



IFRS 17 Analyst Presentation

# Menora Mivtachim

March 2025

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# General Clarifications

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This presentation includes only partial information regarding the Group's results for the period ended June 30, 2024 and is prepared solely for the sake of brevity and convenience. The presentation does not include the complete information needed by an investor to make a decision on investing in the Company's securities and is not designed to replace the need to peruse the full reports (both periodic and immediate) published by the Company for the public via the MAGNA system, which includes the complete information regarding the Company.

This presentation does not constitute an offer to acquire securities of the Company, or an invitation to receive such offers, nor does it constitute a recommendation or an opinion regarding investment in the Company's securities, and is intended for the provision of information only, as part of providing explanations about the Company.

Forecasts, assessments, estimates, and data with respect to future events whose materialization is uncertain and/or which are not under the Group's control and/or any other information which constitutes forward-looking information (as the term is defined in the Securities Law, 1968), which are included, if any, in this presentation, are based on subjective assessments of the Group's management, at its discretion, according to past experience and professional knowledge it has gained, based on facts and data known as of this date with respect to the Company's current position and regarding the other Group companies and business analysis by area of activity, market conditions, macroeconomic forecasts and economic developments in Israel and around the world, as well as the Company's plans. Naturally, any forecasts, assessments, estimates and forward-looking information involve uncertainty and their materialization depends on various factors, including factors which are outside the control of the Company and other Group companies – each of which, or a combination thereof, as well as materialization of any of the risk factors characterizing the activities of the Company and other Group companies may cause the forecasts, assessments, estimates and forward-looking information not to materialize or to materialize differently, even in a materially different manner than expected.

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# IFRS 17 Background

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## Group Results in the IFRS 17 Era

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## Appendix Defined Terms



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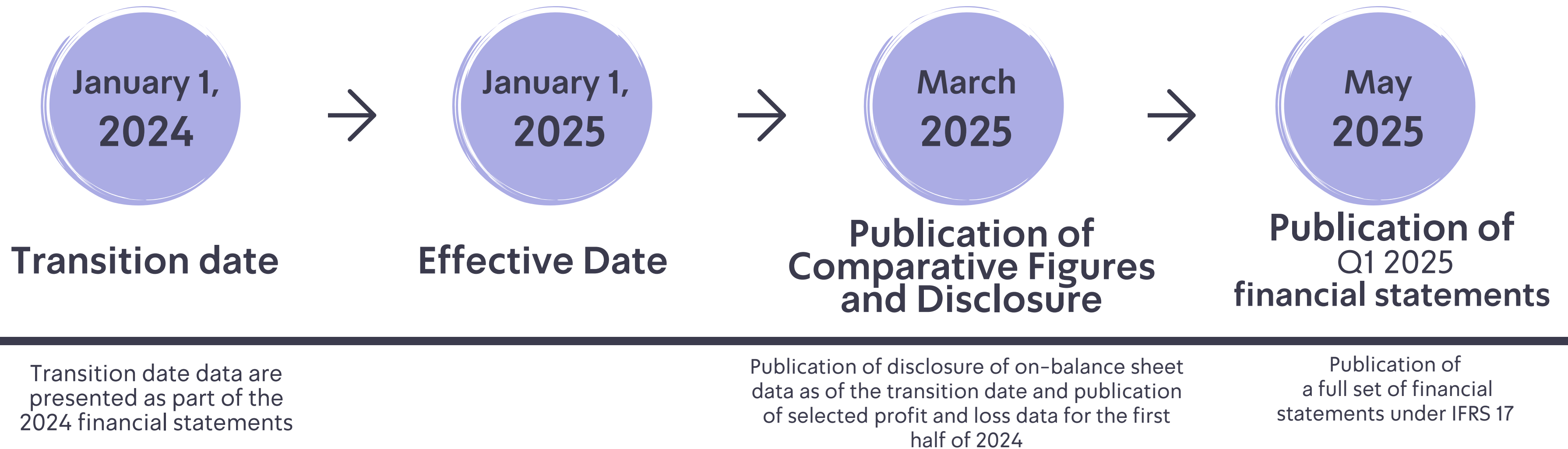
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# IFRS 17 – Background



## Transition to IFRS 17

**The 2024 financial statements will be the last financial statements prepared in accordance with IFRS 4; comparative figures for selected profit and loss data for the first half of 2024 will be published, and on-balance sheet data as of the transition date will be disclosed therein**





# Glossary of Terms

## Best Estimate (BE)

An estimate of the projected expected cash flows arising from the fulfillment of the insurance liability.

## CSM (Insurance) Contractual Service Margin

The expected profit from provision of insurance coverage. The profit is not recognized on day one, but rather spread over the insurance coverage period. Loss from provision of insurance coverage is recognized on day one.

+

## RA (Insurance) Risk Adjustment

Risk margin used as a buffer for the uncertainty embodied in future cash flows.

+

## Embedded value – pension

The expected profit from the provision of pension services less the cost of capital requirement and deferred acquisition expenses (calculated in accordance with the embedded value principles).

=

## Store of future earnings

[1] The pension activity is not included in the scope of IFRS 17. This activity constitutes a substantial Group arm and has long-term features – similar to health and life products. Therefore, in order to reflect a complete and representative picture of the Group's embedded value at the starting point of the transition date, the embedded value data of the Group's pension activity are presented as part of the Group's store of future earnings.





