

# Strategic Targets & Roadmap

Phoenix Financial

September 9<sup>th</sup>, 2024

# Forward Looking Statements & Disclosures

This presentation outlines the 2027 strategic targets and roadmap of Phoenix Financial Ltd. (the “Company”) and its affiliated companies within the Phoenix group. These targets are based on the Company’s strategic plan, which is subject to periodic updates. Accordingly, the presentation includes information regarding the Company’s strategic plan as well as forward-looking information as defined in section 32A of the Securities Law 5728-1968.

Such information includes, among other things, forecasts, goals, assessments, and various estimates, including information presented by way of illustrations and/or graphs and/or tables relating to future events or matters, the realization of which is uncertain and not under the control of the Company or the companies in the Phoenix group, including, among other things, regarding revenues and profitability from new initiatives and the implementation of various plans, profit forecasts, EBITDA, and other future financial data.

The Company’s management has carried out a process of updating its strategic goals, based on the Company’s data, market data, raw or processed internal information collected, and comparative information, and based on certain working assumptions regarding the Company’s activities and relevant markets. Such information is based on the subjective assessment of the Company and its advisors, and among other things, relies on past experience, the professional knowledge accumulated by the Company, existing information, and current expectations and assessments, including future developments as known to the Company today.

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conditions, capital market in Israel and globally, the development of competition in the segments relevant to the group’s activities, regulatory changes, changes in consumer preferences and consumption habits, changes in working assumptions or in the economic models and assumptions, and changes in implementation or execution – that cannot be estimated in advance and may not be controlled by the Company. Hence, there is no certainty that the actual results and achievements of the Company in the future will be in accordance with these views and may differ substantially from those presented in this presentation.

The business strategy and goals presented in this presentation are correct as of the date of the presentation and may change in the future, among other things, considering the risk factors mentioned above and the decisions of the Company’s Board of Directors and the companies in the group.

This presentation should not be seen as an offer to purchase or sell the Company’s securities, or an invitation to receive such offers. The presentation was prepared for convenient and concise presentation only, and does not purport to cover all the data about the Company and its activities and/or all the information that may be relevant for making any decision regarding investment in the Company’s securities in general. In any case of contradiction and/or inconsistency between the information presented in this presentation and the information in the Company’s financial reports and/or its public reports, the information in the financial and other reports shall prevail.

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# Agenda



**2027 Targets**

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**Asset Management, Agencies & Credit**

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**Insurance**

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**Cashflow & Dividends**

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**Clients, Leadership & Values**





# 2027 Targets

# Phoenix | 2027 Targets



**2 NISb**

Comprehensive Income



**16-18%**

ROE



**>50%**

Dividend + Buyback  
from Comprehensive Income

**> 8 NIS** Income Per Share

# Strategic Targets

Targets driven by systematic development of **growing**  
**& profitable** activities, generating cashflows and  
dividends **based on existing capital**

# Phoenix | Proven Strategy



## Accelerated Growth

in profitable & capital-efficient activities



## Innovation & Efficiency

to increase competitive advantages



## Active Management

of people & structure



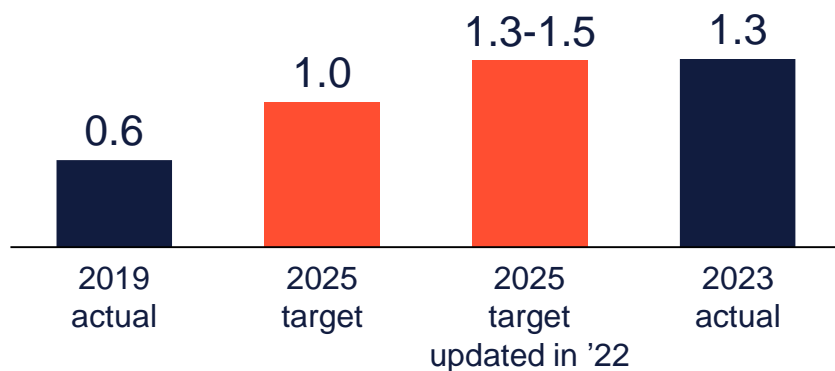
## Capital & Investments Management

to maximize performance

# Strategic Execution | Early Achievement of 2025 Targets

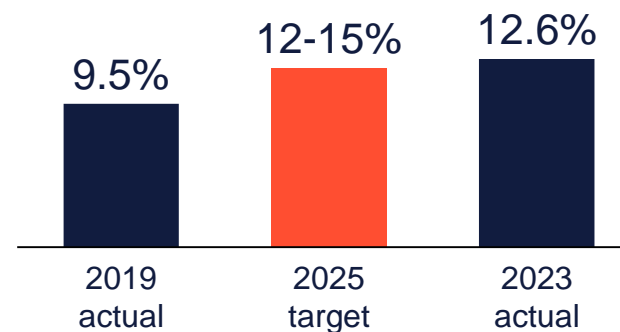
## ► Income

Core Comprehensive Income, NISb



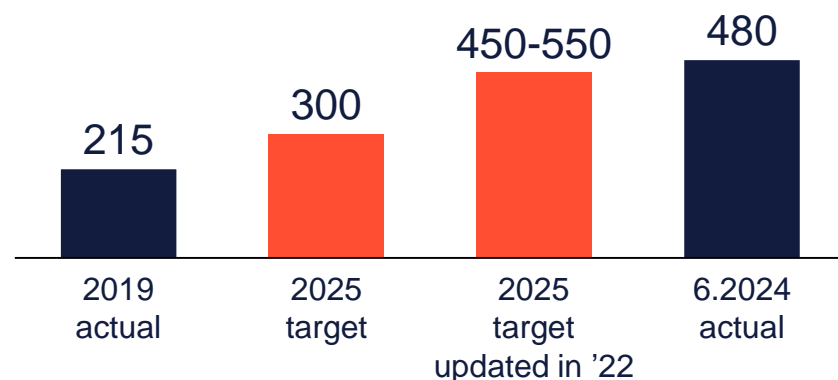
## ► ROE

Core, %



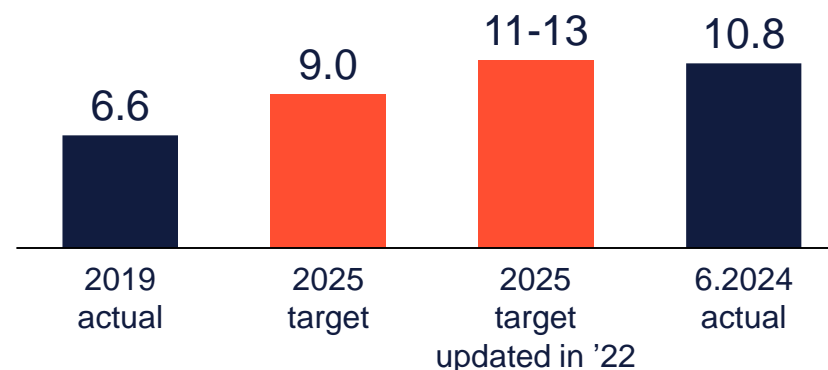
## ► AUM

NISb



## ► Equity

Shareholders' Equity, NISb





# Capabilities | Infrastructure & Results

- |                        |  |
|------------------------|--|
| ► <b>Business</b>      | <b>Differentiated products</b> & collaborations<br>Advanced <b>customer platforms</b><br><b>Hybrid distribution</b> (Smart, Agents, Banks) |
| ► <b>Management</b>    | Business <b>leaders as partners</b> model<br><b>Equity</b> & options<br><b>Succession</b> & development                                    |
| ► <b>Technological</b> | <b>Data</b> management<br>ML <b>pricing engine</b><br><b>Digitalization, automation</b> , cyber & cloud                                    |
| ► <b>Financial</b>     | Liquidity, <b>solvency &amp; risk management</b><br><b>Investments</b> division<br><b>Dividend</b> policy & <b>buyback</b>                 |

## Demonstrated results:

**Business performance**  
incl. growth, profitability, returns

**International recognition**  
incl. analysts and investors  
(over 30%)

**Credit ratings**  
Phoenix Financial - AA (Israel)  
Phoenix Insurance – AAA  
(Israel) A2/A- (International)

# Insurance & Asset Management | Global Trend

Asset managers expand to insurance...



...and insurance groups to asset management



*High growth, ROE & dividends*

# Phoenix: From Insurance Company to Financial Group



*Each activity creates value independently & as part of a group with:*

- Strong brand**
- Over 3 million clients**
- Synergies**
- Efficient capital & liquidity**

# Continued Growth | Based on Existing Capital

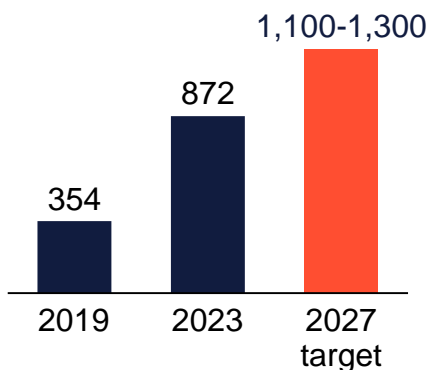


Insurance

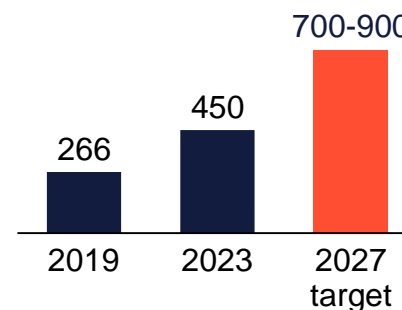
Asset Management, Agencies & Credit

Growth to:

**Core Income**  
NISm



+



**ROE**

12-15%

+

20-25%

*Cash-flow generating businesses with consistent dividends distribution*

**2 NISb**  
*Income w/o additional capital needed*

**>8 NIS**  
*Income per share*

**16-18%**  
*ROE*

**>50%**  
*Dividends + Buyback*



## Asset Management, Agencies & Credit

### *Phoenix Financial 2027*



**2 NISb**  
Comprehensive  
Income

**>8 NIS**  
Income per Share

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**16-18%**  
ROE

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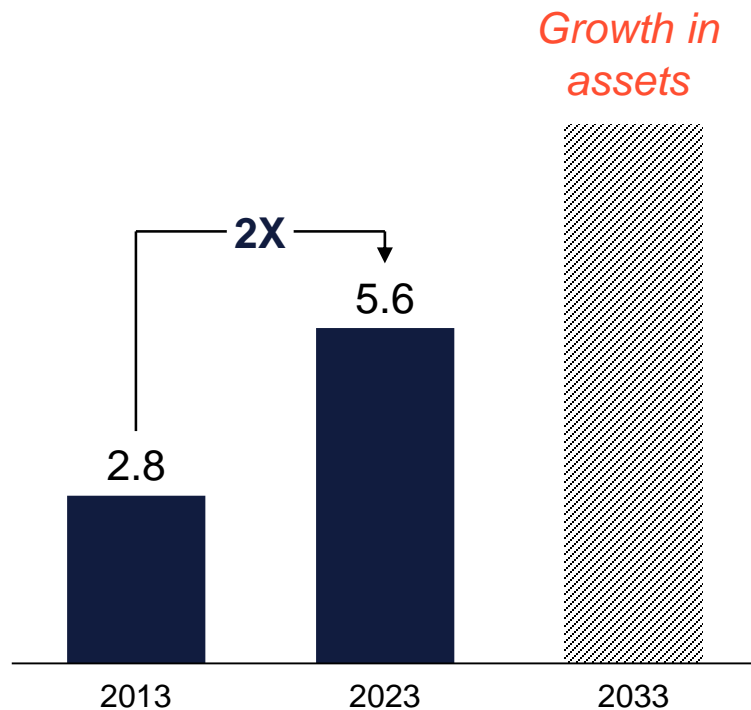
**>50 %**  
Dividend + Buyback  
% of income



