

November 24, 2020

**Phoenix continues to maintain financial strength and reports a comprehensive profit to shareholders of 323 million NIS in the third quarter and 494 million NIS for the first nine months of 2020**

**Phoenix CEO Eyal Ben Simon: “While Covid-19 continues to pose a significant challenge to the economy, the group has been able to carry out significant actions in order to improve its financial strength and position itself as market leader.**

**Group results for this period reflect some of the key actions taken. Activities include: yield-focused investment management, technological innovation, synergy within the group’s portfolio companies, efficient capital management, effective risk management and optimal use of distribution channels of the group- insurance agencies and direct channels.**

**Over the past few months, the company has been working on preparing a multi-year strategy for the group’s activities. The company will present its strategic plan to the capital markets in early December”**

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**As of 30.09.2020, the company’s equity was 7.1 billion NIS, compared to 6.8 billion NIS on 30.6.2020 and 6.6 billion NIS on 31.12.2019**

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**The group’s profit before tax from insurance agencies and financial services was 243 million NIS for the first nine months of 2020, representing 33% of the profit before tax of the group, which totalled 728 million NIS.**

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**Total income before tax from nostro investments for the first nine months of 2020 amounted to approximately 415 million NIS, compared to approximately 7 million NIS for the first half and a loss of approximately 917 million NIS in the first quarter.**

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**As of September 30, 2020, the impact of the decline in the asset values, following the Covid-19 crisis, resulted in the non-collection of variable management fees of 101 million NIS before tax. As of the financial statement publication date, the company has covered the full real investment losses accrued and expects to collect variable management fees in the fourth quarter.**

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**The Company's Board of Directors has approved a new dividend distribution policy whereby the Company will distribute an annual dividend at a rate of not less than 30% of the Company's total distributable profit (deducting share buybacks, according to the published plan). At the same time, the Phoenix Insurance Board of Directors has approved a new dividend policy stating that from 2021, Phoenix will distribute an annual dividend at a rate ranging from 30% to 50% of Phoenix's total distributable profit.**

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**Phoenix Insurance published the general solvency ratio as of December 31, 2019, indicating a solvency ratio including transition measures of 165%.**

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**The credit rating agency S&P (Maalot) confirmed the company's stable rating at AA, following the stable rating from Moody's of Aa3**

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**The Company exchanged debentures (Series 5 debt) for debentures (Series 2), thereby building a more stable future cash flow.**

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**As part of the group's strategy, the company performed a number of significant actions designed to incentivise and retain the senior management team, including: a clear remuneration policy for executives which better links performance to remuneration, the granting stock options to employees and the signing of a long-term agreement with the managers of KSM.**

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**As part of the implementation of the company's business strategy, the company submitted an offer to purchase the Hellmann-Aldubi investment house for a total of 275 million NIS.**

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**On September 30, 2020, the Company's Board of Directors approved a one-year share buyback plan totaling 100 million NIS. Based on the company's share price at the time, this represents a viable business and economic opportunity for the company and meets legal distribution requirements. At the time this report was published, the company had made buyback purchases totaling 26.4 million NIS.**

## Corporate results for the third quarter reporting period of 2020

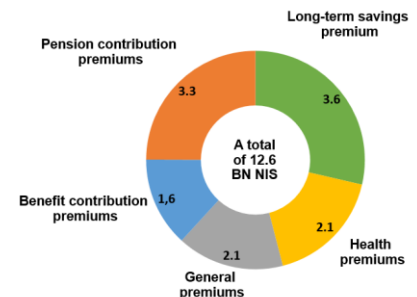
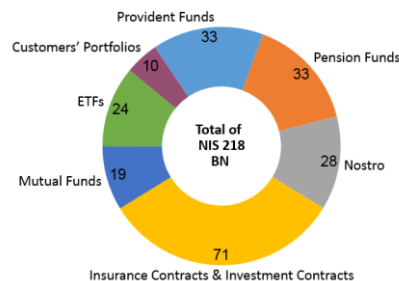
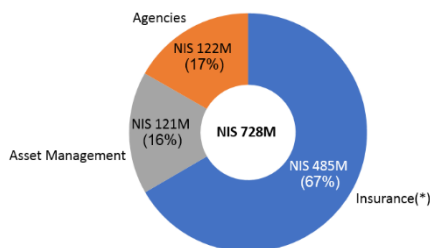
### After tax profit in the reporting period:

