

HSBC Life Assurance (Malta) Ltd

Annual Report

2024

Company Registration Number: C 18814

HSBC Life Assurance (Malta) Ltd

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Directors' Report

For the Year Ended 31 December 2024

The directors present their report together with the audited financial statements of HSBC Life Assurance (Malta) Ltd ("the Company") for the year ended 31 December 2024.

Board of directors

The directors present their report together with the audited financial statements of HSBC Life Assurance (Malta) Ltd ("the Company") for the year ended 31 December 2024.

Board of directors

The directors of the Company who held office during the year were:

Geoffrey Fichte (Chairman)
Gregory Inglott (appointed 21 May 2024)
Eric Emoré
Maria Louisa sive Marisa Attard
Joanna Aquilina
Charlotte Cilia
Philip John Blackmore
Muriel Rutland (resigned 7 May 2024)

Principal activities

The Company is authorised to carry on business in terms of the Insurance Business Act (Chapter 403 of the Laws of Malta) and regulated by the Malta Financial Services Act. The principal activity of the Company is to carry on long term business of insurance in and from Malta. The Company passports under the Freedom of Services Legislation into several European countries and is licensed to offer business of insurance in Jersey, Channel Islands.

Business review

In 2024, the Company has continued to focus on its core business of serving customers' protection needs, and in supporting them to plan for their future and their retirement.

The gross premium written during 2024 amounted to €54.6m which was generated by acquisition and renewal business. Annualised New Business Premium (ANP), a key management KPI closed the year ahead of expectations on the back of strong take up of Protection and Retirement products. New business contractual service margin for 2024 was in line with expectations.

In 2024 the Company continued to experience growth in Protection portfolio particularly Critical Illness solutions which is reflection of HSBC Life Assurance Malta's ongoing dedication to providing exceptional financial security and support to its valued policyholders. New business from the Unit Linked portfolio also closed the year ahead of 2023, driven by customer demand and greater awareness of the importance of planning for retirement.

Over the past three years HSBC Life paid out in excess of 95% claims assessed. The Board, management and all employees are proud to be there at the moment when our customers need us most.

The Company reported profit before tax of €14.4m for 2024 compared to a profit before tax of €6.2m in 2023.

Directors' Report (continued)

For the Year Ended 31 December 2024

The insurance service result amounts to €14.1m (2023: €5.0m). In summary,

- Total insurance revenue of €25.1m (2023: €18.3m) composed mainly of CSM release of €13.7m (2023: €7.5m) and expected incurred claims of €10.3m (2023: €10.0m). The CSM release rate for in-force business was circa 16.8% (2023: 10%). The increase in the CSM release is mainly driven by a re-assessment of the tax obligation estimate on the with-profit run off portfolio, which resulted in a one-off CSM release of €6.1m.
- The insurance service expense amounts to €8.2m (2023: €7.8m) which represents claims and directly attributable expenses of €8.9m (2023: €5.9m). Reversal of losses on onerous insurance contract of €1.3m (2023: onerous loss of €1.5m). Onerous contract losses are recorded for loss making contracts and include offsets for any reversals of previously recorded losses. In 2023, a proportion of unit linked contracts were loss making and this was the main driver of loss on onerous contracts for the year. In 2024, due to investment gains, the loss-making position became profitable and thus losses reported in 2023 were reversed. Amortisation of insurance acquisition cash flows amount to €0.6m (2023: €0.4m).
- The net reinsurance expense impact on the Income Statement amounts to €2.8m (2023: €5.5m). The lower net expense is driven by the actual reinsurance claim recovery which was higher than expected primarily driven by large claim in Q1 2024.

Net investment result amounts to €1.1m (2023: €4.6m).

- Investment gains measured at fair value through profit and loss amounts to €56.2m (2023: €60.0m). The net impact in the movement of investment contract liabilities resulted in a negative impact of €16.5m (2023: €11.1m).
- The asset gains on unit linked and with profits assets offset against liability movement as the investment experience change will be absorbed by the CSM. The net finance expense from insurance contracts and reinsurance contracts held amounts to €38.6m (2023: €44.3m).

The non-attributable portion of expenses recognised in the income statement amounts to €2.0m (2023: €3.5m). The decrease in non-attributable expenses is mainly driven by one-off expenses incurred on the IFRS 17 implementation.

The With-Profits fund is closed to new business and is in run-off. Under the run-off, the Company's overall strategy is to distribute all the fund's assets amongst With-Profits policyholders as fairly as possible, manage the business in line with Policyholder Reasonable Expectations and the product Terms and Conditions and carefully manage the Company's solvency position to optimise the use of capital.

At the start of 2024, the Board declared a guaranteed reversionary bonus of 1% for the year however no top up bonus has been declared in arrears for 2024. The Company was also able to maintain its philosophy of paying a terminal bonus to eligible policies which matured during the year. In line with the bonus philosophy, the reversionary bonus rates are based on several factors including investment performance, market conditions, state of the fund and smoothing requirements.

At 31 December 2024, total assets were recorded at €754.5m (2023 €734.4m), an increase of €20.1m from prior year's level. Increase of the Fair Market Value of investments was observed during 2024 in line with global market conditions. This increase is largely the result of positive market movements.

At the end of 2024, the Company has an unaudited Solvency Ratio of 231% (2023: 198%). The pace of regulatory change remains significant. The Company placed particular efforts in further embedding the new IFRS 17 processes, aligning with DORA requirements and undertook preparedness for CSRD. The Company will continue to ensure compliance with new upcoming rules and regulations.

Directors' Report (continued)

For the Year Ended 31 December 2024

Future developments

The Company will continue to focus on growth within the core domestic market during 2025, leveraging on the current Maltese economic environment, pensions legislation, increased demand for online services and HSBC's financial planning and wealth management capabilities. The Company is committed to maintain its focus on retirement planning and employer sponsored pension plans, enhancing its protection offering, and building online capability whilst continuing to meet customers' need for protection and long-term savings.

By means of a company announcement dated 11 September 2024, HSBC Bank Malta p.l.c. (the Company's parent), of which HSBC Life Assurance (Malta) Ltd is a fully owned subsidiary, announced that it had been informed by HSBC Holdings plc (HSBC Holdings) that HSBC Holdings would be undertaking a Strategic Review of its indirect 70.03% shareholding in the Bank. Subsequently, on the 28 November 2024 the Bank announced that it had been advised by HSBC Continental Europe, its majority shareholder, that HSBC Holdings has been contacted by a number of parties who expressed an interest in its shareholding, requesting to conduct due diligence prior to confirming such interest. Accordingly, the Board of Directors of the Bank have convened a EGM on the 13 February 2025 where the shareholders approved an ordinary resolution as to allow the Bank to disclose information to bona fide offeror(s), the bona fide transferor in the context of a potential transaction involving a Substantial Shareholding.

The bank and its subsidiaries remain focused on running their business and will provide further updates as required.

Risks and uncertainties

The Company is exposed to financial risk through its financial assets, investment contract liabilities and insurance liabilities, which also exposes the Company to insurance risk. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts, which can be driven by changes in the market value of assets or through changes to expectations on future yields which have been volatile in recent years. Changes to assumptions can materially impact the Company's profit and solvency ratio. Further information pertaining to sensitivity around changes in assumptions can be found in various notes to the financial statements.

The Company is part of the wider HSBC Group and places reliance on the immediate parent bank as the primary distributor of its products. The Company is regularly engaged with Wealth & Personal Banking within HSBC Bank Malta p.l.c., with regards to planning its Financial Resources Plan and monitoring sales performance. Given new business sales are the key contributor to the Company's future profitability this constitutes a key risk to performance and is given high priority.

Expense inflation of both attributable and non-attributable expenses have capacity to constrain margins leading to risks of contract losses. Increased costs, which were driven by higher costs of accounting under IFRS 17, as a ratio to profitability are examples. Management is consequently strongly focused on cost discipline whilst investing in sustainable long-term solutions.

Throughout the course of 2024, focus continued on the responsibility and accountability that each employee has to perform their duties in line with the HSBC Conduct framework, which is aimed at the delivery of fair outcomes for customers and the support of the orderly and transparent operation of financial markets. Conduct related matters have an increasingly pivotal position on the agenda with relevant discussions and oversight being exercised in the appropriate risk governance fora. Due to the long-term nature of life insurance business the Company has a duty to manage forward looking conduct risks. The business will continue to engage with customers and the regulator on these matters.

Directors' Report (continued)

For the Year Ended 31 December 2024

People

Our people and the community we serve remain at the heart of our business. We champion inclusion and diversity and firmly believe that employee engagement and personal growth are key drivers for the provision of excellent customer service. As envisaged, the 11 September announcement of the Strategic Review had an inevitable impact on general employee sentiment. Nevertheless, within HSBC Life Assurance Malta Ltd, we continued to focus on employee engagement and growth, key drivers for the provision of excellent customer service. We continue to provide our people with opportunities to realise their career aspirations and the knowledge and tools to safeguard their well-being.

In collaboration with Malta Union of Bank Employees (MUBE), we honoured our commitment to implement a comprehensive salary benchmarking exercise to ensure fair compensation levels for our people.

During 2024, we also introduced a new simplified performance ratings structure based on a 3-point scale. We also ensured appropriate correlation between performance and reward in the true spirit of meritocracy.

We strive to value diversity and inclusion to reflect our customers and community. Our values are the foundation of how we operate by valuing differences, succeeding together, taking responsibility and getting it done. We are committed to an inclusive culture where our people can be confident that their views matter, their workplace is an environment free from bias, discrimination and harassment, and where they can see that advancement is based on merit. We delivered regular career sessions to support employee development and career progression.

Throughout the year, we organised various sessions for our employees focusing on topics of interest including mental, physical and financial well-being. Flexible (including remote) working have been engrained in our work practice thereby facilitating a healthy work/life balance for our people. More employees availed themselves of the enhanced "wellbeing allowance" through which employees can claim reimbursement for expenditure related to wellbeing initiatives.

We continued to capitalise on our employee platforms and tools to facilitate employee personal development and the enhancing of skills and abilities. This was achieved through various virtual-led programs including career progression sessions, HSBC's Degreed platform, and future skills training. Opportunities for career development continued throughout 2024 with employees applying for job opportunities, some leading to promotions in the process. Succession planning for key roles is also ongoing.

Incorporating sustainability into our strategy

The HSBC Group (the Group) is taking steps to incorporate sustainability principles throughout the organisation, supporting the success of its customers, people and other stakeholders. Its approach to Environmental, Social and Governance (ESG) matters is shaped by its purpose and values and a desire to create sustainable long-term value for stakeholders. As an international bank with significant breadth and scale, the Group understands that economies, societies, supply chains and people's lives are interconnected. The Group recognises that it can play an important role in helping to tackle ESG challenges and it focuses its efforts on three areas: the transition to net zero, building inclusion and resilience, and acting responsibly.

Directors' Report (continued)

For the Year Ended 31 December 2024

Transition to net zero

Supporting the transition to net zero is a key priority for HSBC. The Group believes the transition to net zero will help make the global economy stronger and more resilient against mounting climate impacts. In October 2020, the HSBC Group announced its ambition to become a net zero bank by 2050. The Group believes supporting its customers' transition both benefits its business and helps generate long-term financial returns for its shareholders.

Part of the journey to net zero is also to embed nature considerations alongside climate considerations, countering the decline in biodiversity and supporting nature ecosystems restoration. HSBC Group Net Zero Transition Plan provides HSBC's approach to integrating nature into its risk management process, decision-making and corporate customer engagement, finance and investment solutions. It also outlines how the Group is managing the impact of its own operations' impact on nature and how it is partnering for systemic change.

HSBC Bank Malta p.l.c. and its subsidiaries including HSBC Life Assurance (Malta) Ltd are taking entity-level actions to contribute to the HSBC Group net zero transition plan. This includes: the way they support their customers, both through customer engagement and the provision of financing solutions and the way that they operate as an organisation, including risk management policies and own operations.

Dividends

The Company did not pay any dividend to shareholders during 2024.

Reserves

The directors propose that the balance of retained earnings amounting to €29.0m (2023: €19.5m) is to be carried forward to the next financial year.

Auditors

PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

Approved by the Board of Directors on 18 February 2025 and signed on its behalf by:



Geoffrey Fichte
Chairman



Marisa Attard
Non-executive Director

Registered Office
80 Mill Street
Qormi QRM 3101
Malta

Statement of Directors' Responsibilities

For the Year Ended 31 December 2024

The directors are required by the Maltese Insurance Business Act, (Chapter 403, Laws of Malta) and the Maltese Companies Act, (Chapter 386, Laws of Malta) to prepare financial statements which give a true and fair view of the state of affairs of the Company at the end of each financial year and of the profit or loss for that year.

In preparing the financial statements, the directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances; and,
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business as a going concern.

The directors are also responsible for designing, implementing and maintaining internal controls relevant to the preparation and the fair presentation of financial statements that are free from material misstatement, whether due to fraud or error and that comply with the Maltese Companies Act, (Chapter 386, Laws of Malta). They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of HSBC Life Assurance (Malta) Ltd for the Year Ended 31 December 2024 are included in the Annual Report 2024 which is available on the Company's website. The directors are responsible for the maintenance and integrity of the Annual Report on the Company's website in view of their responsibility for the controls over, and the security of the website. Access to information published on the Company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Approved by the Board of Directors on 18 February 2025 and signed on its behalf by:



Geoffrey Fichte
Chairman



Marisa Attard
Non-executive Director



Independent auditor's report

To the Shareholders of HSBC Life Assurance (Malta) Ltd

Report on the audit of the financial statements

Our opinion

In our opinion:

- The financial statements give a true and fair view of the financial position of HSBC Life Assurance (Malta) Ltd (the Company) as at 31 December 2024, and of the company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

Our opinion is consistent with our additional report to the Audit Committee.

What we have audited

HSBC Life Assurance (Malta) Ltd's financial statements, set out on pages 19 to 101, comprise:

- the statement of profit or loss and other comprehensive income for the year ended 31 December 2024;
- the statement of financial position as at 31 December 2024;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion



Independent auditor's report - continued

To the Shareholders of HSBC Life Assurance (Malta) Ltd

Independence

We are independent of the company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these Codes.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the company are in accordance with the applicable law and regulations in Malta and that we have not provided non-audit services that are prohibited under Article 18A of the Accountancy Profession Act (Cap. 281).

The non-audit services that we have provided to the company, in the period from 1 January 2024 till 31 December 2024, are disclosed in note 8 to the financial statements.

Our audit approach

Overview

Materiality	Overall materiality: €828,000, which represents 1% of Equity plus Net Contractual Service Margin (net of tax).
Key audit matters	<ul style="list-style-type: none">Valuation of insurance contract liabilities

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which the company operates.



Independent auditor's report - continued

To the Shareholders of HSBC Life Assurance (Malta) Ltd

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

<i>Overall materiality</i>	€828,000
<i>How we determined it</i>	1% of Equity plus Net Contractual Service Margin (net of tax).
<i>Rationale for the materiality benchmark applied</i>	We chose Equity plus Net Contractual Service Margin (net of tax) as reflected in the statement of financial position (and related notes) as the benchmark because, in our view, it is a key financial statement metric used in evaluating the financial position of the Company and is not as volatile as a profit and loss measure. We selected 1% based on our professional judgement, noting that it is also within the range of thresholds that we consider acceptable.
We have applied a higher materiality level of €1,200,000 solely for the purpose of identifying and evaluating the effect of misstatements that are likely only to lead to reclassification between line items within assets and liabilities.	