# The General Model in IFRS 17

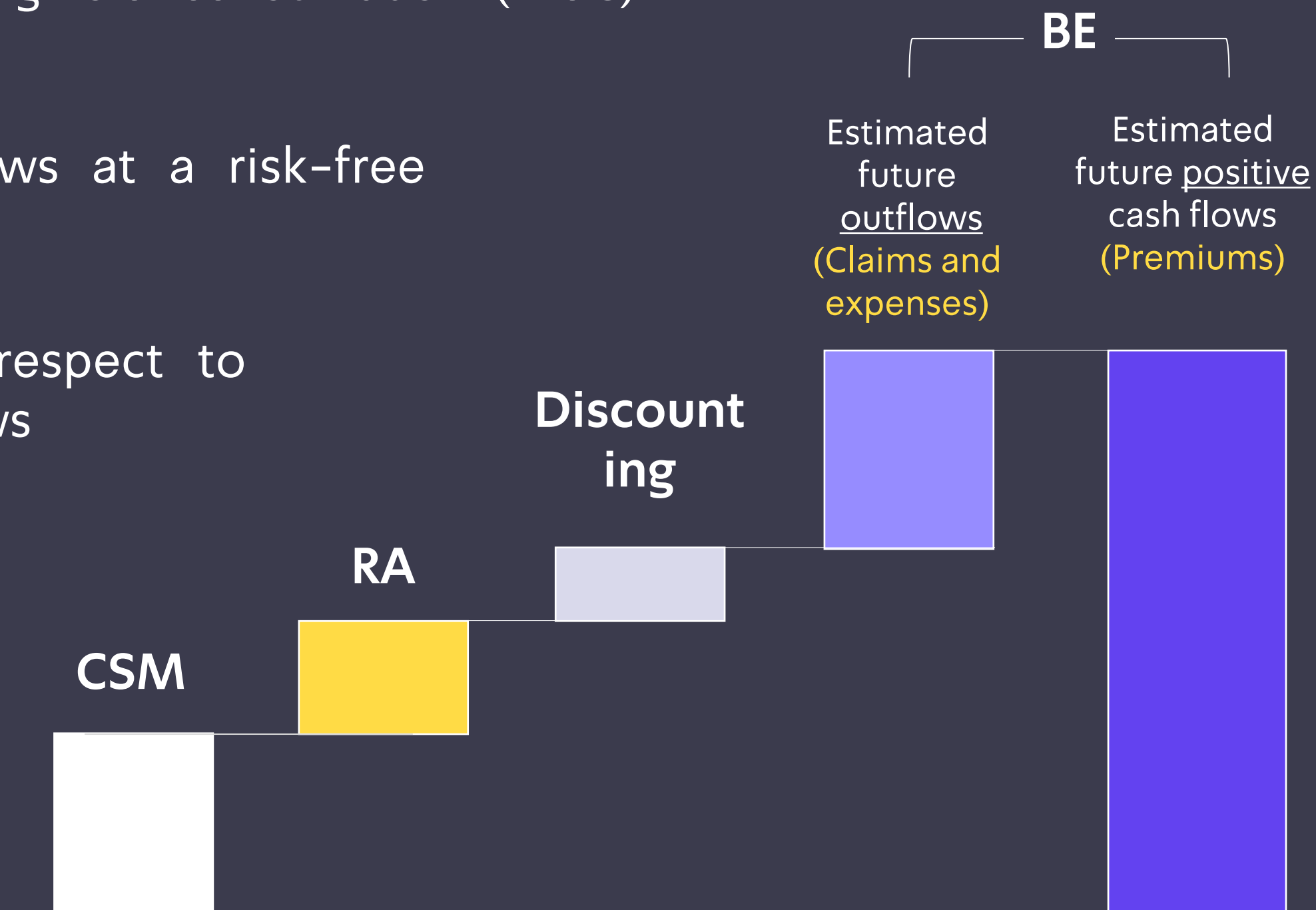
## CSM for New Business in Life and Health Insurance

→ Estimated future cash flows without margins of conservatism (MoC)

→ Effect of discounting future cash flows at a risk-free interest rate plus an illiquidity premium

→ Risk margin used as a buffer with respect to uncertainty arising from future cash flows

→ The profit expected to be received from the provision of services over the term of the insurance contract





# The Effect of IFRS 17 on the Group's Results

Pension and provident funds  
and other activities



No effect

P&C insurance



Minimal effect  
on measurement  
method

Life and health insurance<sup>[1]</sup>



Material effect  
on the measurement  
method

Most of the effect arises from **life and health insurance**

[1] Additional activities – credit, agencies and other





# CSM Development

## Interest

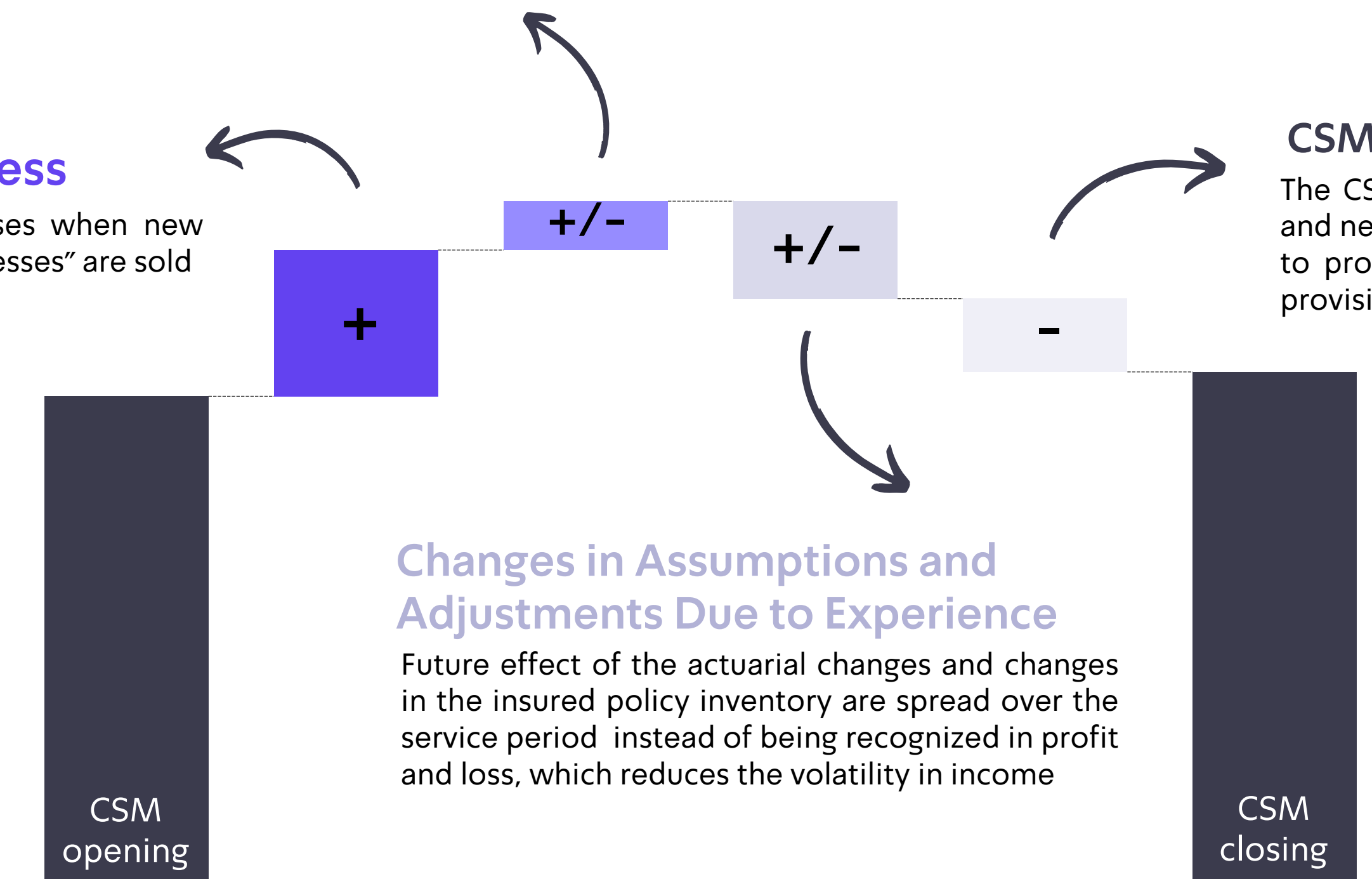
Interest accrued on the CSM balance based on the interest rate determined on recognition date (locked-in interest )

## New Business

The CSM increases when new profitable "businesses" are sold

## CSM Release Rate

The CSM in respect of an existing and new business is released to profit according to the service provision period





# The Change in the CSM Mix Over Time



Transition date  
January 1, 2024

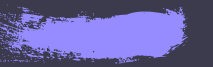
Companies in which a significant component of the CSM on the transition date is in respect of run-off products may display over time a substantial decrease in CSM and profit

**Therefore, the composition of the CSM on the transition date  
is of great importance**

Existing business



New Business







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# Group Results in the IFRS 17 Era