# Israel Trend | Value Creation in Financial Services

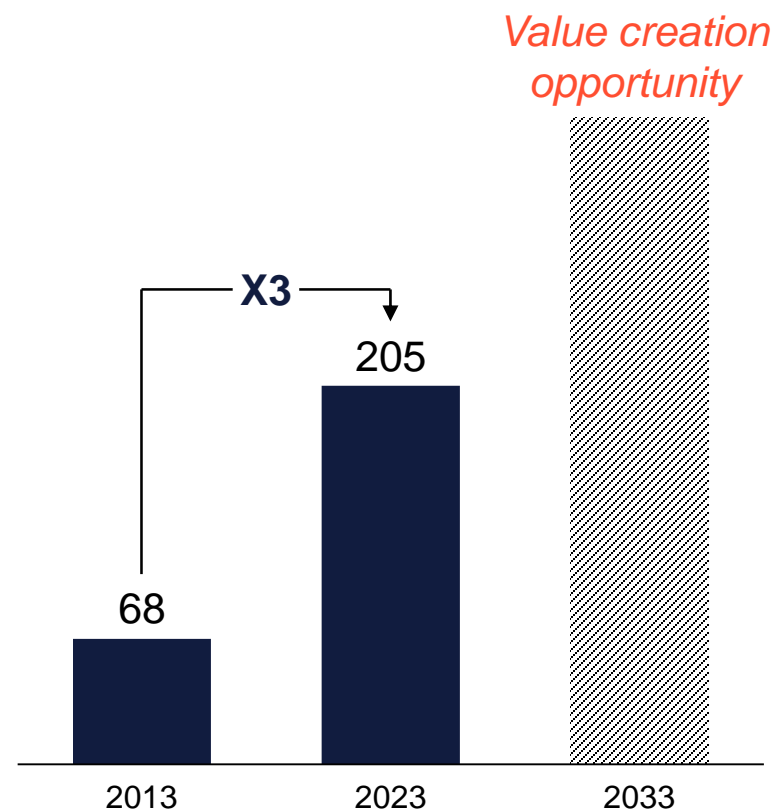
## Financial assets held by public

NIStr



## Financial services sector market cap

NISb

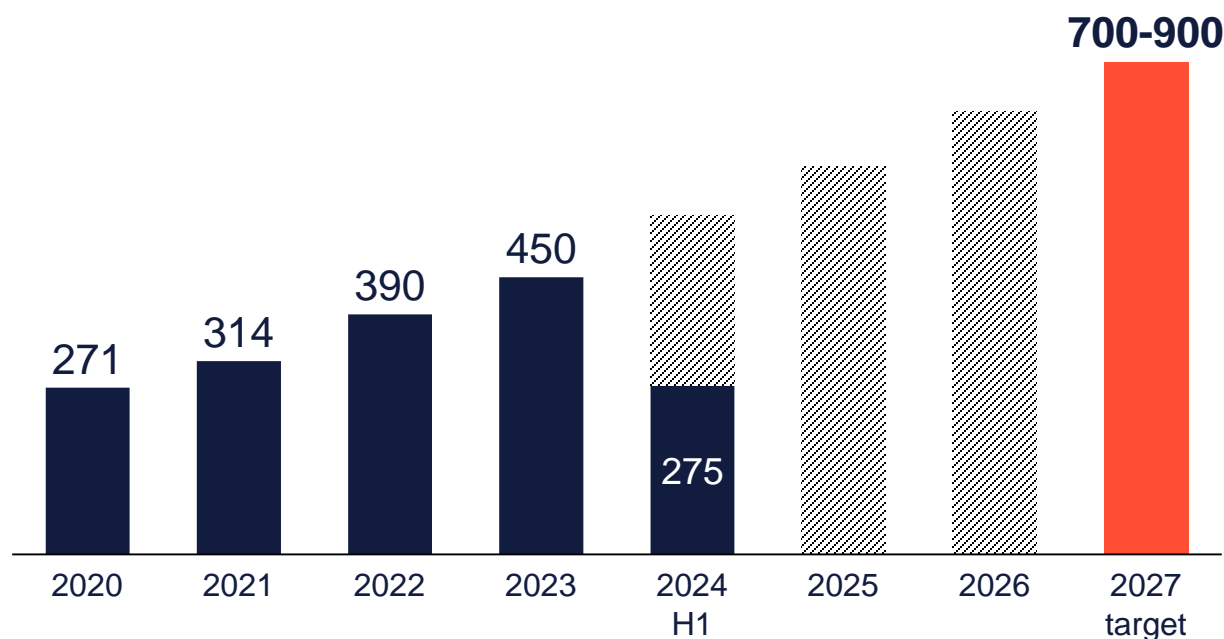




# Asset Management Agencies & Credit | Growth Engines

## Core Income

Net comprehensive income not incl. minority interests & special effects, NISm



*Established, independent platforms with business leaders as equity partners*

*Low-volatility income*

*Strong profitability & cashflow*

*Minimal capital needs for growth*

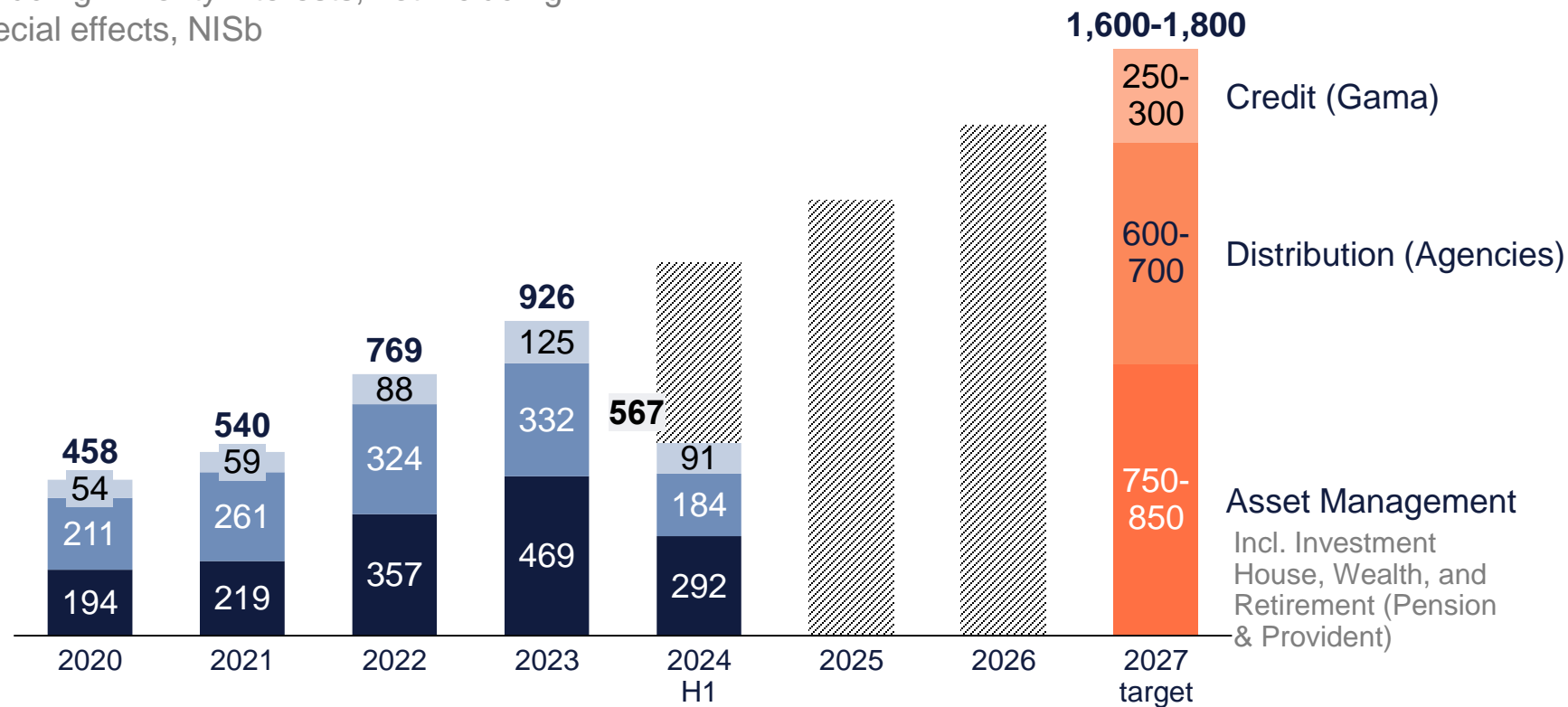
*Group synergies*



# Cashflow | Growth, Profitability & Liquidity

## Adjusted EBITDA

Including minority interests, not including special effects, NISb



*Low-volatility income*

*Significant stable cashflow*

*Adjusted EBITDA target for 2027 not including minority interest 1.2-1.4 NISb*



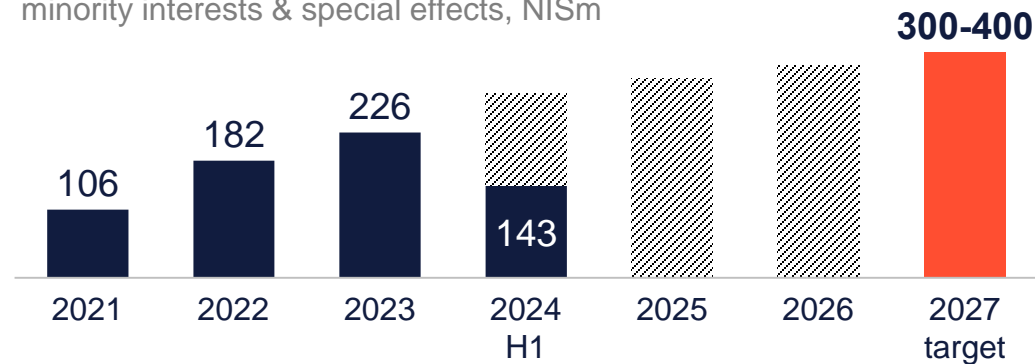


# 1. Asset Management | Growth and Profitability

Investment House, Wealth & Retirement (Pension & Provident)