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €82,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Independent auditor's report - continued

To the Shareholders of HSBC Life Assurance (Malta) Ltd

Key audit matter	How our audit addressed the Key audit matter
<p><i>Valuation of insurance contract liabilities</i></p> <p>The Company adopted IFRS 17 'Insurance Contracts' in the financial statements for the year ending 31 December 2023. The standard sets out the requirements that an entity should apply in accounting for insurance contracts it issues, reinsurance contracts it holds and investment contracts with discretionary participating features it issues.</p> <p>As at 31 December 2024, the Company recorded insurance contract liabilities of €519,177,000.</p> <p>As explained in Note 3.2, the Company's insurance contract liabilities are measured as the total of fulfilment cash flows (comprising the best estimates of future cash flows and risk adjustment) and Contractual Service Margin ('CSM'), the determination of which required judgement and interpretation. This includes the selection of accounting policies and the use of complex methodologies. Management's selection and application of appropriate methodologies requires significant professional judgement. The valuation also requires the determination of assumptions about future events, both internal and external to the business, giving rise to estimation uncertainty. The valuation of these liabilities is complex and sensitive to changes in assumptions.</p> <p>We focused on this area due to its materiality and the subjectivity of the judgements made.</p>	<p>We performed the following audit procedures to test the valuation of insurance contract liabilities (including best estimate liabilities, risk adjustment and contractual service margin), using our IFRS 17 and actuarial specialist team members:</p> <ul style="list-style-type: none"> Assessed changes to the methodology applied since the prior year against IFRS 17 requirements and assessed the application of the methodology to the Company and its products; Tested the design and, where applicable, operating effectiveness of the controls in place over the determination of the insurance contract liabilities, including those relating to model inputs, model operation and extraction of results from the actuarial model; Tested the design and, where applicable, the operating effectiveness of controls related to the completeness and accuracy of policyholder data used in the valuation of insurance contract liabilities; Tested the accuracy of the underlying data utilised for the purposes of measurement by reference to its source; Applied our industry knowledge and experience to assess the appropriateness of the methodology, model and assumptions used against recognised actuarial practices; Tested management's controls in respect of the valuation and assumption setting processes;



Independent auditor's report - continued

To the Shareholders of HSBC Life Assurance (Malta) Ltd

Key audit matter	How our audit addressed the Key audit matter
<p>As part of our consideration of the entire set of assumptions, we focused particularly on expense assumptions, and mortality, morbidity and lapse assumptions as these are considered the most significant and judgemental. These are considered individually below.</p>	<ul style="list-style-type: none"> • Performed testing over the actuarial model calculations, including consideration of the results of testing carried out by the actuarial function, independent testing of certain cash flows and discounting thereof, and examination of the analysis of change in modelled results, to assess whether the model continues to operate as expected; • Performed testing over the changes made by management to the CSM engine and the accounting logic, and validated that appropriate governance is in place over these changes. Hence, the testing procedures have focused on ensuring that any changes to the models during the year have been implemented appropriately and that there have been no unauthorised / inappropriate changes to the model, including the relevant IT environment and IT dependencies. • Tested the inputs and outputs to/from the CSM model on a sample basis by <i>inter alia</i> performing testing of controls and substantive testing (including over key reconciliations) in relation to completeness and accuracy of data flows; and • We tested the adequacy and compliance of the quantitative and qualitative disclosures in the financial statements.



Independent auditor's report - continued

To the Shareholders of HSBC Life Assurance (Malta) Ltd

Key audit matter	How our audit addressed the Key audit matter
<ul style="list-style-type: none"> • <u>Valuation of insurance contract liabilities - expense assumptions</u> <p>The valuation of insurance contract liabilities includes estimated future expenses that are expected to be incurred in the administration and maintenance of the existing policies to their maturity and include an allowance for future inflation. The assumptions used require judgement, particularly with respect to the allocation of expenses to future maintenance, the estimation of policy volumes and future cost inflation.</p> <p>IFRS 17 requires the Company to analyse expenses between acquisition costs, directly attributable expenses and non-attributable (i.e. out of scope) expenses. The valuation of the insurance contract liabilities is sensitive to changes in allocations between categories and changes in assumptions.</p>	<p>In respect of the expense assumptions, we performed the following additional procedures using our IFRS 17 and actuarial specialist team members:</p> <ul style="list-style-type: none"> • We have understood and challenged changes to expense allocations, which are derived based on an activity based costing exercise; • We have tested and challenged the appropriateness of the allocation between attributable and non-attributable expenses on a sample basis; • We have reviewed, and where relevant, challenged the appropriateness of these cost allocations in the context of IFRS 17 requirements and actual costs incurred during the year (by inter alia obtaining an understanding of variances prepared by management); • We have assessed the impact of the current inflationary environment on the assumptions. In this respect we understood and challenged the basis on which expenses are projected by reference to market observable data (inflation curve), and further understood the main drivers of the increase in per policy expenses (disclosed in Note 4) and challenged management's intent to carry out certain future actions linked to attributable expenses by inter alia confirming that these actions were approved by the board; and • We have assessed the reasonableness of the policy volumes used in the expense calculation.



Independent auditor's report - continued

To the Shareholders of HSBC Life Assurance (Malta) Ltd

Key audit matter	How our audit addressed the Key audit matter
<ul style="list-style-type: none"> • <u>Valuation of insurance contract liabilities - mortality, morbidity and lapse assumptions</u> <p>Insurance contract liabilities are sensitive to the choice of assumptions, with those relevant to mortality, morbidity and lapse highlighted as amongst those having the biggest impact. There is a risk that the assumptions are not appropriate given the variability in experience and the relatively small size of the Company's business, given the pool of data from which to assess experience.</p> <p>In setting mortality, morbidity and lapse assumptions, management utilises the Company's own historic experience, supplemented with additional external data in the calculation of the appropriate assumptions. In doing so there is a risk that mortality, morbidity and lapse assumptions are not appropriate.</p> <p>IFRS 17 requires the Company to set assumptions on a best estimate basis (i.e. without margins).</p> <p>Relevant references in the financial statements are:</p> <ul style="list-style-type: none"> • Material accounting policy: Notes 3.2; • Critical accounting estimates and judgements: Note 4; and • Note on Insurance and Reinsurance Contracts: Note 13. 	<p>In respect of the mortality, morbidity and lapse assumptions we performed the following additional procedures using our actuarial specialist team members:</p> <ul style="list-style-type: none"> • We understood and evaluated the processes and controls pertaining to the experience analysis and input of assumptions into the model; • Tested the results of the most recent mortality, morbidity and lapse experience analysis against the judgements applied in setting the assumptions; • Tested the appropriateness of the Company's experience analysis methodology by comparing against industry best practice; • Tested the appropriateness of the assumptions in light of the specific characteristics of the business and industry practices; and • Reviewed management's sense checks and performed internal reasonableness analytics over the impacts of any assumption changes. <p>In respect of all the assumptions referred to above, we have reviewed management's approach to setting the assumptions, assessed the assumptions' appropriateness based on internal and external data (where available), and tested management's governance and controls over the assumption basis review.</p> <p>We also reviewed the modelled results and manual adjustments, and we assessed the reasonableness of management's analysis of the changes in the carrying amounts.</p> <p>Based on the work performed we found the valuation of insurance contract liabilities (including best estimate, risk adjustment and contractual service margin) to be consistent with the explanations and evidence obtained.</p>



Independent auditor's report - continued

To the Shareholders of HSBC Life Assurance (Malta) Ltd

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report and the Statement of Directors' Responsibilities (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except as explicitly stated within the *Report on other legal and regulatory requirements*.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors and those charged with governance for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



Independent auditor's report - continued

To the Shareholders of HSBC Life Assurance (Malta) Ltd

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Independent auditor's report - continued

To the Shareholders of HSBC Life Assurance (Malta) Ltd

Report on other legal and regulatory requirements

The Annual Report 2024 contains other areas required by legislation or regulation on which we are required to report. The Directors are responsible for these other areas.

The table below sets out these areas presented within the Annual Report, our related responsibilities and reporting, in addition to our responsibilities and reporting reflected in the Other information section of our report. Except as outlined in the table, we have not provided an audit opinion or any form of assurance.

Area of the Annual Report 2024 and the related Directors' responsibilities	Our responsibilities	Our reporting
<p>Directors' Report and Statement of Directors' Responsibilities</p> <p>(on pages 1 to 6)</p> <p>The Maltese Companies Act (Cap. 386) requires the directors to prepare a Directors' report, which includes the contents required by Article 177 of the Act and the Sixth Schedule to the Act.</p>	<p>We are required to consider whether the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.</p> <p>We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements.</p> <p>In addition, we are required to state whether, in the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we have identified any material misstatements in the Directors' report, and if so to give an indication of the nature of any such misstatements.</p>	<p>In our opinion:</p> <ul style="list-style-type: none"> the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and the Directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386). <p>We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the <i>Other information</i> section.</p>



Independent auditor’s report - continued

To the Shareholders of HSBC Life Assurance (Malta) Ltd

Area of the <i>Annual Report 2024</i> and the related Directors’ responsibilities	Our responsibilities	Our reporting
	<p>Other matters on which we are required to report by exception</p> <p>We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:</p> <ul style="list-style-type: none"> adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us. the financial statements are not in agreement with the accounting records and returns. we have not received all the information and explanations which, to the best of our knowledge and belief, we require for our audit. 	<p>We have nothing to report to you in respect of these responsibilities.</p>

Other matter – use of this report

Our report, including the opinions, has been prepared for and only for the Company’s shareholders as a body in accordance with Article 179 of the Maltese Companies Act (Cap. 386) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior written consent.



Independent auditor's report - continued

To the Shareholders of HSBC Life Assurance (Malta) Ltd

Appointment

We were first appointed as auditors of the Company on 22 April 2015. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 10 years.

A handwritten signature in blue ink, appearing to read 'C. Cardona'.

Christopher Cardona
Principal

For and on behalf of
PricewaterhouseCoopers
78, Mill Street
Zone 5, Central Business District
Qormi
Malta

18 February 2025

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December 2024

	<i>Notes</i>	2024 € 000	2023 € 000
Insurance revenue	6	25,110	18,289
Insurance service expenses	6	(8,207)	(7,788)
Net expenses from reinsurance contracts held	6	(2,784)	(5,471)
Insurance service result		14,119	5,030
Net gains on FVTPL investments	7	56,213	60,027
Movement in investment contract liabilities	7	(16,483)	(11,146)
Net investment income		39,730	48,881
Finance expenses from insurance contracts issued	7	(37,876)	(43,917)
Finance expenses from reinsurance contracts held	7	(752)	(377)
Net insurance finance expenses		(38,628)	(44,294)
Net insurance and investment result		15,221	9,617
Revenue from investment management services	8.3	1,105	1,100
Other income/(charges)		89	(1,024)
Other operating expenses	8	(2,004)	(3,480)
Profit before tax		14,411	6,213
Income tax expense	10	(4,919)	(2,195)
Profit for the year - Total comprehensive income		9,492	4,018

The notes on pages 23 to 101 are an integral part of these financial statements.

Statement of Financial Position

For the Year Ended 31 December 2024

		2024	2023
	Notes	€ 000	€ 000
Assets			
Cash and cash equivalents	14	30,157	33,449
Financial investments	12	714,949	693,024
Receivables		59	138
Current tax assets		2,348	2,061
Reinsurance contract assets	13	2,912	2,557
Property and equipment		7	3
Intangible assets	11	223	408
Deferred tax assets	19	277	379
Other assets	18	3,616	2,397
Total Assets		754,548	734,416
Liabilities			
Current tax liability		4,289	1,229
Investment contracts liabilities	15	165,677	156,958
Insurance contract liabilities	13	519,177	519,363
Provisions for liabilities and charges	16	754	1,129
Other liabilities	17	7,653	8,231
Total Liabilities		697,550	686,910
Equity			
Share capital	21	27,961	27,961
Retained earnings		29,037	19,545
Total equity		56,998	47,506
Total liabilities and equity		754,548	734,416

The notes on pages 23 to 101 are an integral part of these financial statements.

The financial statements on pages 19 to 101 were approved and authorised for issue by the Board of Directors on 18 February 2025 and signed on its behalf by:


Geoffrey Fichte
Chairman


Marisa Attard
Non-executive Director

Statement of Changes in Equity

For the Year Ended 31 December 2024

	Share Capital	Retained Earnings	Total
	€ 000	€ 000	€ 000
Balance as at 1 January 2023	27,961	15,527	43,488
<i>Comprehensive income for the year</i>			
Profit for the year	-	4,018	4,018
Total comprehensive income for the year	-	4,018	4,018
Balance as at 31 December 2023	27,961	19,545	47,506
Balance as at 1 January 2024	27,961	19,545	47,506
<i>Comprehensive income for the year</i>			
Profit for the year	-	9,492	9,492
Total comprehensive income for the year	-	9,492	9,492
Balance as at 31 December 2024	27,961	29,037	56,998

The notes on pages 23 to 101 are an integral part of these financial statements.

Statement of Cash Flows

For the Year Ended 31 December 2024

		2024	2023
	<i>Notes</i>	€ 000	€ 000
Cash flows from operating activities			
Insurance premiums received		55,035	56,016
Reinsurance premiums paid		(5,898)	(7,357)
Fees and commissions received		2,047	2,273
Interest received		4,548	5,255
Dividends received		1,241	2,370
Claims and benefits paid as adjusted for movements in claims payable		(71,669)	(65,648)
Reinsurance claims received		2,007	1,911
Investment contract receipts		3,094	2,109
Investment contract benefits paid		(10,876)	(18,411)
Payments to employees and suppliers		(8,695)	(7,650)
Policyholders' investments portfolio:			
- Acquisition of investments		(158,381)	(100,102)
- Proceeds from sale of investments		190,406	119,574
Tax paid		(2,044)	(1,281)
Net cash from/(used in) operating activities		815	(10,941)
Cash flows from investing activities			
Interest received		1,638	1,441
Acquisition of intangible assets and property and equipment		(50)	(110)
Shareholder's investments portfolio:			
- Acquisition of investments		(45,839)	(19,081)
- Proceeds from sale of investments		40,144	17,615
Net cash used in investing activities		(4,107)	(135)
Net movements in cash and cash equivalents		(3,292)	(11,076)
Cash and cash equivalents at 1 January		33,449	44,525
Cash and cash equivalents at 31 December	14	30,157	33,449

The notes on pages 23 to 101 are an integral part of these financial statements.

Notes to the Financial Statements

For the Year Ended 31 December 2024

1 Reporting entity

HSBC Life Assurance (Malta) Ltd ("the Company") is a limited liability company domiciled and incorporated in Malta.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared and presented in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU. All references in these financial statements to IAS, IFRSs or SIC/IFRIC interpretations refer to those adopted by the EU. They have also been drawn up in accordance with the provisions of the Companies Act, (Chapter 386, Laws of Malta).

The balance sheet is organised in decreasing order of liquidity, with additional disclosures on the current or non-current nature of the Company's assets and liabilities provided within the notes to the financial statements.

2.2 Standards, interpretations and amendments to published standards effective in 2024

There were no new standards, amendments to standards or interpretations that had a significant effect on these financial statements. Accounting policies have been applied consistently.

2.3 Basis of measurement

These financial statements have been prepared on the historical cost basis, except for the following items:

- Financial assets mandatorily measured at fair value through profit or loss;
- Investment contracts liabilities measured at fair value; and
- Insurance and reinsurance and insurance contracts assets/liabilities measured in accordance with IFRS 17.

2.4 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). These financial statements are presented in euro, which is the Company's functional and presentation currency.