# Key points

The Group has  
**a pension activity  
with a substantial  
store of future  
earnings**

The Group has a  
**P&C insurance activity,  
which generates  
significant profitability,**  
and is not included in the  
store of future earnings

The  
store of future  
earnings includes  
**a substantial  
share derived  
from continuing  
products**

**Rapid CSM  
release rate**  
as a result of  
portfolio  
composition

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# Store of Future Earnings

January 1, 2024

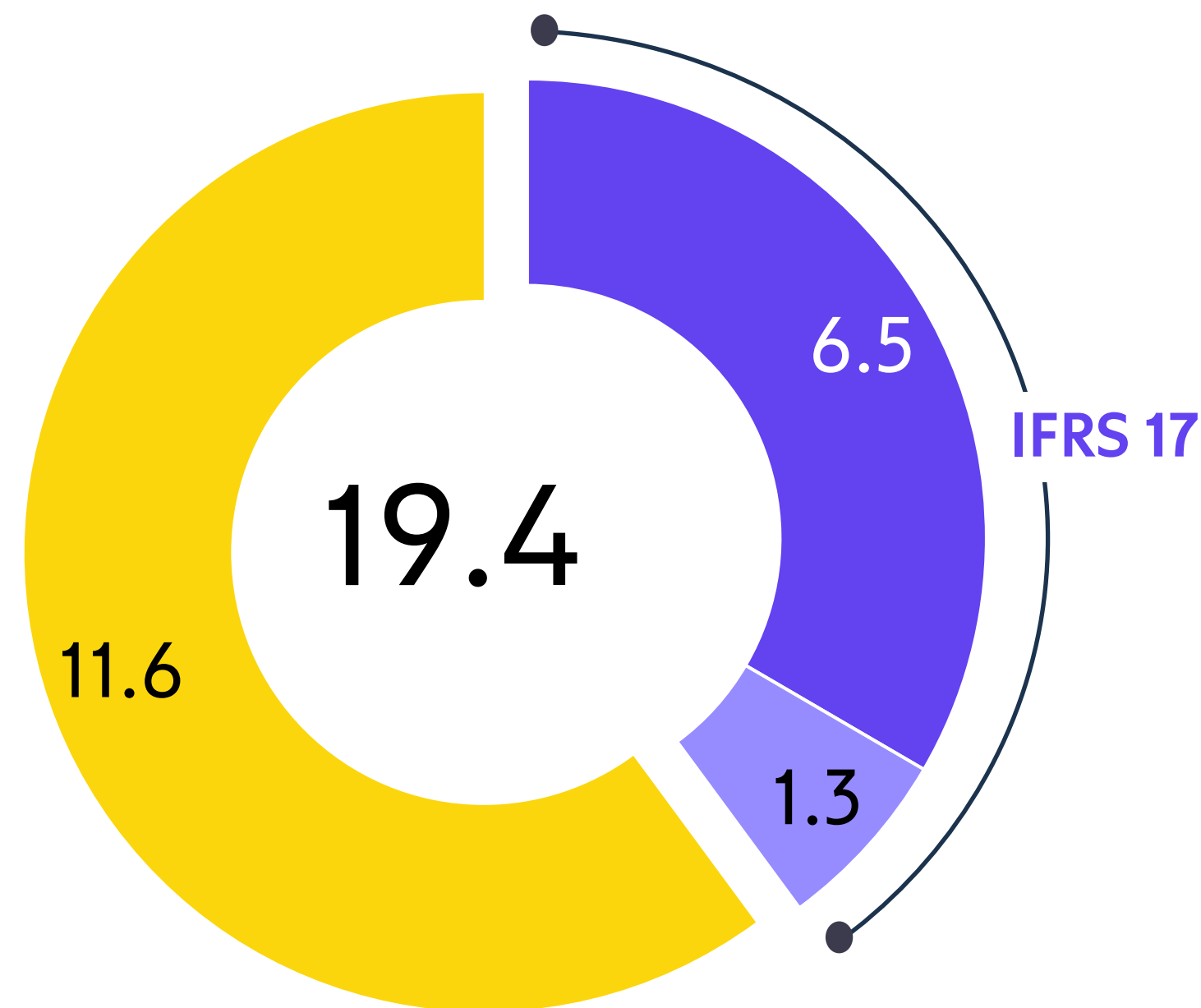
**19.4** NIS billion

**The store of future earnings**  
in life and health insurance and pension

The store does not include future  
profitability in respect of P&C insurance  
activity and other activities <sup>[1]</sup>

[1] Additional activities – credit, agencies and other

## Composition of the store of future earnings January 1, 2024 | in NIS billion



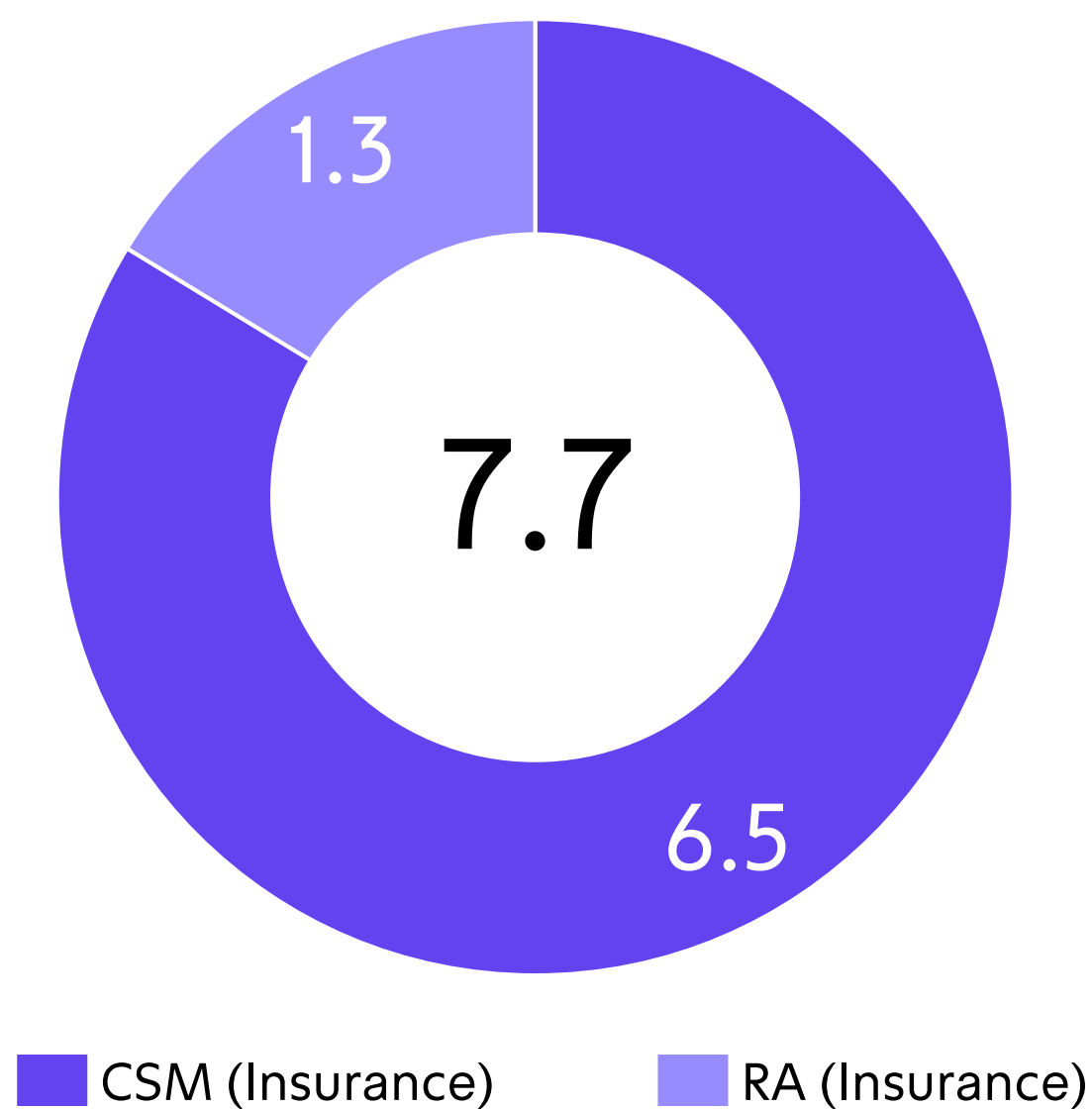
■ CSM (Insurance) ■ RA (Insurance) ■ Embedded value – pension



