



2021 Q1

Phoenix Holdings

Quarterly Financial Review





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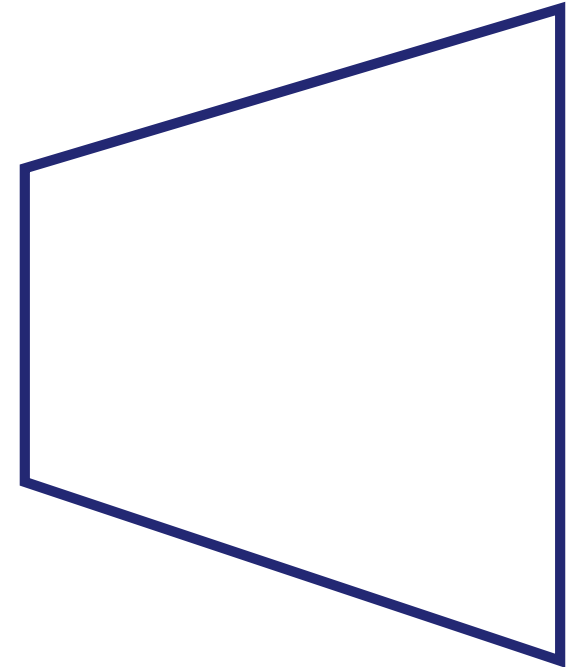
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For the avoidance of doubt, the Company does not undertake to update or change the information contained in this presentation.



Agenda

- > **Highlights**
- > Financial Results
- > Segment Breakdown
- > Investments
- > Appendix
- > Glossary



Phoenix Holdings at a Glance

Leading Israeli insurance, asset management & financial group

A long history of proven and recognized experience

Trusted by millions of customers

Strong capital position

High growth and compelling returns

TA35 index
Since 2018

8.1 NISb
Market cap⁽¹⁾

70+
Years of activity

AA- / AA+
Holding / Insurance Rating

>3m
Clients
c. half adult population

Top Ranked
in leaderboard for
investments⁽²⁾

192%
Solvency II Ratio⁽³⁾

8.0 NISb
Equity⁽⁴⁾

7.0%
Revenue CAGR
2016-20

13.9%
Average ROE
2016-20

(1) As of May 23, 2021

(2) Based on yields in the general plans: #1 out of 5 in Policies (1991-2003), #2 out of 5 in Pension, & #3 out of 12 in Provident Funds

(3) As of December 31, 2020 with transitional measures (standard model)

(4) As of March 31, 2021



2021 Q1 Highlights: Continued Strength



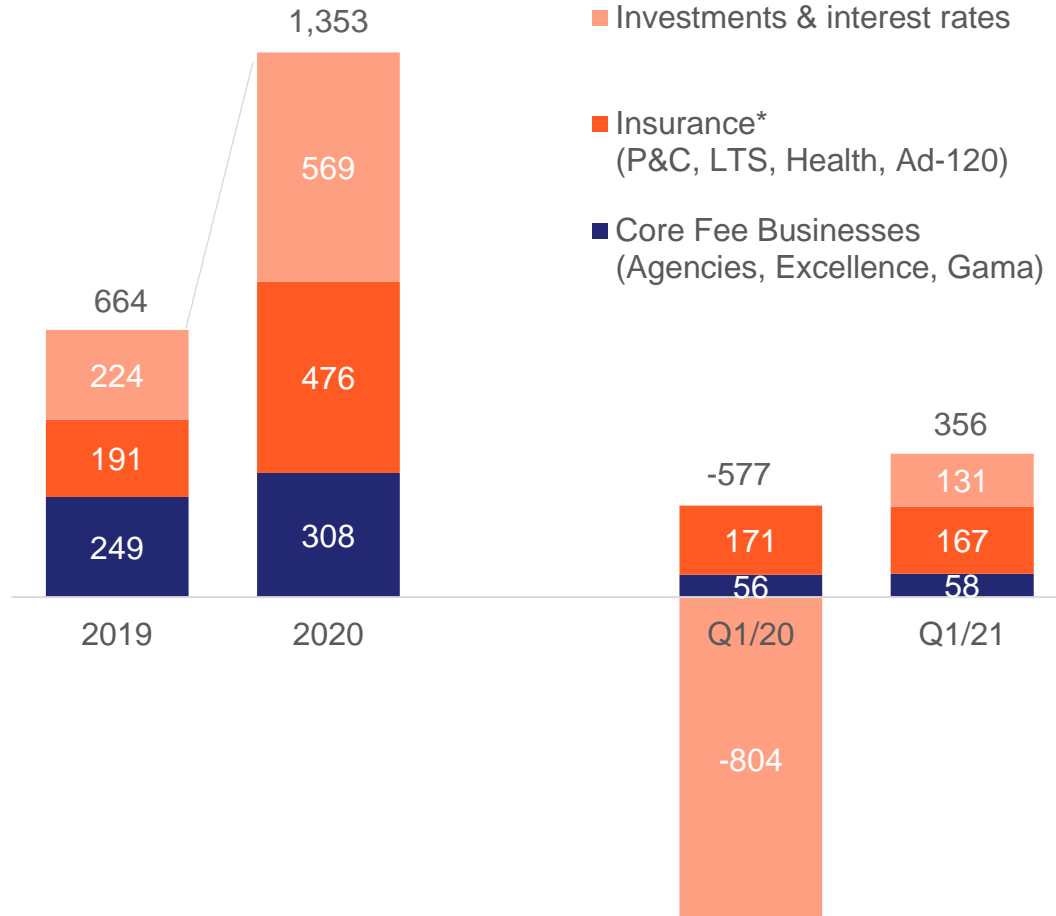
Strong performance and momentum for 2021

(1) Including acquisition of Haldman-Aldubi, non including Halman's corporate fund of 46 NISb
(2) Audited, as of December 31, 2020 with transitional measures (standard model), 116% without transitional measures



Strong Performance from Broad Activities

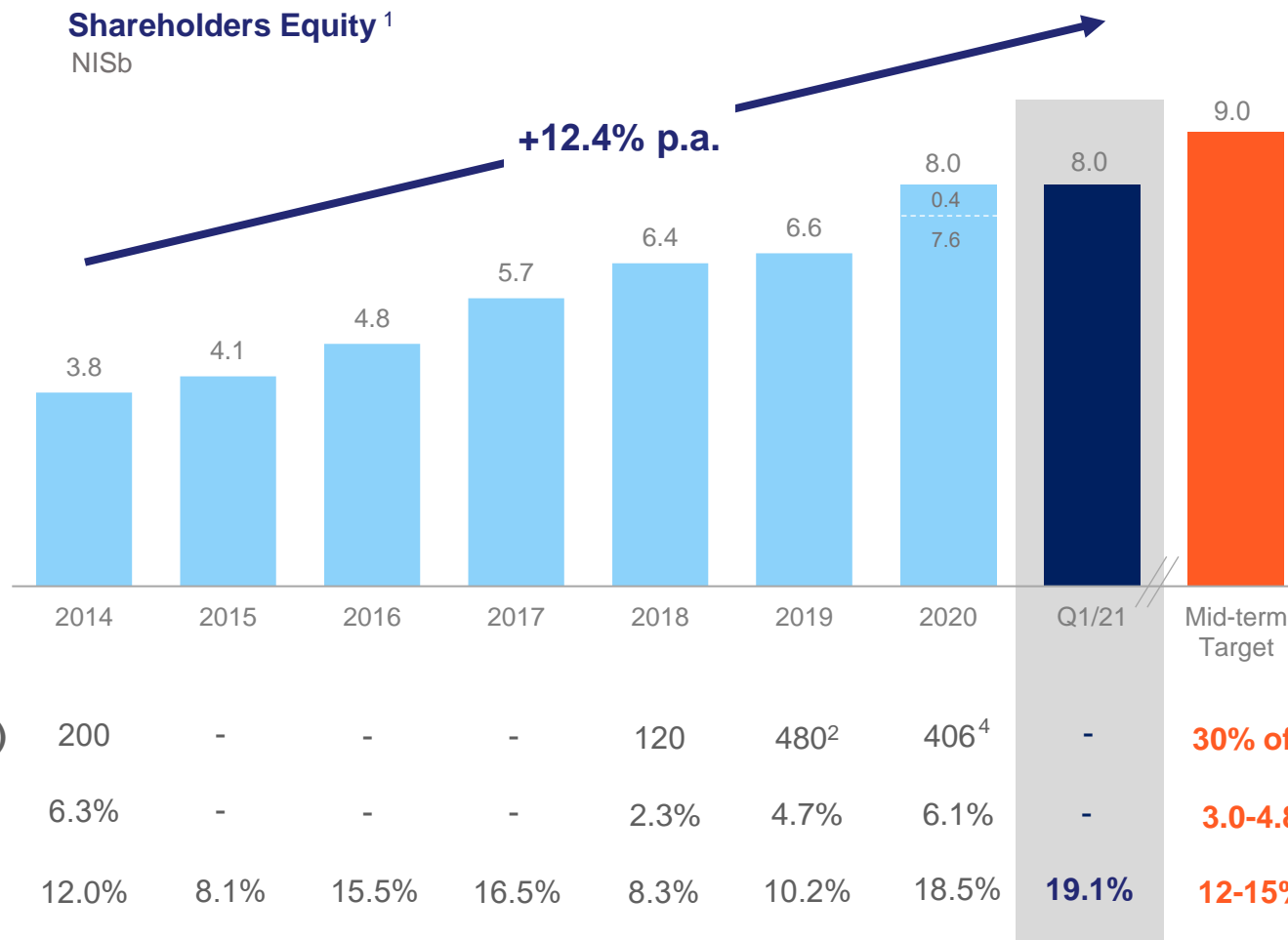
Comprehensive Profit
NIS millions



- » Strong underwriting and investment performance during quarter
- » Diverse sources of profit
- » Initial impact of strategic plan
- » Economy returned to growth with high vaccination and low COVID-19 infection rates

* Includes investment yields up to 3%; insurance underwriting profit in 2019 includes negative NIS 319 million in actuarial research.