2.5 Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any further periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in note 4.

Notes to the Financial Statements

For the Year Ended 31 December 2024

2 Basis of preparation (continued)

2.6 New standards, interpretations and amendments to published standards not yet adopted

Amendments to IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instruments: Disclosures'

During 2024, the IASB issued amendments to IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instruments: Disclosures', effective for annual reporting periods beginning on, or after, 1 January 2026. In addition to guidance as to when certain financial liabilities can be deemed settled when using an electronic payment system, the amendments also provide further clarification regarding the classification of financial assets that contain contractual terms that change the timing or amount of contractual cash flows, including those arising from ESG-related contingencies, and financial assets with certain non-recourse features. The company is undertaking an assessment of the potential impact.

IFRS 18 'Presentation and Disclosure in Financial Statements'

In April 2024, the IASB issued IFRS 18 'Presentation and Disclosure in Financial Statements', effective for annual reporting periods beginning on or after 1 January 2027. The new accounting standard aims to give users of financial statements more transparent and comparable information about an entity's financial performance. It will replace IAS 1 'Presentation of Financial Statements' but carries over many requirements from that IFRS. In addition, there are three sets of new requirements relating to the structure of the income statement, management-defined performance measures and the aggregation and disaggregation of financial information. While IFRS 18 will not change recognition criteria or measurement bases, it may have an impact on presenting information in the financial statements, in particular the income statement and to a lesser extent the cash flow statement. The local group is currently assessing impacts and data readiness before developing a more detailed implementation plan.

3 Material accounting policies

The material accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 Investment contracts

The Company issues contracts that transfer insurance risk and/or financial risk. Investment contracts are those contracts that transfer financial risk with no significant insurance risk (i.e. investment contracts without DPF).

Contracts that have a legal form of insurance but do not transfer significant insurance risk and expose the Company to financial risk are classified as investment contracts, and they follow financial instruments accounting under IFRS 9. Investment contracts without DPF issued by the Company fall under this category.

Some investment contracts issued by the Company contain DPF, whereby the investor has the right and is expected to receive, as a supplement to the amount not subject to the Company's discretion, potentially significant additional benefits based on the return of specified pools of investment assets. The Company accounts for these contracts under IFRS 17.

Amounts collected on investment contracts are accounted for using deposit accounting, under which the amounts collected are credited directly to the Statement of Financial Position as an adjustment to the liability to the policyholder.

Investment contracts are financial liabilities whose fair value is dependent on the fair value of underlying financial assets, (also known as unit-linked investment contracts) and are designated at fair value through profit or loss from inception.

Notes to the Financial Statements

For the Year Ended 31 December 2024

3 Material accounting policies (continued)

3.1 Investment contracts (continued)

The company designates these investment contracts to be measured at FVTPL, because it eliminates or significantly reduces a measurement and recognition inconsistency (that is, an accounting mismatch) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on a different basis.

The best evidence of the fair value of these financial liabilities at initial recognition is the transaction price (that is, the fair value received).

The Company's main valuation techniques incorporate all factors that market participants would consider and make maximum use of observable market data. For the traditional unit-linked business, the fair value of financial liabilities for investment contracts is determined using the current unit values in which the contractual benefits are denominated. These unit values reflect the fair values of the financial assets contained within the Company's unitised investment funds linked to the financial liability. The fair value of the financial liabilities is obtained by multiplying the number of units attributed to each contract holder at the end of the reporting period by the unit value for the same date. For a portion of the 2014 acquired business, the fair value of the financial liabilities for investment contracts is determined using the current net asset values of the policies' underlying assets.

When the investment contract has an embedded surrender option, the fair value of the financial liability is never less than the amount payable on surrender.

Some investment contracts issued include the provision of investment management services. These services are accounted for in accordance with IFRS 15, 'Revenue from Contracts with Customers', where the revenue associated with the service component is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

This is achieved by reference to the stage of completion of the transaction and deferring revenue over the duration of the investment contract.

The incremental costs directly related to the acquisition of new investment contracts are capitalised and amortised over the period of the provision of the investment management services.

3.2 Insurance and reinsurance contracts

Definition and classification

A contract is classified as an insurance contract where the Company accepts significant insurance risk from another party by agreeing to compensate that party if it is adversely affected by a specified uncertain future event. An insurance contract may also transfer financial risk, but is accounted for as an insurance contract if the insurance risk is significant. In addition, the Company issues investment contracts with discretionary participation features ('DPF'), which are also accounted under IFRS 17 'Insurance Contracts'.

The Company uses judgement to assess whether a contract transfers insurance risk (that is, if there is a scenario with commercial substance in which the Company has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant.

Notes to the Financial Statements

For the Year Ended 31 December 2024

3 Material accounting policies (continued)

3.2 Insurance and reinsurance contracts (continued)

A reinsurance contract transfers significant risk if it transfers substantially all of the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss. All references to insurance contracts in these financial statements apply to insurance contracts issued or acquired, reinsurance contracts held and investment contracts with DPF, unless specifically stated otherwise.

The Company issues certain insurance contracts that are substantially investment-related service contracts where the return on the underlying items is shared with policyholders. Underlying items comprise specified portfolios of investment assets that determine amounts payable to policyholders. The Company's policy is to hold such investment assets.

An insurance contract with direct participation features is defined by the Company as one which, at inception, meets the following criteria:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- the Company expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- the Company expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

These criteria are assessed at the individual contract level based on the Company's expectations at the contract's inception, and they are not reassessed in subsequent periods, unless the contract is modified. The variability in the cash flows is assessed over the expected duration of a contract. The duration of a contract takes into account all cash flows within the boundary.

Investment components in Savings and Participating products comprise policyholder account values less applicable surrender fees.

The Company uses judgement to assess whether the amounts expected to be paid to the policyholder constitute a substantial share of the fair value returns on the underlying items.

Insurance contracts with direct participation features are viewed as creating an obligation to pay policyholders an amount that is equal to the fair value of the underlying items, less a variable fee for service. The variable fee comprises the amount of the Company's share of the fair value of the underlying items, which is based on a fixed percentage of investment management fees (withdrawn annually from policyholder account values based on the fair value of underlying assets and specified in the contracts with policyholders), less the FCF that do not vary based on the returns on underlying items. The measurement approach for insurance contracts with direct participation features is referred to as the Variable Fee Approach ('VFA'), upon meeting the eligibility criteria. The VFA modifies the accounting model in IFRS 17 to reflect that the consideration that an entity receives for the contracts is a variable fee.

Direct participating contracts issued by the Company are contracts with direct participation features where the Company holds the pool of underlying assets and accounts for these group of contracts under the VFA.

All other insurance contracts originated by the Company, are without direct participation features and, together with reinsurance contracts held, are measured under the General Measurement Model (GMM).

Notes to the Financial Statements

For the Year Ended 31 December 2024

3 Material accounting policies (continued)

3.2 Insurance and reinsurance contracts (continued)

Aggregation of insurance contracts

Individual insurance contracts that are managed together and subject to similar risks are identified as a portfolio. Contracts that are managed together usually belong to the same product group, and have similar characteristics such as being subject to a similar pricing framework or similar product management, and are issued by the same legal entity. If a contract is exposed to more than one risk, the dominant risk of the contract is used to assess whether the contract features similar risks. Each portfolio is further separated by the contract's expected profitability. The portfolios are split by their profitability into: (i) contracts that are onerous at initial recognition; (ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; and (iii) the remaining contracts. These profitability groups are then divided by issue date, with most contracts the Company issues after the transition date being grouped into calendar quarter cohorts.

The measurement of the insurance contract liability is based on groups of insurance contracts as established at initial recognition, and will include fulfilment cash flows (including risk adjustment) as well as the CSM representing the unearned profit if the respective group is deemed to be profitable. The Company has elected to update the estimates used in the measurement on a year-to-date basis.

For each portfolio of contracts, the Company determines the appropriate level at which reasonable and supportable information is available, to assess whether these contracts are onerous at initial recognition and whether non-onerous contracts have a significant possibility of becoming onerous. This level of granularity determines sets of contracts. The Company uses judgement to determine at what level of granularity the Company has reasonable and supportable information that is sufficient to conclude that all contracts within a set are sufficiently homogeneous and will be allocated to the same group without performing an individual contract assessment.

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the Company aggregates reinsurance contracts held concluded within a calendar year (annual cohorts) into groups of: (i) contracts for which there is a net gain at initial recognition, if any; (ii) contracts for which, at initial recognition, there is no significant possibility of a net gain arising subsequently; and (iii) remaining contracts in the portfolio, if any.

Reinsurance contracts held are assessed for aggregation requirements on an individual contract basis. The Company tracks internal management information reflecting historical experiences of such contracts' performance. This information is used for setting pricing of these contracts such that they result in reinsurance contracts held in a net cost position without a significant possibility of a net gain arising subsequently. Given the Company's reinsurance structure, there is less judgement in determining the grouping of reinsurance contracts.

Notes to the Financial Statements

For the Year Ended 31 December 2024

3 Material accounting policies (continued)

3.2 Insurance and reinsurance contracts (continued)

Before the Company accounts for an insurance contract based on the guidance in IFRS 17, it analyses whether the contract contains components that should be separated. IFRS 17 distinguishes three categories of components that have to be accounted for separately:

- cash flows relating to embedded derivatives that are required to be separated;
- cash flows relating to distinct investment components; and
- promises to transfer distinct goods or distinct services other than insurance contract services.

The Company applies IFRS 17 to all remaining components of the contract. The Company does not have any contracts that require further separation or combination of insurance contracts.

Reinsurance contracts held

The Company purchased reinsurance in the normal course of business for the purpose of limiting its net loss potential. Reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.

The measurement of reinsurance contracts held follows the same principles and consistent assumptions as those for insurance contracts issued, with the exception of the following:

- Measurement of the cash flows include an allowance on a probability-weighted basis for the effect of any non-performance by the reinsurers, including the effects of collateral and losses from disputes; and
- The Company determines the risk adjustment for non-financial risk so that it represents the amount of risk being transferred to the reinsurer.

The Company recognises both net gain and net cost on purchasing reinsurance at initial recognition in the statement of financial position as CSM and releases this to profit or loss as the reinsurer renders services, except for the net cost that relates to events before initial recognition.

Recognition and derecognition

Groups of insurance contracts issued are initially recognised from the earliest of the following:

- the beginning of the coverage period;
- the date when the first payment from the policyholder is due or actually received, if there is no due date; and
- when the Company determines that a group of contracts becomes onerous.

Investment contracts with DPF are initially recognised at the date when the Company becomes a party to the contract.

Notes to the Financial Statements

For the Year Ended 31 December 2024

3 Material accounting policies (continued)

3.2 Insurance and reinsurance contracts (continued)

Reinsurance contracts held are recognised as follows:

- a group of reinsurance contracts held that provide proportionate coverage (quota share reinsurance) is recognised at the later of:
 - i. the beginning of the coverage period of the group; and
 - ii. the initial recognition of any underlying insurance contract.

All other groups of reinsurance contracts held are recognised from the beginning of the coverage period of the groups of reinsurance contracts held. This applies unless, the Company entered into a reinsurance contract held at or before the date when an onerous group of underlying contracts is recognised prior to the beginning of the coverage period of the group. In which case the reinsurance contract held is recognised at the same time as the group of underlying insurance contracts is recognised.

Only contracts that individually meet the recognition criteria by the end of the reporting period are included in the group. When contracts meet the recognition criteria in the groups after the reporting date, they are added to the group in the reporting period in which they meet the recognition criteria, subject to the annual cohorts restriction. Composition of the groups is not reassessed in subsequent periods.

Accounting for contract modifications and derecognition

An insurance contract is derecognised when it is:

- extinguished (that is, when the obligation specified in the insurance contract expires or is discharged or cancelled); or
- the contract is modified and additional criteria discussed below are met.

When an insurance contract is modified by the Company as a result of an agreement with the counterparties or due to a change in regulations, the Company treats changes in cash flows caused by the modification as changes in estimates of the fulfilment cash flows ('FCF'), unless the conditions for the derecognition of the original contract are met. The Company derecognises the original contract and recognises the modified contract as a new contract if any of the following conditions are present:

- a) if the modified terms had been included at contract inception and the Company would have concluded that the modified contract:
 - i. is not within the scope of IFRS 17;
 - ii. results in different separable components;
 - iii. results in a different contract boundary; or
 - iv. belongs to a different group of contracts;
- b) the original contract represents an insurance contract with direct participation features, but the modified contract no longer meets that definition, or vice versa; or

Notes to the Financial Statements

For the Year Ended 31 December 2024

3 Material accounting policies (continued)

3.2 Insurance and reinsurance contracts (continued)

- c) the original contract was accounted for under the Premium Allocation Approach (PAA), but the modification means that the contract no longer meets the eligibility criteria for that approach. The Company does not account for any contracts under the PAA.

When a new contract is required to be recognised as a result of modification and it is within the scope of IFRS 17, the new contract is recognised from the date of modification and is assessed for, amongst other things, contract classification, component separation requirements and aggregation requirements.

When an insurance contract accounted for under the GMM or VFA is derecognised from within a group of insurance contracts, the Company:

- a. adjusts the FCF to eliminate the present value of future cash flows and risk adjustment for non-financial risk relating to the rights and obligations removed from the group;
- b. adjusts the CSM (unless the decrease in the FCF is allocated to the loss component of the liability for remaining coverage ('LRC') of the group) in the following manner, depending on the reason for the derecognition:
 - i. if the contract is extinguished, in the same amount as the adjustment to the FCF relating to future service;
 - ii. if the contract is transferred to a third party, in the amount of the FCF adjustment in (a) less the premium charged by the third party; or
 - iii. if the original contract is modified resulting in its derecognition, in the amount of the FCF adjustment in (1) adjusted for the premium that the Company would have charged if it had entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification; when recognising the new contract in this case, the Company assumes such a hypothetical premium as actually received; and
- c. adjusts the number of coverage units for the expected remaining insurance contract services, to reflect the number of coverage units removed.

Measurement

Contract Boundary

The Company uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts.

Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums or the Company has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation ends when:

Notes to the Financial Statements

For the Year Ended 31 December 2024

3 Material accounting policies (continued)

3.2 Insurance and reinsurance contracts (continued)

- a. the Company has the practical ability to reprice the risks of the particular policyholder or change the level of benefits so that the price fully reflects those risks; or
- b. both of the following criteria are satisfied:
 - i. the Company has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio; and
 - ii. the pricing of premiums up to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

In assessing the practical ability to reprice, risks transferred from the policyholder to the Company, such as insurance risk and financial risk, are considered; other risks, such as lapse or surrender and expense risk, are not included.

Insurance riders represent add-on benefits to an insurance policy. The rider forms part of the single insurance contract with all of the cash flows within its boundary.

Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

Cash flows are within the boundaries of investment contracts with DPF if they result from a substantive obligation of the Company to deliver cash at a present or future date.

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of the Company that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or in which the Company has a substantive right to receive insurance contract services from the reinsurer.

Cash flows that are not directly attributable to a portfolio of insurance contracts are recognised in other operating expenses as incurred.

Insurance acquisition costs

The Company defines acquisition cash flows as cash flows that arise from costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) and that are directly attributable to the portfolio of insurance contracts to which the group belongs.

Insurance acquisition cash flows are allocated to groups of insurance contracts on a systematic and rational basis. Where applicable, insurance acquisition cash flows that are directly attributable to a group of insurance contracts are allocated:

- a. to that group; and
- b. to groups that will include insurance contracts that are expected to arise from renewals of the insurance contracts in that group. The Company does not incur the latter.