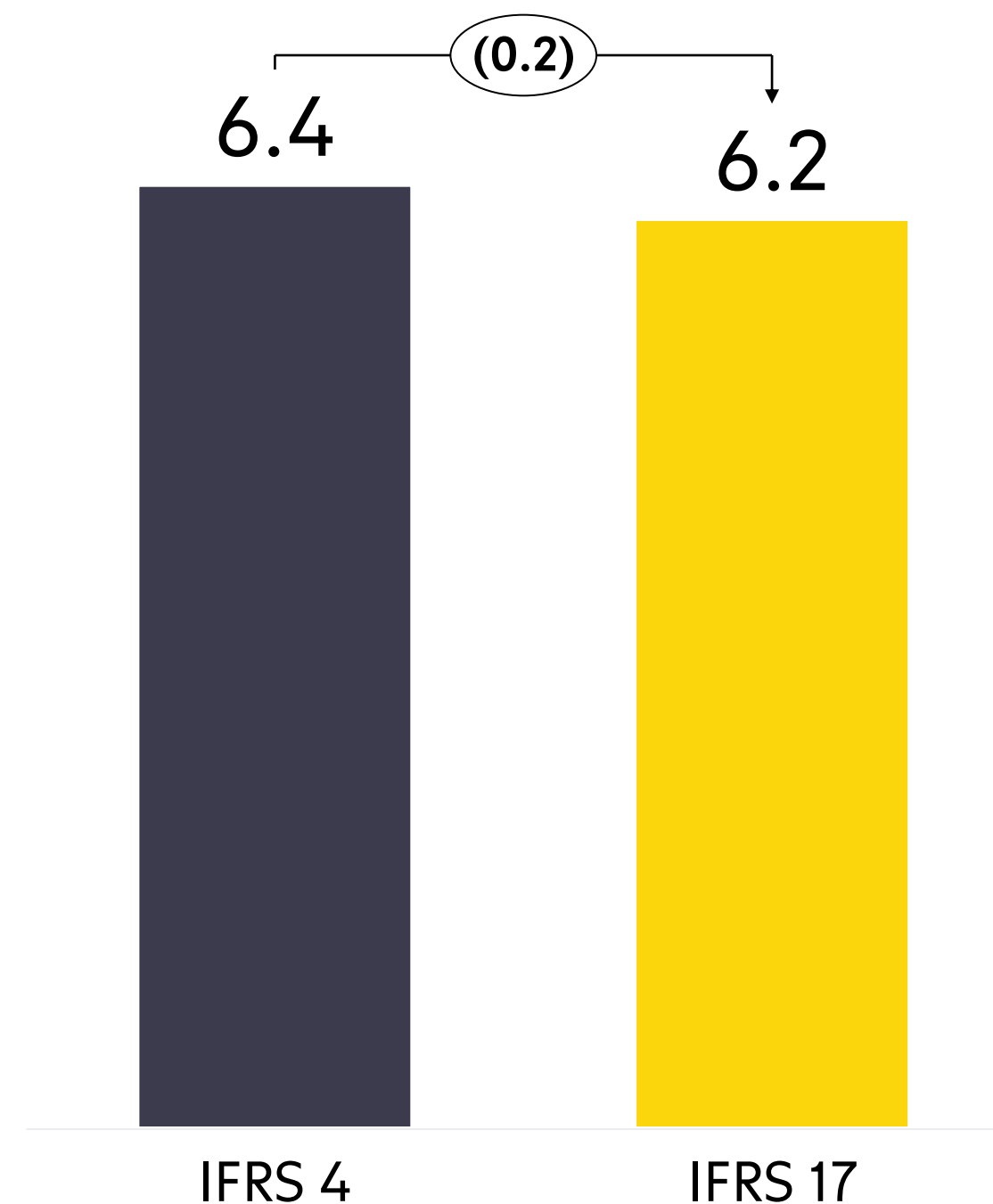
# The transition date (January 1, 2024)