Long-Term Equity Generation



- » Robust dividend paid in March based on 2020 performance, in line with dividend policy
- » Growth in shareholder equity, returning to 8.0 NISb
- » Post report date, resumed implementation of share purchase plan (76 NISm to date out of 100 NISm plan)

Dividend And Buyback (NISm)	200	-	-	-	120	480 ²	406 ⁴	-	30% of profits
Dividend yield	6.3%	-	-	-	2.3%	4.7%	6.1%	-	3.0-4.8%
ROE	12.0%	8.1%	15.5%	16.5%	8.3%	10.2%	18.5%	19.1%	12-15%³

(1) Including LAT restatement for 2018-19; 2020 figure is before dividend distribution

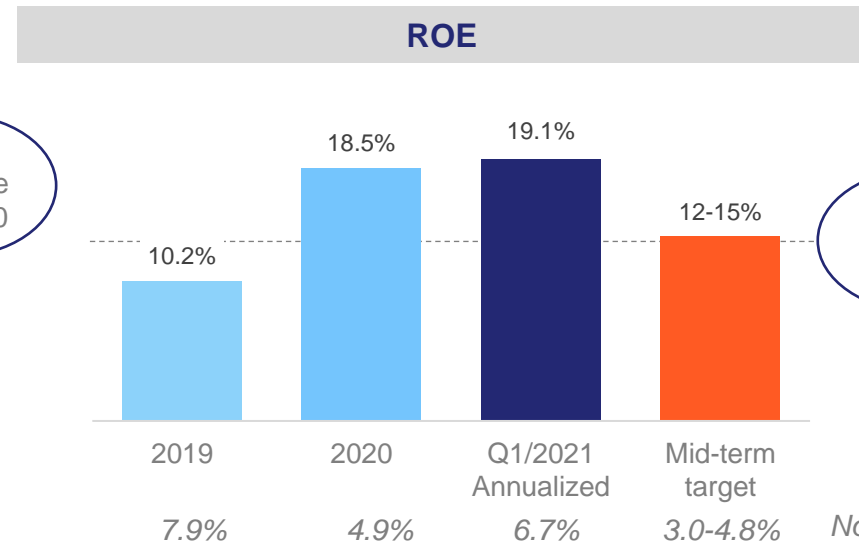
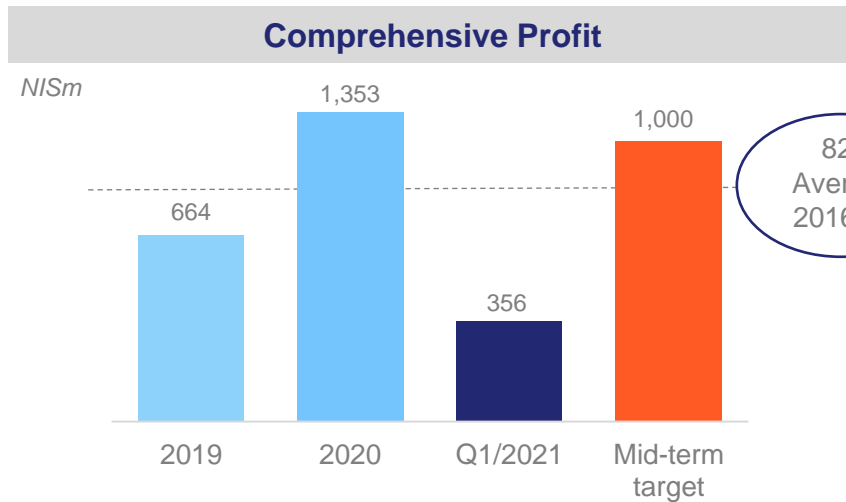
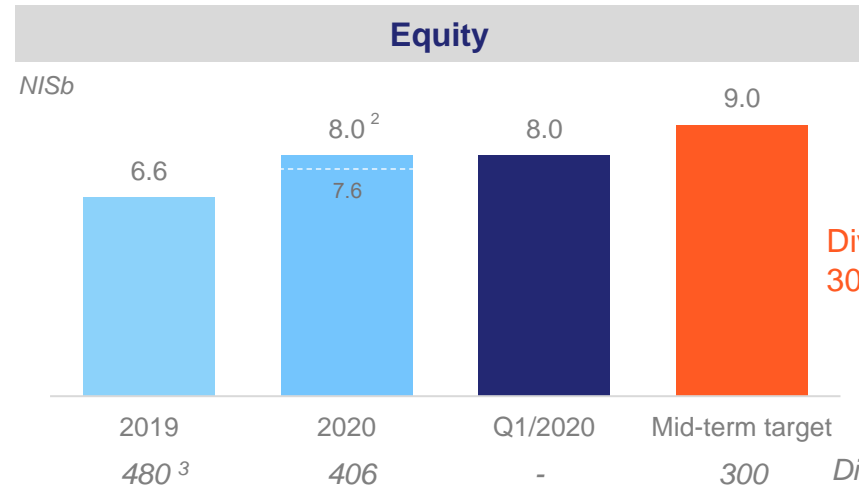
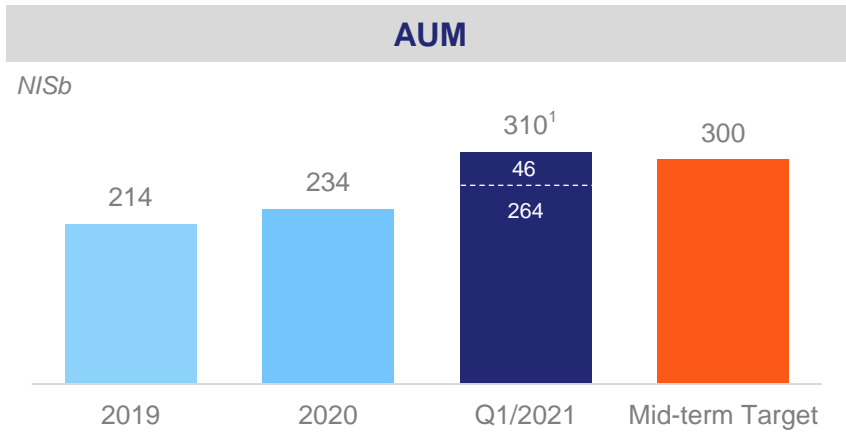
(2) Including approximately 230 NISm of Mehadrin shares as a dividend in kind

(3) Mid-term Target based on 5-year plan and assuming 3% return on investments. ROE target range assumes 3% to 4.8% return on Nostro investments (4.8% based on average actual annual return during 1.10.15-30.9.20)

(4) Including 2020 share buy-back program 26 NISm plus cash dividend 380 NISm 2020 distributed during 2021 Q1



On Track or Above Mid-term Targets



1 AUMs include Halman-Aldubi plus Halman's 46 NISb corporate fund

2 Before dividend distribution of 0.4 NISb in March for 2020

3 Includes approximately 230 NISm of Mehadrin shares as a dividend in kind

4 Post report date, the Company completed a share purchase of additional 50 NISm

Note: Mid-term Targets based on 5-year plan and assuming 3% return on investments. ROE target range assumes 3% to 4.8% return on Nostro investments (4.8% based on average actual annual return during 1.10.15-30.9.20). Actual performance will depend on financial markets, macroeconomic growth, industry trends, company performance and other variables



Continued Strategy Implementation: Value Drivers

1 Accelerated growth in high-ROE activities

- **P&C:** growth in premium rate despite decrease in industry average; increase in Phoenix SMART direct sales
- **Asset management:** AUM increased from 234 NISb to 264 NISb including the acquisition of Halman-Aldubi (310 NISb including Haldman’s corporate portfolio)
- **Agencies:** synergy overflow from the 2020 mergers

2 Innovation and efficiency

- **Digitization:** completion of digital production project; digital marketing of Excellence brokerage accounts; increased percent of digital service requests (over 40%); 17% fewer incoming calls compared to 2020 Q1
- **Analytics:** ongoing machine-learning pricing model development
- **Innovation:** marketing of international travel insurance through startup “Air Doctor” platform
- **Service:** improved customer satisfaction score compared to 2020 Q1
- **Efficiency:** reduced expenses as percent of gross premiums

3 Active portfolio management

- **Halman-Aldubi Investment House:** acquisition completed February 2021
- **Gama:** IPO process started and prospectus approval, Phoenix expects to acquire control
- **Ad-120:** divestment process ongoing
- **Excellence:** initial synergies from launch of global equity mutual fund, actively management by Phoenix investment team
- **Agencies:** launch of private client investment unit

4 Capital management

- **Restricted Tier 1 (RT1):** announcement of intention to issue 400 NISm Restricted Tier 1 capital during the second quarter, while simultaneously replacing existing Tier 1 capital with marketable Tier 1
- **Solvency II:** published improved solvency ratio as of December 31 2020, supporting dividend policy
- **IFRS 17:** Progress toward implementation in line with European groups



Acquisition of Halman-Aldubi Completed

3

Value Driver:
Active Portfolio
Management



Description

- Halman-Aldubi mid-sized Israeli investment house
- Key activity is asset management with 23 NISb AUM, primarily in long-term savings