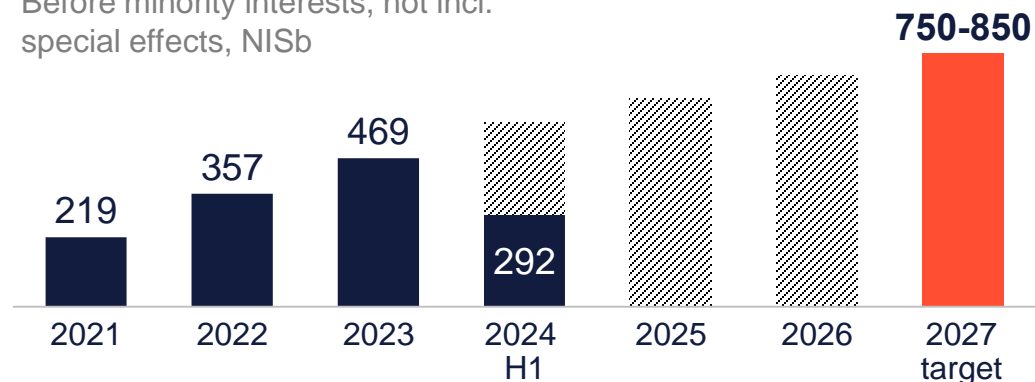
## Core Income

Net comprehensive income not incl.  
minority interests & special effects, NISm



## Adjusted EBITDA

Before minority interests, not incl.  
special effects, NISb



### Kesem MF & ETFs

Capitalize on research & investments capabilities to lead market & increase margins

### Trade / Private Brokerage

Increase market share, cross-sell, trade volumes, decrease interest impact (credit & deposits)

### Wealth & Alternatives

Focus on qualified investors, grow AUMs, proprietary products, trust, global collaborations, data

### Pension & Provident

Improve profitability with scale, digitization, automation & distribution efficiency

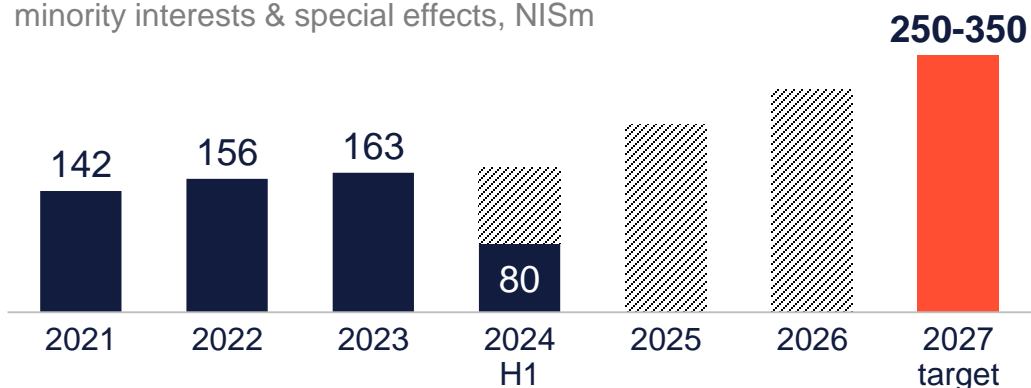




## 2. Distribution / Agencies | Strong & Independent Platform

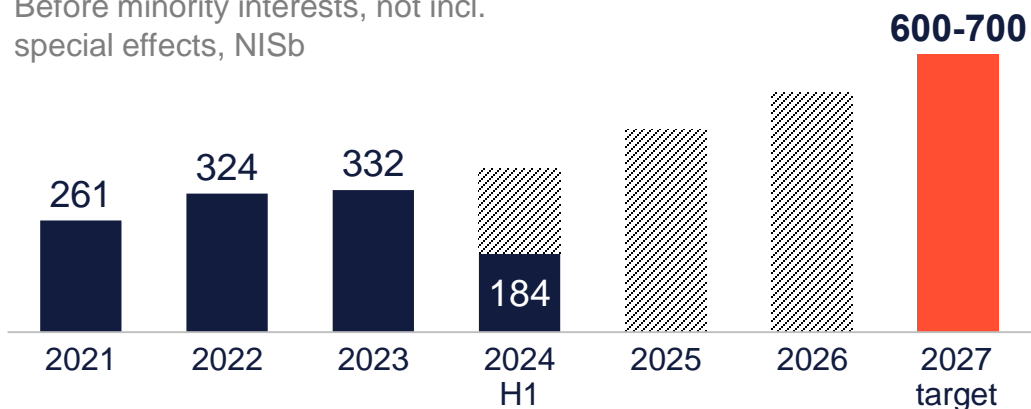
### Core Income

Net comprehensive income not incl.  
minority interests & special effects, NISm



### Adjusted EBITDA

Before minority interests, not incl.  
special effects, NISb



**Independent profit center  
to create & unlock value**

Business leaders as  
partners in equity

**Accelerate growth**

Organic, synergistic M&A,  
expanded offering of  
investment and financial  
solutions

**Open architecture model**

Distribute all producers'  
products to maximize client  
value

**Improve profitability**

Technology based  
differentiation and efficiency



~7% Market Share

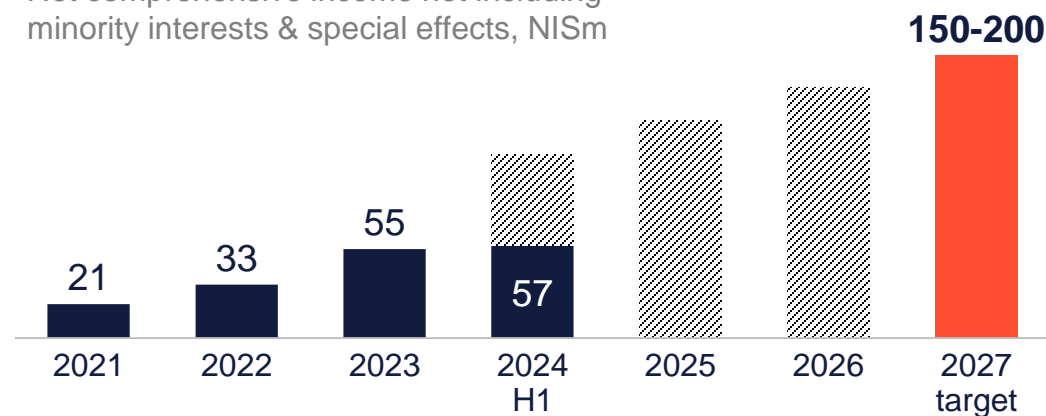


## 3. Credit | Growth & Profitability Based on Banking Capabilities

Established credit engine with diversified products and new value offerings

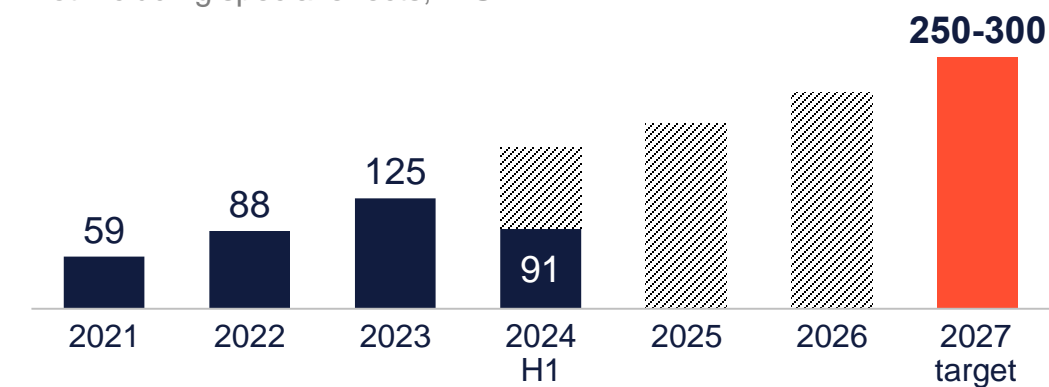
### Core Income

Net comprehensive income not including minority interests & special effects, NISm



### Adjusted EBITDA

Not including special effects, NISm



#### SME lending

Grow portfolio by cross-sell, increase mid-market market share

#### Construction finance

Grow & optimize portfolio (diversification and distribution), collaboration with insurance (credit, guarantees)

#### Data-based consumer credit

Launch and grow based on unique platform, personalization, advanced underwriting & direct distribution (Smart) capabilities

#### Credit card payments & clearing

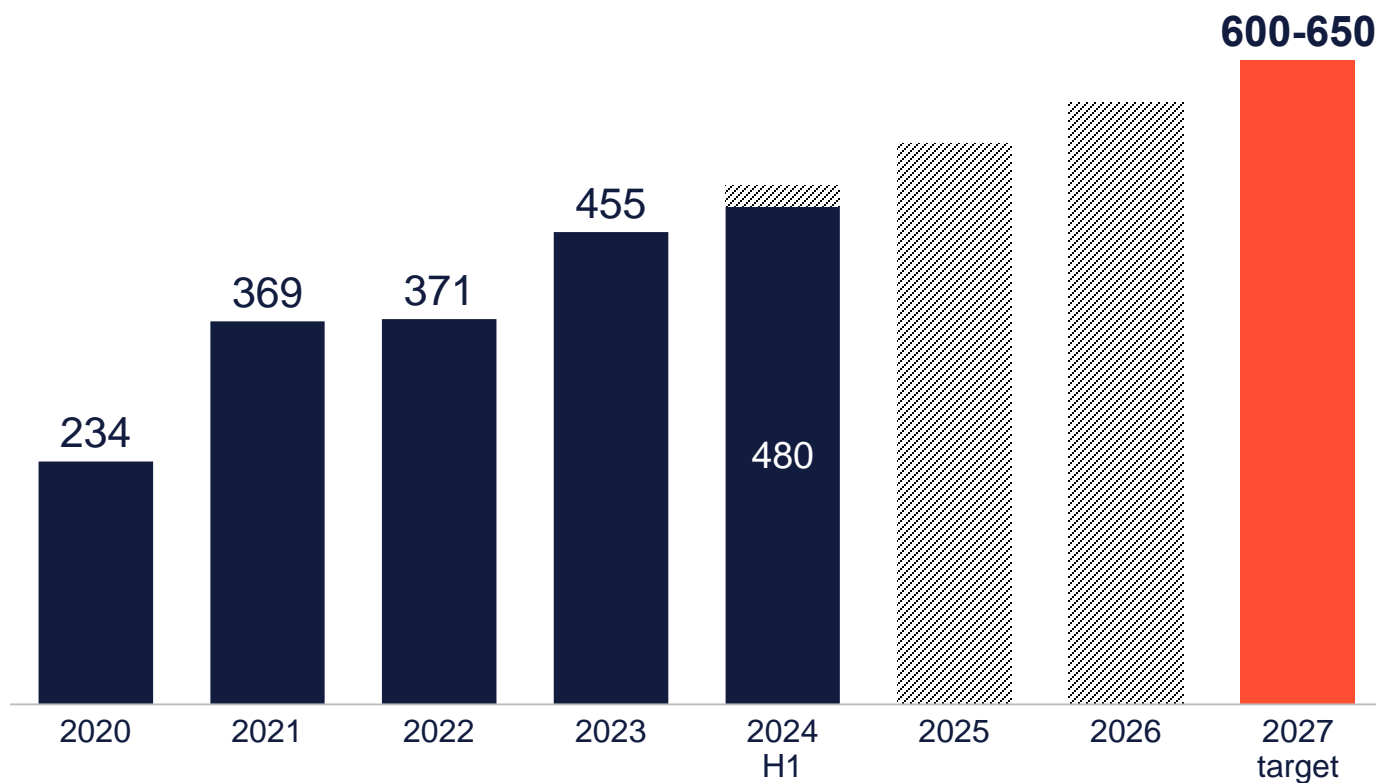
Increase market share in profitable, capital light, liquidity-generating activities