## IFRS 17 effects on the transition day

### Composition of CSM and RA Insurance upon transition to IFRS 17 | NIS billion



### Changes in equity upon transition to IFRS 17 | NIS billion







# Key results - Menora Holdings

for the 1-6/2024 period

**884**

IFRS 4

**1,184**

IFRS 17

**Adjusted profit before tax**<sup>[1]</sup>  
| NIS million

**575**

IFRS 4

**773**

IFRS 17

**Adjusted profit after tax**<sup>[1]</sup>  
| NIS million

**17.9%**

IFRS 4

**24.9%**

IFRS 17

**Return on equity**<sup>[1]</sup>  
based on post-tax adjusted profit

+7.0%

**755**

IFRS 4

**808**

IFRS 17

**Comprehensive Income  
Before Tax**

Attributable to shareholders |  
in NIS million

**490**

IFRS 4

**525**

IFRS 17

**Comprehensive  
Income, After Tax**  
Attributable to shareholders | in  
NIS million

**15.3%**

IFRS 4

**16.9%**

IFRS 17

**Return on capital**  
based on post-tax  
comprehensive income

+1.6%

[1] See the Explanation Appendix at the end of the presentation



# Menora Holdings IFRS 17 VS IFRS 4

Adjusted profit for the 1-6/2024 period | NIS million

## ➤ Return on equity after tax

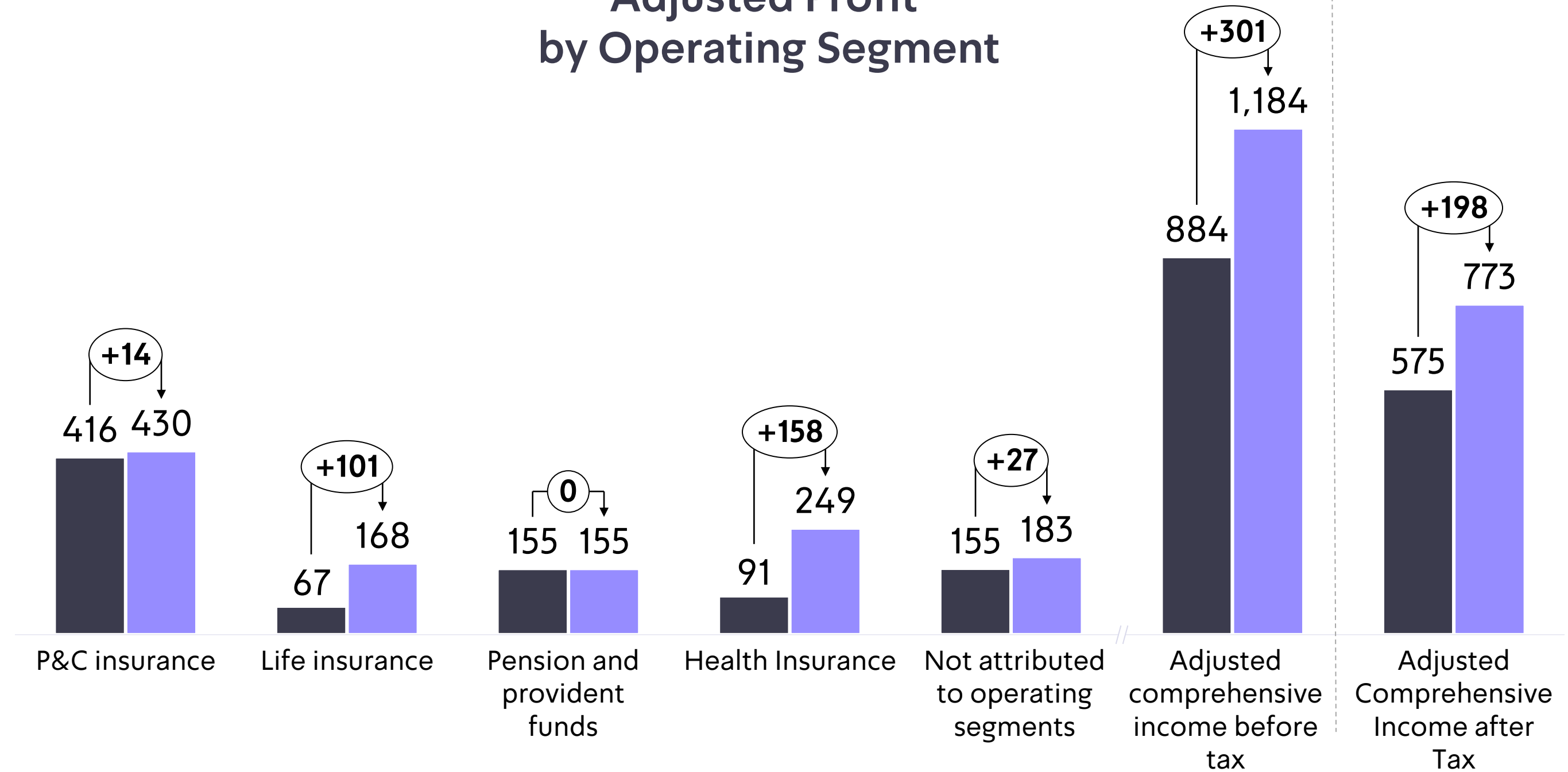
24.9%

IFRS17

17.9%

IFRS4

## Adjusted Profit <sup>[1]</sup> by Operating Segment



IFRS 4 IFRS 17

[1] Adjusted profit - see the Explanation Appendix at the end of the presentation