Rationale

- Positions the Phoenix as a leader in the growing long-term savings industry, in line with group strategy
- Achieves economies of scale together with existing provident and pension fund activities
- Significant cost and commercial synergies

Transaction

- Acquisition was completed on February 28, 2021 at a price of 275 NISm
- 45 NISm expected proceeds from divestment of New Pension Fund
- Long-term savings subsidiary expected to be merged into the Phoenix Excellence Pension & Provident company by the end of 2021
- In addition, the acquisition included 46 NISb corporate portfolio managed under specific arrangement (not considered strategic asset)



Looking Ahead

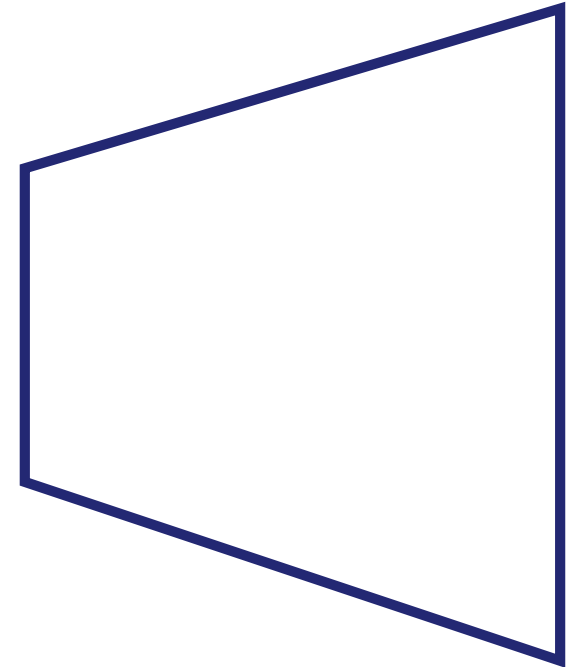
Priorities for next quarters

- Manage next Covid-19 phase carefully and proactively
- Continue strategic plan implementation
 - Accelerated growth
 - Innovation & efficiency
 - Active portfolio management, including Gama IPO and Ad-120 divestment
 - Optimized capital deployment ongoing volatility reduction
- Focus on risk-adjusted returns
- Continue to increase transparency and alignment with international standards for Israeli and global investors



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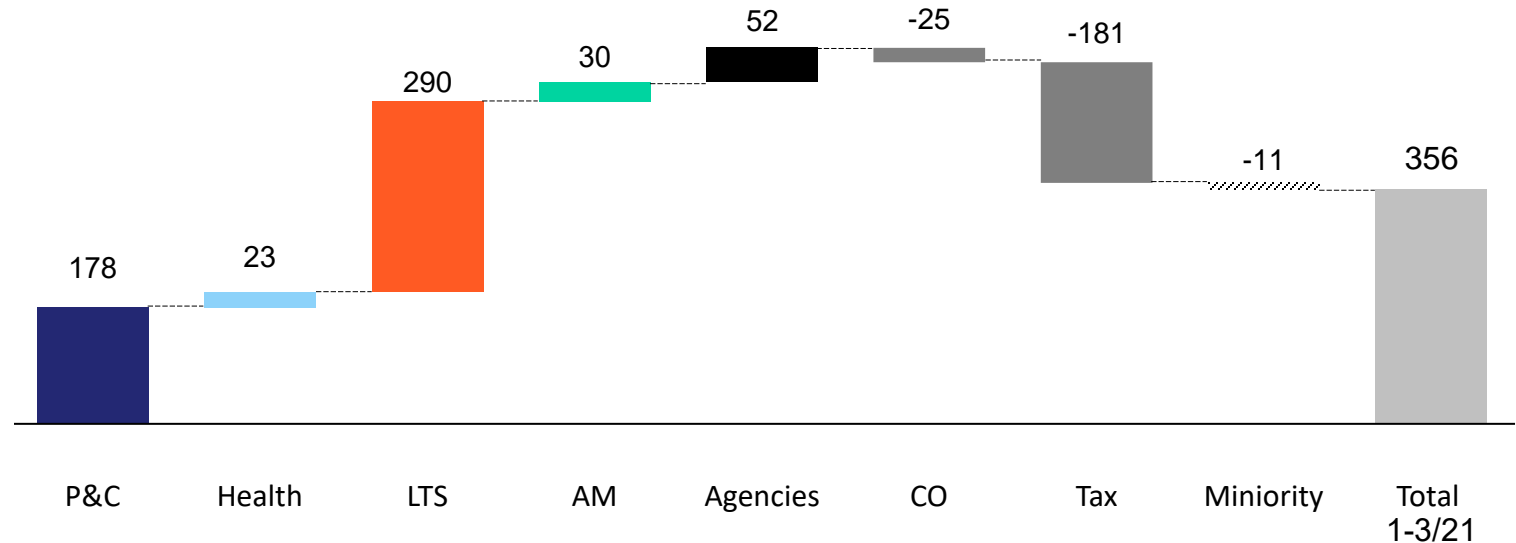


Q1 2021 Comprehensive Income – Breakdown

Strong quarterly performance across activities

- P&C and LTS/Life businesses continued to drive group income, with strong operating and investment results
- Strong capital market performance contributed to the company's profitability
- Lower contribution from Health due to previous period one-time effects
- Steady performance from fee-based businesses

Comprehensive Income Drivers (NISm)



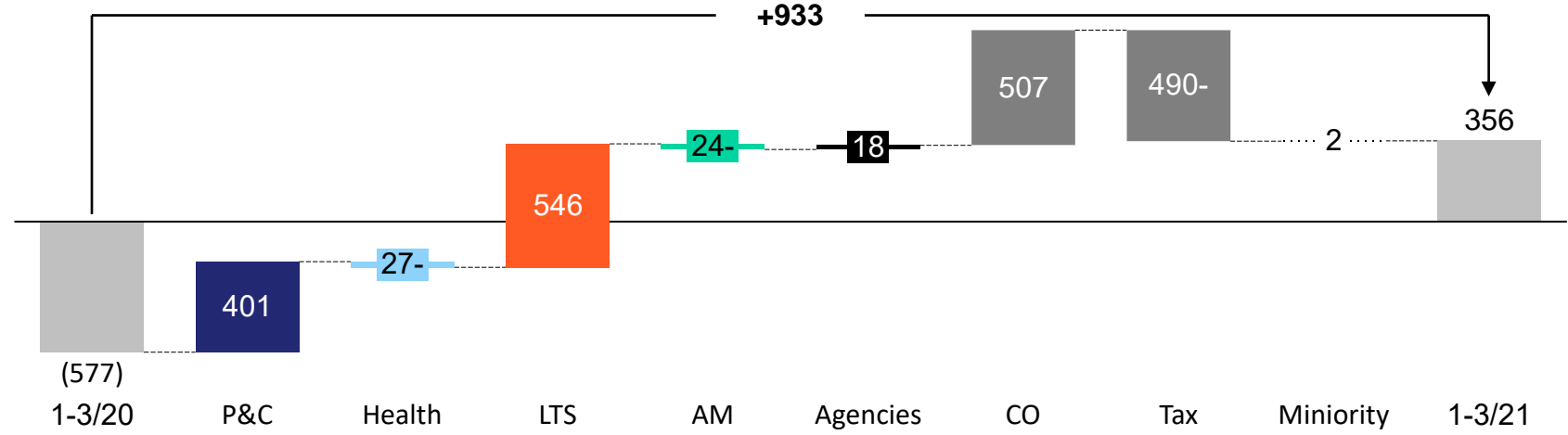


Significant Improvement From Q1 2020

Strong quarterly performance across most activities

- Overall improvement from (577) NISm loss to 356 NISm profit, driven by significant improvement in P&C and LTS/Life primarily due to COVID-19 impact on business and investments during Q1 2020
- Investments include profits and variable management fees following portfolio recovery from COVID-19 market impact
- Effect of the interest rate reduction in Q1/21 is significantly lower compared to Q1/20

Q1/20 vs Q1/21 Comprehensive Income Drivers (NISm)



Results	1-3/2021	P&C	Health	LTS	AM	Agencies	CO	Tax	Minority	1-3/21
1-3/2021	178	23	290	30	52	(25)	(181)	(11)	356	
1-3/2020	(223)	50	(256)	54	34	(532)	309	(13)	(577)	