### AUM

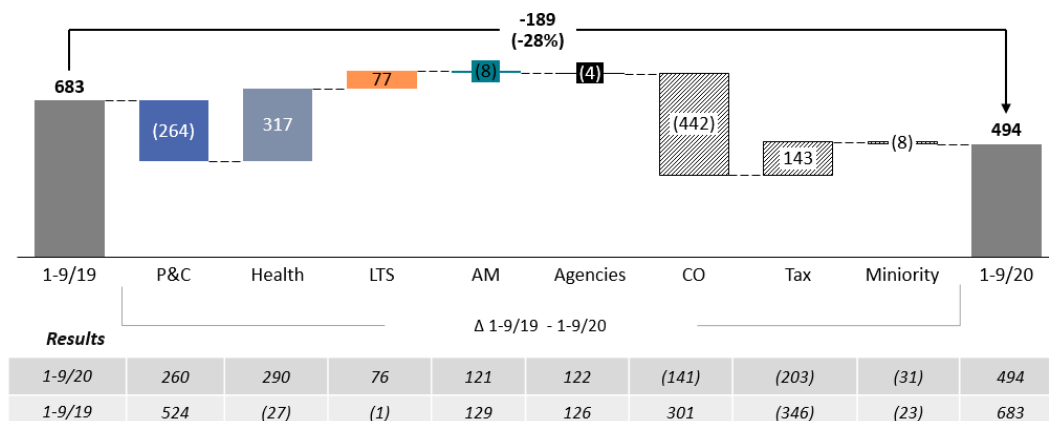
AS OF September 30, 2020

### Premiums and Benefit Contributions

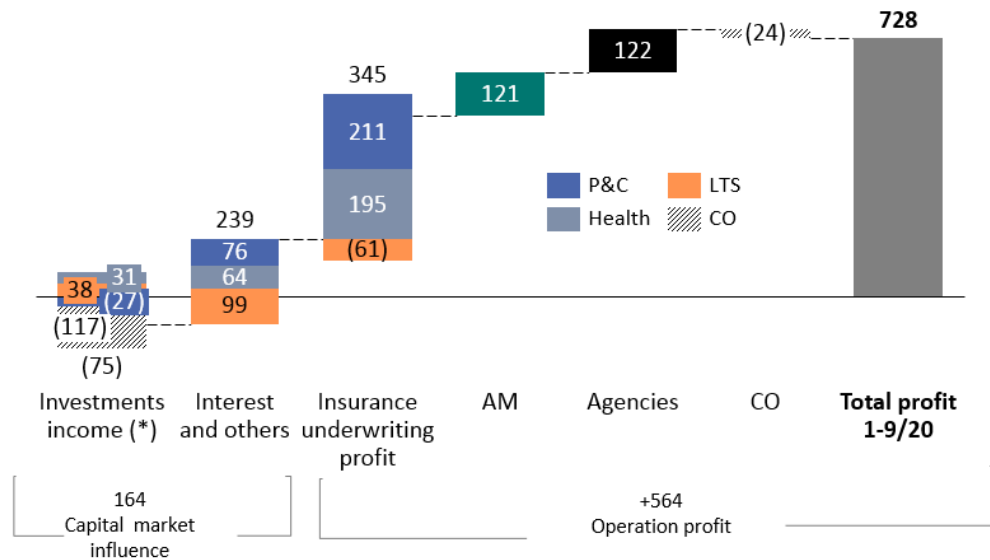
In the reporting period



The total profit attributed to the group's shareholders in the reporting period amounted to 494 million NIS, compared with the corresponding profit of 683 million NIS last year. The following is an analysis of the results of the Company's operations for the reporting period in relation to the corresponding period last year (million NIS):