Notes to the Financial Statements

For the Year Ended 31 December 2024

3 Material accounting policies (continued)

3.2 Insurance and reinsurance contracts (continued)

Insurance acquisition cash flows not directly attributable to a group of contracts but directly attributable to a portfolio of contracts are allocated to groups of contracts in the portfolio or expected to be in the portfolio.

Before a group of insurance contracts is recognised, the Company could pay (or recognise a liability, applying a standard other than IFRS 17) for directly attributable acquisition costs to originate them. Such balances are recognised as insurance acquisition cash flows assets within the carrying amount of insurance contracts issued and are subsequently derecognised (in full or to the extent that insurance contracts expected to be in the group have been recognised at that date) when respective groups of insurance contracts are recognised and the insurance acquisition cash flows are included in the Company's measurement. The amounts allocated to groups of insurance contracts yet to be recognised are revised at each reporting date, to reflect any changes in assumptions that determine the inputs to the method of allocation used. The Company does not incur directly attributable acquisition costs before a group of insurance contracts are recognised.

Insurance acquisition cash flows assets not yet allocated to a group are assessed for recoverability if facts and circumstances indicate that the assets might be impaired. Impairment losses reduce the carrying amount of these assets and are recognised in insurance service expenses. Previously recognised impairment losses are reversed to the extent that the impairment conditions no longer exist or have improved.

The recoverability assessment is performed in two steps, as follows:

1. an impairment loss is recognised to the extent that the carrying amount of each asset for insurance acquisition cash flows exceeds the expected net cash inflow as determined by the FCF as at initial recognition for the related group of insurance contracts.
2. in addition, when insurance acquisition cash flows directly attributable to a group of contracts are allocated to groups that include expected contract renewals, such insurance acquisition cash flows should not exceed the expected net cash inflow from the expected renewals as determined by the FCF as at initial recognition for the expected renewals; an impairment loss is recognised for the excess to the extent not recognised in step (1) above.

Other pre-recognition cash flows within the contract boundary

Before a group of insurance contracts is recognised, the Company could recognise assets or liabilities for cash flows related to a group of insurance contracts other than insurance acquisition cash flows, either because of the occurrence of the cash flows or because of the requirements of another IFRS standard. Cash flows are related to the group of insurance contracts if they would have been included in the FCF at initial recognition of the group if they had been paid or received after that date. Such assets or liabilities (referred to as 'other pre-recognition cash flows') are included in the carrying amount of the related portfolios of insurance contracts issued or in the carrying amount of the portfolios of reinsurance contracts held. The Company does not recognise such assets or liabilities.

Notes to the Financial Statements

For the Year Ended 31 December 2024

3 Material accounting policies (continued)

3.2 Insurance and reinsurance contracts (continued)

Fulfilment cash flows ('FCF')

The fulfilment cash flows comprise the following:

(i) Best estimates of future cash flows

These cash flows include amounts expected to be collected from premiums and payouts for claims, benefits and expenses, and are projected using a range of scenarios and assumptions in an unbiased way based on the Company's demographic and operating experience along with external mortality data where the Company's own experience data is not sufficiently large in size to be credible.

The estimates of future cash flows:

- a. are based on a probability-weighted mean of the full range of possible outcomes;
- b. are determined from the perspective of the Company, provided that the estimates are consistent with observable market prices for market variables; and
- c. reflect conditions existing at the measurement date.

The Company estimates certain FCF at the portfolio level or higher and then allocates such estimates to groups of contracts.

(ii) Adjustment for the time value of money (i.e. discounting) and financial risks associated with the future cash flows.

The estimates of future cash flows are adjusted to reflect the time value of money and the financial risks to derive an expected present value. The Company generally makes use of stochastic modelling techniques in the estimation for products with options and guarantees.

A bottom-up approach is used to determine the discount rate to be applied to a given set of expected future cash flows. This is derived as the sum of the risk-free yield and an illiquidity premium. The risk-free yield is determined based on observable market data, where such markets are considered to be deep, liquid and transparent. When information is not available, management judgement is applied to determine the appropriate risk-free yield. Illiquidity premiums reflect the liquidity characteristics of the associated insurance contracts.

Risk Adjustment for non-financial risk

The risk adjustment reflects the compensation required for bearing the uncertainty about the amount and timing of future cash flows that arises from non-financial risk. It is estimated using a Value at Risk approach applying a one-off 75th percentile level of stress that endures over all future years. The level of the stress is determined with reference to external regulatory stresses. Areas of judgement pertain to the selected level of confidence as well as with the SII SCR starting basis together with the distributions used to convert the regulatory 99.5% stress factors to 75% log normal distributions (for most stresses).

Notes to the Financial Statements

For the Year Ended 31 December 2024

3 Material accounting policies (continued)

3.2 Insurance and reinsurance contracts (continued)

The full term 75th percentile level of stress corresponds to the following percentiles based on an ultimate view of risk over all future years is 59% (2023: 60%).

The Company does not disaggregate changes in the risk adjustment between insurance service result (comprising insurance revenue and insurance service expense) and insurance finance income or expenses. All changes are included in the insurance service result.

Initial Measurement

CSM and coverage units

The CSM represents the unearned profit and results in no income or expense at initial recognition when the group of contracts is profitable. The CSM is adjusted at each subsequent reporting period for changes in fulfilment cash flows relating to future service (e.g. changes in non-economic assumptions, including mortality and morbidity rates). For initial recognition of onerous groups of contracts and when groups of contracts become onerous subsequently, losses are recognised in insurance service expense immediately.

For groups of contracts measured using the VFA, changes in the Company's share of the underlying items, and economic experience and economic assumption changes adjust the CSM, whereas these changes do not adjust the CSM under the GMM, but are recognised in profit or loss as they arise.

Subsequent measurement – Groups of contracts measured under the GMM and VFA

The carrying amount at the end of each reporting period of a group of insurance contracts issued is the sum of:

- a) the Liability Remaining Coverage ('LRC'), comprising:
 - i. the FCF related to future service allocated to the group at that date; and
 - ii. the CSM of the group at that date; and
- b) the Liability for Incurred Claims ('LIC'), comprising the FCF related to past service allocated to the group at the reporting date.

The carrying amount at the end of each reporting period of a group of reinsurance contracts held is the sum of:

- a) the remaining coverage, comprising:
 - i. the FCF related to future service allocated to the group at that date; and
 - ii. the CSM of the group at that date; and
- b) the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

Notes to the Financial Statements

For the Year Ended 31 December 2024

3 Material accounting policies (continued)

3.2 Insurance and reinsurance contracts (continued)

Changes in fulfilment cash flows

The FCF are updated by the Company for current assumptions at the end of every reporting period, using the current estimates of the amount, timing and uncertainty of future cash flows and of discount rates.

The way in which the changes in estimates of the FCF are treated depends on which estimate is being updated:

- a. changes that relate to current or past service are recognised in profit or loss; and
- b. changes that relate to future service are recognised by adjusting the CSM or the loss component within the LRC as per the policy below.

For insurance contracts under the GMM, the following adjustments relate to future service and thus adjust the CSM:

- a. experience adjustments – arising from premiums received in the period that relate to future service and related cash flows such as insurance acquisition cash flows and premium-based taxes;
- b. changes in estimates of the present value of future cash flows in the LRC, except those described in the following paragraph;
- c. differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period, determined by comparing (i) the actual investment component that becomes payable in a period with (ii) the payment in the period that was expected at the start of the period plus any insurance finance income or expenses related to that expected payment before it becomes payable; and
- d. changes in the risk adjustment for non-financial risk that relate to future service.

Adjustments (a), (b) and (d) above are measured using discount rates determined on initial recognition (the locked-in discount rates).

For insurance contracts under the GMM, the following adjustments do not adjust the CSM:

- a. changes in the FCF for the effect of the time value of money and the effect of financial risk and changes thereof;
- b. changes in the FCF relating to the LIC;
- c. experience adjustments – arising from premiums received in the period that do not relate to future service and related cash flows, such as insurance acquisition cash flows and premium-based taxes; and
- d. experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

Notes to the Financial Statements

For the Year Ended 31 December 2024

3 Material accounting policies (continued)

3.2 Insurance and reinsurance contracts (continued)

For insurance contracts under the VFA, the following adjustments relate to future service and thus adjust the CSM:

- a. changes in the amount of the Company's share of the fair value of the underlying items; and
- b. changes in the FCF that do not vary based on the returns of underlying items:
 - i. changes in the effect of the time value of money and financial risks including the effect of financial guarantees;
 - ii. experience adjustments arising from premiums received in the period that relate to future service and related cash flows, such as insurance acquisition cash flows and premium-based taxes;
 - iii. changes in estimates of the present value of future cash flows in the LRC, except those described in the following paragraph;
 - iv. differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period, determined by comparing (i) the actual investment component that becomes payable in a period with (ii) the payment in the period that was expected at the start of the period plus any insurance finance income or expenses related to that expected payment before it becomes payable; and
 - v. changes in the risk adjustment for non-financial risk that relate to future service.

Adjustments (ii)-(v) are measured using the current discount rates.

For insurance contracts under the VFA, the following adjustments do not adjust the CSM:

- a. changes in the obligation to pay the policyholder the amount equal to the fair value of the underlying items;
- b. changes in the FCF that do not vary based on the returns of underlying items:
 - i. changes in the FCF relating to the LIC; and
 - ii. experience adjustments arising from premiums received in the period that do not relate to future service and related cash flows, such as insurance acquisition cash flows and premium-based taxes; and
 - iii. experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

The Company does not use derivatives as economic hedges of the guarantee risks.

Notes to the Financial Statements

For the Year Ended 31 December 2024

3 Material accounting policies (continued)

3.2 Insurance and reinsurance contracts (continued)

Changes to the contractual service margin

For insurance contracts issued, at the end of each reporting period the carrying amount of the CSM is adjusted by the Company to reflect the effect of the following changes:

- a. The effect of any new contracts added to the group.
- b. For contracts measured under the GMM, interest accreted on the carrying amount of the CSM.
- c. Changes in the FCF relating to future service are recognised by adjusting the CSM. Changes in the FCF are recognised in the CSM to the extent that the CSM is available. When an increase in the FCF exceeds the carrying amount of the CSM, the CSM is reduced to zero, the excess is recognised in insurance service expenses and a loss component is recognised within the LRC. When the CSM is zero, changes in the FCF adjust the loss component within the LRC with correspondence to insurance service expenses. The excess of any decrease in the FCF over the loss component reduces the loss component to zero and reinstates the CSM.
- d. The amount recognised as insurance revenue for insurance contract services provided during the period, determined after all other adjustments above.

For reinsurance contracts held, at the end of each reporting period, the carrying amount of the CSM is adjusted by the Company to reflect the effect of the following changes:

- a. The effect of any new contracts added to the group.
- b. Interest accreted on the carrying amount of the CSM.
- c. Income recognised in profit or loss when the entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group. A loss-recovery component is established or adjusted within the remaining coverage for reinsurance contracts held for the amount of income recognised.
- d. Reversals of a loss-recovery component other than changes in the FCF of reinsurance contracts held.
- e. Changes in the FCF, to the extent that the change relates to future service, unless the change results from a change in FCF allocated to a group of underlying insurance contracts that does not adjust the CSM for the group of underlying insurance contracts.
- f. The amount recognised in profit or loss for insurance contract services received during the period, determined after all other adjustments above.

Notes to the Financial Statements

For the Year Ended 31 December 2024

3 Material accounting policies (continued)

3.2 Insurance and reinsurance contracts (continued)

Interest accretion on the CSM

Under the GMM, interest is accreted on the CSM using discount rates determined at initial recognition that are applied to nominal cash flows that do not vary based on the returns of underlying items.

Release of CSM to Statement of Profit or Loss and Other Comprehensive Income

The CSM is systematically recognised in insurance revenue to reflect the insurance contract services provided, based on the coverage units of the group of contracts. Coverage units are determined by the quantity of benefits and the expected coverage period of the contracts.

The Company identifies the quantity of the benefits provided as follows:

- For insurance coverage - based on the expected net policyholder insurance benefit at each period after allowance for decrements, where net policyholder insurance benefit refers to the amount of sum assured less the fund value or surrender value.
- For investment services (including both investment-return service and investment-related service) - based on a constant measure basis which reflects the provision of access for the policyholder to the facility.

For contracts that provide both insurance coverage and investment services, coverage units are weighted according to the expected present value of the future cash outflows for each service.

For reinsurance contracts held, the CSM is released to profit or loss as insurance contract services are received from the reinsurer in the period.

Onerous contracts - Loss component

When adjustments to the CSM exceed the amount of the CSM, the group of contracts becomes onerous and the Company recognises the excess in insurance service expenses, and it records the excess as a loss component of the LRC.

Decreases in the FCF relating to future service in subsequent periods reduce the remaining loss component and reinstate the CSM after the loss component is reduced to zero. Increases in the FCF relating to future service in subsequent periods increase the loss component.

A loss-recovery component is established or adjusted within the asset for remaining coverage for reinsurance contracts held for the amount of income recognised in profit or loss when the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group.

Notes to the Financial Statements

For the Year Ended 31 December 2024

3 Material accounting policies (continued)

3.2 Insurance and reinsurance contracts (continued)

Subsequently, the loss-recovery component is adjusted to reflect changes in the loss component of an onerous group of underlying insurance contracts discussed in the Onerous contracts – Loss component section above. The loss-recovery component is further adjusted, if required, to ensure that it does not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the Company expects to recover from the group of reinsurance contracts held.

3.3 Revenue

3.3.1 Insurance service results

Insurance revenue reflects the consideration to which the Company expects to be entitled in exchange for the provision of coverage and other insurance contract services (excluding any investment components). Insurance service expenses comprise the incurred claims and other incurred insurance service expenses (excluding any investment components), and losses on onerous groups of contracts and reversals of such losses.

Reinsurance expenses are recognised similarly to insurance revenue. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received insurance contract services.

3.3.2 Insurance finance income and expenses

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from the effects of the time value of money, financial risk and changes therein. For VFA contracts, changes in the fair value of underlying items (excluding additions and withdrawals) are recognised in insurance finance income or expenses.

3.3.3 Revenue from investment management services

Fees and commission income includes fees on investment management services contracts and are recognised in profit or loss as the services are provided. Certain upfront payments received for asset management services ('front-end fees') are deferred and amortised in proportion to the stage of completion of the service for which they were paid.

The Company charges its customers for investment management and other related services using the following different approaches:

- Front-end fees are charged to the client on inception. This approach is used particularly for single premium contracts. The consideration received is deferred as a liability and recognised over the life of the contract on a straight-line basis; and
- Regular fees are charged to the customer periodically (monthly, quarterly or annually) either directly or by making a deduction from invested funds.

Notes to the Financial Statements

For the Year Ended 31 December 2024

3 Material accounting policies (continued)

3.3 Revenue (continued)

Fees, commission and customer charges other than front end fees vary depending on the net asset value of the assets and the fair value of the customer's underlying assets respectively. The income is calculated periodically as a percentage of these amounts and cannot be clawed back. These fees are therefore recognised in profit or loss when the fees are earned from investment managers or charged to customers respectively.

Surrender charges and policy administration charges are recognised in profit or loss when the service is provided.

3.3.4 Other investment revenue

Interest income on financial investments not measured at FVTPL is recognised as it accrues in profit or loss, using the effective interest method. Dividend income on financial investments not measured at FVTPL is recognised in profit or loss on the date the Company's right to receive payment is established which, in the case of quoted securities is usually the ex-dividend date.