# AUM | Profitable Growth

## Assets Under Management

NISb



► Focus on profit over size

► Accelerated growth in high-margin activities

2023-27 AUM CAGR

**15%**

Investment Policies

**13%**

Investment House & Wealth

**7%**

Pension & Provident



# Insurance

## Phoenix Financial 2027



**2 NISb**  
Comprehensive  
Income

**>8 NIS**  
Income per Share

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**16-18%**  
ROE

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**>50 %**  
Dividend + Buyback  
% of income

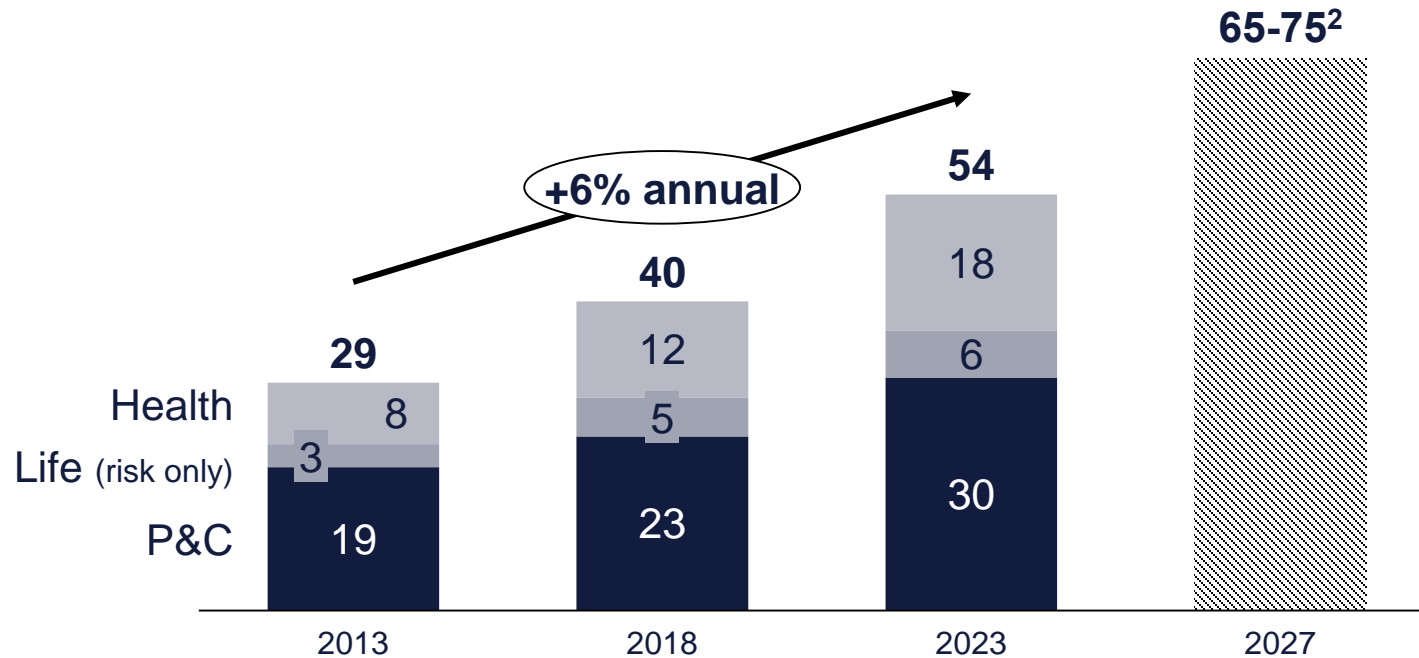


# Israeli Insurance Market | Opportunities

## Total Market Premiums<sup>1</sup>

NISb

*Solvency and IFRS-17 accelerate changes, emphasize value creation, create transparency & market attractiveness*



### Opportunities for differentiation

Accurate pricings via AI/ML models

Hybrid distribution

Data

### Opportunities for optimization

Shift to capital-efficient products

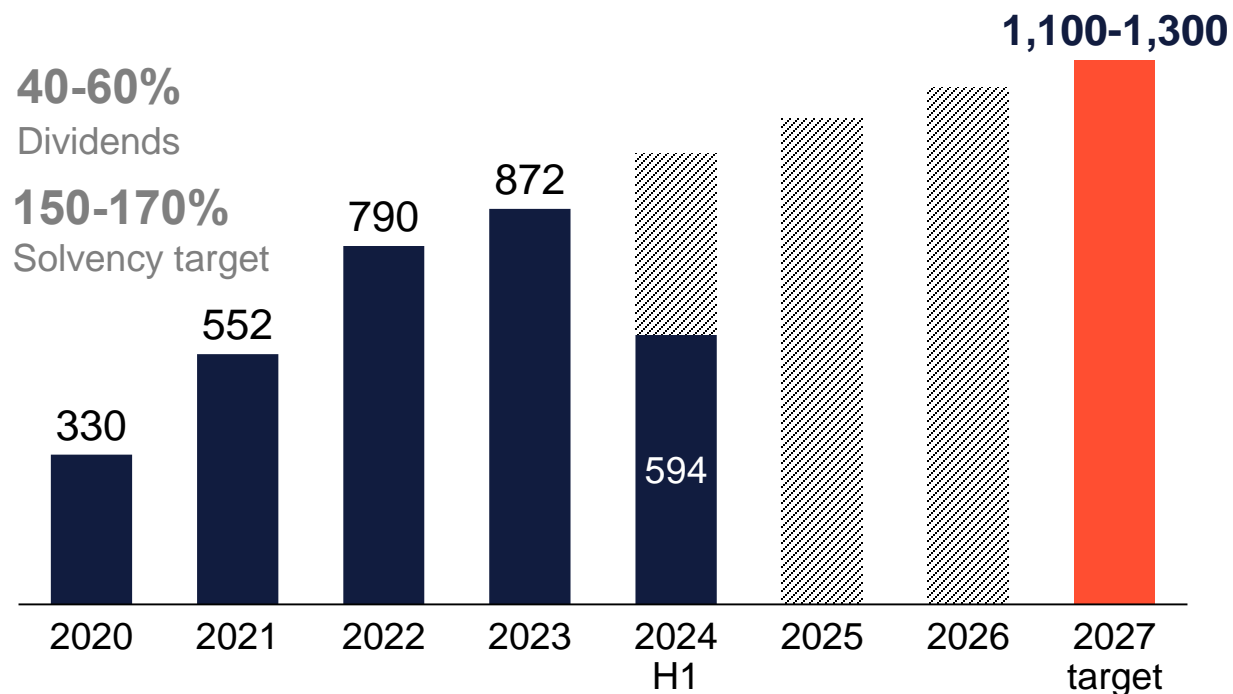
Efficiency in operations, service & claims via digitization & automation



# Phoenix Insurance | Competitive Advantages & Optimization

## Core Income

Net comprehensive income not incl.  
minority interests & special effects, NISm



### Deepen competitive advantages

Advanced pricing models

Hybrid distribution

Capital management, ratings & solvency

### Broaden optimization

Continued shift in business mix

Financial & operational efficiency

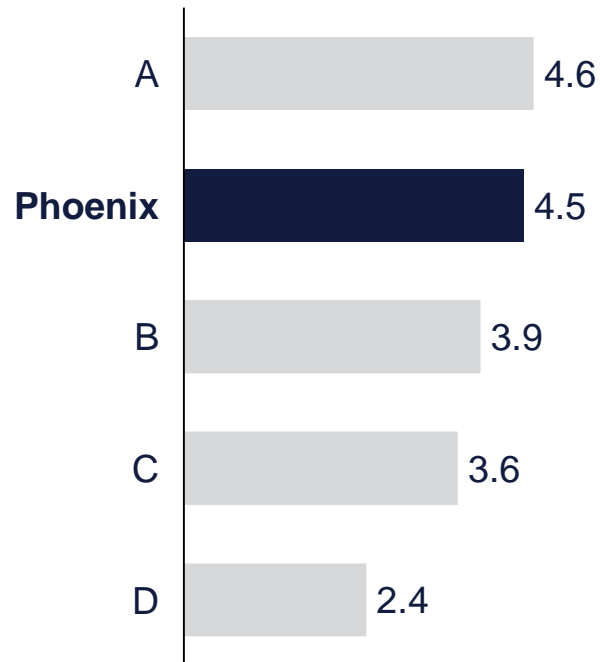
Reduced volatility



# Competitive Advantages | P&C Example

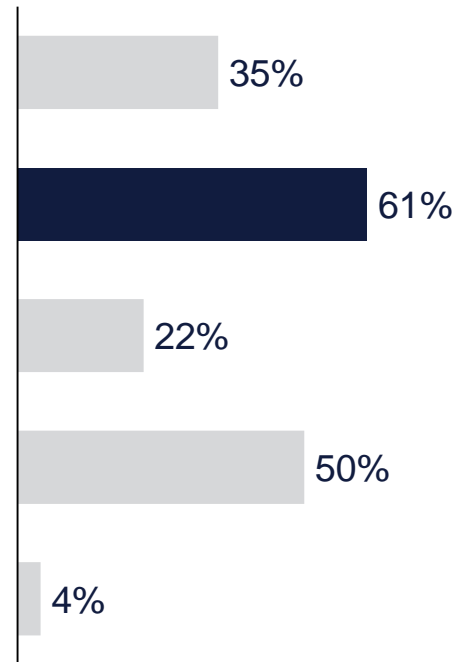
## ► Size

Total GWP 2023 (NISb)



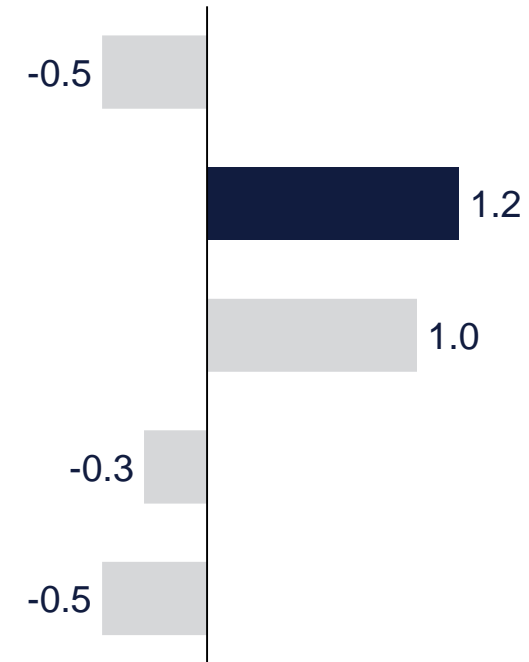
## ► Growth

Growth in GWP 2019-23 (%)