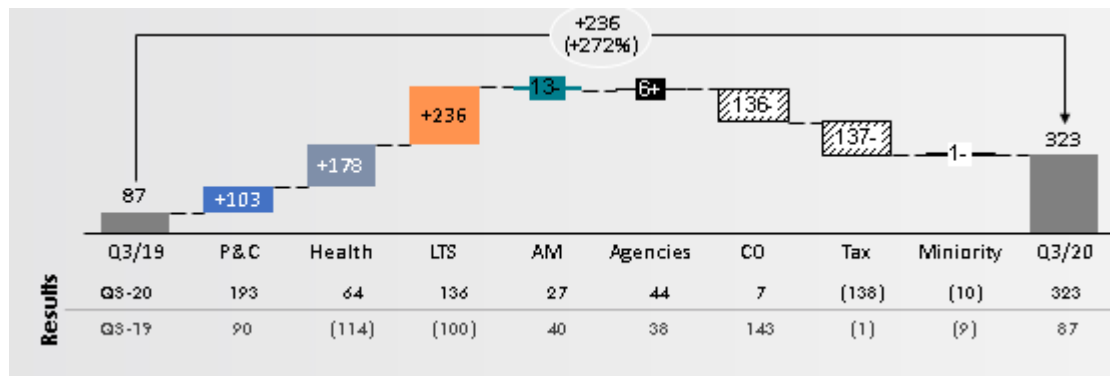


The following is an analysis of the company's profit sources before tax for the nine-month period ended September 30, 2020 (million NIS):

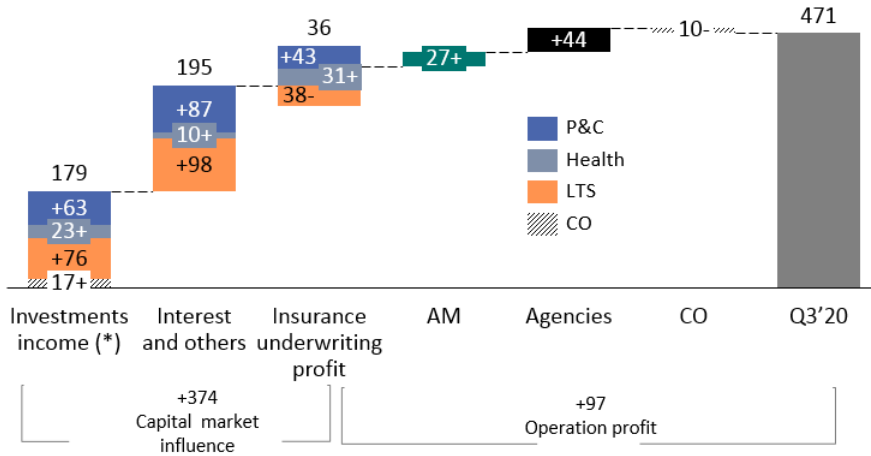


(\*) The underwriting profit in insurance includes the assumption of a real return of 3%, the rest of the income from investments is included in the effects of the capital market. In addition, the income from investments in life insurance is after offsetting a return imputed to the insured.

**The total profit attributed to the Group's shareholders in the third quarter** amounted to 323 million NIS, compared with a profit of 87 million NIS in the corresponding quarter last year. The following is an analysis of the Company's operating results in the third quarter compared to the corresponding quarter last year (million NIS):

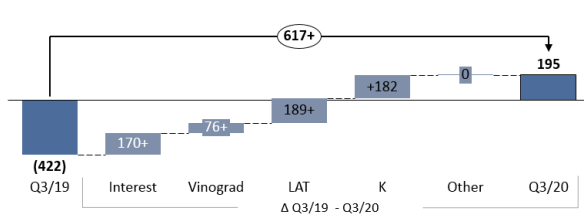


The following is an analysis of the Company's profit sources before tax for the three month period ending September 30, 2020 (million NIS):



