August 25, 2021

H1 2021 - The Phoenix Group posts NIS 1.15 billion comprehensive profit attributable to shareholders and ROE of 29.6%
In Q2, the Group reports a NIS 797 million comprehensive profit attributable to shareholders and ROE of 44.2%

In the first half and in the second quarter of 2021, The Phoenix posted high growth across operating segments and in assets under management, and reports comprehensive net profit of NIS 1.15 million in the first half of 2021 and NIS 797 million in the second quarter.

The results reflect the Group's capabilities and focus on long-term growth and value creation, excellence in investments and risk management, and continuous investment in improvement and leadership. These efforts include technological, operational and service functions, with the goal of increasing the Group's competitive advantage and expanding its customer base.

In the first half of the year, premiums and benefit contributions grew by 34%, from NIS 9.4 billion in the first half of 2020 to NIS 12.6 billion in the first half of 2021. Assets under management grew by approximately 22%, from NIS 234 billion as of December 31, 2020, to NIS 286 billion as of June 30, 2021 (NIS 329 billion as of June 30, 2021 including NIS 43 billion assets managed for the Israel Electric Corporation).

In the second quarter and as part of the execution of its strategic plan for unlocking and creating value across its portfolio of activities, the Group successfully led the IPO of "Gama", market leader in SME credit, on the Tel Aviv Stock Exchange. Through the IPO, the Phoenix also acquired control of Gama, reaching 61.6% holdings. Following the IPO and after achieving control, the Phoenix recorded a one-time net capital gain of approximately NIS 220 million in the second quarter, and will drive together with Gama's management the growth and value creation in the coming years. At the same time, the divestment of senior housing business Ad 120 is ongoing, and after the end of the quarter the Phoenix signed an exclusivity agreement, pursuant to a binding offer, with the Shapir Group, for the purchase of control of Ad-120 at an equity value of NIS 1.35 billion. If the transaction is completed, the Phoenix's holdings in Ad 120 will be 47%, and it shall record a one-time net capital gain in the range of NIS 220-270 million. In addition, during the second quarter, Excellence Pension and Provident Management Company was transferred as dividend in kind from The Phoenix Insurance to the Phoenix Holdings, and during the third quarter we intend to complete the integration of Halman Aldubi.

After the end of the quarter and as part of the implementation of the Group's strategy, the Phoenix Insurance issued Restricted Tier 1 capital in the amount of NIS 200 million to institutional investors and an additional NIS 1 billion to The Phoenix Holdings in exchange for previously issued capital notes. The new bonds issued on the TACT-Institutional trading platform. The issuance was the first Tier 1 capital placement by an insurance company in Israel, strengthening Phoenix Insurance's capital and significantly improving the Group's liquidity.

Disciplined value creation and strategic execution have enabled us to achieve outstanding results in the first half of the year. Looking forward, we intend to accelerate our plans, based on the organizational and technological infrastructure we have built over the past year.

The results are the result of the efforts of the Group's employees and managers, and those of our partners - the insurance agents, pension advisers, and bank-based financial advisers. We believe that continued improvement of our client value propositions, and the ongoing investment in people, infrastructure, and partners, will further strengthen the Group's performance over time.

The Group’s results reflect our clear and focused strategy and the true partnerships our companies and people.

As of June 30, 2021, the Company's shareholders' equity was NIS 8.7 billion, compared to NIS 6.8 billion as of June 30, 2020.

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In the first half of 2021, the return on equity for shareholders was 29.6%, compared to 5.2% in the same period of last year. In the second quarter of 2021, the return on equity for shareholders is 44.2%, compared with 55.3% in the same quarter last year.

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The Phoenix Insurance published its solvency ratio report as of December 31 2020, according to which the solvency ratio - taking into account the transitional provisions - is 186%[1], without of the transitional provisions, the ratio is 110%[1]. According to the Phoenix Insurance's capital plan, the minimum solvency ratio target, without of the transitional provisions, is set at 105% and will reach 135% at the end of the transitional period.