3.3.5 Net gains/(losses) on FVTPL investments

Net gains/(losses) from other financial instruments at fair value relates to non-trading derivatives held for risk management purposes that do not form part of a qualifying hedge relationship and financial assets designated at fair value through profit or loss. Net gains/(losses) include all realised and unrealised fair value changes, interest, dividend income, foreign exchange differences and also management and custodian fees related to unit-linked investments.

3.4 Employee benefits

3.4.1 Defined contribution plan

The Company contributes towards the State pension defined contribution plan in accordance with local legislation, and to which, it has no commitment beyond the payment of fixed contributions. The Company also contributes towards a Unit-Linked Employee Pension Plan with no commitment beyond the payment of fixed contributions. Obligations for contributions are recognised as employee benefit expense in profit or loss in the periods during which services are rendered by employees.

3.4.2 Share based payment transactions

The company enters into equity-settled share-based payment arrangements with its employees as compensation for services provided by employees.

The cost of share-based payment arrangements with employees is measured by reference to the fair value of equity instruments on the date they are granted and recognised as an expense on a straight-line basis over the vesting period, with a corresponding credit to retained earnings.

Fair value is determined by using appropriate valuation models. Vesting conditions include service conditions and performance conditions; any other features of the arrangement are non-vesting conditions.

Market performance conditions and non-vesting conditions are taken into account when estimating the fair value of the award at the date of the award. Vesting conditions, other than market performance conditions, are not taken into account in the initial estimate of the fair value at the grant date. They are taken into account by adjusting the number of equity instruments included in the measurement of the transaction.

Notes to the Financial Statements

For the Year Ended 31 December 2024

3 Material accounting policies (continued)

3.4 Employee benefits (continued)

3.4.3 Termination Benefits

The Company recognises a liability and expense for termination benefits when the company can no longer withdraw the offer of those benefits. For termination benefits payable as a result of an employee's decision to accept an offer of benefits in exchange for the termination of employment, the time when the group can no longer withdraw the offer of termination benefits is the earlier of:

- when the employee accepts the offer; and
- when a restriction on the group's ability to withdraw the offer takes effect.

For termination benefits payable as a result of the company decision to terminate an employee's employment, the company can no longer withdraw the offer when it has communicated to the affected employees a plan of termination meeting all of the following criteria:

- actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made;
- the plan identifies the number of employees whose employment is to be terminated, their job classifications or functions and the expected completion date; and
- the plan establishes the termination benefits that employees will receive in sufficient detail that employees can determine the type and amount of benefits they will receive when their employment is terminated.

3.5 Tax

Tax expense comprises current and deferred tax. Tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised, using the liability method, in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Notes to the Financial Statements

For the Year Ended 31 December 2024

3 Material accounting policies (continued)

3.6 Foreign currency transactions

Transactions in foreign currencies are translated to the Company's functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate ruling at that date. Foreign currency gains and losses arising on retranslation are recognised in profit or loss.

Translation differences on financial assets and liabilities held at fair value through profit or loss are reported as part of the fair value gain or loss.

3.7 Intangible assets

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Amortisation is based on the cost of the asset less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful life for the current and comparative periods of computer software is three years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.8 Financial instruments

i Initial recognition

The Company recognises a financial instrument in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on the trade date, which is the date on which the Company commits to purchase or sell the asset. Accordingly, the Company uses trade date accounting for regular way contracts when recording financial asset transactions. All financial assets are initially recognised at fair value plus, in the case of a financial asset not measured at fair value through profit or loss, transaction costs that are directly attributable to the financial asset. Similarly, financial liabilities are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of a financial instrument on initial recognition is generally its transaction price (that is, the fair value of the consideration given or received).

Notes to the Financial Statements

For the Year Ended 31 December 2024

3 Material accounting policies (continued)

3.8 Financial instruments (continued)

However, if there is a difference between the transaction price and the fair value of financial instruments whose fair value is based on a quoted price in an active market or a valuation technique that uses only data from observable markets, the Company recognises the difference as a trading gain or loss at inception (a 'day 1 gain or loss'). In all other cases, the entire day 1 gain or loss is deferred and recognised in the income statement over the life of the transaction until the transaction matures, is closed out, the valuation inputs become observable, or the Company enters into an offsetting transaction. The fair value of financial instruments is generally measured on an individual basis.

ii Classification and measurement

The classification and measurement of financial assets will depend on how these are managed (the entity's business model) and their contractual cash flow characteristics.

If a financial asset is held within a business model other than 'hold to collect' or 'hold to collect and sell', then the financial asset is required to be measured at fair value through profit or loss ('FVTPL') without further analysis. For those financial assets where the contractual cash flows arising on specified dates are solely payments of principal and interest ('SPPI') on the principal amount outstanding, classification at amortised cost or fair value through other comprehensive income ('FVOCI') will depend on whether the business model is to hold financial assets for the collection of contractual cash flows or whether the objective of the business model is achieved by both the collection of contractual cash flows and from the sale of financial assets. If an instrument contains contractual cash flows which do not represent solely payments of principal and interest, then the classification to be used is FVTPL.

The business model of the Company's portfolios is determined by key management personnel and reflects the strategic purpose and intention for the portfolios and how the performance of the portfolios is assessed. Since the business model is set at a portfolio level, the classification assessment for this criterion is accordingly performed at that level. Because the key distinction between the two business models identified in IFRS 9 is whether or not 'sales' are intrinsic to achieving the desired objectives, it is important to identify what is meant by 'sales'. For the purposes of the business model assessment, these are transfers which would result in derecognition.

For those assets where the intention of the business model is to hold the financial assets to collect the contractual cash flows or to hold to collect contractual cash flows and to sell, the Company assesses whether the cash flow characteristics of these assets meet the SPPI requirements of IFRS 9. 'Principal' is the fair value of the financial asset at initial recognition. It is not the amount that is due under the contractual terms of an instrument. 'Interest' is the compensation for time value of money and credit risk of a basic lending-type return. A basic lending-type return could also include consideration for other basic lending risks such as liquidity risk and consideration for costs associated with holding the financial asset for a particular period of time and/or a profit margin.

Notes to the Financial Statements

For the Year Ended 31 December 2024

3 Material accounting policies (continued)

3.8 Financial instruments (continued)

Unlike the business model assessment, the SPPI assessment is performed for each individual product or portfolio of products. The following considerations are made when assessing consistency with SPPI:

- variable interest rates and modified relationships with the time value of money;
- leverage, being a contractual cash flow characteristic of some financial assets that increases the variability of the contractual cash flows with the result that they do not have economic characteristics of interest;
- contractual terms that allow the issuer to prepay (or the holder to put a debt instrument back to the issuer) before maturity and the prepayment amount substantially represents unpaid amounts of principal and interest, which may include reasonable compensation for early termination of the contract;
- contractual terms that allow the issuer or holder to extend the contractual term and the terms of the extension option result in contractual cash flows during the extension period that are solely payments of principal and interest, which may include reasonable compensation for the extension of the contract;
- changes to contractual cash flows may be caused by an underlying contingent event (a trigger) such as contractual term resetting interest to a higher amount in the event of a missed payment; and
- contractual changes in interest rates.

Financial assets measured at amortised cost

Financial assets that are held to collect the contractual cash flows and which contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at amortised cost. Such financial assets comprise primarily cash and cash equivalents and other receivables measured at amortised cost.

The amortised cost is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and adjusted for any loss allowance.

Financial assets mandatorily measured at fair value through profit or loss

Financial assets that do not meet the criteria for amortised cost or FVOCI, such as if they do not contain contractual terms that give rise on specified dates to cash flows that are SPPI, are measured at FVTPL.

Notes to the Financial Statements

For the Year Ended 31 December 2024

3 Material accounting policies (continued)

3.8 Financial instruments (continued)

The portfolios of all financial assets attributable to the Company's insurance business are managed and performance is evaluated on a fair value basis. The Company is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The contractual cash flows of the debt securities are solely payments of principal and interest. However, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the business model's objective. The Company has not taken the option to irrevocably designate any equity securities as FVOCI. Consequently, all investments are mandatorily measured at FVTPL.

Financial liabilities measured at amortised cost

Financial liabilities measured at amortised cost are initially measured at fair value net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost using the effective interest rate method to amortise the difference between proceeds received, net of directly attributable transaction costs incurred, and the redemption amount over the expected life of the instrument.

Investment Contracts

Note 3.1 describes how financial liabilities arising from investment contracts issued are classified and measured at FVTPL.

iii Derecognition of financial instruments

Financial assets are derecognised when the contractual rights to receive cash flows from the assets have expired or when the Company has transferred its contractual right to receive the cash flows of the financial assets, and either:

- substantially all the risks and rewards of ownership have been transferred; or
- the Company has neither retained nor transferred substantially all the risks and rewards, but has not retained control.

The Company derecognises a financial liability from its statement of financial position when it is extinguished, that is the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

iv. Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously (the offset criteria).

Notes to the Financial Statements

For the Year Ended 31 December 2024

3 Material accounting policies (continued)

3.9 Impairment

3.9.1 Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed for impairment at initial recognition. At this stage an impairment allowance is required for expected credit losses resulting from default events that are possible within the next twelve months.

The general principle of IFRS 9 for expected credit loss accounting requires that the credit risk of financial instruments within the scope of impairment is to be assessed for significant increase since initial recognition at each Statement of Financial Position date. The principle of significant increase in credit risk can be achieved by performing an assessment to compare the risk of default occurring at the reporting date with the risk of default occurring at the date of initial recognition.

The assessment of credit risk and the estimation of expected credit loss, are unbiased and probability-weighted, and incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of expected credit loss takes into account the time value of money.

3.9.2 Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.10 Provision for liabilities and charges

A provision for contingent liabilities and charges is recognised when it is probable that an outflow of economic benefits will be required to settle a present legal or constructive obligation that has arisen as a result of past events and for which a reliable estimate can be made.

3.11 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

3.12 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

Notes to the Financial Statements

For the Year Ended 31 December 2024

4 Critical accounting estimates and judgements

Transition classification

The standard is applied retrospectively using a fully retrospective approach ('FRA') as if it had always existed unless it is impracticable to do so, in which case either a modified retrospective approach ('MRA') or a fair value approach ('FVA') can be used. Impracticability assessments were performed based on the requirements of IFRS 17 and considered the availability of data and systems and the requirement not to apply hindsight within the measurement.

Following the completion of impracticability assessments, the Company applied the following approaches for both insurance and reinsurance contracts:

- FRA is applied to new business issued from 2020 onwards. FRA contributes to 17% of the CSM at the transition date.
- FVA is applied for all other business issued when FRA is not practicable to be applied. The FVA approach contributes to 83% of the CSM balance at the transition date.
- FVA was applied to reinsurance.

The Company has determined that it would be impracticable to apply the full retrospective approach where any of the following conditions existed:

- a. The effects of the full retrospective application were not determinable, for example:
 - i. Some reasonable and supportable information about actual historical cash flows might have been available from the Company's systems, but in many cases such information was only available at higher levels or different levels of aggregation compared to the groups required by IFRS 17. This lack of information made it impracticable to accurately calculate the FCF on a retrospective basis and to segregate groups based on profitability.
 - ii. The information necessary to estimate the effect of contracts derecognised before the transition date on allocation of the CSM between past and future periods on the transition date was not available in many cases.
- b. The full retrospective application required assumptions that would have been made in an earlier period, for example:
 - i. For contracts with direct participation features, the Company's expectations regarding the policyholder's share of underlying assets at contract inception would not have been possible to recreate without the use of hindsight.
 - ii. Difficulties in retrieving relevant reliable information existed where assumptions developed at the date of initial recognition were not on an IFRS 17 basis (such as discount rates, risk adjustment for non-financial risk or expenses).
 - iii. Changes in assumptions have not been historically documented on an ongoing basis.
 - iv. The older the in force contracts (such as term life products), the more challenging it would have been to retrieve data from the past on assumptions.
- c. The full retrospective application required significant estimates of amounts, and it was impossible to distinguish objectively between information about those estimates that provided evidence of circumstances that (i) existed on the date at which those amounts were to be recognised, measured or disclosed; and (ii) would have been available when the consolidated financial statements for that prior period were authorised for issue, and other information, for example:

Notes to the Financial Statements

For the Year Ended 31 December 2024

4 Critical accounting estimates and judgements (Continued)

- i. The Company had limited or no information required for the allocation of acquisition cash flows to respective groups of insurance contracts issued or expected to be issued and other overhead expenses to respective groups under IFRS 17. Systems have not been tracking or allocating acquisition costs, because previous accounting policies did not require this. In addition, the allocation of applicable overheads to groups of contracts required information that has not historically been tracked/recorded.
- ii. The Company has not historically been accumulating information about the changes in estimates that would have been recognised in profit or loss for each accounting period, because they did not relate to future service, and the extent to which changes in the FCF would have been allocated to the loss component.

Determination of the fair value of insurance contract liabilities on transition

Under the FVA approach, the valuation of relevant insurance liabilities on transition is based on the requirements of IFRS 13 'Fair Value Measurement'. This requires consideration of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Under the FVA, the CSM is calculated as the difference between what a market participant would demand for assuming the unexpired risk associated with insurance contracts, including required profit, and the future cash flows committed to under the contract (the fulfilment cash flows - determined using IFRS 17 principles). There is significant judgement involved in determining an appropriate fair value, as there is a lack of observable data for actual transactions and a range of possible modelling approaches. In determining the fair value the Company considered the estimated profit margin that a market participant would demand in return for assuming the insurance liabilities, and the discount rate that would be applied within the IFRS 13 calculation.

The approach for setting these included the following:

- The discount rate was derived with an allowance for an illiquidity premium that takes into account the level of 'matching' between the Company's assets and related liabilities.
- A profit margin was determined considering the level of capital that a market participant would be required to hold under Solvency II regulations and the associated cost of capital. These assumptions were set taking into account the assumptions that a hypothetical market participant operating in each local jurisdiction would consider.

Coverage units

The Company's approach to the determination of coverage units is set out in Note 3(i). Significant judgement was involved in the determination of the approach that most faithfully represents the nature of the local group's business and the benefits that are ascribed to the policyholder over the duration of insurance contracts, as the standard does not specify a required basis for determination of coverage units. This judgement is most significant for investment services, which constitute the most material element of service for most of the local group's contracts. The local group determined that the coverage unit basis that best reflects the provision of investment services is the availability of the facility over time. The quantity of benefit selected is therefore a constant measure. Coverage units are discounted using 'locked-in rates' for the GMM and 'current rates' for the VFA.

Notes to the Financial Statements

For the Year Ended 31 December 2024

4 Critical accounting estimates and judgements (continued)

Discount rates

The discount rate methodology is a fundamental assumption underpinning the IFRS 17 reporting. While IFRS 17 does not specify the actual methodology of setting the discount rate, it requires that the methodology should be market consistent, set based on the liability characteristics, and that only financial risk should be allowed for in the discount rate. The Company has elected to apply a bottom-up approach where risk-free rates are adjusted for an illiquidity premium as set out in note 3.2. In setting the risk-free rate the Company uses a market observable approach where either swaps or government bond yields are used as the reference instruments. This selection depends on factors such as information availability, term structure, and currency. In setting the illiquidity premium the Company determines a market consistent spread of a reference portfolio, applied when the illiquidity of the cash flows are clearly identifiable. Therefore, the illiquidity premium varies by the level at which assets are managed and the illiquidity characteristics of the liabilities.