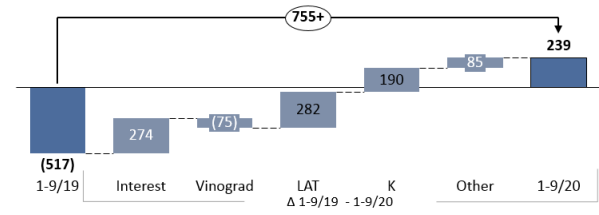
(\*) The underwriting profit in insurance includes the assumption of a real return of 3%, the rest of the income from investments is included in the effects of the capital market. In addition, the income from investments in life insurance is after offsetting a return imputed to the insured.

The following is an analysis of interest and one-time effects in the reporting period and in the third quarter before tax compared to the same period last year (million NIS):



**Results**

	7-9/20	7-9/19
Interest	(21)	(191)
Vinograd	74	(2)
LAT	11	(178)
K	131	(51)
Other	-	-
Q3/20	195	(422)



**Results**

	1-9/20	1-9/19
Interest	(38)	(312)
Vinograd	74	(75)
LAT	64	(218)
K	139	(51)
Other	0	(85)
1-9/20	239	(517)

### **P&C insurance**

The total profit before tax from the general insurance activity segment in the reporting period amounted to 260 million NIS, compared with a total profit of 524 million NIS in the same reporting period last year. The decrease in total profit compared to the corresponding period last year is mainly due to a significant decrease in investment income, a reduction in insurance liabilities in compulsory motor vehicles, and liabilities in the total amount of 74 million NIS before tax, compared with a reduction of 149 million NIS in the corresponding period last year. The decrease in profit offsetting the decrease in investment income and the reduction in insurance liabilities is due to weather damage and a loss in the flight cancellation industry due to the Covid-19 virus pandemic. Also noted is the Supreme Court ruling regarding the discount rate of damages, which was changed to 3%.

In the third quarter, the total profit before tax amounted to 193 million NIS, compared with a profit of 90 million NIS in the corresponding quarter last year. The increase in total profit in the third quarter compared to the corresponding quarter last year was mainly affected by the reduction of insurance liabilities as mentioned above and with respect to the said Supreme Court ruling regarding the rate of discounting interest on Social Security liabilities and increasing investment income compared to the corresponding quarter last year.

### **Life insurance and long-term savings**

The total profit before tax in the reporting period amounted to 76 million NIS, compared with a loss of 1 million NIS in the corresponding period last year. The profit in the third quarter amounted to 136 million NIS, compared with a loss of 100 million NIS in the corresponding quarter last year.

### **Life insurance**

The total profit before tax amounted to 63 million NIS in the reporting period, compared with a loss of 44 million NIS in the corresponding period last year. In the third quarter, the total profit before tax amounted to 130 million NIS, compared with a loss of 114 million NIS in the corresponding quarter last year.

The results in the reporting period and in the third quarter compared to corresponding periods last year were mainly affected by the decrease in the financial margin for policy-guaranteed policies and the decrease in management fees, due to non-collection of variable management fees, resulting from declines in the financial markets. As of the date of this report, the effect of the decrease in the portfolio value led to the non-collection of variable management fees in the amount of 101 million NIS, before the tax effect (as of the date of publication of the financial statements). During the fourth quarter, on the other hand, the results were positively affected by changes in the risk-free interest rate curve and changes in the K value (see table above) relative to corresponding periods last year.

### **Provident funds**

The total profit before tax in the reporting period amounted to 23 million NIS, compared with 34 million NIS in the corresponding period last year. The decrease in profit was mainly due decrease in management fees as a result of the decrease in assets under management, following the Covid-19 crisis and the erosion in the rate of management fee as a result of increased competition in the industry. Additionally, the decrease in profit was due to the return in the capital markets, which affected the margin in provident funds guaranteeing a return and and increase in management and general expenses due to changes in agreements, operation and management of investments with Phoenix Insurance and Phoenix Investments.