## ► Income

Underwriting profit 2019-23 (NISb)\*

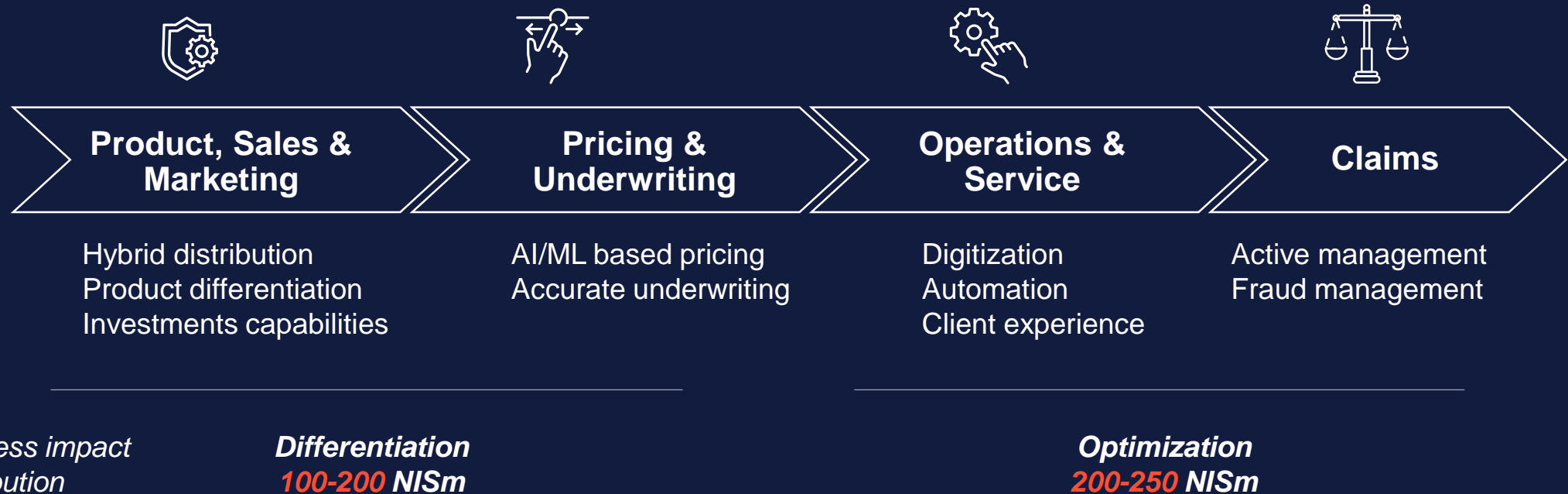


***Leadership in growth and profitability with ML/AI capabilities***





# Competitive Advantages | Capabilities Across Value Chain

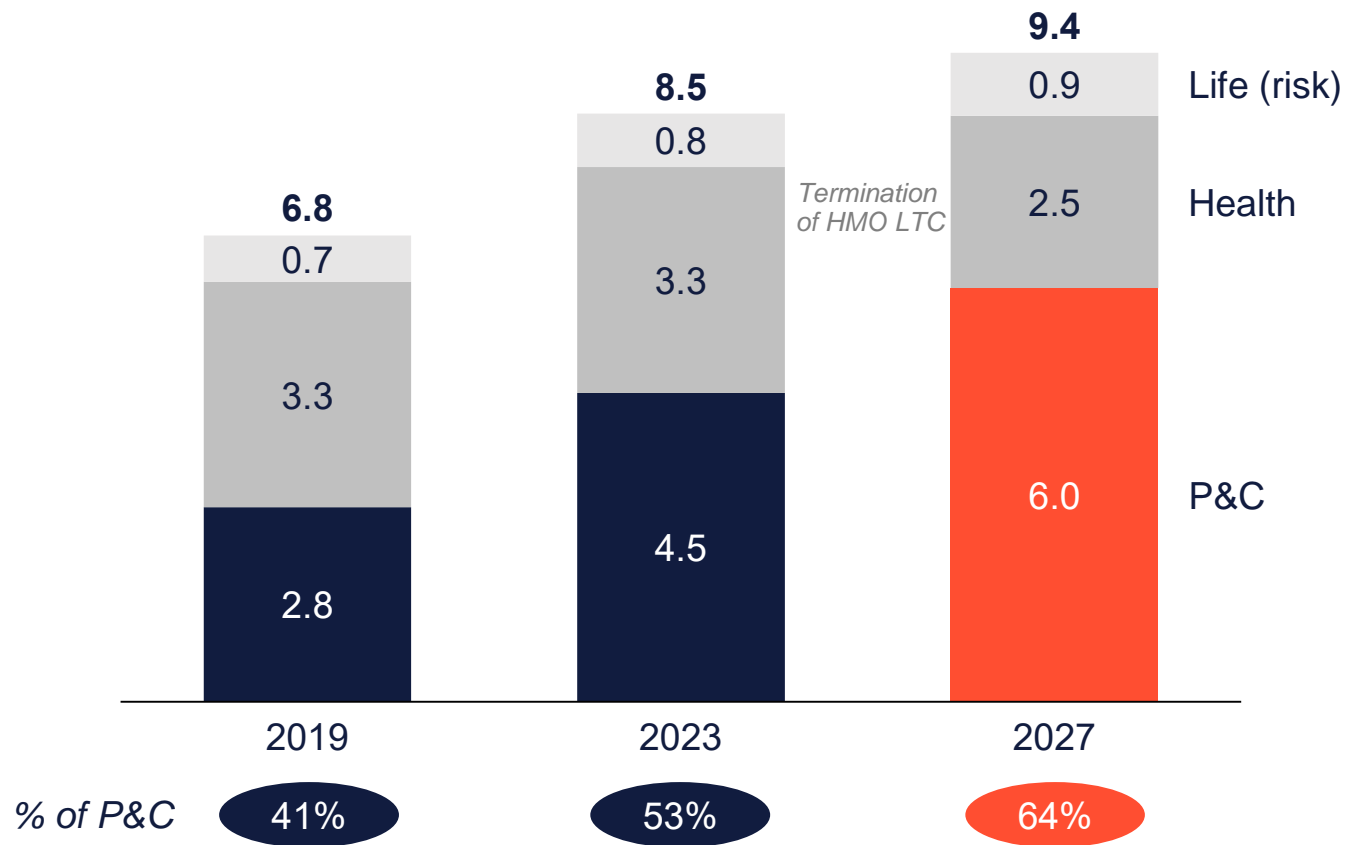




# Business Optimization | Shift in Mix to High ROE Businesses

## Insurance Premiums

w/o Executives Insurance and Investment Policies,  
NISb



### Growth in P&C

Based on ML underwriting models & hybrid distribution

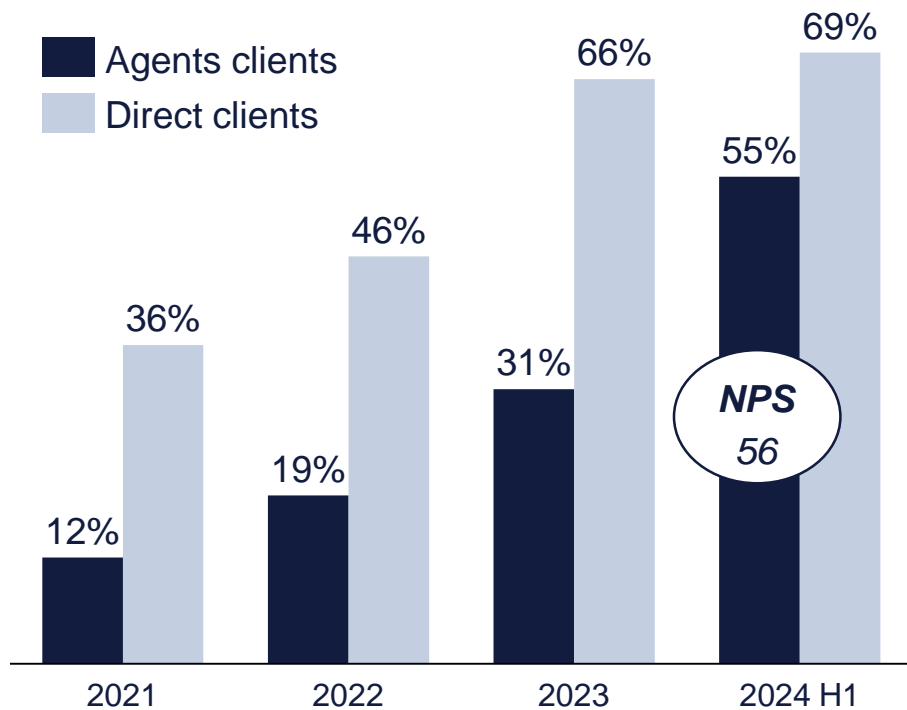
### Growth in Investment Policies

Based on distinctive products & international collaborations

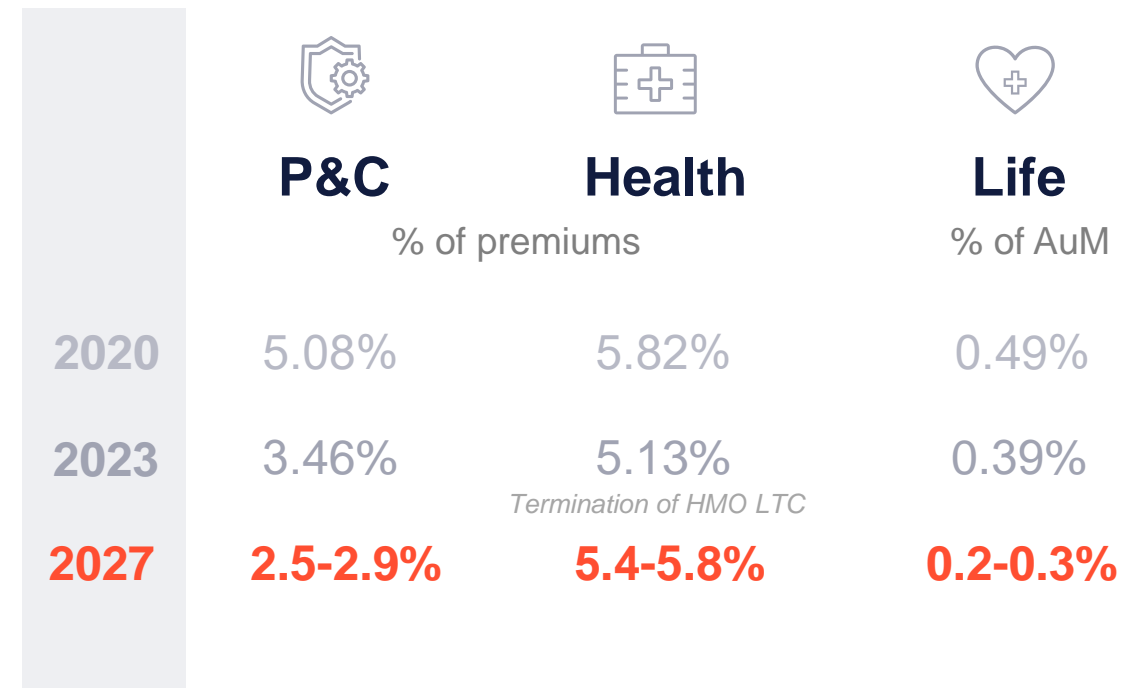
# Operational Optimization | Efficiency

## Digital Self-Service

% of service interactions



## G&A Expense Ratios





# Financial Optimization | Reducing Volatility

1

## ► Shift in activity mix

Increase capital efficient activities  
(P&C, Investment Policies)