The table below shows a comparison of the yield curves that were used to discount the estimates of future cashflows that do not vary based on the returns of the underlying items:

	<u>1 year</u>	<u>5 years</u>	<u>10 years</u>	<u>20 years</u>	<u>30 years</u>	<u>40 years</u>	<u>50 years</u>
At 31 Dec 2024	2.24%	2.14%	2.27%	2.26%	2.39%	2.56%	2.70%
At 31 Dec 2023	3.36%	2.32%	2.39%	2.41%	2.53%	2.71%	2.85%

Expenses

IFRS 17 requires the determination of whether cash flows are directly attributable to the acquisition or fulfilment of insurance contracts. Insurance acquisition cash flows are included in the measurement of a group of insurance contracts only if they are directly attributable to the individual contracts in a group, or to the group itself, or the portfolio of insurance contracts to which the group belongs. When estimating fulfilment cash flows, the Company also allocates fixed and variable overheads cash flows directly attributable to the fulfilment of insurance contracts. Judgement is involved in identifying and allocating costs and this determination has been informed by time study assessments which consider factors such as the allocation of frontline staff costs related to distribution including salaries, commissions and bonuses, and associated overhead allocations. During the year the Company has performed an updated time study, resulting in a change to the allocation ratio between attributable and non-attributable expenses. Furthermore, the Company has adopted a per policy estimate that varies by product. An upward change of 10% in the expense attribution rate would equate to a change of EUR4.8mn in CSM with a corresponding impact of EUR0.325mn in profit after tax (gross). There are no other material second order impacts.

Estimates of future cash flows to fulfil insurance contracts including risk adjustment

Included in the measurement of each group of contracts within the scope of IFRS 17 are all of the future cash flows within the boundary of each group of contracts. The estimates of these future cash flows are based on probability-weighted expected future cash flows. The Company estimates which cash flows are expected and the probability that they will occur as at the measurement date. In making these expectations, the Company uses information about past events, current conditions and forecasts of future conditions. The Company's estimate of future cash flows is the mean of a range of scenarios that reflect the full range of possible outcomes. Each scenario specifies the amount, timing and probability of cash flows. The probability-weighted average of the future cash flows is calculated using a deterministic scenario representing the probability-weighted mean of a range of scenarios.

Notes to the Financial Statements

For the Year Ended 31 December 2024

4 Critical accounting estimates and judgements (continued)

Where estimates of expenses-related cash flows are determined at the portfolio level or higher, they are allocated to groups of contracts on a systematic basis, such as activity-based costing method. The Company has determined that this method results in a systematic and rational allocation. Similar methods are consistently applied to allocate expenses of a similar nature. Expenses of an administrative policy maintenance nature are allocated to groups of contracts based on the number of contracts in force within groups.

The company also estimates risk adjustment for non-financial risk.

Acquisition cash flows are typically allocated to groups of contracts based on gross premiums written. This includes an allocation of acquisition cash flows among existing, as well as future, groups of insurance contracts issued.

Claims settlement-related expenses are allocated based on the number of claims expected for all groups, where such expenses are allocated based on claims costs.

Uncertainty in the estimation of future claims and benefit payments and premium receipts arises primarily from the unpredictability of long-term changes in the mortality rates, the variability in policyholder behaviour, and uncertainties regarding future inflation rates and expenses growth.

For the Participating contracts, uncertainty in the estimation of future claims and benefit payments arises primarily from the variability in policyholder behaviour. The guarantee on embedded investment contracts with DPF was measured using a closed form model. The guarantee was measured using a full range of scenarios representing possible future interest rate environments.

The principal assumptions used to value the life reserves of the main classes of business were as follows:

Class of business	2024		2023	
	Renewal expense (p.a.)	Mortality	Renewal expense (p.a.)	Mortality
	€ 000		€ 000	
Life direct participating and investment DPF	€44.30	85% TM08 / 85% TF08	€34.80	85% TM08 / 85%TF08
Life Other	€26.10	85% TM08 / 85% TF08	€34.80	85% TM08 / 85%TF08

Mortality

The estimate of cashflows is a significant and complex estimate that is recognised in the financial statements. Insurance contract liabilities are sensitive to the choice of assumptions, with those pertaining to mortality and expenses highlighted as those having the biggest effect on the Company. The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the Company. Estimates are made as to the expected number of deaths for each of the years in which the Company is exposed to risk. The Company bases these estimates on industry standard mortality tables. A base mortality table is selected which is most appropriate for each type of contract. The mortality rates reflected in the table below are adjusted by the expected mortality based on a statistical investigation into the Company's mortality experience.

Notes to the Financial Statements

For the Year Ended 31 December 2024

4 Critical accounting estimates and judgements (continued)

The estimated number of deaths determines the value of future benefit payments. The main source of uncertainty is that epidemics and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which the Company has significant exposure to mortality risk. The Company is also exposed to the volatility of the yield curve. New estimates are made each subsequent year to reflect the current long-term outlook.

For the sensitivities to mortality and/or morbidity rates please refer to note 5.2.

Maintenance expenses and inflation

The company estimates expected maintenance expenses by considering the current level of expenses, expected reductions in certain expense categories, expected inflation and policy values. The current level of expected renewal expenses is considered to be an appropriate expense base by the directors. The Company assesses and holds an Expense overrun provision for potential future shortfalls for the period that per-policy costs are forecast to be higher than current assumed income. Expense inflation is based on the French inflation swap curve modified to estimate future inflation for Malta.

Expense inflation is calculated as a blend of wage inflation and price inflation, with the latter based on an adjusted French inflation curve. The assumed wage inflation is being considered on annual basis ranging between 3% and 5% until year 2028 to align with HSBC Bank and collective agreement arrangements and the long term wage inflation beyond that point is set in line with the price inflation. This results in a term dependent expense inflation assumption ranging from 1.98% p.a. to 2.9% p.a. (2023: 1.9% p.a. to 2.2% p.a.). A change of 1% in Expense Attribution rates would equate to a change in EUR0.5mn in CSM with a corresponding impact of EUR0.05mn in Insurance Release. There are no other material second order impacts.

Sensitivities of key assumptions are disclosed in Note 5.2

Expense overruns

The Company holds two sets of Expense overrun provisions, one for an 'investment contract' portfolio that is in run-off (see note 16) related to a specific fixed expense, and another for the 'insurance contract' portfolio to allow for potential future shortfalls for the periods where expense allowance being generated by volumes is lower than the expense liabilities being projected.

In setting the first provision, judgements are taken in relation to the future management actions to reduce the fixed expenses in line with the run-off of the portfolio. Should these actions not be executed, this may lead to a negative Profit before tax impact of circa €5.1m (2023: €5.5m).

In setting the second provision (note 13), the potential future expense shortfalls are reliant on achieving the new business sales plan. A 25% reduction to the future volumes will lead to a negative Profit before tax impact of circa €0.8m (2023: €4.1m).

5 Management of financial and insurance risk

The key risks for the Company's operations are financial risk and insurance underwriting risk. These have a direct impact on the financial results and capital positions of the insurance operations.

Notes to the Financial Statements

For the Year Ended 31 December 2024

5 Management of financial and insurance risk (continued)

5.1 Financial risk

The Company is exposed to financial risk through its financial assets, financial liabilities (investment contracts), reinsurance contract assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts, this can be driven by changes in the market value of assets or through changes to expectations on future yields impacting the value of liabilities. The most important components of this financial risk are market risk, credit risk and liquidity risk. This risk has been heightened in recent years through the period of market volatility that has been brought about by Central Banks' policies to control inflation.

For unit-linked insurance and investment contracts, the Company matches all the liabilities on which the unit prices are based with assets in the unit-linked portfolios. There is therefore no direct equity price, currency, credit or interest risk exposure for these contracts which is borne by the Company. The Company is however exposed indirectly for unit-linked insurance and investment contracts as unit price changes will have an impact on the expected management charges the Company are expecting to receive, and therefore on CSM or profit after for any onerous groups of contracts.

5.1.1 General nature of participation feature

The Company offers savings with-profit policies which participate in the investment returns of the with-profit funds. The Company aims to pay out 90% of the eligible investment return to policyholders by way of bonuses before any deductions for withholding tax. Policyholders receive regular (reversionary) bonus. A regular bonus rate is declared yearly in advance. This rate may be reviewed upwards during the course of the year based on the performance of the fund. This provides a progressive build-up of guaranteed benefits over the lifetime of the policy. Regular bonuses are set by the Board of Directors on the recommendation of the Approved Actuary. The Company is exposed to adverse market conditions which could lead to the value of assets backing the liabilities to fall below the guaranteed benefit at policy maturity, which could lead to a potential loss to the shareholders.

5.1.2 Market risk

Market risk can be described as the risk of change in cash flows or fair value of a financial instrument due to changes in interest rates, exchange rates or equity prices.

Interest rate risk

The Company's exposure to interest rate changes is concentrated in its non-linked investment portfolio. Changes in investment values attributable to interest rate changes are mitigated by partially offsetting changes in the economic value of insurance provisions. The Company monitors this exposure through periodic reviews of its asset and liability positions. Estimates of future cash flows, as well as the impact of interest rate fluctuations on its investment portfolio and insurance liabilities, are modelled and reviewed quarterly. The Company minimises interest rate risks primarily by matching estimated future cash outflows to be paid to policyholders with expected cash flows from assets. The pool of investments backing liabilities is managed to duration targets that aim to make the net effect of interest rate changes on assets and liabilities manageable.

Exchange risk

The Company is exposed to currency risk on the shareholder's investment portfolio, to 10% of the investments backing contracts with DPF and to the life insurance portfolio. The net exposure for the Company amounts to €3,135,793 (2023: €6,065,003) and a sensitivity analysis is not deemed necessary on the basis of significance.

Notes to the Financial Statements

For the Year Ended 31 December 2024

5 Management of financial and insurance risk (continued)

5.1 Financial risk (continued)

5.1.2 Market risk (continued)

Equity price risk

The Company manages the equity risk arising from its holdings of equity securities by setting limits on the maximum market value of equities that it holds. Equity risk is also monitored by estimating the effect of predetermined movements in equity prices on the profit and total net assets of the insurance underwriting business.

Sensitivity analysis

The following table illustrates the effects of selected interest rate and equity price scenarios on our profit for the year and the total equity.

Due in part to the impact of the cost of guarantees and also due to CSM and onerous groups, the relationship between the profit and total equity and the risk factors is non-linear. Therefore, the results disclosed should not be extrapolated to measure sensitivities to different levels of stress. For the same reason, the impact of the stress is not necessarily symmetrical on the upside and downside.

Sensitivity to market risk factors

	2024		
	Effect on profit after tax € 000	Effect on CSM € 000	Effect on total equity € 000
+100 basis point parallel shift in yield curves			
- Insurance & Reinsurance Contracts	4,327	(179)	4,327
- Financial Instruments	(3,540)	-	(3,540)
-100 basis point parallel shift in yield curves			
- Insurance & Reinsurance Contracts	(5,402)	219	(5,402)
- Financial Instruments	3,996	-	3,996
10% increase in equity prices			
- Insurance & Reinsurance Contracts	106	1,029	106
10% decrease in equity prices			
Insurance & Reinsurance Contracts	(401)	(576)	(401)

Notes to the Financial Statements

For the Year Ended 31 December 2024

5 Management of financial and insurance risk (continued)

5.1 Financial risk (continued)

5.1.2 Market risk (continued)

	2023		
	Effect on profit after tax	Effect on CSM	Effect on total equity
	€ 000	€ 000	€ 000
+100 basis point parallel shift in yield curves			
- Insurance & Reinsurance Contracts	3,003	(411)	3,003
- Financial Instruments	(2,984)	-	(2,984)
-100 basis point parallel shift in yield curves			
- Insurance & Reinsurance Contracts	(4,610)	446	(4,610)
- Financial Instruments	3,348	-	3,348
- 10% increase in equity prices			
- Insurance & Reinsurance Contracts	356	646	356
- 10% decrease in equity prices			
- Insurance & Reinsurance Contracts	(694)	(127)	(694)

No sensitivities were provided on foreign exchange risk as not considered to be material.

5.1.3 Credit risk

Credit risk is the risk of financial loss if a customer or counterparty fails to meet their obligation under a contract.

The main areas where the Company is materially exposed to credit risk are:

- reinsurance contract assets;
- investment portfolios of debt securities (within Financial investment); and
- cash and cash equivalents.

Investments in bonds are made within the credit limits permitted within the investment credit risk mandate conferred by HSBC Group.

The Company structures the levels of credit risk it accepts by placing limits on its exposure to investment grade single counterparty, or groups of counterparties, and to geographical and industry segments. Investment credit exposures positions are reviewed on a quarterly basis by the Company's Asset Liability Committee.

Reinsurance is used to manage insurance risk and non-performance risk is considered when measuring the fulfillment cashflows.

The selection of reinsurers also includes restrictions designed to minimise the risk of credit exposure.

Notes to the Financial Statements

For the Year Ended 31 December 2024

5 Management of financial and insurance risk (continued)

5.1 Financial risk (continued)

5.1.3 Credit risk (continued)

The Company currently manages the majority of reinsurance risk by using reinsurers with a minimum rating of AA+. The creditworthiness of reinsurers is confirmed from public rating information and considered as a part of any tender activity prior to finalisation of any contract for new business. The reinsurance contract asset balance in the statement of financial position represents the maximum exposure to credit risk at the end of the reporting period.

Other assets amount to €3,616,000 (2023: €2,397,000). This balance includes accrued interest amounting to €2,616,000 (2023: €2,113,000) which would follow a similar rating profile to debt securities below.

Cash and cash equivalents held with third party banks amount to €380,000 (2023: €22,000). The bank balance of €380,000 (2023: €22,000) is held with an unrated local bank of good standing. The remaining cash at bank comprises amounts held with the immediate parent Company, HSBC Bank Malta p.l.c, and other related parties. In line with IFRS 9, the company measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. At 31 December 2024, cash deposits were held with reputable counter parties and were due on demand. Management consider the probability of default to be close to zero as the counter parties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the company.

The following table presents the analysis of debt securities by rating agency (Standard and Poor's Rating Agency):

	Debt Securities - Others	
	2024	2023
	€ 000	€ 000
AAA	2,607	1,884
AA+ to AA-	25,678	34,705
A+ to A-	114,742	138,101
BBB+ to BBB-	66,047	43,595
Unrated	14,070	14,079
	-----	-----
Total	223,144	232,364
	=====	=====

The Company is not exposed to credit risk in respect of unit-linked business, although the relevant credit information is disclosed.

Notes to the Financial Statements

For the Year Ended 31 December 2024

5 Management of financial and insurance risk (continued)

5.1.4 Liquidity risk

Liquidity risk is the risk that an insurance operation, though solvent, either does not have sufficient financial resources available to meet its obligations when they fall due, or can secure them only at excessive cost. Liquidity risk may be able to be shared with policyholders for products with DPF.

It is an inherent characteristic of almost all insurance contracts that there is uncertainty over the amount and the timing of settlement of claims liabilities that may arise, and this leads to liquidity risk. As part of the management of this exposure, estimates are prepared for most lines of insurance business of cash flows expected to arise from insurance funds at the reporting date.

The Company actively manages its assets in such a manner as to achieve a competitive rate of return within the prevailing risk objectives delineated by asset liquidity and credit quality, and asset-liability matching. The Company's Asset Liability Committee reviews and approves investment strategies on a periodic basis, ensuring that assets are managed efficiently within approved risk mandates.

The following tables present the estimated amount and timing of the remaining contractual discounted cash flows arising from investment assets and insurance liabilities.