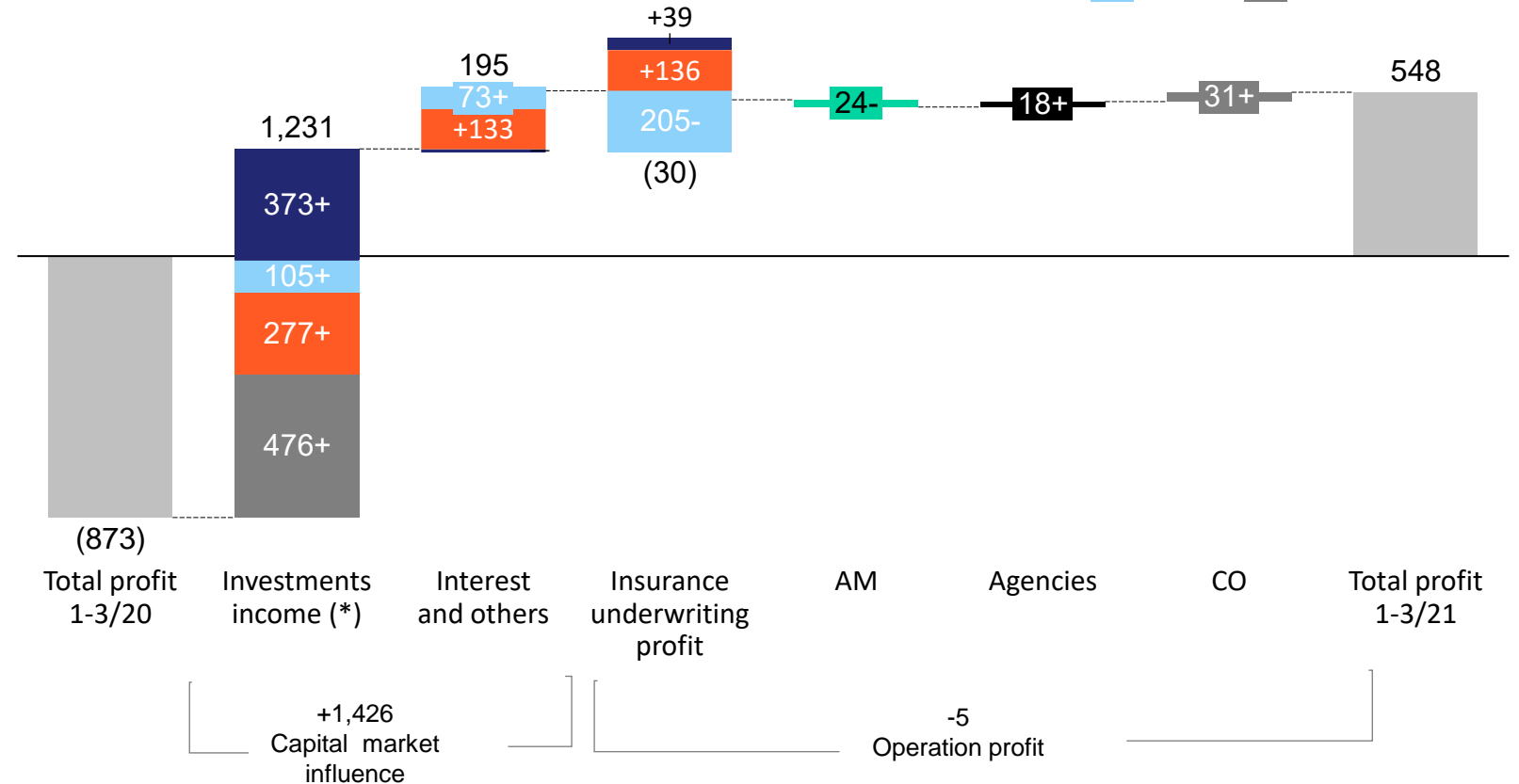
PBT (Profit Before Tax) Improvement from 2020

Improvement in investments, underwriting stable

- Q1/21 profit before tax totaled 548 NISm compared to Q1/20 loss of 873 NISm, driven primarily by improved investment performance
- Increase in Life underwriting profit mainly as a result of variable management fees
- Lower Health profit due to one-time effects in 2020

Q1/20 vs Q1/21 (NISm)

■ P&C ■ LTS ■ Agencies
■ Health ■ CO



Results	1-3/2021	1-3/2020
Total profit	548	(873)
Investments income (*)	237	(994)
Interest and others	(29)	(224)
Insurance underwriting profit	263	293
AM	30	54
Agencies	52	34
CO	(5)	(36)

(*) The underwriting earnings in P&C and Health insurance assume a real return of 3%; all remaining investment income below and above the 3% real return are included in capital market effects

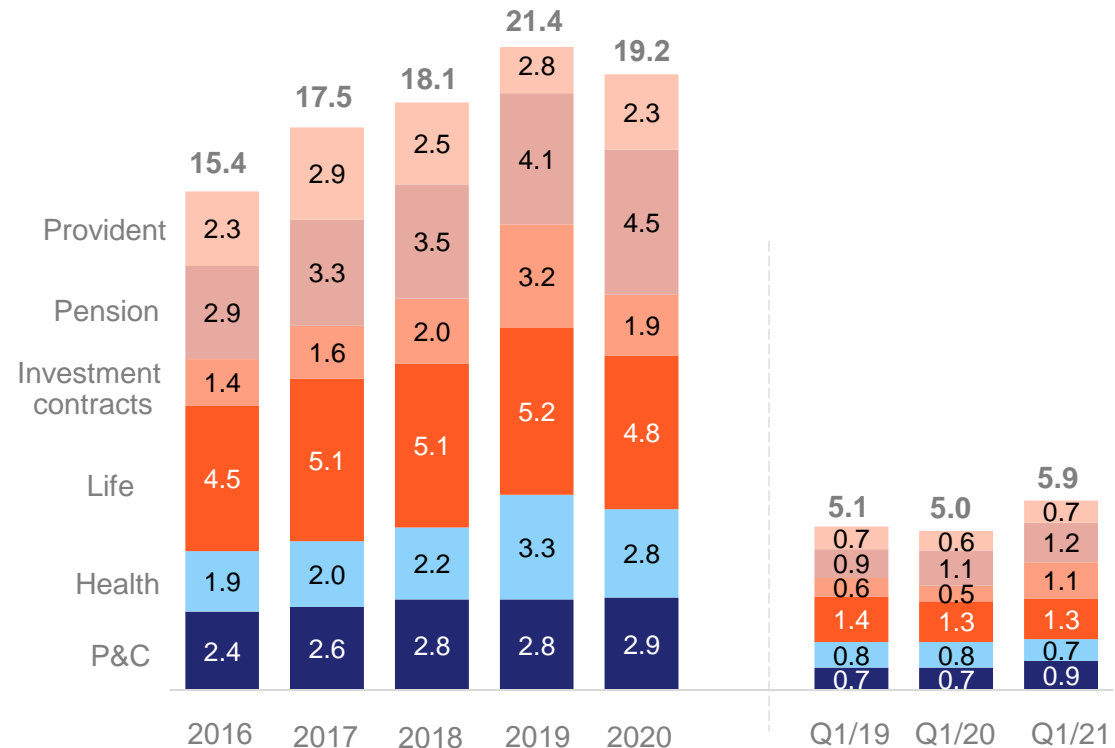
Growth in Premiums & Benefit Contributions

Growth driven by P&C and LTS

Continued strategic focus on risk-adjusted returns and growth of high-ROE businesses

- P&C: strong growth compared to first quarter of 2020 and 2019
- LTS: growth in benefit contributions due to company's position in the yield charts as well and reduced COVID-19 effects
- Health: decline due to suspension of travel insurance (COVID-19) and LTC and specific HMO coverage (discontinued)





Premiums, Benefit Contributions, & Investment Contracts*
(NISb)



(*) The chart includes investment contracts for peer comparison, previous versions of this chart showed premiums and benefit contributions only



Insurance Expense KPIs

		<u>2021 Q1</u>	<u>2020 Q1</u>	<u>2020</u>
 P&C	Expenses / Gross Earned Premiums	4.5%	4.7%	5.1%
 Health	Expenses / Gross Earned Premiums	5.7%	5.9%	5.9%
 Life	Expenses / AUM	0.48%	0.54%	0.49%
 Pension & Provident	Expenses / AUM	0.23%	0.29%	0.23%

- Initial implementation of strategy, including expense reduction, efficiency, and growth
- Additional efficiency planned with ongoing implementation
- Improved efficiency in pension and provident businesses expected with merger of Halman-Aldubi activities

Note: Expenses include general and administrative expenses, as well as other expenses



Solvency II

Solvency II Ratio With Transitional Measures (December 31, 2020)

Solvency results, NISm		2019	2020	Change	Target
SCR	(1)	7,456	6,662	-794	
Tier 1 Capital		8,767	9,440	673	
Tier 2 Capital		3,540	3,331	-209	
Total Capital	(2)	12,307	12,771	464	
Excess Capital		4,851	6,109	1,258	
Solvency II Ratio	(3)	165%	192%	27%	150%-170%
<i>Solvency II Ratio Without Transitional Measures*</i>		105%	116%	11%	

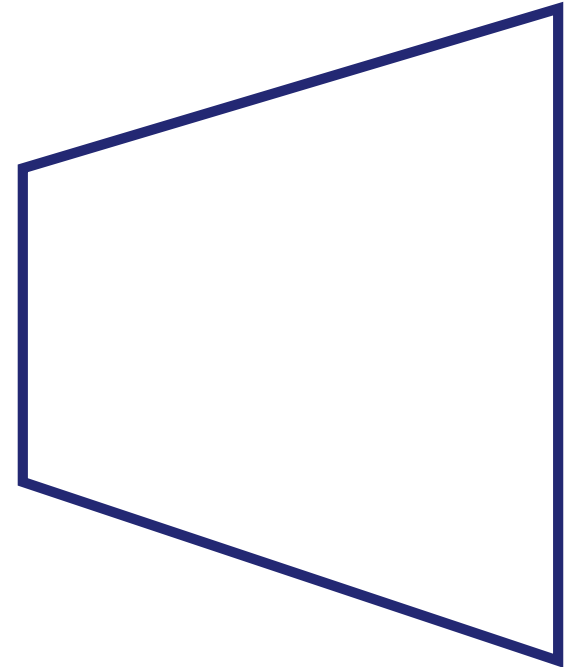
Significant events that affected Solvency II Ratio	(1) Effect on <u>SCR</u>	(2) Effect on <u>Capital</u>	(3) <u>Overall</u> effect on Solvency Ratio
Positive investments returns	↑	↑	↑
Studies (expenses and lapse)	↓	↑	↑
Differed taxes adjustments	↓	↑	↑
Changes in risk free interest rate	↑	↓	↓
Mass-lapse reinsurance	↓	↓	↑
Dividend distribution		↓	↓
Annual decrease of TMTP	↑	↓	↓
LAT regulation circular effect on TMTP	↓	↑	↑