### **Pension funds**

The loss before tax in the reporting period amounted to 9 million NIS, compared with a profit of 9 million NIS in the corresponding period last year. The decrease in profit was mainly due to the decrease in yield in capital markets and increase of marketing and other expense.

### **Health insurance**

The total profit before tax in the reporting period amounted to 290 million NIS, compared with a loss of 27 million NIS in the corresponding period last year. In the third quarter, the total profit before tax amounted to 64 million NIS, compared with a loss of 114 million NIS in the corresponding quarter last year.

The results in the reporting period compared to the corresponding period last year were mainly affected by a decrease in the risk-free interest rate curve which increased the LAT reserve in the long-term care insurance industry by 204 million NIS, an increase in the LAT reserve due to a decrease in the value of non-marketable assets. To LAT - in the amount of 96 million NIS offsetting the excess value of non-marketable assets transferred from the living sector to the health sector in the amount of 121 million NIS as a result of the first implementation of the LAT circular amendment. In addition, the LAT in the amount of 110 million NIS, following the first implementation of the Supervisory Circular regarding the increase in the liquidity premium and the reduction of reserves resulted in updating actuarial and other discounts in the amount of 133 million NIS. During the corresponding period, the LAT was impacted mainly by the decrease in the risk-free yield curve for a total amount of NIS 261 million. In addition, the results in the reporting period affected the comparison of the corresponding period last year by the improvement of the underwriting results, mainly due to a decrease in claims.

The results in the third quarter were mainly affected by an increase in the LAT reserve of approximately NIS 10 million, compared with an increase in the LAT reserve of 156 million NIS in the corresponding quarter last year as a result of a decrease in the risk-free yield curve.

### **Financial services (Excellence)**

The total profit before tax in the reporting period amounted to NIS 121 million, compared with 129 million NIS in the corresponding period last year. In the corresponding period last year, the Company recorded a one-time profit of approximately 29 million NIS from the revaluation of an investment in an investee company that was first consolidated due to an increase in control. The first of the year

The total profit before tax in the third quarter amounted to 26 million NIS, compared with 40 million NIS in the corresponding quarter last year. The decrease in profit in the quarter was mainly due to the recognition of a one-time profit in KSM in the corresponding period last year.

### **Insurance agencies**

The total profit in the agencies segment in the reporting period amounted to 122 million NIS, compared with a profit of 126 million NIS in the corresponding period last year. In the third quarter, the profit was 44 million NIS, compared with a profit of 38 million NIS in the corresponding quarter last year.

### **Other and non-attributable activities**

This area includes the results of investments that stand alone capital, financial expenses and the results of investee companies that are uncontrolled (mainly Gama Clearing Management Ltd.). In the third quarter, the profit was 7 million NIS, compared with a profit of 143 million NIS in the corresponding quarter last year.

### **Solvency ratio**

On October 28, 2020, the Phoenix Insurance's Solvency Ratio Report was released as of December 31, 2019, according to which the Phoenix Insurance Solvency Ratio ratio taking into account the deployment provisions is 165% and 105% when excluding deployment provisions. In addition, the Phoenix Board of Directors has set a minimum economic solvency ratio target, taking into account the spread provisions which is 135% while the minimum solvency ratio target without regard to the transitional provisions during the spread period is 105%.

### **Dividend distribution policy**

On October 27, 2020, the Company's Board of Directors approved a new dividend distribution policy, according to which the Company will distribute an annual dividend at a rate of not less than 30% of the Company's total profit distributable according to the Company's annual audited financial statements in the relevant year. According to the company, Phoenix Insurance's Board of Directors has approved a new dividend policy, that commencing in 2021, Phoenix Insurance will distribute an annual dividend at a rate of between 30% and 50% of Phoenix Insurance's total profit, which can be divided according to Phoenix Insurance's annual financial statements should the company meet the minimum solvency ratio it has determined.