# Menora Holdings IFRS 17 VS IFRS 4

comprehensive income for the 1-6/2024 period | NIS million

## ➤ Return on equity after tax

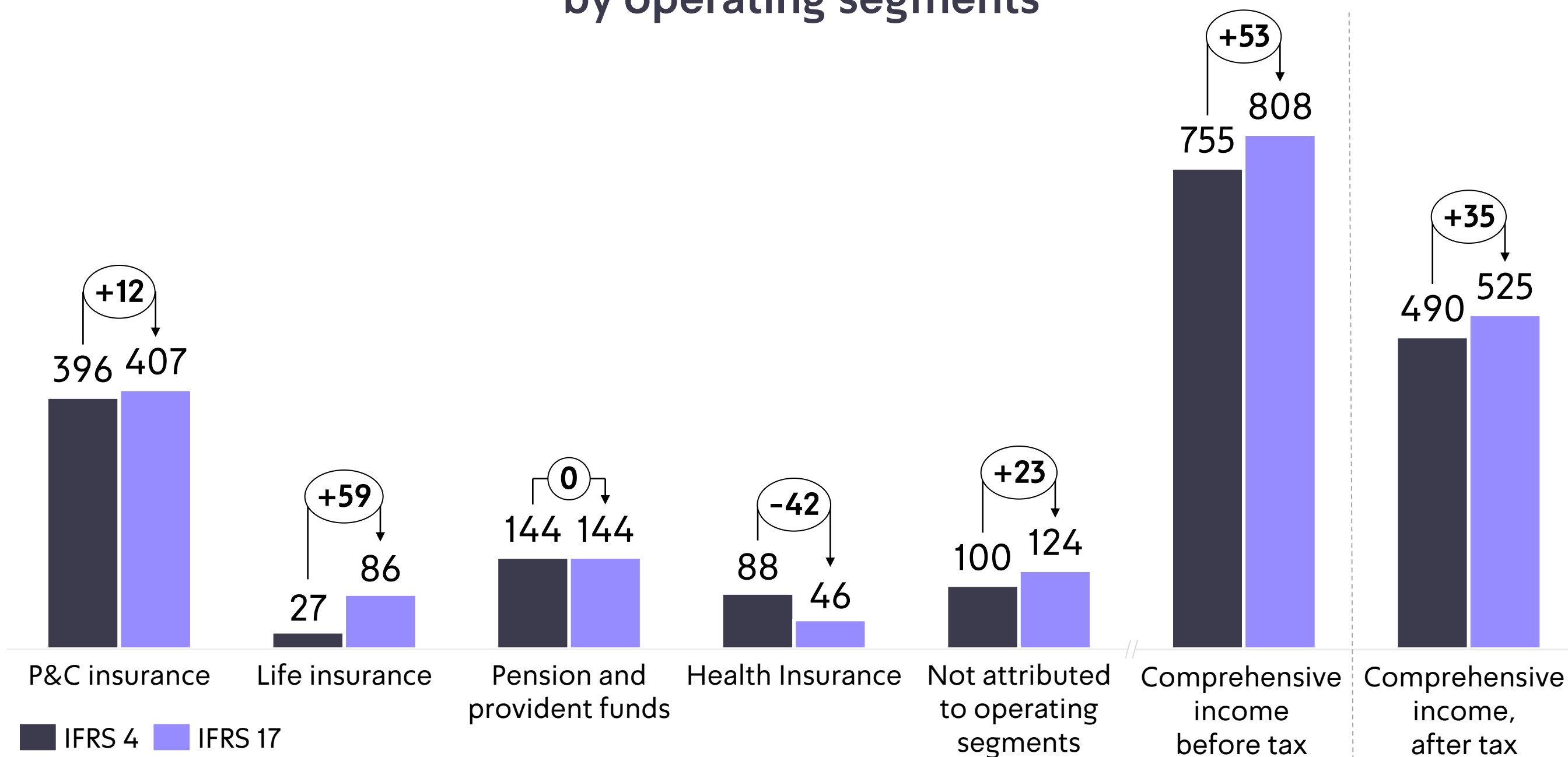
16.9%

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15.3%

IFRS 4

## Comprehensive income by operating segments



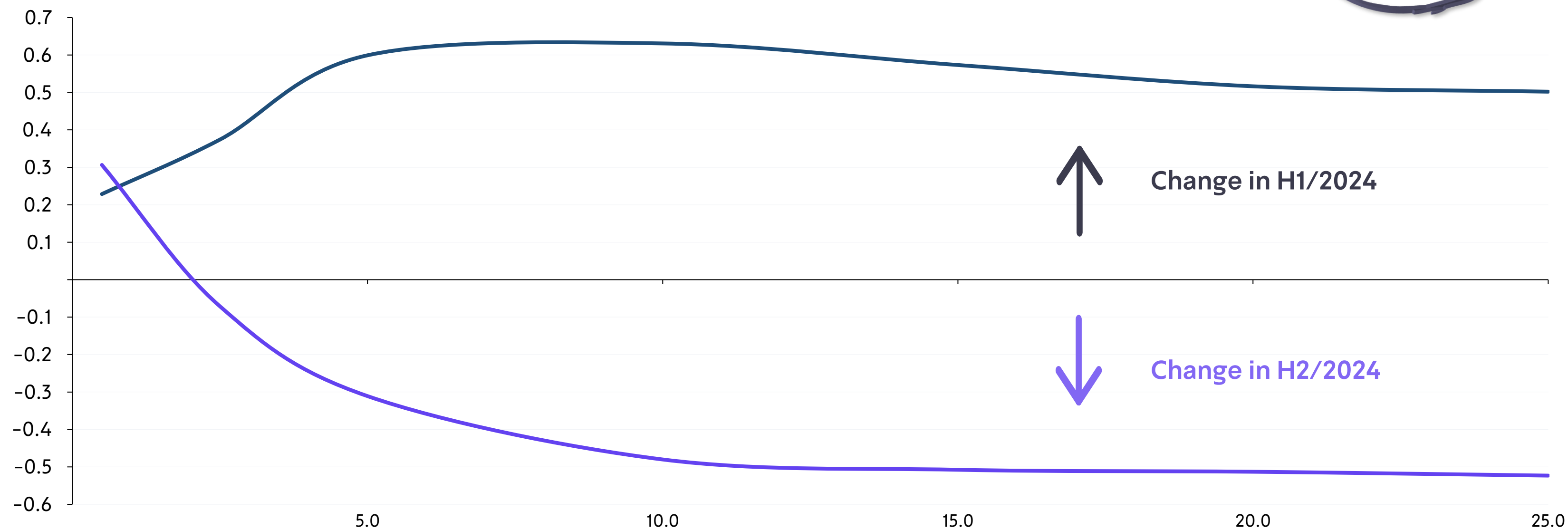


# Menora Holdings IFRS 17 VS IFRS 4

effect of change in interest rate curve

## Change in interest rate curve in 2024

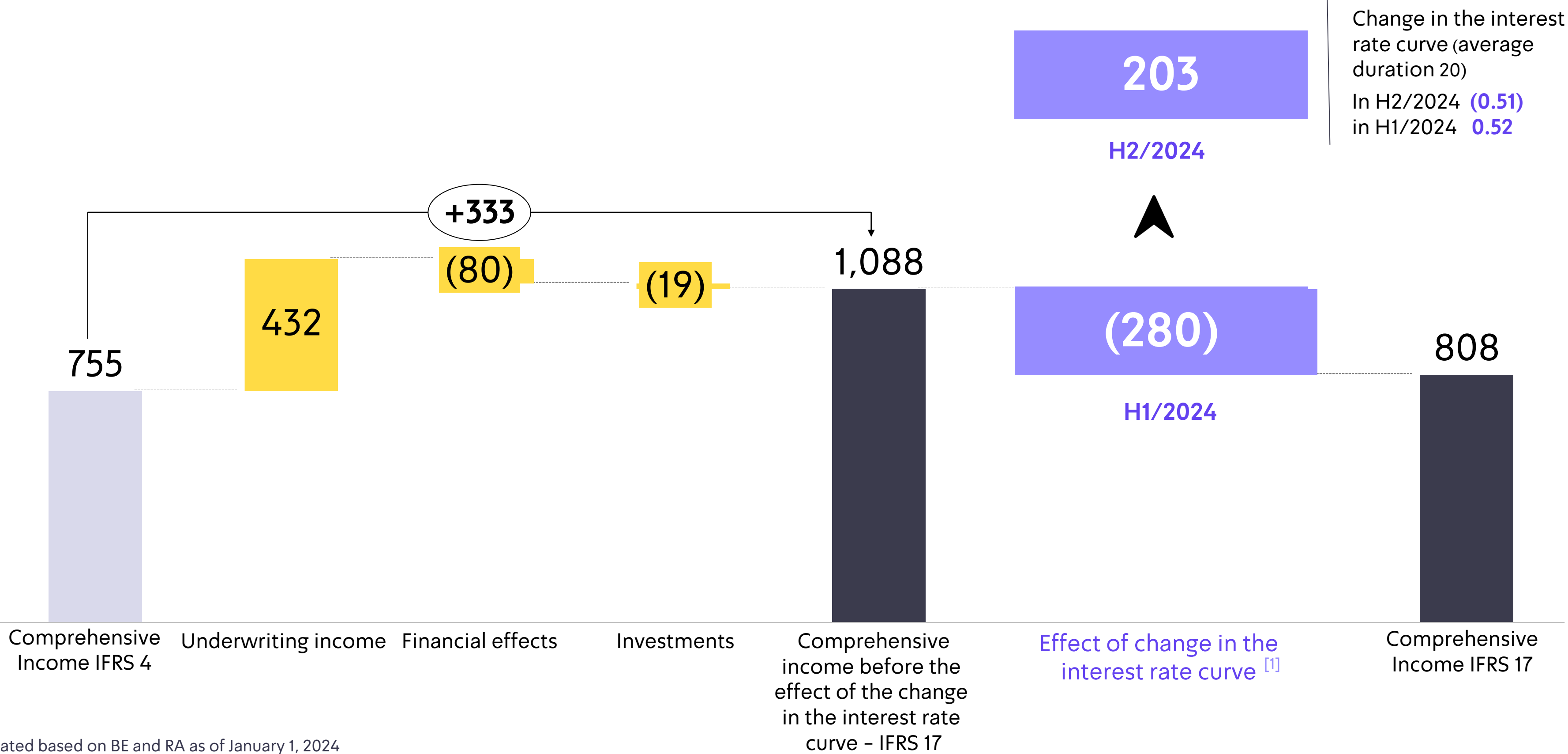
plus 80% illiquidity premium





# Menora Holdings IFRS 17 VS IFRS 4

Explanation of the change in comprehensive income before tax for the 1-6/2024 period | NIS million