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In August, 2021, the Phoenix Insurance issued an Additional Tier 1 capital instrument totaling approximately NIS 200 million, recognized as regulatory capital under the Economic Solvency Regime, in order to strengthen its capital and improve its solvency ratio. The capital instrument is currently traded on the TACT-Institutional trading platform. The Tier 1 capital instrument was rated A+ by Ma'alot S&P.

As part of the issuance, Phoenix Insurance issued to the Phoenix Holdings approximately NIS 1 billion of the capital instrument in exchange for Tier 1 capital notes issues previously.

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As of the reporting date, the Company completed the share buyback plan announced in 2020, with a total amount of NIS 100 million.

On August 24, 2021, the Company's Board of Directors approved a share buyback plan for a period of one year, totaling up to NIS 100 million; the plan was approved given the price of the Company's shares as of the date of the approval constitutes an attractive economic opportunity for the Company; the plan was approved after the

[1]The solvency data was adjusted for the dividend distribution and transfer of the shares of Phoenix Pension and Provident Funds, which took place on June 6, 2021, and the application of regulatory changes that occurred subsequent to the reporting date.

Board of Directors ensured that the Company meets distribution criteria according to law.

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In June, 2021, Gama completed its IPO, under which the Phoenix purchased additional Gama shares, such that following the IPO and the acquisition of the purchased shares, the Phoenix holds approximately 61.6% of Gama's issued share capital and voting rights (approximately 60% on a fully diluted basis) and became the controlling shareholder in Gama. In exchange for the shares purchased, the Phoenix paid a total of NIS 124 million. As a result of the IPO and after obtaining control, the Company recorded a one-time capital gain in the second quarter, net of issuance costs, in the amount of NIS 220 million.

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In July 2021, the Company's Board of Directors approved a work plan for the implementation and measurement of ESG priorities across the Phoenix Group. Furthermore, the Board of Directors appointed a dedicated ESG Committee that will supervise ESG efforts and report periodically to the Board of Directors.

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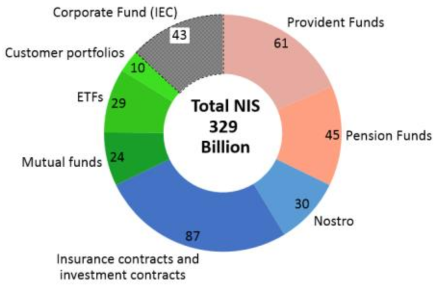
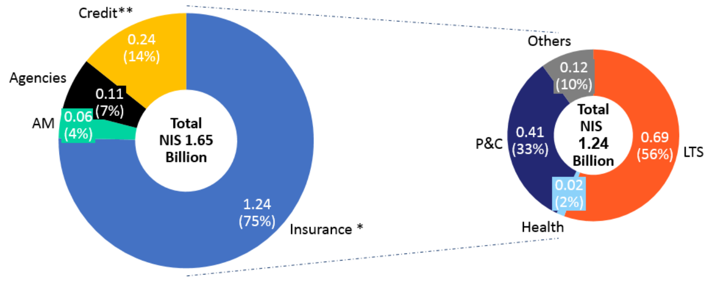
Assets under management as of June 30, 2021



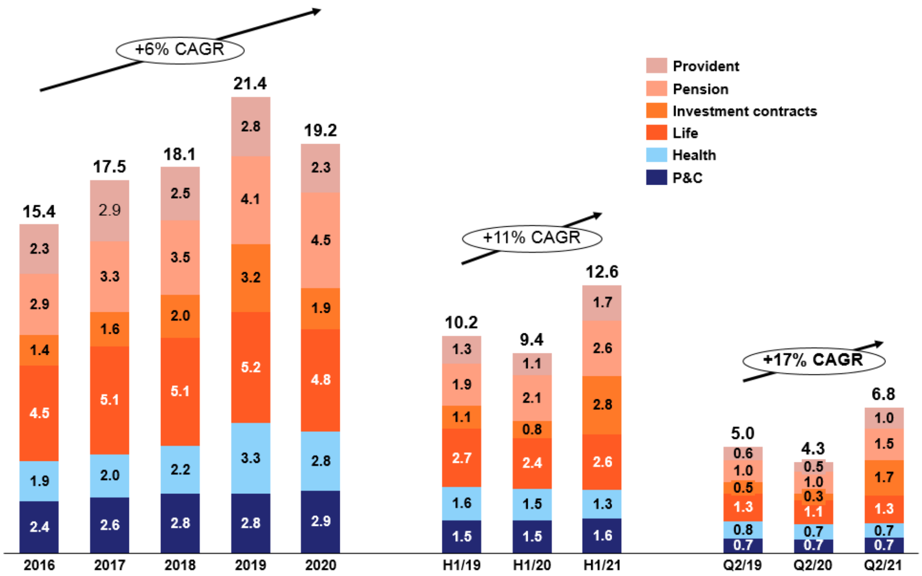
Breakdown of pre-tax comprehensive profit in the first half of 2021:



(*) The income includes intra-group adjustments.

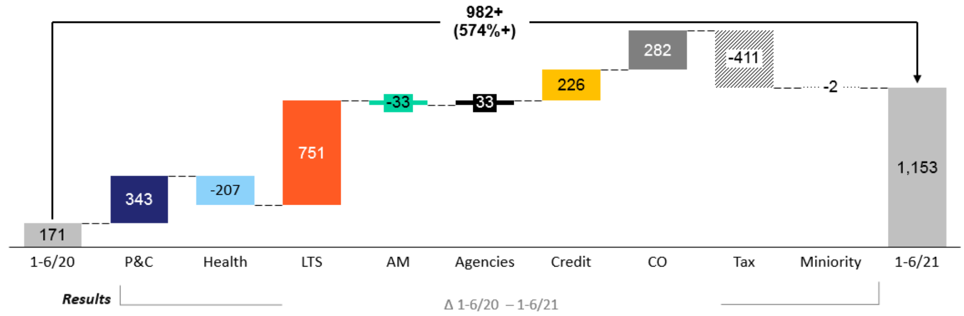
(**) In view of its becoming the controlling shareholder in Gama, the Company decided to open a new segment - the credit segment.

Gross premiums, benefits contributions and investment contract proceeds for the first half and second quarter of 2021:



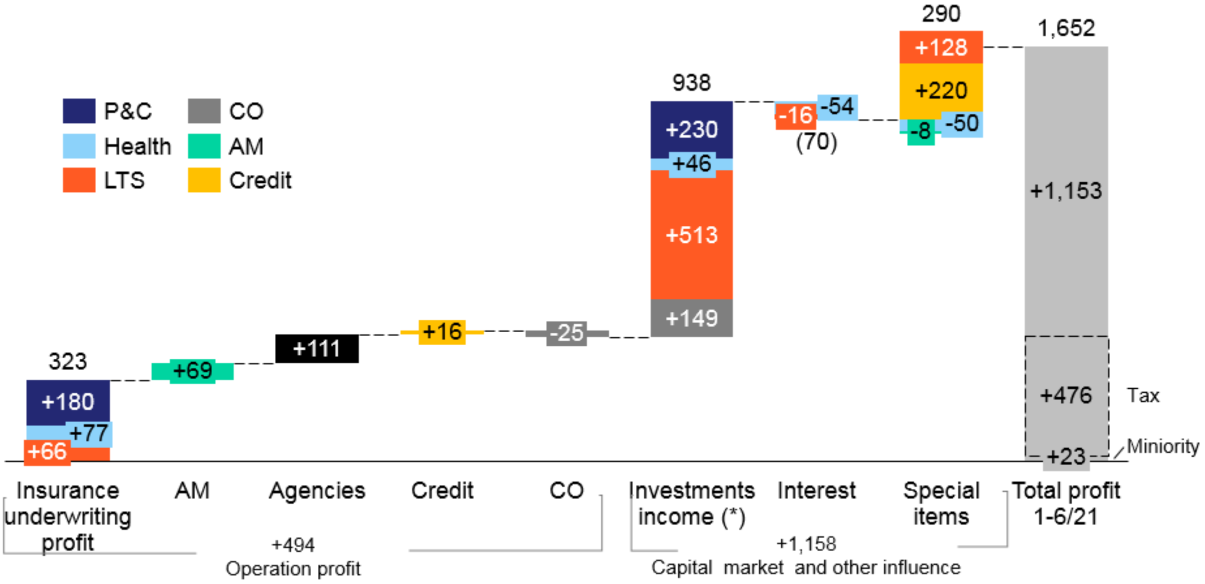
The comprehensive profit attributed to the Group's shareholders in the first half of 2021 (hereinafter - the “reporting period”) amounted to NIS 1,153 million, compared with NIS 171 million in the corresponding period last year. The comprehensive profit attributed to the Group's shareholders in the second quarter of 2021 amounted to NIS 797 million, compared with a NIS 748 million comprehensive profit in the corresponding period last year.