(*) The company's Capital Management Plan supports meeting the target range without transitional measures by 2032



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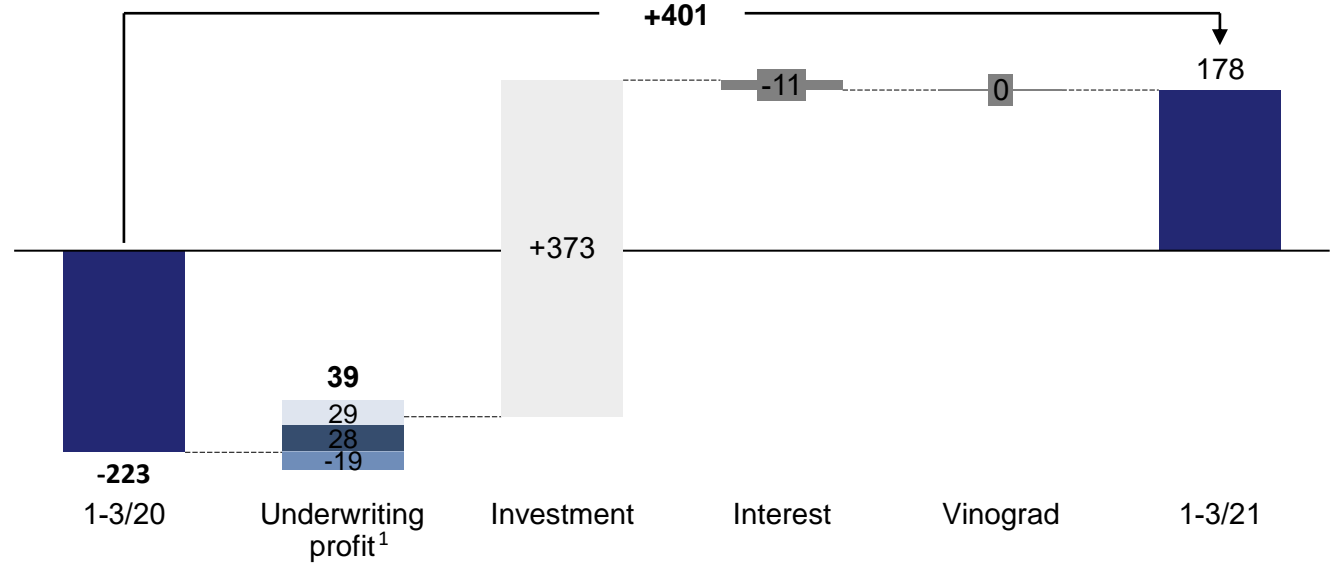


- Compulsory motor
- Motor property
- Property and others
- Liability

Improvement due to underwriting as well as investments

- Increase of 373 NISm in investment income in Q1/21 compared to the corresponding period Q1/20 mainly due to the losses and uncertainty during initial COVID-19 period
- Higher underwriting profit
- Company does not expect significant business impact from military conflict post Q1, due to State property coverage

Comprehensive Income Drivers (Pre-tax, NISm)



Results

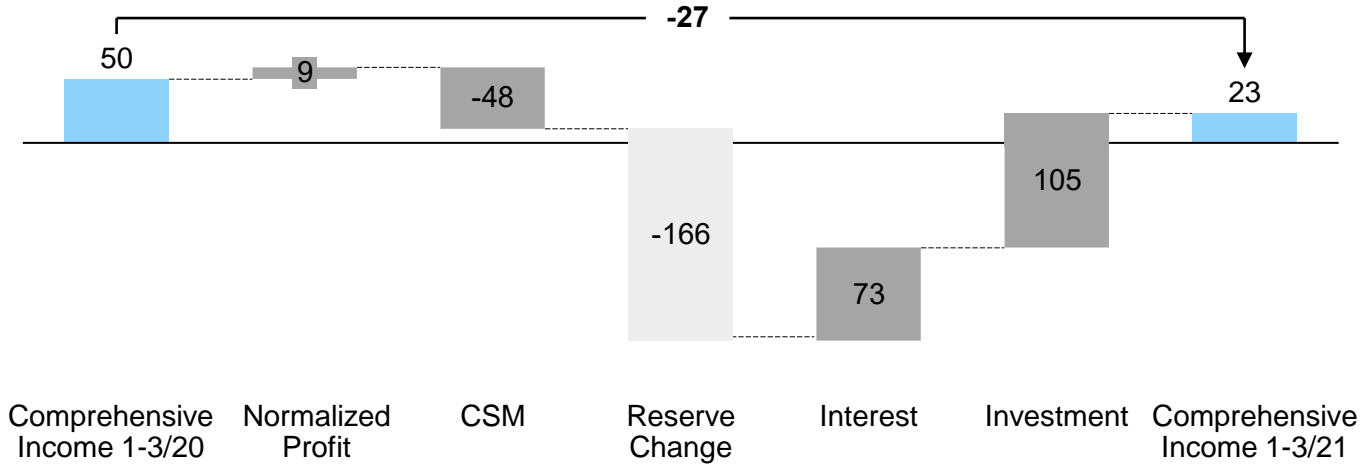
1-3/2021	72	106	-	-	178
1-3/2020	33	(267)	11	-	(223)

(1) Under assumption of 3% annual return

Comprehensive Income Drivers (Pre-tax, NISm)

Decrease in comprehensive profit due to LAT reserve changes

- Decline in underwriting profit due to one-time changes in 2020
- Improved investment performance due to losses and uncertainty during initial phases of COVID-19 impact in 2020
- Less interest rate effects compared to previous year



Results	Normalized Profit	Underwriting profit		Market impact		Comprehensive Income 1-3/21
		CSM	Reserve Change	Interest	Investment	
1-3/2021	47	1	(24)	(24)	23	23
1-3/2020	38	49	142	(97)	(82)	50

(*) The underwriting earnings assume a real rate of return of 3%, investment income includes income from own (nostro) investments above or below a 3% real return

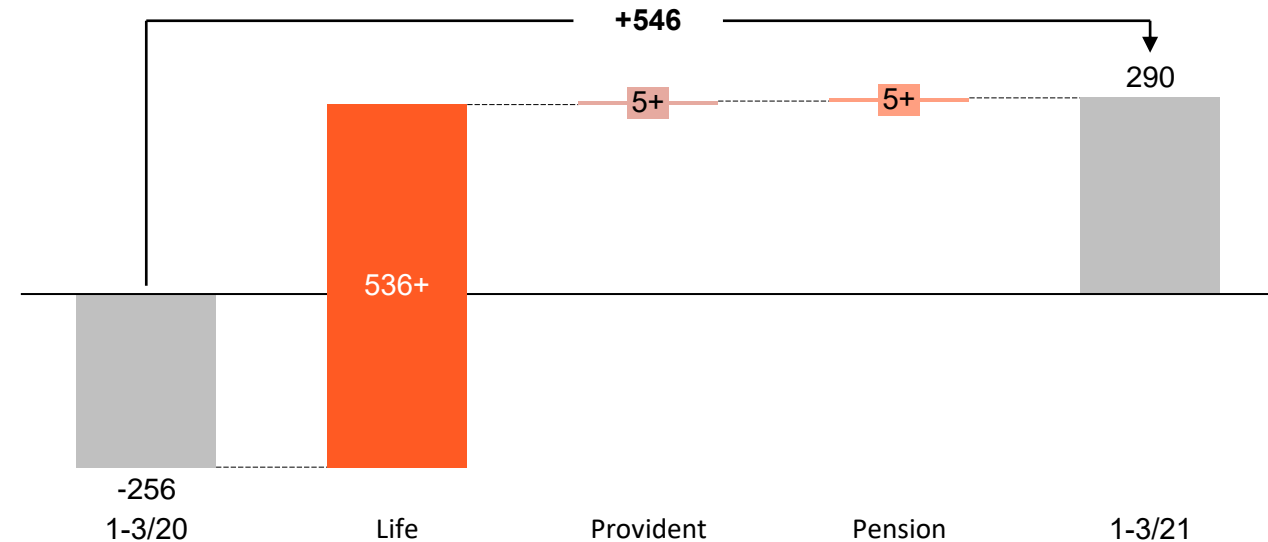
(**) Including all changes in interest rate and excess non-marketable assets in LAT only

Comprehensive Income Drivers (Pre-tax, NISm)

Performance improvement driven by investments

Life

- Strong results in Life compared to previous period due to stronger investment performance
- Variable management fees were collected in Q1/21 as opposed to Q1/20
- In addition, some differences in interest rate effects and K-factors