2

## ► IFRS-17 implementation

Decrease volatility  
Increase transparency and  
comparability of the segment

3

## ► Capital management

Decrease cost of capital with scale,  
international ratings, liquidity,  
backbook efficiency

4

## ► Investments management

Manage exposures (incl. interest)  
Provide >3% real yields  
(3.9% of 5-years average)



## Cashflow & Dividends

### Phoenix Financial 2027



**2 NISb**  
Comprehensive  
Income

**>8 NIS**  
Income per Share

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**16-18%**  
ROE

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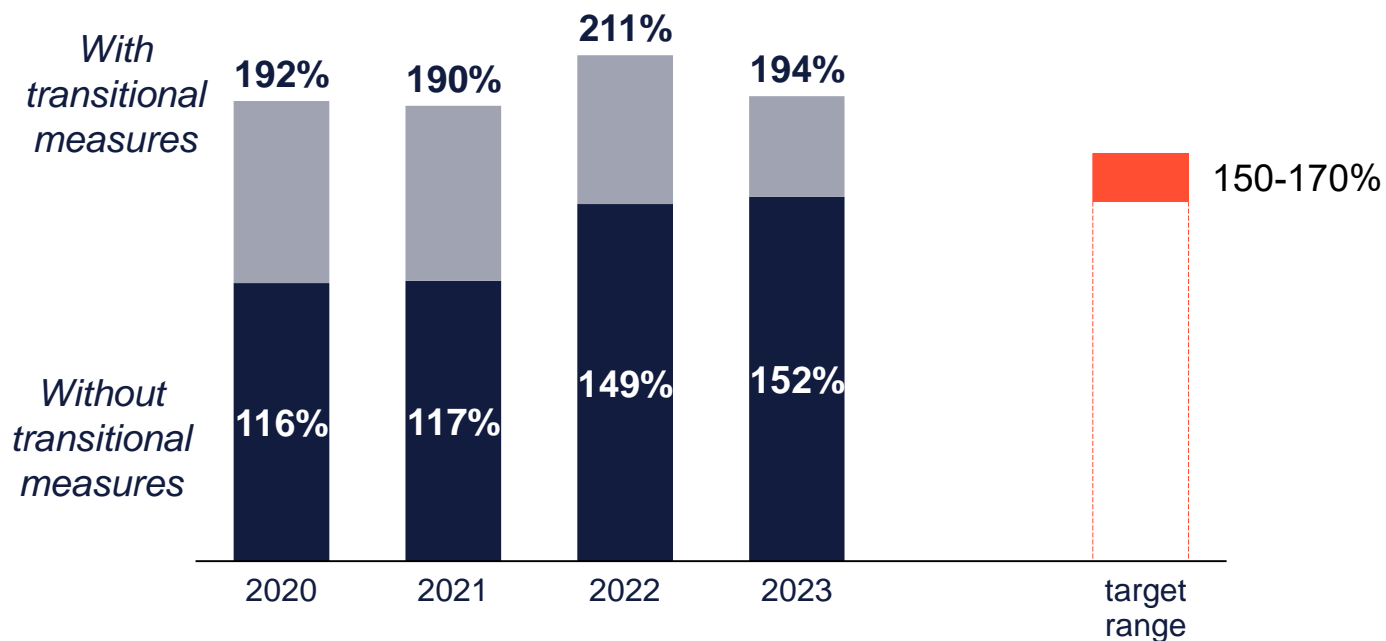
**>50 %**  
Dividend + Buyback  
% of income



# Capital & Liquidity | Growth Based on Existing Capital

## Solvency Ratio

%



*Phoenix Insurance with market leading  
4.4 NISb excess capital in 2023  
(45% of total market excess capital)*

### Insurance

High capital and solvency  
Shift mix to capital-light activities  
Reduced insurance risk correlation

### Asset Management, Agencies & Credit

Low capital needs for growth  
Credit with capital efficiency and high ROE

### Group

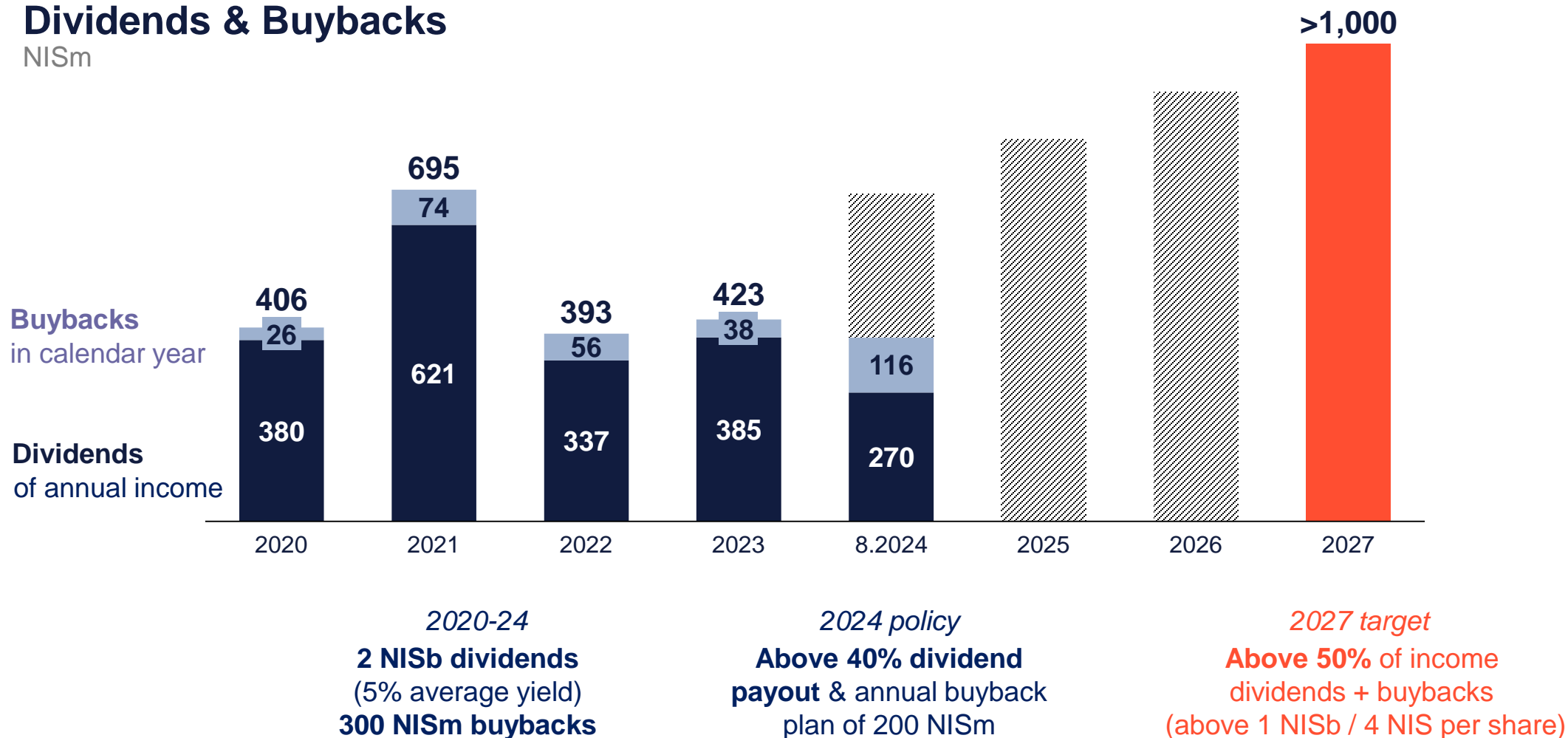
High liquidity & low leverage



# Dividends | Track Record of Distributions & Yield

## Dividends & Buybacks

NISm





## Clients, Leadership & Values

### Phoenix Financial 2027



**2 NISb**  
Comprehensive  
Income

**>8 NIS**  
Income per Share

---



**16-18%**  
ROE

---



**>50 %**  
Dividend + Buyback  
% of income





# Active Management | Clients, Agents & Advisors



## Digital service for clients & agents

- ▶ Digital platforms
- ▶ Automatic processes
- ▶ Accessible & transparent data



## Personalization

- ▶ Advanced AI/ML tools
- ▶ Smart use of data
- ▶ Fit-to-consumer offering



## Sales

- ▶ Digital interactions
- ▶ High LTV
- ▶ Increased loyalty



# Active Management | Experienced & Committed Leadership



## Chairman since 2019

20+ years financial services;  
Chairman of Israeli Insurance  
Association

**Benny Gabbay**  
Chairman



## CEO since 2019

20+ years financial services  
experience & Phoenix  
management roles

**Eyal Ben Simon**  
CEO

## ***Committed management***



**Equity based**  
incentives



Deep **experience**



**Values** of Excellence,  
Agility, Collaboration  
and Transparency



Execution **culture**



Comprehensive **corporate governance**

(Dispersed control, over 30% international  
shareholders, professional & committed  
BoD, continuity of business, leadership  
and strategy)



# Active Management | Sustainability



## ► Support for Social Resilience

*Portfolio of nonprofit ventures*

*Focus on education, health & culture*

**10** non-profits supported  
(focus on education & Health)

**2,500** boys and girls provided  
with better starting point for their  
future

**70,000** visitors in Phoenix  
Israeli art collection exhibition



## ► Investment Stewardship

*Dialogue-based & voting influence*

*Value creation & impact*

**235** Israeli public companies  
in portfolio

Of which, in **130** Phoenix is a  
significant shareholder

**52** votes taken in 2023, focus  
on corporate governance



## ► Managing Climate Impact

*Capture opportunities (focus on EVs)*

*Insurance, credit & investments risks*

**#1** in electric-vehicle insurance

**10 NISb** investments and credit  
with positive climate impact

**6** growing “green” insurance  
products



# Summary | 2027 Targets

Targets driven by systematic development of **growing & profitable** activities,  
generating cashflows and dividends **based on existing capital:**

