



**Due to the impact of Covid-19 and the decline in the financial markets during the first quarter, the Phoenix Group reported a loss of NIS 577 million.**

**However, the Groups' results in the second quarter are anticipated to improve significantly.**

**The company maintains a strong business and financial base with iAA- rating and NIS 6.1 billion Shareholders' equity.**

**The Company estimates a net economic loss of close to NIS 1 billion due to the impact of Covid-19 on the capital markets. As of today most of the investment losses were recovered.**

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**Maalot (S&P) and Midroog (Moody's) have both confirmed the Group's rating at iAA- and Aa3.il respectively with a stable outlook**

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**As of March 31, 2020, assets under management totaled NIS 196 billion (as of May 26, 2020 NIS 208 billion)**

Due to the impact of Covid-19 and the decline of financial markets, the Phoenix Group reports a loss of NIS 577 million. Maalot (S&P) and Midroog (Moody's) have both confirmed the Company's rating at iAA- and Aa3.il respectively, with a stable outlook.

The Company shareholders' equity as of March 31, 2020 totaled to NIS 6.1 billion compared to NIS 6.6 billion as of 31 December, 2019, which includes NIS 251 million increase due to change in circular published by the commissioner.

Moreover, the Phoenix Group estimates that due to the recovery in the capital markets during April and May, and due to early preparatory steps for the impending crisis, the Groups' results in the second quarter are anticipated to improve significantly.

Eyal Ben Simon, Phoenix Group CEO: "The Covid-19 crisis, which caused turmoil in the financial markets and has led to an economic slowdown both locally and globally, has impacted all financial services companies including the Phoenix Group. However, we succeeded in adjusting quickly to the rapidly evolving situation and successfully maintained our business continuity and financial strength. We focused on managing the crisis prudently and on preparing our exit strategies, 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 Midrug (Moody's) that confirmed rating at iIAA- and Aa3.il respectively with a stable outlook."

Early in the process, the Group directed its Business Continuity Management (BCM) team to apply emergency protocols and a business continuity strategy. The Group mapped out the critical processes across the organization, assessed its optimum business and human resources requirements, established an emergency management structure with emergency situation teams, and allocated resources and technology infrastructure to allow for remote work during and after the crisis. These steps have enabled the Company to maintain a high standard of service to its agents and to its clients.

Additionally, Mr. Ben Simon added: "While navigating the initial impacts of the Coronavirus crisis, the Company also prepared the business routine for the "day after" as part of the groups plan to exit the crisis, that will be reflected in the coming quarters, including the management and reduction of variable, fixed, and human resource related 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 on identifying and capturing market opportunities through its leading and experienced investment team."

#### **Results for the First Quarter, 2020:**

Shareholder's **comprehensive net loss** for the reporting period totaled NIS 577 million compared to a **comprehensive net profit** of NIS 382 million in the corresponding period of the previous year.

Most of the Group's assets are invested in the financial markets. Consequently, the negative performance of the markets due to Covid-19 had a significant impact on the Group's results. The Company estimates a pre-tax loss of approximately NIS 0.9 billion due to Covid-19 in the first quarter of 2020. However, after the reporting date and until May 26, 2020, the Company estimates an pre-tax investment profit recovery of approximately NIS 0.8 billion.

**P&C Insurance:**

The Comprehensive loss in the reporting period totaled NIS 223 million, compared to a comprehensive profit of NIS 146 million in the corresponding period of the previous year. The loss incurred during this period stemmed from a decline in investment income. Additionally, the Company suffered weather-related damages that affected motor and other property lines of business, and from a loss in the flight cancellation line of business due to the spread of the Covid-19. After the reporting date and until May 26, 2020 the Company estimates an investment profit recovery, before tax, in the amount of NIS 197 Million.

**LTS:**

The comprehensive loss during the reporting period totaled NIS 256 million, compared to a comprehensive profit of NIS 165 million in the corresponding period of the previous year.

**Life Insurance:**

The comprehensive loss in the reporting period totaled NIS 260 million, compared to a comprehensive profit of NIS 146 million in the corresponding period of the previous year.

Management fees income from saving policies totaled NIS 110 million in the reporting period, compared to NIS 236 million in the corresponding period of the previous year. The decline is attributed mainly to variable management fees that were not charged as a result of declines in the financial markets. As of March 31, 2020, the decline will affect the collection of management fees in the future in the amount of NIS 517 million. However, as of May 26, 2020, in light of capital the recoveries in the financial markets, the Company estimates the above-mentioned figure of NIS 517 Million to be reduced to NIS 268 million.

In addition, fluctuations in the capital markets and the effect of declining interest rates on liabilities had a negative impact on the results in the amount of approximately NIS 312 Million, compared to the corresponding period of the previous year. However, after the reporting date and until May 26, 2020 the Company estimates an investment profit recovery in the amount of approximately NIS 180 Million.

**Pension Funds:**

The comprehensive loss in the reporting period totaled NIS 3 million compared to a comprehensive income of NIS 6 million in the corresponding period of the previous year.

Contributions totaled to NIS 1,097 million compared to NIS 951 million in the corresponding period of the previous year, representing an increase of 15.4%. Assets under management totaled NIS 28.4 billion as of March 31, 2020, compared to NIS 25.6 billion as of March 31, 2019.

**Provident Funds:**

The comprehensive profit in the reporting period totaled NIS 7 million, compared to NIS 14 million in the corresponding period of the previous year, mainly due to declines in the capital markets. Contributions collected totaled NIS 583 million, compared to NIS 685 million during the corresponding period of the previous year, due principally to customer behavior in light of Covid-19. Assets under management as of March 31, 2020 totaled NIS 30.9 billion, compared to NIS 32.2 billion as of March 31, 2019, mainly due to the decline in the capital markets with a negligible redemption effect.

**Health Insurance:**

The comprehensive profit in the reporting period totaled NIS 50 million compared to NIS 15 million profit in the corresponding period of the previous year. The increase in the profit is due to a downward shift in the risk-free yield curve and improvement in underwriting results which led to the positive effect of approximately NIS 153 million which was offset by approximately NIS 118 million due to the decrease in investment income in light of the capital markets decline.

**Financial Services:**

The comprehensive profit in the reporting period totaled NIS 55 million, compared to NIS 58 million in the corresponding period of the previous year.

In the first quarter of 2019, the Company included an amount of NIS 29 Million as a onetime profit deriving from the revaluation of a subsidiary as a result of control change. The Company succeeded in presenting a significant increase in profitability despite the decline in assets under management resulting from redemptions and capital market effects, mainly due to actions taken in market making and brokerage activities.

**Insurance Agencies:**

Comprehensive profit in the reporting period totaled NIS 34 million compared to NIS 46 million in the corresponding period of the previous year mainly due to the decline in capital markets.