Set forth below is an analysis of the Company's results during the reporting period compared with the corresponding period last year (in NIS millions):



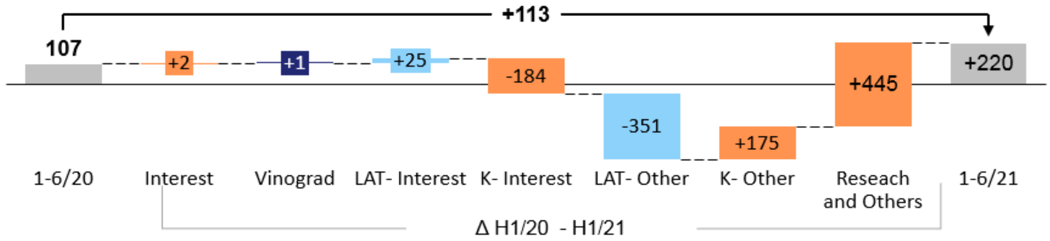
1-6/2021	***410***	***19***	***691***	***61***	***111***	***236***	***124***	***(476)***	***(23)***	***1,153***
1-6/2020	*67*	*226*	*(60)*	*94*	*78*	*10*	*(158)*	*(65)*	*(21)*	*171*

Following is an analysis of the Company's pre-tax profit sources in the reporting period (in NIS million). In this analysis, a separation is made between the profit from operations and the effects of the capital market and special items, as detailed below:



(*) Profitability analysis in insurance segments: The profitability analysis is based on a breakdown between underwriting profit, which assumes a real return of 3% (including variable management fees on the basis of the aforementioned rate, fixed management fees and financial margin on the same aforementioned rate) and between the profit stemming from nostro investment income and management fees above or below a real return of 3%, the effect of the interest rate, including changes in the K factor in life segment, and other special effects.

Set forth below is an analysis of the interest rate effects and main special items effects, before tax, during the reporting period and in the corresponding period last year (in NIS million):



Results	-70 Interest				+290 Special items			
1-6/2021	***(16)***	***0***	***(54)***	***-***	***(218)***	***-***	***508***	***220***
P&C	-	-	-	-	-	-	-	-
Health	-	-	(54)	-	(218)	-	168	***(104)***
LTS	(16)	-	-	-	-	-	128	***112***
AM	-	-	-	-	-	-	(8)	***(8)***
Credit	-	-	-	-	-	-	220	***220***
1-6/2020	***(18)***	***(1)***	***(79)***	***184***	***133***	***(175)***	***63***	***107***
P&C	(10)	(1)	-	-	-	-	-	***(11)***
Health	-	-	(79)	-	133	-	65	***119***
LTS	(8)	-	-	184	-	(175)	(5)	***(4)***
AM	-	-	-	-	-	-	3	***3***

P&C insurance

In the reporting period, pre-tax comprehensive profit amounts to NIS 410 million compared to NIS 67 million in corresponding period last year.

The results during the reporting period were affected by financial market returns in Israel and globally compared with the decline in the corresponding period last year, mainly due to COVID-19. The increase in underwriting profit in H1/2021 compared to H1/2020 is due to the decrease of the insurance liabilities for previous years and due to the effect of weather damage and losses in the flight cancellation subsegment due to COVID-19 during the corresponding period last year.

Life insurance and long-term savings

The comprehensive pre-tax profit in H1/2021 amounted to NIS 691 million compared to a pre-tax comprehensive loss of NIS 60 million in the corresponding period last year.