Notes to the Financial Statements

For the Year Ended 31 December 2024

5 Management of financial and insurance risk (continued)

5.1 Financial risk (continued)

5.1.4 Liquidity risk (continued)

	No fixed maturity	less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	10-20 years	Over 20 years	Total
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
At 31 December 2024										
Financial Investments	491,804	20,592	15,267	19,538	23,521	18,574	88,876	34,413	2,364	714,949
Reinsurance contracts	2,912	-	-	-	-	-	-	-	-	2,912
Cash and cash equivalents	30,157	-	-	-	-	-	-	-	-	30,157
	524,873	20,592	15,267	19,538	23,521	18,574	88,876	34,413	2,364	748,018
	On demand	less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	10-20 years	Over 20 years	Total
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Life direct participating and investment DPF contracts	-	23,698	847	20,805	14,790	18,633	66,186	152,784	150,710	448,453
Insurance contracts Other	-	(4,836)	(6,518)	(6,026)	(5,469)	(4,290)	(14,494)	1,725	33,730	(6,178)
Re-insurance contracts	-	(3,076)	1,430	1,382	1,369	1,368	6,675	11,157	5,547	25,852
Investment contracts	105,019	5,771	5,346	5,253	6,980	6,089	18,567	11,212	1,440	165,677
	105,019	21,557	1,105	21,414	17,670	21,800	76,934	176,878	191,427	633,804
Net cash flows	419,854	(965)	14,162	(1,876)	5,851	(3,226)	11,942	(142,465)	(189,063)	114,214

Notes to the Financial Statements

For the Year Ended 31 December 2024

5 Management of financial and insurance risk (continued)

5.1 Financial risk (continued)

5.1.4 Liquidity risk (continued)

	No fixed maturity	less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	10-20 years	Over 20 years	Total
At 31 December 2023	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Financial Investments	460,660	29,353	12,531	18,302	19,515	15,957	86,620	46,374	3,712	693,024
Reinsurance contracts	2,557	-	-	-	-	-	-	-	-	2,557
Cash and cash equivalents	33,449	-	-	-	-	-	-	-	-	33,449
	496,666	29,353	12,531	18,302	19,515	15,957	86,620	46,374	3,712	729,030
	On demand	less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	10-20 years	Over 20 years	Total
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Life direct participating and investment DPF contracts	3,760	7,459	3,104	4,141	27,874	22,425	86,282	150,439	146,364	451,848
Insurance contracts Other	-	(3,552)	(6,562)	(5,975)	(5,536)	(5,006)	(14,951)	(547)	34,810	(7,319)
Re-Insurance contracts	-	170	1,402	1,448	1,397	1,376	6,612	11,132	4,640	28,177
Investment contracts	100,691	5,057	5,011	4,693	4,531	6,166	18,902	10,346	1,561	156,958
	104,451	9,134	2,955	4,307	28,266	24,961	96,845	171,370	187,375	629,664
Net cash flows	392,215	20,219	9,576	13,995	(8,751)	(9,004)	(10,225)	(124,996)	(183,663)	99,366

Note 13 contains further disclosure pertaining to insurance and reinsurance contracts.

In certain years insurance contract liabilities result in a net inflow that is presented in brackets in the table above. These amounts have not been separated into assets and liabilities since they are presented in the Statement of Financial Position within liabilities.

Notes to the Financial Statements

For the Year Ended 31 December 2024

5 Management of financial and insurance risk (continued)

5.1 Financial risk (continued)

5.1.4 Liquidity risk (continued)

The methodology used for estimating cash outflows on liabilities to customers can be found below:

Life direct participating and investment DPF contracts:

Derived via discounted unit and non-unit liabilities. All future premiums are considered, and provisions based on all expected decrements. The timing of cash flows is based on the expected run-off of the liabilities.

Insurance contracts Other:

Derived via discounted non-unit liabilities. All future premiums are considered, and provisions based on all expected decrements. The timing of cash flows is based on the expected run-off of the reserves.

Re-Insurance contracts:

Derived via discounted re-insurance liabilities. All future reinsurance premiums are considered, and provisions based on all expected re-insurance recoveries. The timing of cash flows is based on the expected run-off of the re-insurance liabilities.

Investment contracts:

Derived via undiscounted cash flows but only considering contractual maturities and no other form of decrement. When there is no contractual maturity, the reserve is placed within the 'on demand' bucket.

5.1.5 Capital management and allocation

It is the Company's policy to maintain a strong capital base to support the development of its business and to meet regulatory capital requirements imposed by the MFSA at all times. The Company recognises the impact on shareholder returns of the level of its equity capital employed and seeks to maintain a prudent balance between the advantages and flexibility afforded by a strong capital position and the higher returns on equity possible with greater leverage.

The annual budget and planning process takes into account projected capital demands with the objective of ensuring regulatory solvency and maintaining capital adequacy at all times. The Company regularly monitors its capital requirements and applies limits to asset balances with respect to asset types and counterparty exposures.

The Company defines its capital as the excess of assets over liabilities as valued in accordance with the respective regulatory requirements. In order to maintain or adjust the capital structure, the Company may issue new shares or capitalise contributions received from its shareholders.

The Company is subject to the requirements of the EU Solvency II directive. The Solvency II regime establishes a set of EU-wide capital requirements, risk management and disclosure standards. The Company must hold eligible own funds to cover the Solvency Capital Requirement ('SCR') and eligible basic own funds to cover the Minimum Capital Requirement ('MCR'). The SCR shall be calculated either in accordance with the standard formula or using a full or partial internal model ('PIM') as approved by the Regulator. The Company must immediately inform the Regulator where it observes that its SCR or MCR are no longer complied with or where there is risk of non-compliance in the following six months for SCR and three months for MCR.

Notes to the Financial Statements

For the Year Ended 31 December 2024

5 Management of financial and insurance risk (continued)

5.1 Financial risk (continued)

5.1.5 Capital management and allocation (continued)

The Company opted for the standard formula under the Solvency II regime to calculate the SCR as the assumptions underlying the standard formula are considered to be a good fit for the Company's risk profile. At 31 December 2024, the Company's eligible own funds adequately covered the required SCR, and amounted to €61,314,000 (unaudited) (2023: €58,682,000). The Company has an unaudited Solvency Ratio of 231%, increasing from 198% (audited) at 31 December 2023. This increase was primarily driven by an increase in SCR as a result of an increased With-Profits fund surplus. Having considered market uncertainties, in light of the Company's level of solvency as well as plans to further improve the capital base, the directors consider the going concern assumption to remain appropriate on the basis of information known to date.

5.2 Insurance underwriting risk

Description and exposure

Insurance underwriting risk is the risk of loss through adverse experience, in either timing or amount, of insurance underwriting parameters (non-economic assumptions). These parameters include mortality, morbidity, longevity, lapse and expense rates.

The principal risk we face is that, over time, the cost of the contract, including claims and benefits, may exceed the total amount of premiums and investment income received.

The insurance risk profile and related exposures remain largely consistent with those observed at 31 December 2023.

Sensitivities

The following table shows the sensitivity of profit and total equity to reasonably possible changes in non-economic assumptions.

Mortality and morbidity risk is typically associated with life insurance contracts. The effect on profit of an increase in mortality or morbidity depends on the type of business being written.

Sensitivity to lapse rates depends on the type of contracts being written. An increase in lapse rates typically has a negative effect on profit due to the loss of future income on the lapsed policies. However, some contract lapses have a positive effect on profit due to the existence of policy surrender charges.

Expense rate risk is the exposure to a change in the allocated cost of administering insurance contracts. To the extent that increased expenses cannot be passed on to policyholders, an increase in expense rates will have a negative effect on our profits.

Notes to the Financial Statements

For the Year Ended 31 December 2024

5 Management of financial and insurance risk (continued)

5.2 Insurance underwriting risk (continued)

	Effect on CSM (gross) ¹	Effect on profit after tax (gross) ¹	Effect on profit after tax (net) ²	Effect on total equity (gross) ¹	Effect on total equity (net) ²
At 31 Dec 2024	€ 000	€ 000	€ 000	€ 000	€ 000
10% increase in mortality and/or morbidity rates	(7,030)	(314)	(48)	(314)	(48)
10% decrease in mortality and/or morbidity rates	7,132	315	39	315	39
10% increase in lapse rates	(647)	(96)	(53)	(96)	(53)
10% decrease in lapse rates	753	51	5	51	5
10% increase in expense rates	(1,973)	(141)	(141)	(141)	(141)
10% decrease in expense rates	1,974	141	141	141	141
At 31 Dec 2023	€ 000	€ 000	€ 000	€ 000	€ 000
10% increase in mortality and/or morbidity rates	(6,922)	179	(105)	179	(105)
10% decrease in mortality and/or morbidity rates	7,032	(196)	108	(196)	108
10% increase in lapse rates	(64)	(527)	(597)	(527)	(597)
10% decrease in lapse rates	309	397	479	397	479
10% increase in expense rates	(1,714)	(252)	(253)	(252)	(253)
10% decrease in expense rates	1,708	255	255	255	255

1 The 'gross' sensitivities impacts are provided before considering the impacts of reinsurance contracts held as risk mitigation.

2 The 'net' sensitivities impacts are provided after considering the impacts of reinsurance contracts held as risk mitigation.

Notes to the Financial Statements

For the Year Ended 31 December 2024

6 Insurance business

	2024		
	Life direct participating and Investment DPF contracts	Life Other	Total
	€ 000	€ 000	€ 000
Contracts not measured under the PAA			
Insurance revenue			
Amounts relating to changes in liabilities for remaining coverage:			
- CSM recognised for services provided ¹	7,099	6,618	13,717
- Change in risk adjustment for non-financial risk for risk expired	278	202	480
- Expected incurred claims and other insurance service expenses	3,887	6,425	10,312
Recovery of insurance acquisition cash flows	83	518	601
Total insurance revenue for contracts not measured under the PAA	11,347	13,763	25,110
Insurance service expenses			
Claims and benefits, reversal of losses and directly attributable expenses	(3,137)	(5,809)	(8,946)
(Losses) and reversal of losses on onerous insurance contracts	1,410	(70)	1,340
Amortisation of insurance acquisition cash flows	(83)	(518)	(601)
Total insurance service expenses for contracts not measured under the PAA	(1,810)	(6,397)	(8,207)
Total insurance service results for contracts not measured under the PAA	9,537	7,366	16,903
Insurance service results before reinsurance contract held			
Income/(expenses) from reinsurance contracts held			
Reinsurance expenses – amounts relating to the changes in the remaining coverage ²	-	(7,706)	(7,706)
Amounts recoverable from reinsurers for incurred claims	-	4,922	4,922
Net expenses from reinsurance contracts held	-	(2,784)	(2,784)
Net Insurance service results	9,537	4,582	14,119

¹This represents the systematic recognition of the CSM as revenue over the coverage period, reflective of the services provided from insurance contracts under IFRS 17 (Note 13.3 contains further information on the CSM release for the period).

²Further information on the release of CSM and risk adjustment recognised in the period on reinsurance contracts is provided in note 13.4.

Notes to the Financial Statements

For the Year Ended 31 December 2024

6 Insurance business (continued)

	2023		
	Life direct participating and Investment DPF contracts	Life Other	Total
	€ 000	€ 000	€ 000
Contracts not measured under the PAA			
Insurance revenue			
Amounts relating to changes in liabilities for remaining coverage:			
- CSM recognised for services provided	1,203	6,307	7,510
- Change in risk adjustment for non-financial risk for risk expired	249	201	450
- Expected incurred claims and other insurance service expenses	3,609	6,352	9,961
Recovery of insurance acquisition cash flows	52	316	368
Total insurance revenue for contracts not measured under the PAA	5,113	13,176	18,289
Insurance service expenses			
Claims and benefits, reversal of losses and directly attributable expenses	(2,909)	(3,006)	(5,915)
Losses and reversal of losses on onerous insurance contracts	(1,284)	(221)	(1,505)
Amortisation of insurance acquisition cash flows	(52)	(316)	(368)
Total insurance service expenses for contracts not measured under the PAA	(4,245)	(3,543)	(7,788)
Total insurance service results for contracts not measured under the PAA	868	9,633	10,501
Insurance service results before reinsurance contract held			
Income/(expenses) from reinsurance contracts held			
Reinsurance expenses – amounts relating to the changes in the remaining coverage ¹	-	(7,603)	(7,603)
Amounts recoverable from reinsurers for incurred claims	-	2,132	2,132
Net expenses from reinsurance contracts held	-	(5,471)	(5,471)
Net Insurance service results	868	4,162	5,030

¹Further information on the release of CSM and risk adjustment recognised in the period on reinsurance contracts is provided in note 13.4.

Notes to the Financial Statements

For the Year Ended 31 December 2024

7 Investment income/(expenses) and insurance finance income/(expenses)

	2024			Total
	Life DP and Investment DPF contracts	Other	Investment Contracts without DPF	
	€ 000	€ 000	€ 000	€ 000
Investment return				
Amounts recognised in profit or loss:				
- Net income from financial instruments held for trading or otherwise held at FVTPL	36,632	2,939	16,642	56,213
- Movement in investment contract liabilities	-		(16,483)	(16,483)
Total net investment return	36,632	2,939	159	39,730
Represented by:				
Net finance expense				
Changes in fair value of underlying items of direct participating contracts	(36,631)			(36,631)
Interest accreted	-	(285)		(285)
Effect of changes in interest rates and other financial assumptions	-	(636)		(636)
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition		(324)		(324)
Total net finance expenses from insurance contracts	(36,631)	(1,245)		(37,876)
Represented by:				
Amounts recognised in profit or loss	(36,631)	(1,245)		(37,876)
Total net finance income from reinsurance contracts - P&L	-	(752)	-	(752)

Notes to the Financial Statements

For the Year Ended 31 December 2024

7 Investment income/(expenses) and insurance finance income/(expenses) (continued)

	2023			Total € 000
	Life DP and Investment DPF contracts € 000	Other € 000	Investment Contracts without DPF € 000	
Investment return				
Amounts recognised in profit or loss:				
- Net income from financial instruments held for trading or otherwise held at FVTPL	42,065	6,606	11,356	60,027
- Movement in investment contract liabilities	-		(11,146)	(11,146)
Total net investment return	42,065	6,606	210	48,881
Represented by:				
Net finance expense				
Changes in fair value of underlying items of direct participating contracts	(42,065)			(42,065)
Interest accreted	-	(14)		(14)
Effect of changes in interest rates and other financial assumptions	-	(957)		(957)
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition		(881)		(881)
Total net finance expenses from insurance contracts	(42,065)	(1,852)		(43,917)
Represented by:				
Amounts recognised in profit or loss	(42,065)	(1,852)		(43,917)
Total net finance income from reinsurance contracts - P&L	-	(377)	-	(377)

Notes to the Financial Statements

For the Year Ended 31 December 2024

8 Other operating expenses

8.1 Other operating expenses

Total gross expenses for the company amount to €5.1m (2023: €7.1m). The split between attributable expenses and non-attributable expenses is highlighted in the table below.

	2024			2023		
	Expenses attributed to insurance acquisition cashflow	Other directly attributable expenses	Other operating expenses	Expenses attributed to insurance acquisition cashflow	Other directly attributable expenses	Other operating expenses
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Employees compensation and benefits	731	647	918	761	560	712
General and admin expenses	743	805	996	978	1,144	2,703
Depreciation and amortisation	75	66	90	88	65	65
	1,549	1,518	2,004	1,827	1,769	3,480

Other operating expenses include auditors' remuneration pertaining to the annual statutory audit amounting to €311,377 (2023: €650,294) exclusive of VAT.

