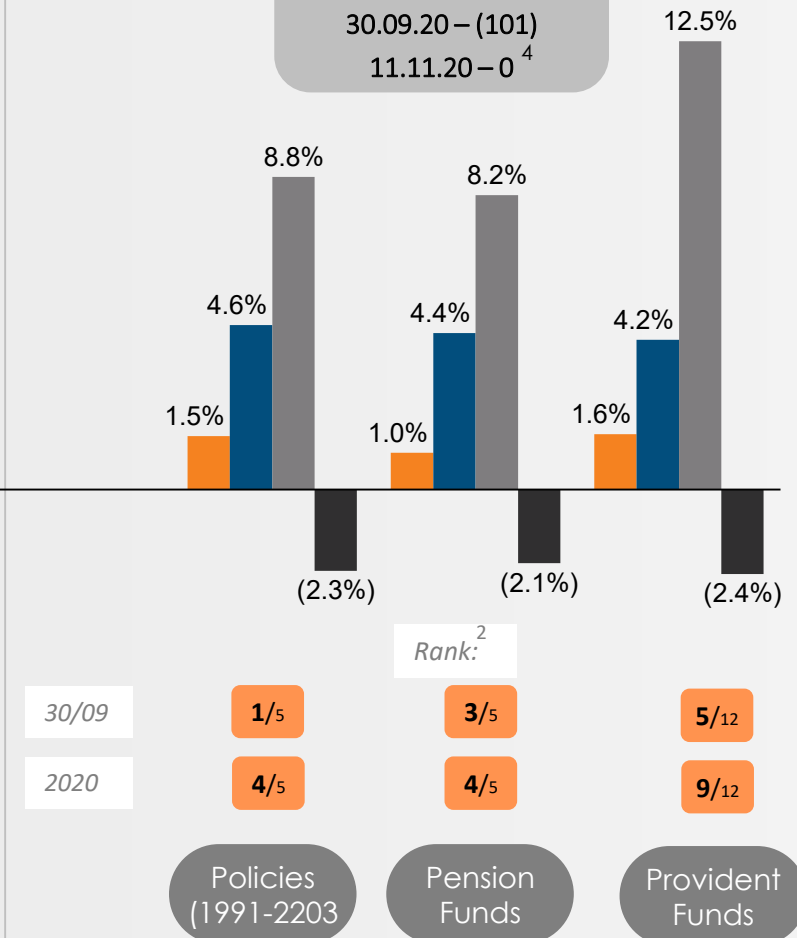
MF Deficit

31.03.20 – (517)

30.06.20 – (296)

30.09.20 – (101)

11.11.20 – 0⁴



■ Q3/19
 ■ Q3/20
 ■ 1-9/19
 ■ 1-9/20

APPENDIX



NON GAP: COVID 19 ECONOMIC IMPACT

NIS (333)

COVID-19 Impact

Financial Reports (Pre Tax)¹

NIS m	Investment ⁽¹⁾	Interest ⁽²⁾	Underwriting impact ⁽³⁾	Total Impact	Economic impact (Pre Tax) ⁽⁴⁾	Total Impact (Pre Tax)	Tax	Total COVID-19 impact (Post Tax)
P&C	47	2	(15)	34	(74)	(40)	13	(27)
Health	80	(300)	2	(218)	(49)	(267)	91	(176)
LTS	39	98	-	137	(226)	(89)	30	(59)
Agencies	(3)	-	-	(3)	-	(3)	1	(2)
CO	(1)	-	-	(1)	(103)	(104)	35	(69)
Total impact	162	(200)	(13)	(51)	(452)	(503)	170	(333)

COVID-19 Non GAAP impact adjustments: Adjustments of the impact reported at the financial statements to the economic impact of COVID-19.

- (1) Marketable and non-marketable assets before tax as reported in the Covid-19 Note 1 (section 3) in the financial reports and after offsetting the guaranteed yield to policyholders of approximately NIS 258m in LTS segment.
- (2) The Company refers to interest rate changes during 1-9/20 as a Covid-19 impact due to global monetary policy. For further details on the global monetary policy please refer to section 3 of the BOD report. For further details on the relevant adjustments please refer to Note 7 of the financial report. (In Health segment not including the reclassification of asset value surplus that is not related to Covid-19 impact of approximately NIS 121m). More further details regarding interest impacts please refer to section (7)(1) of the financial reports.
- (3) For Covid-19 impact on underwriting results see Note 1 section 2(b) and 2(C). (In Health –NIS 19m is added to the Covid-19 impact due to the decrease in claim frequency)
- (4) Investments under assumption of (3% + CPI) annual return including non collection of variable management fees of approximately NIS 92m (under assumption of 3%+CPI) in LTS segment under.