Grow comprehensive income to **2 NISb** (above **8 NIS** per share)

with ROE of **16-18%**

and **above 50%** payout of dividend & buybacks

# Appendix

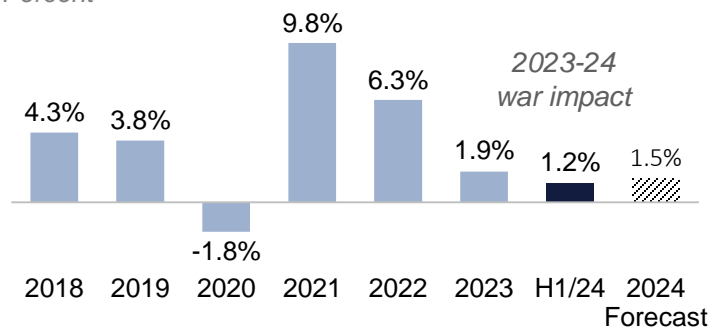
# Assumptions & Definitions

Core income	Net Comprehensive Income assuming 3% real yield, not including investments performance above/below 3%, interest rate effects & special items
Adjusted EBITDA	Adjusted EBITDA calculated as earnings before interest, tax, depreciation & amortization; consolidated including minority interests; adjusted for non-operating items, without IFRS 16 influence, and cash items relevant to specific segments (Retirement includes DAC amortization, Credit includes finance expense & provisions)
Tax statutory rates	Insurance, Pension & Provident - 34% Distribution, Credit - 23% Investment House and Wealth - 34/23% depending on activity
Solvency Target	Target range based on transitional measures over time
Insurance 2027 plan assumptions	<b>P&amp;C</b> - Increase market share & improve margins with advanced models & diversified channels <b>Life</b> - Accelerate growth in Investment Policies with differentiation, branding & international collaborations <b>Health</b> - Focus on selected products and efficiency
Asset management, distribution & credit 2027 plan assumptions	<b>Investment House &amp; Wealth:</b> Kesem ETFs and mutual funds – market growth Trade / Brokerage – market share growth Wealth & Alternatives – growth in assets <b>Credit:</b> Market share growth in SME credit and construction finance

# Israeli Economy | Main Indicators

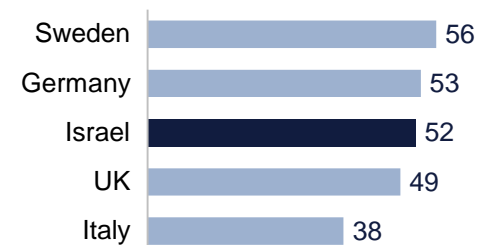
## GDP Growth <sup>2</sup>

Percent



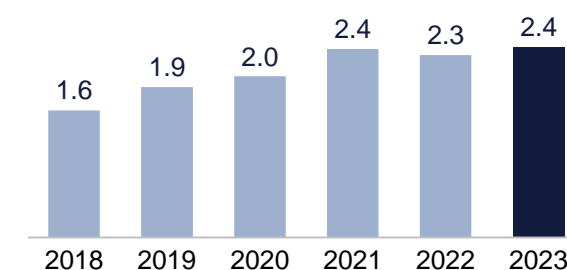
## GDP per Capita <sup>3</sup>

USD '000



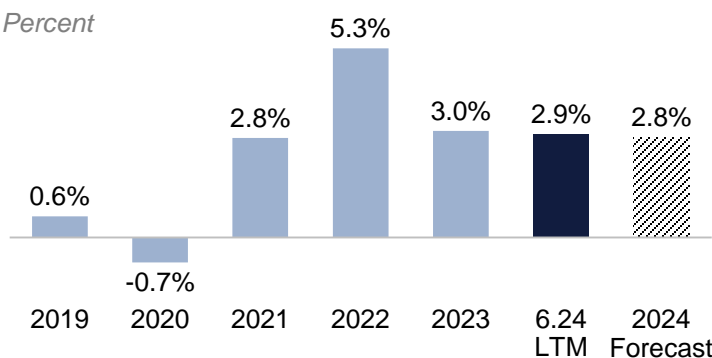
## Long-Term Savings AUM <sup>4</sup>

NIS Trillion



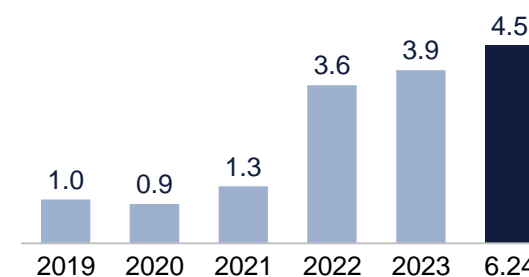
## Inflation <sup>5</sup>

Percent



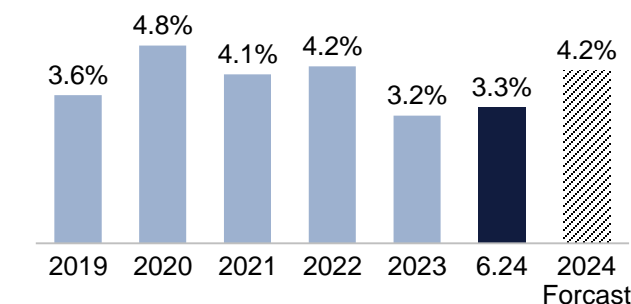
## Long-Term Yields (10Y) <sup>6</sup>

Percent



## Unemployment <sup>7</sup>

Percent



Long-term positive structural trends (e.g., wealth accumulation, vibrant tech sector)<sup>1</sup>

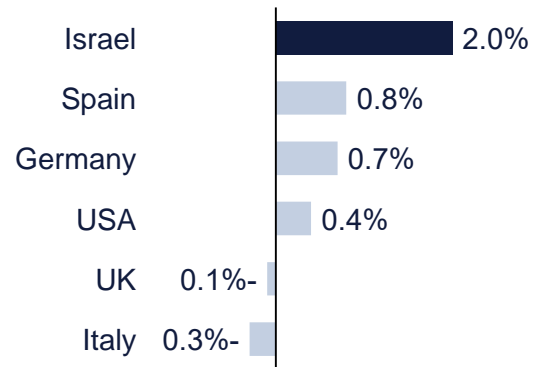
Resilience in face of 2023-24 headwinds (war, political uncertainty, inflation, rates)

Continued uncertainty impacting markets

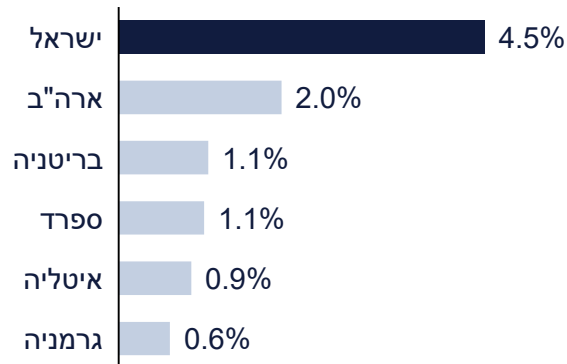
# Israeli Economy | Strong Structural Trends

Growing and saving population...

Population growth rate<sup>1</sup>

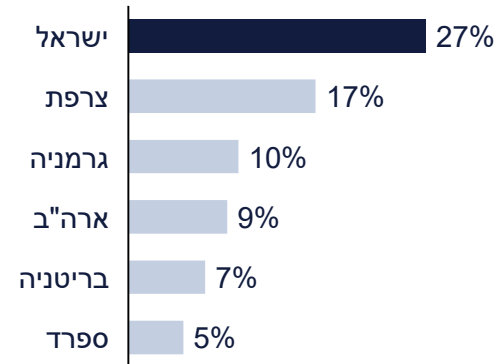


Household savings (of disposable income)<sup>2</sup>

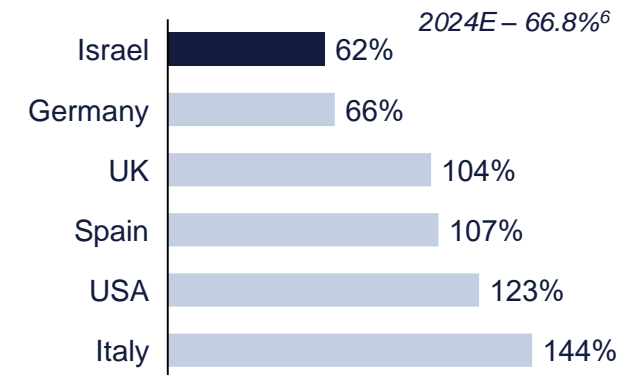


...with national & economic resilience

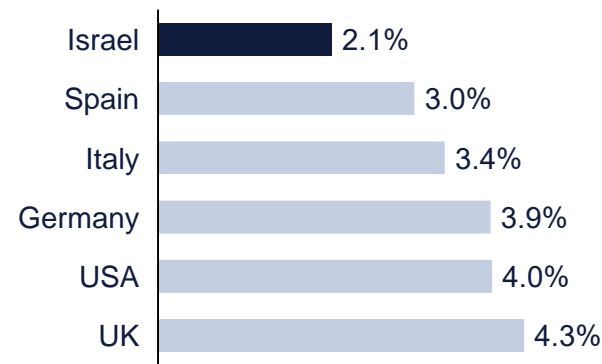
GDP growth (2018-22 average)<sup>3</sup>



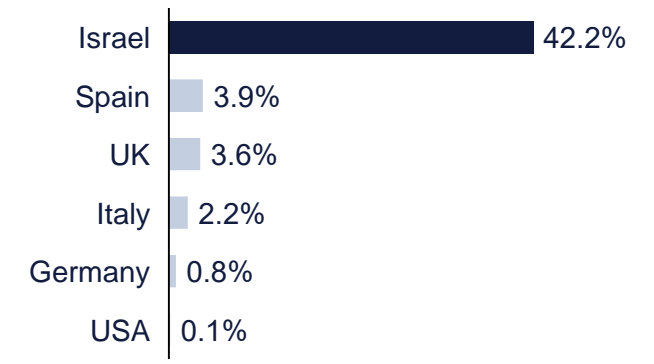
Debt to GDP<sup>5</sup>



Inflation (average 2019-23)<sup>4</sup>



Foreign reserves (% of GDP)<sup>7</sup>

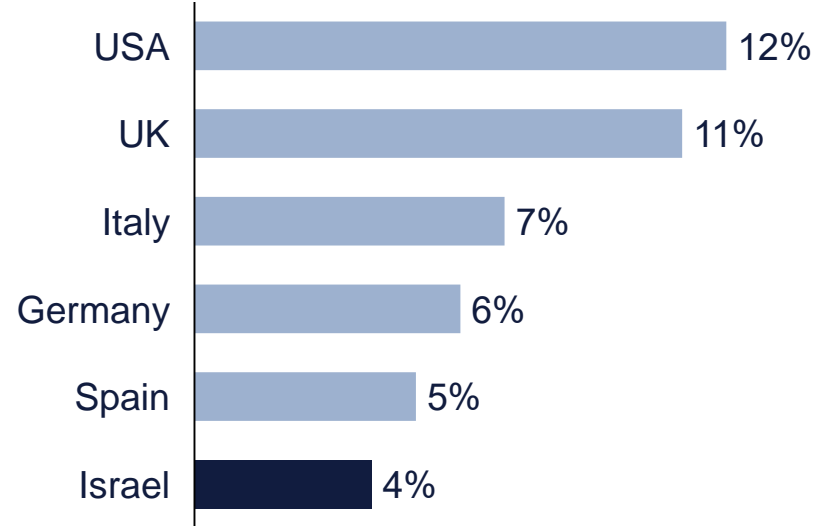




# Israeli Economy | Market Penetration Potential

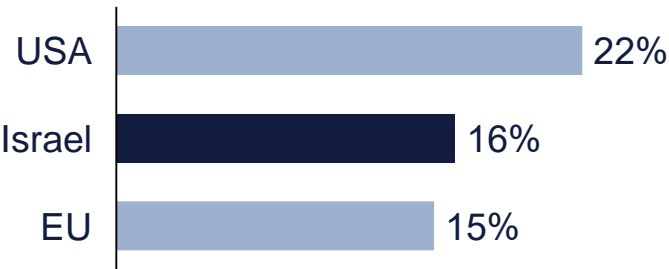
## Insurance

Premiums out of GDP, % 2022



## Alternative Investments

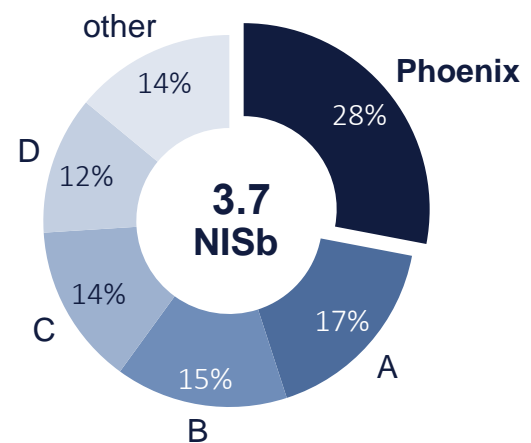
Alternative investments out of total investments by Institutional investors, % 2022