LTS – Provident and Pension

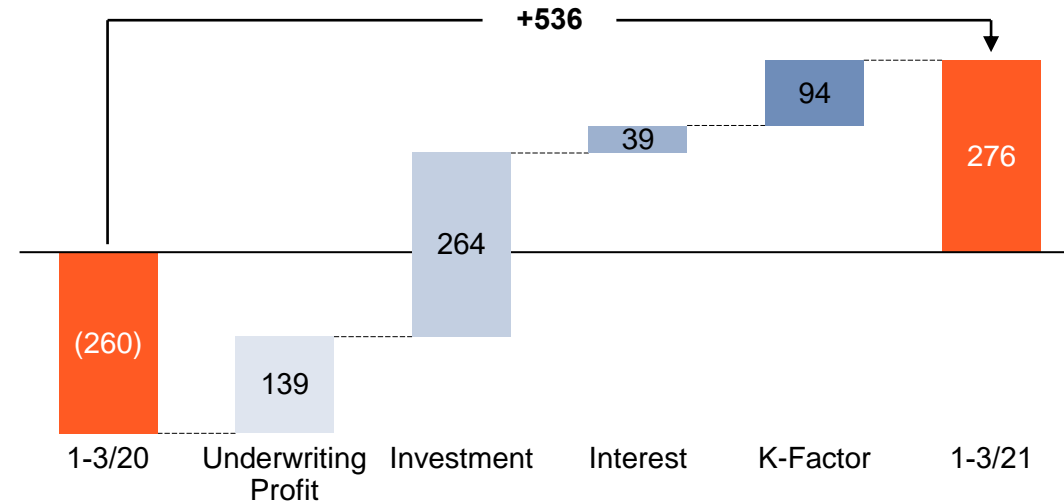
- Increase in Pension and Provident performance due to investment income

<i>Results</i>				
	Life	Provident	Pension	Total
1-3/2021	276	12	2	290
1-3/2020	(260)	7	(3)	(256)

Life Profit Drivers (NISm)

Strong performance in quarter

- Total profit increase in Q1/21 of NIS 276 M compared to a NIS 260 M loss in Q1/20
- Investment in the reporting period compared to last period increased mainly due to the increase of NIS 264 M in investment income stemming from the Nostro (general) account
- Underwriting profit - variable management fees in Q1/21 were collected as opposed to Q1/20, driving increase in underwriting profit of 139 NISm
- One-time effects in interest rate and K-factors in Q1/2020



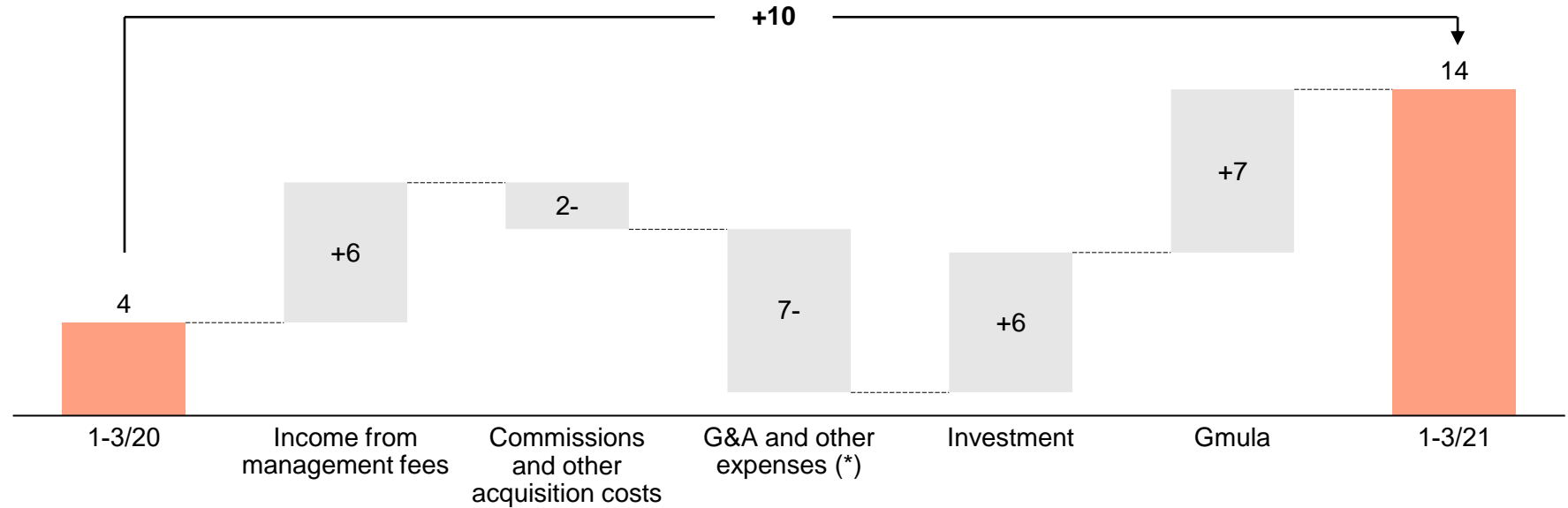
Results

1-3/2021	157	124	(5)	-	276
1-3/2020	18	(140)	(44)	(94)	(260)

Comprehensive Income (Pre-tax, NISm)

Growth in comprehensive income mainly from investments and Gmula (runoff product) profit

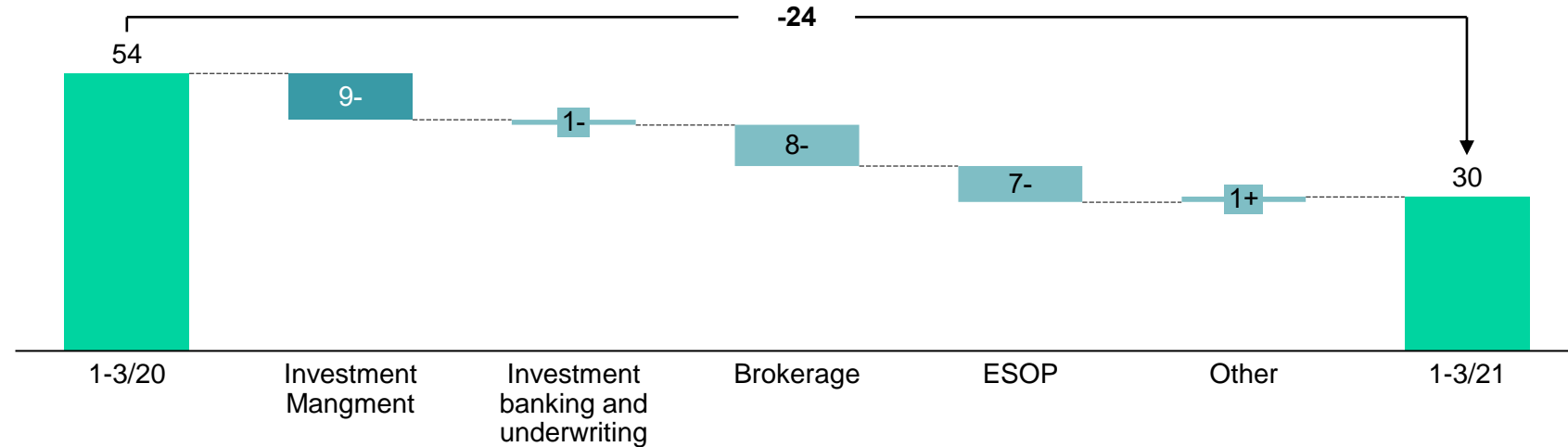
- Increase in benefit contributions and collection of management fees
- Stable expenditure rate, please see appendix for more details; expected to improve after scale merger with Halman-Aldubi Investment House



Results	10 Underwriting profit			4 Market impact		
1-3/2021	100	(42)	(48)	2	2	14
1-3/2020	94	(40)	(41)	(4)	(5)	4

* Includes consolidation adjustments (amortization cancelation)

Operating Profit Drivers (NISm)



Lower profit due to lower trading volumes

- **Investment management:** lower investment management profit compared to high 15 NISm earnings in 2020 Q1 from high volume market making activities
- **Brokerage:** lower brokerage profitability due to higher growth and overall client acquisition costs

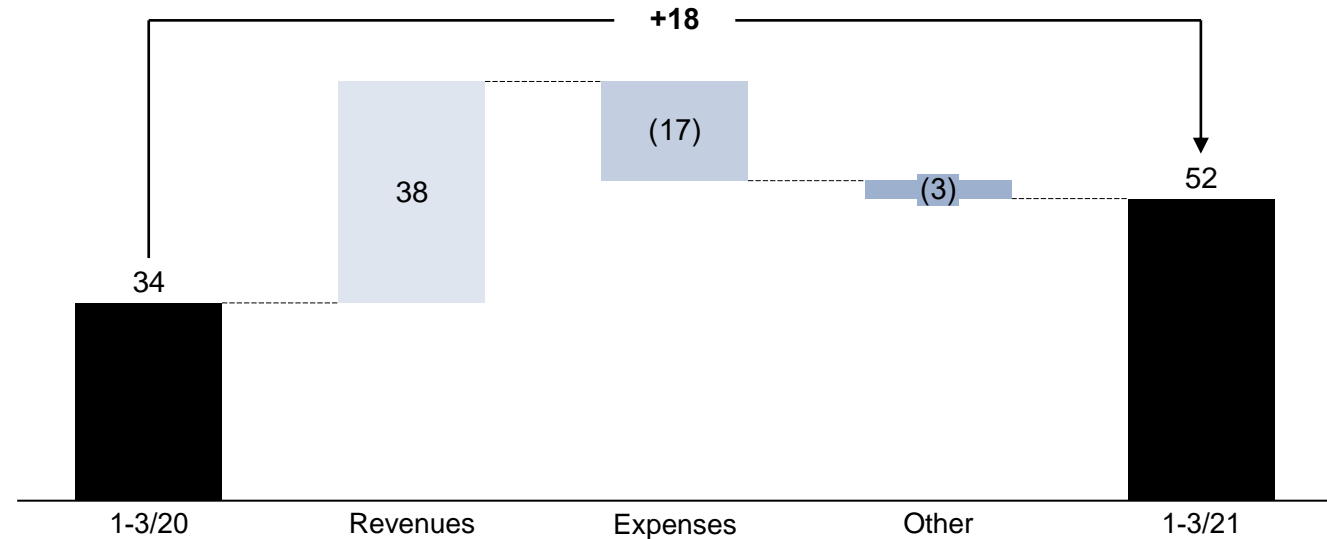
Results

1-3/2021	19	-	9	1	1	30
1-3/2020	28	1	17	8	-	54

Comprehensive Income Drivers (Pre-tax, NISm)