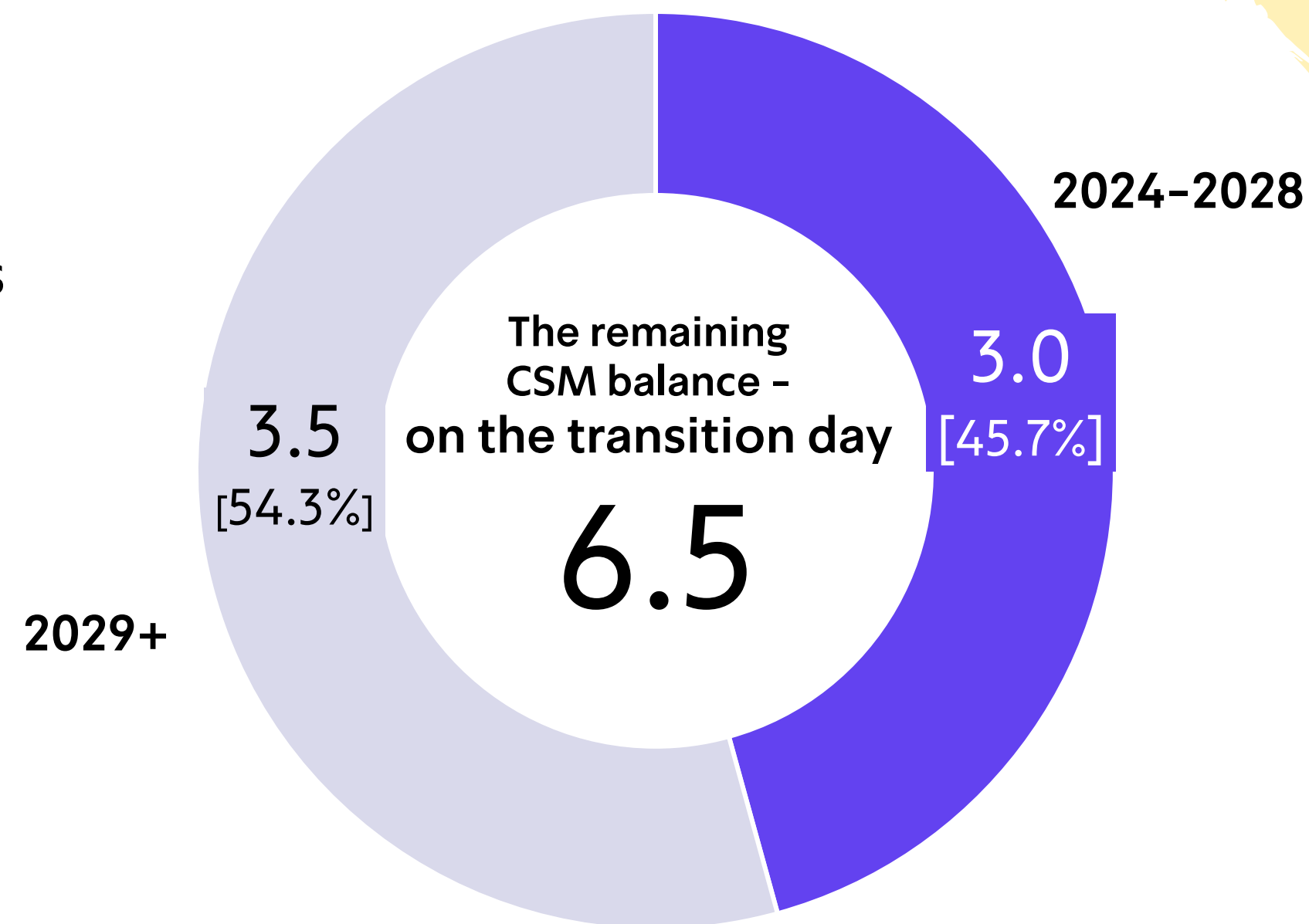


# Menora Holdings IFRS 17

The rate of release of CSM in life and health insurance | NIS billion

**45.7% (NIS 3 billion)**

of the CSM balance  
is expected to be released in the first 5 years  
(2024-2028)<sup>[1]</sup>



[1] In accordance with the actuarial assumptions known as of January 1, 2024, before an increase in respect of accrual of interest and a new business