# Israeli Financial Market | Insurance

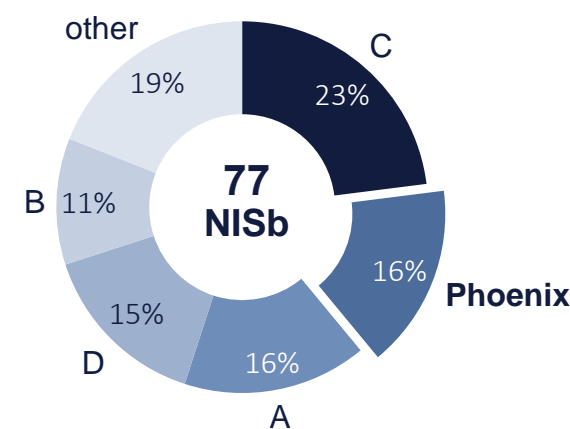
## Comprehensive Income

P&C, Health, Life & Savings, pretax, 2023



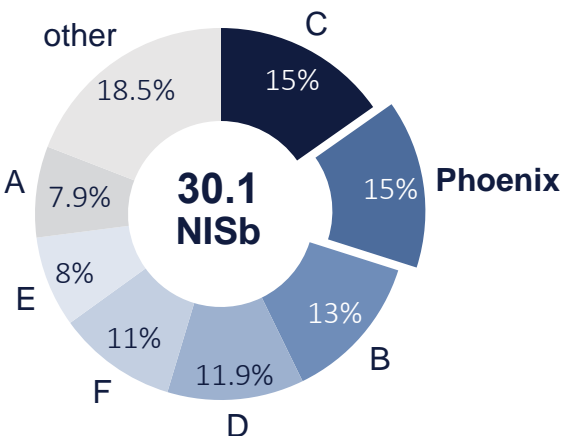
## Premiums & Contributions

GWP - P&C, Health, Life & Savings, 2023



## P&C Premiums

GWP - 2023

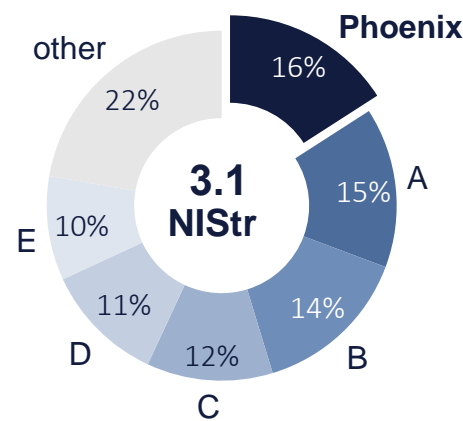


*First in income, second in market share (16%)  
with opportunities for growth*

# Israeli Financial Market | Asset Management

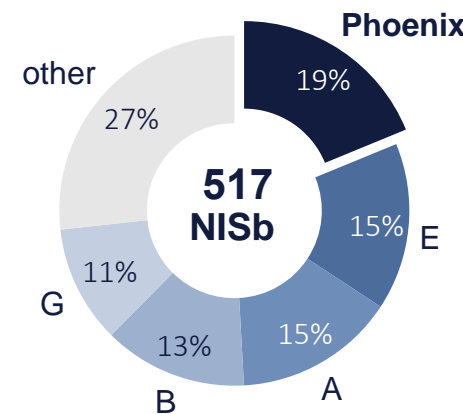
## Total AUM

AUM managed by Institutional investors & Mutual funds, 3/2024



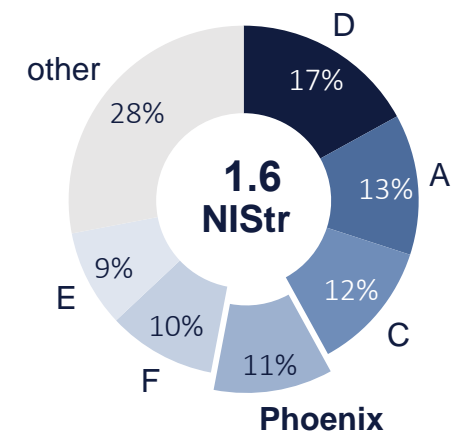
## Mutual funds & ETFs

AUM 6/2024



## Pension & Provident

AUM 6/2024

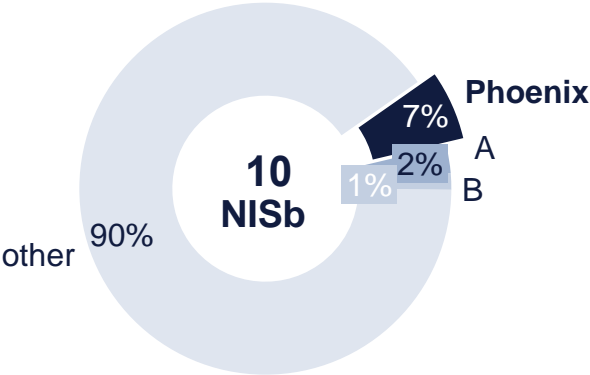


*#1 in total AUM (16%) with room to grow*

# Israeli Financial Market | Credit & Distribution

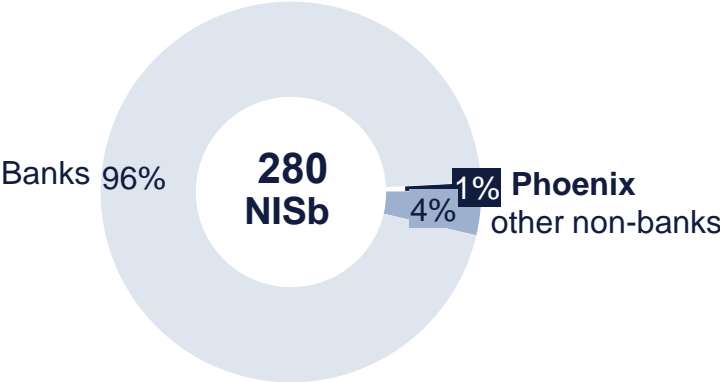
## Distribution / Agencies

% of total commissions, 2021



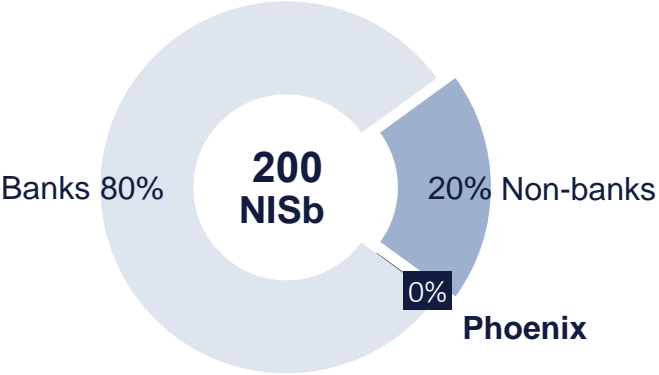
## SME Credit

% of total credit portfolio, 2023



## Consumer Credit

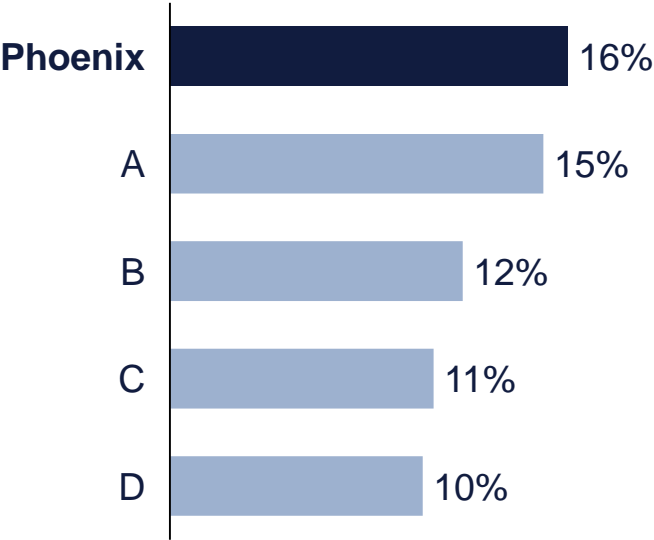
% of total credit portfolio without housing, 2023



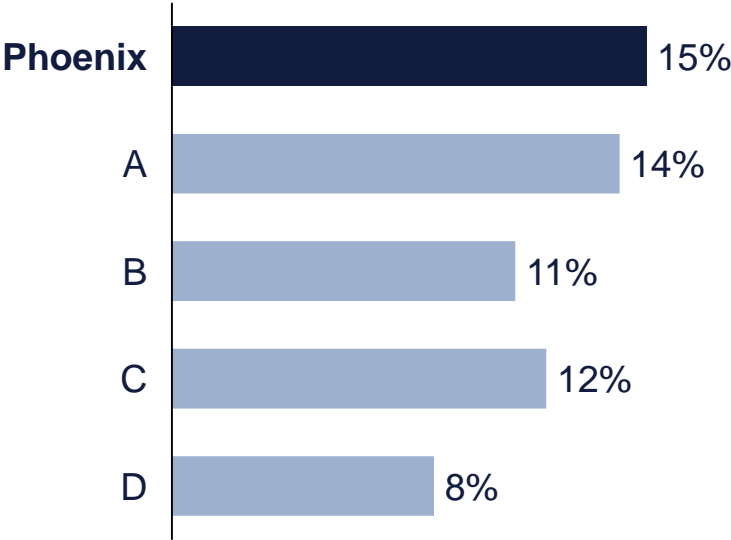
*Small market share with opportunities for growth*

# Insurance Market | Return on Equity

3 years average



5 years average



10 years average