High comprehensive profit mainly due to growth in sales

- Comprehensive income increase to 52 NISm in Q1/21 compared to 34 NISm income in Q1/20
- Most of the increase in profit stems from growth, a rise in sales and revenues from investments in the amount of 9 NISm
- Initial synergies and value creation from 2020 acquisitions, additional to be captured



Results

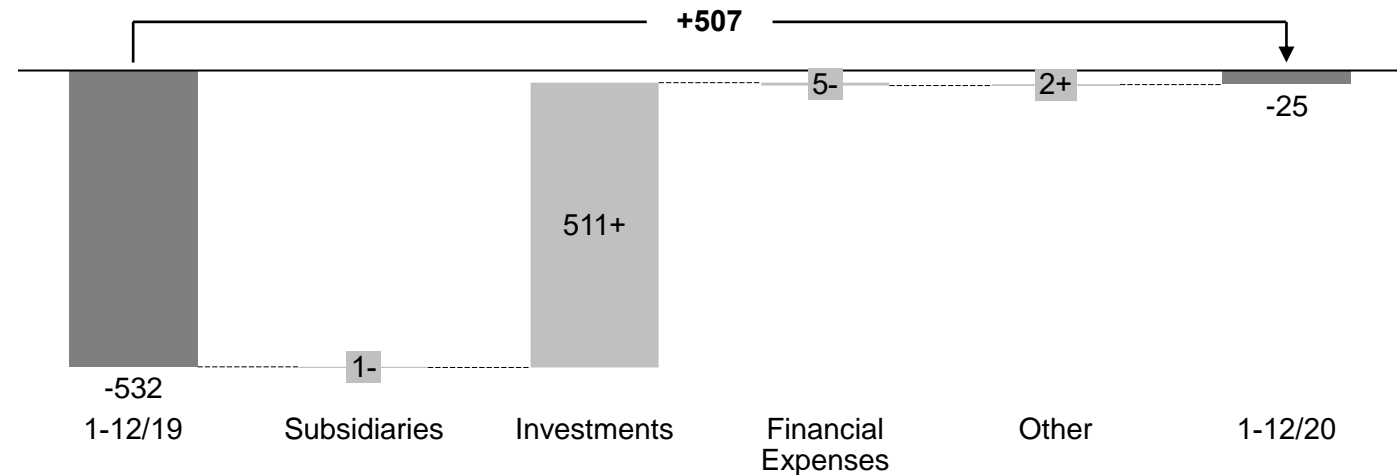
<i>1-3/2021</i>	134	(83)	1	52
<i>1-3/2020</i>	96	(65)	4	34

Increase in profit driven by capital market

Investments

- The increase in investment income in the reporting period compared to Q1/20 stems primarily from capital market returns, which were lower Q1/20 compared to the returns in Q1/21
- Financing expenses remain unchanged despite higher CPI (index)
- Expected one-time capital gain from Gama IPO and control purchase, depending on the issue price (**)

Operating profit by source (Pre-tax, NISm)



Results

1-3/2021	4	15	(35)	(9)	(25)
1-3/2020	5	(496)	(30)	(11)	(532)

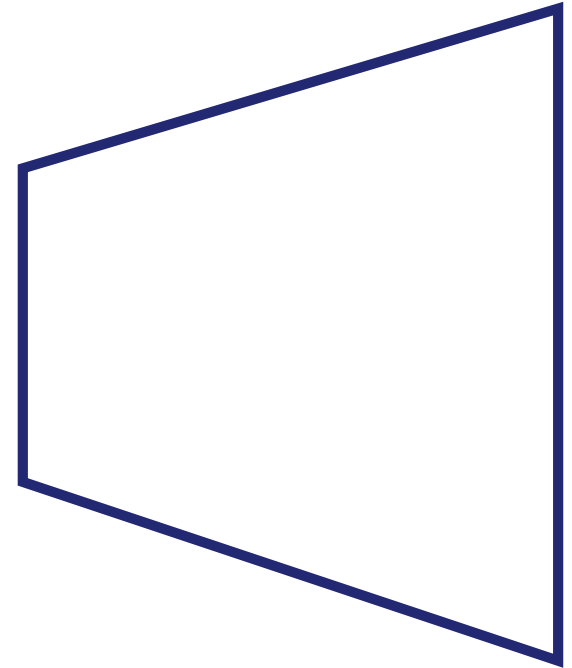
(*) Phoeniclass and other subsidiaries held by Phoenix Investments

(**) Forward-looking information, there is no certainty that Gama will complete the issuance process and become a public company



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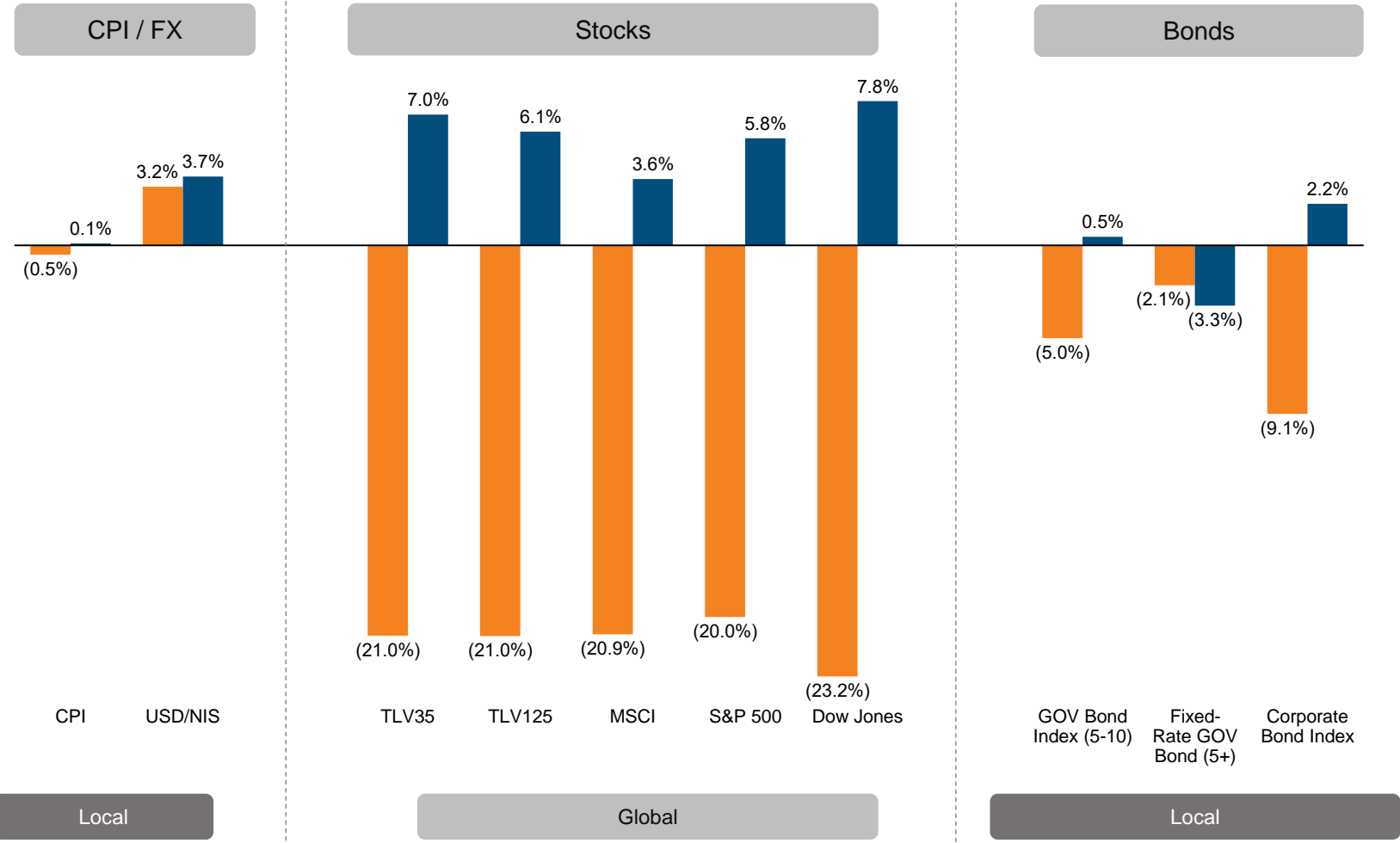


Market Indices Compared to 2020 Q1

Main Market Indices

Israeli and international market volatility Q1/20 and Q1/21

- Market performance drove improvement in income from investments
- Improvement across asset classes, including Israeli and international equities as well as fixed income