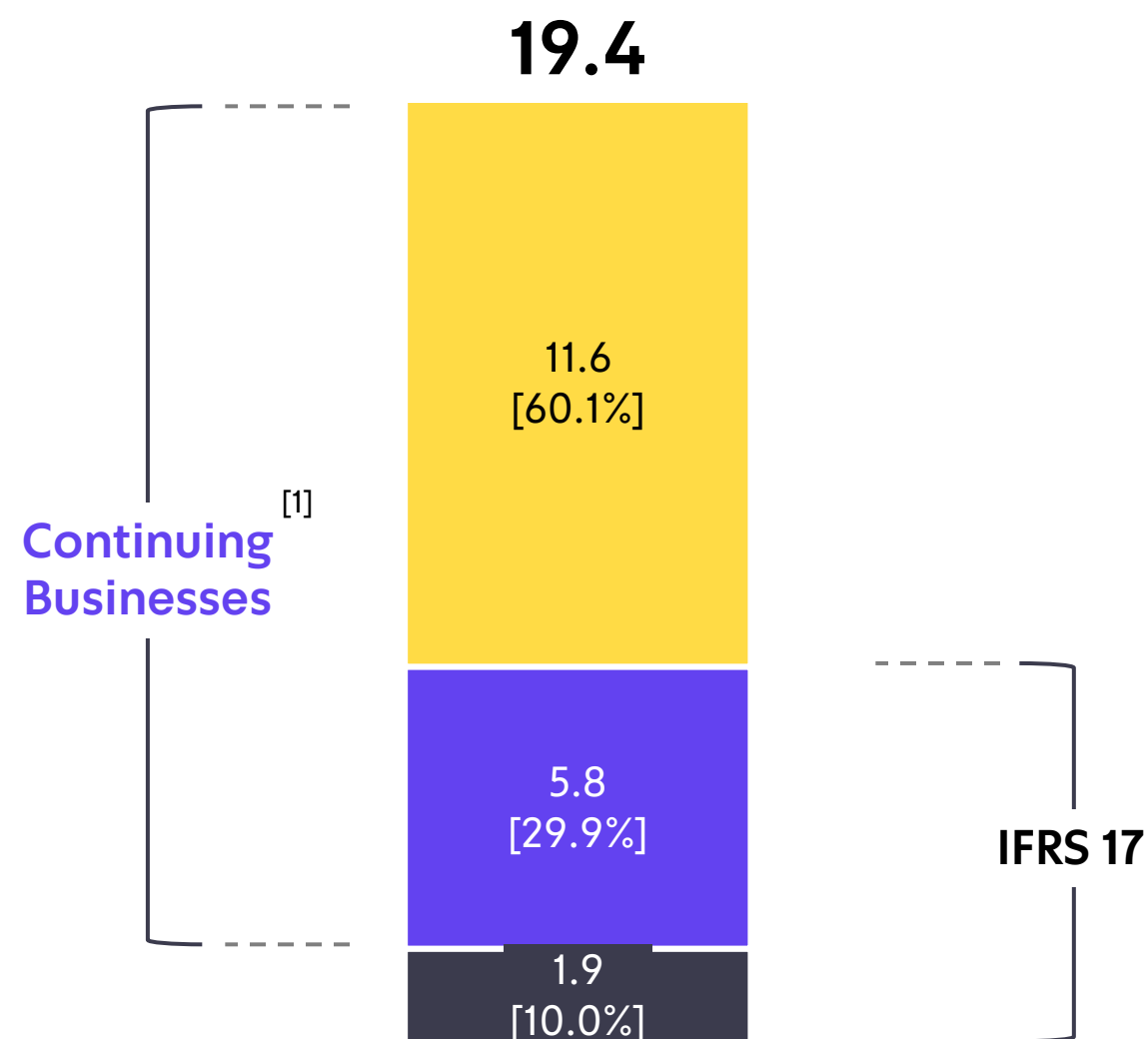


# Menora Holdings

Divided into continuing products and run-off products

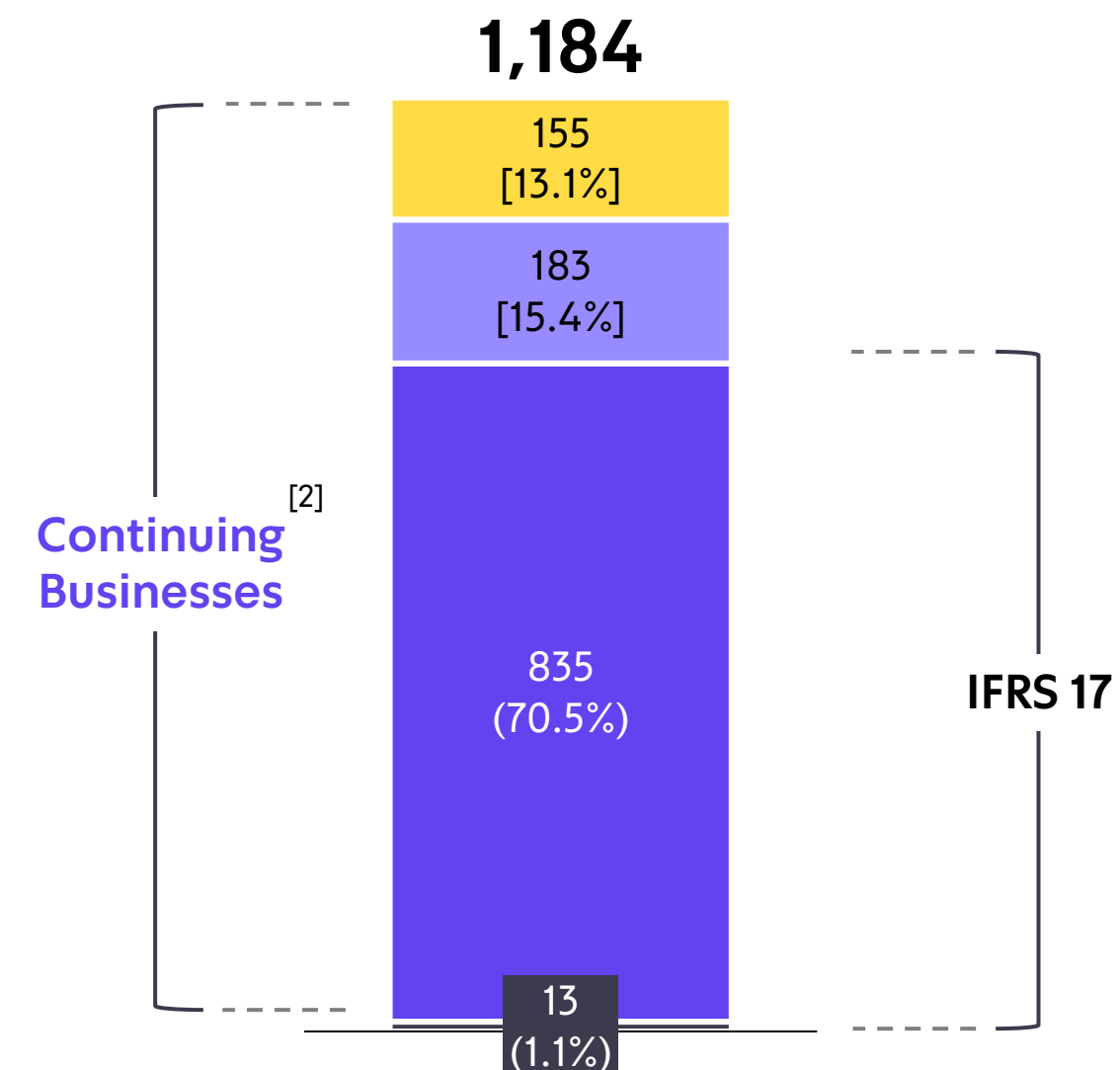
Pension ■  
Not attributed to operating segments ■  
Continuing Businesses ■  
Run Off businesses ■

**90%** ➤ of the store of future earnings  
in respect of **continuing business**



**The balance of the store of future earnings**  
by products as of the transition day | NIS billion

**99%** ➤ of the adjusted profit before tax  
in respect of **continuing business**



**Adjusted profit before tax**  
by products for the period 1-6/2024 | NIS million

[1] Continuing businesses included in the store of future profits are in respect to life and health insurance (mainly life, critical illness and medical expenses) and the pension activity.  
Continuing businesses included in the adjusted pre-tax profit are mainly with respect to life and health insurance (life, critical illness and medical expenses), the pension and provident fund activity and P&C insurance.  
[2] Run-off businesses included in the store of earnings and in pre-tax adjusted profit are mainly with respect to savings and long-term care products.



# Key points

The Group has  
**a pension activity  
with a substantial  
store of future  
earnings**  
of approx. **NIS 11.6**  
billion

The Group has a  
**P&C insurance activity,**  
**which generates**  
**significant profitability,**  
and is not included in the  
store of future earnings

**90%** of the store of future  
earnings includes  
**a substantial share**  
**derived from**  
**continuing products**

**Rapid CSM release  
rate**  
as a result of portfolio  
composition  
**46%** is expected to be  
released in the first 5  
years





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# Appendix – Defined Terms

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# Appendix – Defined Terms (Non-GAAP)

## Adjusted Profit

**The adjusted profit in accordance with IFRS 17** takes into account a real normative return of 3% (in annual terms) in respect of investments (excluding the Hetz bonds component, for which the actual yield is taken into account) and neutralizes the effects of the change in the interest rate curve (including in respect of effects on Hetz bonds).

**The adjusted profit in accordance with IFRS 4** takes into account a real normative return of 3% (in annual terms) in respect of investments (excluding the Hetz bonds component, for which the actual yield is taken into account), including for the purpose of calculating variable management fees. Neutralizes the effects of changes to the interest rate curve and special items. Special items include model revisions and actuarial assumptions as well as one-off effects arising from regulation and other material events outside the ordinary course of business at management's discretion as part of the adjustments.

## Embedded value – pension

The present value of future earnings in respect of the existing portfolio, net of the cost of capital requirement and net of asset in respect of deferred acquisition costs (DAC). In order to capitalize future earnings, risk-free interest is taken into account. The value does not neutralize the risk margin.

The value is calculated according to the rules and principles set by the Insurance Commissioner.