PHOENIX HOLDING

Balance Sheet As of
30/09/2020 (ILS m)



- Total assets for yield dependent contracts and total liabilities in respect of yield dependent insurance contracts remained mostly stable despite COVID-19 impacts.
-
- Total assets are up approximately 1,574 compared to 31/12/2019, reflecting overall Balance Sheet stability

Assets	30/09/2020	31/12/2019	Liabilities	30/09/2020	31/12/2019
Total assets for yield-dependent contracts in consolidated insurance company	71,617	71,662	Liabilities in respect of yield-dependent insurance contracts and investments contracts	71,099	71,091
Other Financial investments	26,460	24,809	Liabilities in respect of non-yield-dependent insurance contracts and investments contracts	23,405	23,192
Financial investments and cash for holders of debt instruments, ETFs, short ETFs, complex ETFs, currency ETFs, and structured bonds	252	284	Liabilities in respect of ETFs, complex ETFs, and structured bonds	250	282
Intangible assets	1,795	1,760	Others	9,756	8,863
Cash and other cash equivalents	1,710	1,732		0	0
Others	9,804	9,817	Total equity	7,128	6,636
Total Assets	111,638	110,064	Total equity and liabilities	111,638	110,064



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
Bps	Basis Points; 1 basis points is .01%
CGU	Cost Generating Unit
CI	Comprehensive Income
CLR	Combined Loss Ratio
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
CSM	Contractual Service Margin
D&O	Directors and Officers Liability Insurance
DAC	Deferred Acquisition Cost
ESOP	Employee Stock Ownership Plan; workplace benefit program, that provides the employees with ownership interest in the company.
ETF	Exchange Traded Fund; an open end, tradable basket of securities that tracks an underlying index, sector, or security type
Fixed-Rate Gov Bonds	A government issued bond for which the interest income payment is agreed upon and does not change
FX	Foreign Exchange Currency
Gama	Financial services and credit company owned by the Phoenix Group
Illiquidity Premium	or Liquidity Premium; premium demanded by investors when any given security cannot be easily converted into cash for its fair market value.
IMF	International Monetary Fund
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
Liquidity Premium	See Illiquidity Premium
LOB	Line of Business
LTC	Long Term Care insurance; typically helps pay for costs associated with long term care
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



GLOSSARY

MF	Management Fees; wages charged by a financial manager
Moody's	A credit risk rating agency
MSCI	Morgan Stanley Capital International Emerging Markets Index; measures the performance in equity markets, specifically in global emerging markets
Mutual Fund	Open end, non-tradable basket of securities that tracks the performance of an undelaying index, sector, or security type
Net Inflows	The net amount of new cash, excluding the impact of investment market value; calculated by subtracting withdrawals from new deposits
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
OPEX	Operational Expenses
P&C	Property and Casualty insurance
PH	Phoenix holdings
PHI	Permanent Health Insurance
PI	Phoenix insurance
PLI	Professional Liability insurance
Reinsurance	A balancing risk strategy; one or more insurers that share the liability
Revenue	All encompassing streams of income; including, but not limited to: premium, management fees, benefit contributions
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
Tel Bond 20	Index that tracks the performance of the 20 largest Index Linked Corporate Bonds in terms of market value
Tel Bond 40	Index that tracks the performance of the 40 largest Index Linked Corporate Bonds in terms of market value
Tel Bond 60	Index that tracks the performance of the 60 largest Index linked Corporate Bonds in terms of market value
TLV 125	An index that tracks the performance of the 125 largest market value companies in the Tel-Aviv Stock Exchange
TLV 35	An index that tracks the performance of the 35 largest market value companies in the TLV Stock Exchange
TLV 90	An index that tracks the performance of the 90 largest market value companies in the TLV stock Exchange
Workers' Compensation Insurance	Insurance coverage for employees' injuries or sickness
Yield Curve	A line that plots interest rates of bonds with equal credit risk with different maturity dates in the future



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