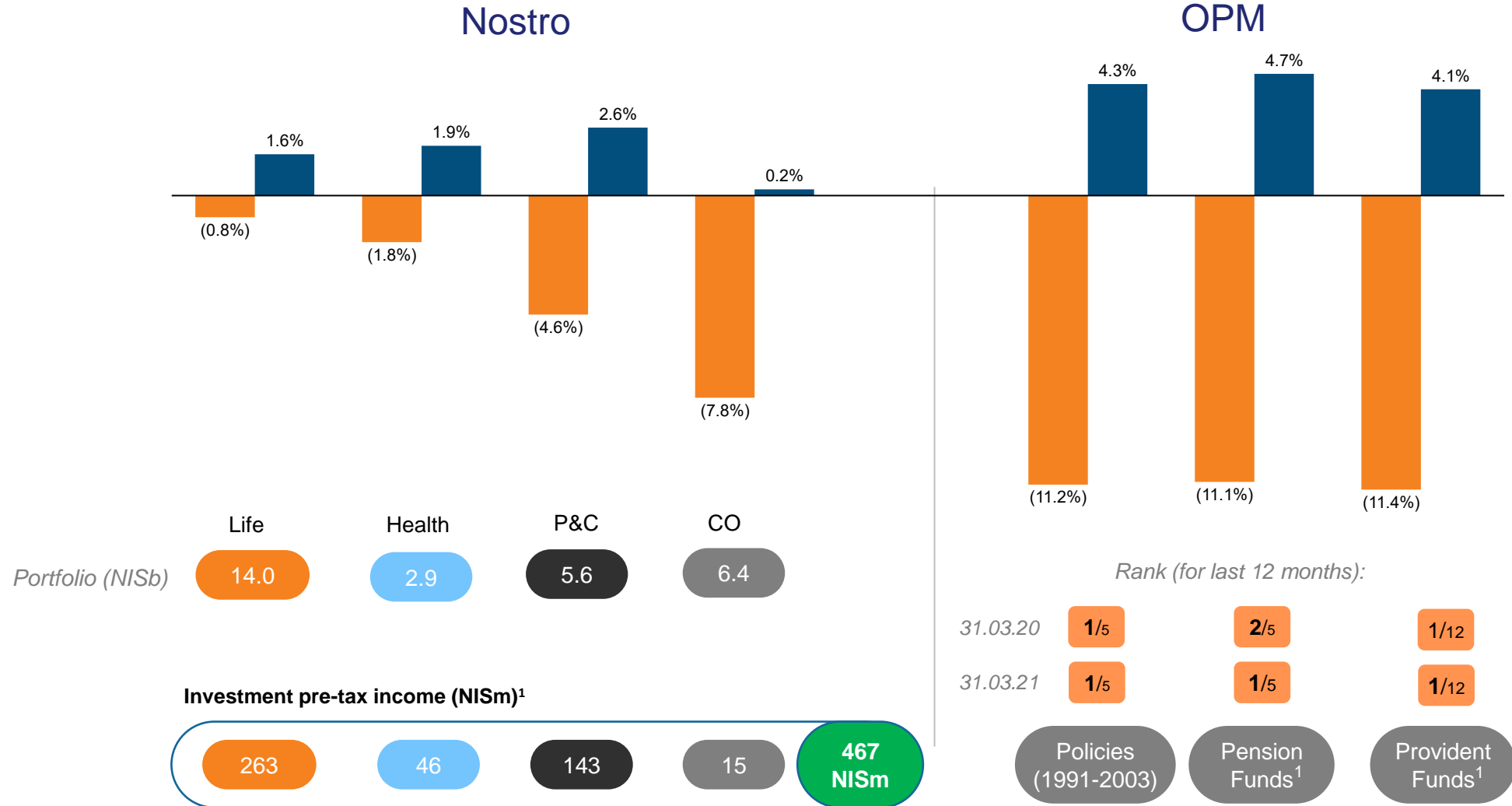


Q1/20 Q1/21

Strong Yields Across Phoenix Investments

Q1/21 financial market recovery and low global interest rates generated improved returns

- Nostro acceleration in income from investments
- OPM profitability increase in policies, pension funds and provident funds

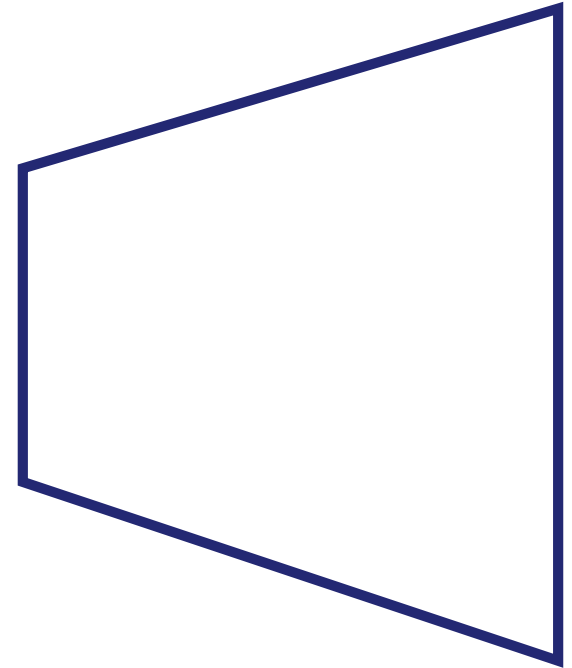


¹ Refers to yields in the general plan

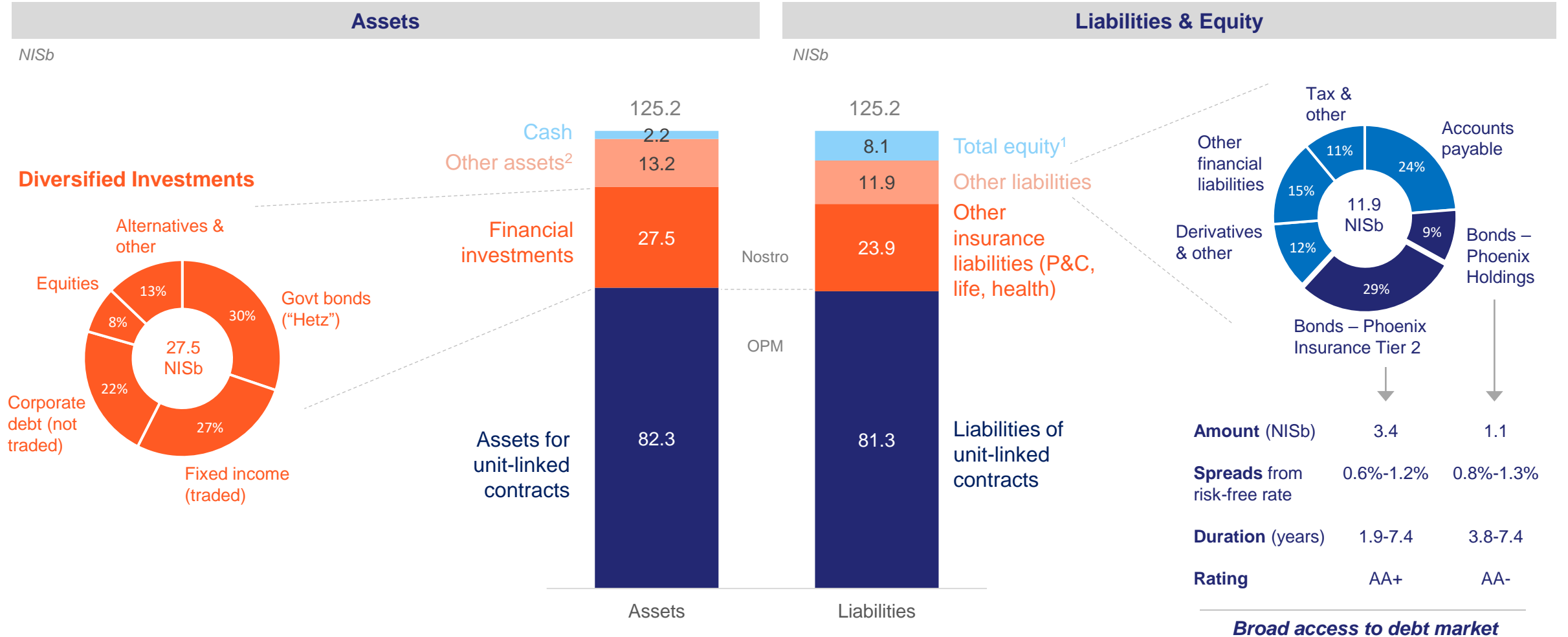


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2021 Q1 Balance Sheet Highlights



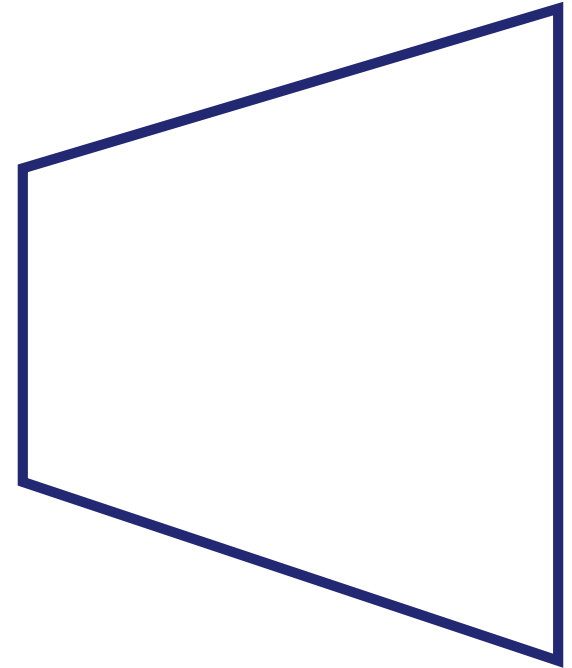
(1) Includes non-controlling interests

(2) Includes real estate 2.8 NISb, re-insurance assets 2.7 NISb, DAC 1.9 NISb, intangible assets 2.3 NISb and insurance assets and others 3.5 NISb



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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
RFR	Risk Free Rates
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
TMTP	Transitional Measures on Technical Provisions
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



2021Q1

Phoenix Holdings

Quarterly Financial Review

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