Life insurance

The comprehensive profit in H1/2021 amounted to NIS 662 million compared to a comprehensive profit of NIS 67 million in the corresponding period last year. The results in the reporting period were mainly impacted by the increase in income from investments, effect of the change in interest rates and special items effects compared with the corresponding period last year.

The NIS 636 million increase in income from nostro investments stemmed mainly from the positive performance of financial markets in Israel and globally which resulted in the collection of variable management fees at a total amount of NIS 372 million in the reporting period, whereas during the corresponding period last year variable management fees were not collected due to the COVID-19 crisis; the increase in income from nostro investments was also caused by an increase in the financial margins on guaranteed return policies.

The impact of interest rates in the reporting period compared with the corresponding period last year caused a NIS 192 million decrease in profit mainly due to the increase in the interest rate curve in the corresponding period last year.

Non-recurring effects led to an increase in profit of NIS 308 million in the reporting period compared to the corresponding period last year. The increase stemmed from assumption changes and model updates in the reporting period, which led to a decrease in insurance liabilities in the amount of NIS 128 million compared to the corresponding period last year, in which the “deficit” in variable management fees impacted the K factor triggering a NIS 175 million decrease in insurance liabilities.

Provident funds

The pre-tax comprehensive profit in the reporting period amounted to NIS 20 million compared to NIS 15 million during the corresponding period last year.
The increase in profit over the corresponding period last year is mainly due to capital market returns in Israel and globally, which impacted both the margin in provident funds which guaranteed returns and in the investment income of the management company’s nostro. The effect was partially offset by an increase in G&A expenses and in marketing and acquisition costs.

Pension funds

The pre-tax comprehensive profit in the reporting period amounted to NIS 9 million compared with a pre-tax comprehensive loss of NIS 8 million in the corresponding period last year. The increase in profit stemmed mainly from capital market gains in Israel and globally, which resulted in a NIS 5 million increase in the management company’s income from nostro investments compared to corresponding period last year, and from a NIS 18 million increase in management fees, offset by an NIS 6 million increase in G&A expenses and marketing and acquisition costs.

Health insurance

In the reporting period, pre-tax comprehensive income amounted to NIS 19 million compared to NIS 226 million in the corresponding period last year. The results in the reporting period compared to the corresponding period last year were impacted mainly by an NIS 248 million decrease in profit as a result of special items effects. These effects were due to research and assumptions updates in the long-term care and health subsegments, which increased reserves by NIS 50 million in the reporting period, compared with changes mainly in research and actuarial assumptions, which decreased the insurance reserves in the corresponding period last year by NIS 198 million.

Financial services / asset management (Excellence)

The pre-tax comprehensive profit in the reporting period amounted to NIS 61 million compared to NIS 94 million in the corresponding period last year. The decrease in profit in the reporting period compared to the corresponding period last year was mainly due to high levels of market-making activity in the corresponding period, erosion of deposit margins and an increase in special item effects, mainly due to an increase in acquisition costs due to strategic growth of the private client brokerage business.

Insurance agencies

The pre-tax comprehensive profit in the reporting period amounted to NIS 111 million compared to NIS 78 million in the corresponding period last year. The increase in profit stems primarily from growth and increase in agencies' sales, as part of the implementation of the Company's strategy, and gains in capital markets in Israel and globally, which impacted the income from the Company's nostro investments.

Credit

Following the purchase of control in Gama and since the credit activity is significant for the Group, the Company's reports include a Credit segment, in which the core activity is currently Gama's operations.

The pre-tax comprehensive profit in the reporting period amounted to approximately NIS 236 million compared to approximately NIS 10 million during the corresponding period last year. The profit for the period includes a special effect in the amount of approximately NIS 220 million that reflects the profit resulting from the IPO and obtaining control, net of issuance expenses.

Other segments and operation not attributed to the operating segments

This segment includes the results of investments earmarked to capital, finance expenses and results of investees that are not under control. In the reporting period, pre-tax comprehensive profit amounted to approximately NIS 125 million compared to approximately NIS 158 million in the corresponding period last year. The aforesaid change is mainly due to gains in financial markets in Israel and globally compared to declines in the corresponding period last year.