Other fees, exclusive of VAT, charged by the appointed independent auditors, comprise:

	2024	2023
	€ 000	€ 000
Other assurance services	74	70
	-----	-----
	74	70
	=====	=====

8.2 Profit before tax is stated after charging:

	2024	2023
	€ 000	€ 000
Depreciation of property, plant and equipment and amortisation of intangible assets	231	218
Investment management and administrator fees	1,578	1,510
Personnel expenses	2,296	2,033
Computer software licence fees	469	266

Notes to the Financial Statements

For the Year Ended 31 December 2024

8 Other operating expenses (continued)

8.3 Revenue from investment management services is income on unit-linked investment contracts out of IFRS17 "scope".

9 Personnel expenses

9.1 Personnel expenses incurred by the Company during the year are analysed as follows:

	2024	2023
	€ 000	€ 000
Wages, salaries and allowances	2,171	1,924
Compulsory social security costs	125	109
	-----	-----
	2,296	2,033
	=====	=====

All employees are seconded from the immediate parent company.

Included in salaries is an amount of €215,360 (2023: €182,563) payable to the directors.

9.2 The average number of persons employed by the Company during the year is analysed as follows:

	2024	2023
	No.	No.
Operating	17	21
Management and administration	25	21
	----	----
	42	42
	==	==

9.3 Share-based payments

In order to align the interests of staff with those of shareholders, restricted share awards are awarded to local group senior management under discretionary incentive plans and, in addition, local group employees are invited to join Share Match, an HSBC International Employee Share Purchase Plan to acquire shares in HSBC Holdings plc. Under this Plan, HSBC Holdings plc grant matching award shares to the local group's employees subject to a three year service condition. The share-based payment is classified as equity-settled since the share-based payment transactions with the employees are settled by the transfer of shares of HSBC Holdings plc. An employee is required to specify a monthly deduction (subject to a cap) from the salary for buying shares on a quarterly basis at the current fair value (investment shares). For every three investment shares bought, the employees will receive an additional free share (matching share) on the third anniversary of the scheme (the vesting date) provided the employee remains employed and retains the investment shares until the end of the three-year holding period. The impact of this plan on the local group's financial results and financial position is insignificant, and accordingly the disclosures required by IFRS 2 in relation to share-based payment arrangements have not been deemed necessary.

Notes to the Financial Statements

For the Year Ended 31 December 2024

9 Personnel expenses (continued)

In respect of the restricted share awards (including Group Performance Share Plans ('GPSP')) referred to above, an assessment of performance over the relevant period is used to determine the amount of the award to be granted. Deferred awards generally require employees to remain in employment over the vesting period and are not subject to performance conditions after the grant date. GPSP awards vest after five years. Vested shares may be subject to a retention requirement (restriction) post vesting. GPSP awards are retained until cessation of employment. In view of the insignificant impact of HSBC restricted share awards on the local group's income statement charge, the other IFRS 2 disclosure requirements attributable to share-based payment arrangements are not being presented in these financial statements.

Shares in HSBC Holdings plc awarded under the discretionary HSBC Holdings Group Achievement Share Scheme are offered at nil consideration. Shares are released to individuals after three years provided they remain employed by the Group. There is no performance condition attached to these awards. For those receiving share awards, additional awards will be made during the three-year life of the award, representing equivalent value to dividends reinvested in shares. At the end of the three-year period, the value of the award will have grown in line with HSBC's total shareholder return over the same period.

10 Income tax expense

10.1 Recognised in profit or loss

	2024	2023
	€ 000	€ 000
Current tax expense		
Current year	(4,933)	(2,470)
Over provision relating to prior period	116	-
Deferred tax (expense)/ credit		
Origination and reversal of temporary differences (Note 19)	(102)	275
	(4,919)	(2,195)

10.2 Reconciliation of tax expense

	2024	2023
	€ 000	€ 000
Profit before tax	14,411	6,213
Income tax expense using the Company's domestic tax rate of 35%	(5,044)	(2,175)
Tax effect of:		
- over provision of tax in the prior period	116	-
- other	9	(20)
Total income tax expense in profit or loss	(4,919)	(2,195)

Notes to the Financial Statements

For the Year Ended 31 December 2024

11 Intangible assets

	Computer software
Carrying amount	€ 000
Balance at 1 January 2023	516
Additions	110
Amortisation through profit or loss :	
- Amortisation charge through profit or loss	(66)
- Amortisation charge transferred to CSM	(152)

Balance at 31 December 2023	408
	=====
Balance at 1 January 2024	408
Additions	43
Amortisation:	
- Amortisation charge through profit or loss	(89)
- Amortisation charge transferred to CSM	(139)

Balance at 31 December 2024	223
	=====
Accumulated amortisation	
Balance at 1 January 2023	1,704
	=====
Balance at 31 December 2023	1,922
	=====
Balance at 1 January 2024	1,922
	=====
Balance at 31 December 2024	2,150
	=====

Notes to the Financial Statements

For the Year Ended 31 December 2024

12 Financial investments

12.1 All assets within this note are carried at fair value through profit or loss except where otherwise stated.

Under IFRS 9, the designation of fair value through profit or loss was mandatory.

Financial investments include:

	2024 € 000	2023 € 000
Equity securities – listed	6,919	9,081
Debt securities - fixed interest:		
- Government and supranational bonds – listed	129,900	128,666
- other listed	93,244	103,698
	<u>223,144</u>	<u>232,364</u>
Collective investment schemes:		
- listed	15,445	18,901
- unlisted	10,697	11,637
	<u>26,142</u>	<u>30,538</u>
Unit-linked net financial investments:		
Equities – listed	21,359	19,478
Collective investment schemes:		
- listed	6,264	3,703
- unlisted	430,951	397,697
Accrued interest	170	163
	<u>458,744</u>	<u>421,041</u>
Total	<u>714,949</u>	<u>693,024</u>

All other financial assets not stated in the above table are measured at amortised cost.

	2024 € 000	2023 € 000
Current	20,592	29,353
Non-current	694,357	663,671
	<u>714,949</u>	<u>693,024</u>
	=====	=====

Investments with a fixed maturity date (i.e. debt securities) are classified as non-current unless they are expected to mature within twelve months or be realised within twelve months. All other investments without a fixed maturity date are considered to be substantially non-current in nature.

Notes to the Financial Statements

For the Year Ended 31 December 2024

12 Financial investments (continued)

12.2 Fair values

There are certain financial assets and liabilities that are carried at amortised cost. The fair value of these assets and liabilities is not disclosed given that the carrying amount is considered to be a reasonable approximation of fair value because they are either frequently re-priced to current market rates or short term in nature. A detailed analysis of the fair value level splits of financial assets and liabilities is provided in note 20.

The IFRS 17 VFA measurement model is applied to the unit-linked insurance contracts and with-profits portfolio. The portion of unit-linked investments backing up liabilities measured through the VFA measurement model amounts to 67% (2023: 68%) of the unit-linked portion of investments in collective investment schemes as disclosed in note 12.1, under the section 'Unit-linked net financial investments'. The fair value of assets backing up with-profits contracts measured through the VFA measurement model comprises of asset classes 'equities securities - listed' and 'collective investment schemes' as disclosed under section 12.1. Additionally, the portion of 'debt securities - fixed interest' applicable to the with-profits contracts measured through the VFA measurement model is disclosed separately hereunder:

	2024	2023
	€ 000	€ 000
Debt securities - fixed interest:		
Government bonds - listed	76,893	81,127
other listed	69,910	86,561

Notes to the Financial Statements

For the Year Ended 31 December 2024

13 Insurance and Reinsurance Contracts

13.1 Movements in carrying amounts of insurance contracts liabilities - Analysis by remaining coverage and incurred claims

	2024										
	Life direct participating and Investment DPF					Life other contracts					Total
	Liabilities for remaining coverage:		Liability for:		Total gross	Liabilities for remaining coverage:		Liability for:		Total gross	
	Excluding loss component	Loss component	Incurred claims	Incurred claims		Excluding loss component	Loss component	Incurred claims	Incurred claims		
€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	
Opening assets	-	-	-	-	-	-	-	-	-	-	-
Opening liabilities	459,132	1,529	4,233	464,894	50,695	295	3,479	54,469	519,363	519,363	
Net opening balance 01-Jan-2024	459,132	1,529	4,233	464,894	50,695	295	3,479	54,469	519,363	519,363	
Changes in the statement of profit or loss											
Insurance revenue											
Contract under fair value approach	(10,379)	-	-	(10,379)	(10,724)	-	-	(10,724)	(21,103)	(21,103)	
Other contracts	(968)	-	-	(968)	(3,039)	-	-	(3,039)	(4,007)	(4,007)	
Total insurance revenue	(11,347)	-	-	(11,347)	(13,763)	-	-	(13,763)	(25,110)	(25,110)	
Insurance service expenses											
Incurred claims and other insurance service expenses	-	(39)	3,176	3,137	-	(144)	5,953	5,809	8,946	8,946	
Amortisation of insurance acquisition cash flows	83	-	-	83	518	-	-	518	601	601	
Losses and reversal of losses on onerous contracts	-	(1,410)	-	(1,410)	-	70	-	70	(1,340)	(1,340)	
Total insurance service expenses	83	(1,449)	3,176	1,810	518	(74)	5,953	6,397	8,207	8,207	
Investment components	(62,009)	-	62,009	-	(305)	-	305	-	-	-	
Insurance service result before reinsurance contracts	(73,273)	(1,449)	65,185	(9,537)	(13,550)	(74)	6,258	(7,366)	(16,903)	(16,903)	
Net finance expenses from insurance contracts	36,631	-	-	36,631	1,246	(1)	-	1,245	37,876	37,876	
Total changes in the statement of profit or loss	(36,642)	(1,449)	65,185	27,094	(12,304)	(75)	6,258	(6,121)	20,973	20,973	

Notes to the Financial Statements

For the Year Ended 31 December 2024

13 Insurance and Reinsurance Contracts (Continued)

13.1 Movements in carrying amounts of insurance contracts liabilities - Analysis by remaining coverage and incurred claims (continued)

	2024									
	Life direct participating and Investment DPP					Life other contracts				
	Liabilities for remaining coverage:		Liability for:		Total gross	Liabilities for remaining coverage:		Liability for:		Total gross
	Excluding loss component	Loss component	Incurred claims	Incurred claims		Excluding loss component	Loss component	Incurred claims		
€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	
Cash flows										
Premiums received	40,779	-	-	40,779	14,256	-	-	14,256	-	14,256
Claims and other insurance service expenses paid, including investment components	(570)	-	(66,983)	(67,553)	-	-	(6,754)	(6,754)	(6,754)	(74,307)
Insurance acquisition cash flows	(444)	-	-	(444)	(1,443)	-	-	(1,443)	-	(1,443)
Other	-	-	-	-	63	(63)	-	(63)	-	-
Total cash flows	39,765	-	(66,983)	(27,218)	12,876	(63)	(6,754)	(6,754)	6,059	(21,159)
Net closing balance 31-Dec-2024	462,255	80	2,435	464,770	51,267	157	2,983	2,983	54,407	519,177
Closing assets	-	-	-	-	-	-	-	-	-	-
Closing liabilities	462,255	80	2,435	464,770	51,267	157	2,983	2,983	54,407	519,177
Net Closing balance 31-Dec-2024	462,255	80	2,435	464,770	51,267	157	2,983	2,983	54,407	519,177

Notes to the Financial Statements

For the Year Ended 31 December 2024

13 Insurance and Reinsurance Contracts (Continued)

13.1 Movements in carrying amounts of insurance contracts liabilities - Analysis by remaining coverage and incurred claims (continued)

	2023										
	Life direct participating and Investment DPP					Life other contracts					Total
	Liabilities for remaining coverage:		Liability for:		Total gross	Liabilities for remaining coverage:		Liability for:		Total gross	
	Excluding loss component	Loss component	Incurred claims	Incurred claims		Excluding loss component	Loss component	Incurred claims	Incurred claims		
€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	
Opening assets	-	-	-	-	-	-	-	-	-	-	-
Opening liabilities	442,272	287	4,468	447,027	49,300	159	3,021	3,021	52,480	499,507	
Net opening balance 01-Jan-2023	442,272	287	4,468	447,027	49,300	159	3,021	3,021	52,480	499,507	
Changes in the statement of profit or loss											
Insurance revenue											
Contract under fair value approach	(4,402)	-	-	(4,402)	(10,678)	-	-	-	(10,678)	(15,080)	
Other contracts	(711)	-	-	(711)	(2,498)	-	-	-	(2,498)	(3,209)	
Total insurance revenue	(5,113)	-	-	(5,113)	(13,176)	-	-	-	(13,176)	(18,289)	
Insurance service expenses											
Incurred claims and other insurance service expenses	-	(15)	2,924	2,909	-	(76)	3,082	3,082	3,006	5,915	
Amortisation of insurance acquisition cash flows	52	-	-	52	316	-	-	-	316	368	
Losses and reversal of losses on onerous contracts	-	1,284	-	1,284	-	221	-	-	221	1,505	
Total insurance service expenses	52	1,269	2,924	4,245	316	145	3,082	3,082	3,543	7,788	
Investment components	(60,984)	-	60,984	-	(228)	-	228	228	-	-	
Insurance service result before reinsurance contracts	(66,045)	1,269	63,908	(868)	(13,088)	145	3,310	3,310	(9,633)	(10,501)	
Net finance expenses from insurance contracts	42,064	-	-	42,064	1,853	-	-	-	1,853	43,917	
Total changes in the statement of profit or loss	(23,981)	1,269	63,908	41,196	(11,235)	145	3,310	3,310	(7,780)	33,416	

Notes to the Financial Statements

For the Year Ended 31 December 2024

13 Insurance and Reinsurance Contracts (Continued)

13.1 Movements in carrying amounts of insurance contracts liabilities - Analysis by remaining coverage and incurred claims (continued)

		2023									
		Life direct participating and Investment DPF				Life other contracts					
Liabilities for remaining coverage:		Liability for:		Total gross	Liabilities for remaining coverage:		Liability for:		Total gross	Total	
Excluding loss component	Loss component	Incurring claims	Incurred claims		Excluding loss component	Loss component	Incurred claims	Incurred claims			
€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	
Cash flows											
Premiums received	41,569	-	-	41,569	14,447	-	-	-	14,447	56,016	
Claims and other insurance service expenses paid, including investment components	(312)	-	(64,143)	(64,455)	-	-	(2,852)	(2,852)	(2,852)	(67,307)	
Insurance acquisition cash flows	(443)	-	-	(443)	(1,826)	-	-	-	(1,826)	(2,269)	
Other	27	(27)	-	-	9	(9)	-	-	-	-	
Total cash flows	40,841	(27)	(64,143)	(23,329)	12,630	(9)	(2,852)	(2,852)	9,769	(13,560)	
Net closing balance 31-Dec-2023	459,132	1,529	4,233	464,894	50,695	295	3,479	3,479	54,469	519,363	
Closing assets	-	-	-	-	-	-	-	-	-	-	
Closing liabilities	459,132	1,529	4,233	464,894	50,695	295	3,479	3,479	54,469	519,363	
Net Closing balance 31-Dec-2023	459,132	1,529	4,233	464,894	50,695	295	3,479	3,479	54,469	519,363	

Notes to the Financial Statements

For the Year Ended 31 December 2024

13 Insurance and Reinsurance Contracts (continued)

13.2 Movements in carrying amounts of reinsurance contracts assets - Analysis by remaining coverage and incurred claims

Reinsurance contracts

	2024			
	Asset for:			
	Remaining coverage excluding loss recovery component	Loss recovery component	Incurred claims component	Total
€ 000	€ 000	€ 000	€ 000	
Opening assets	(222)	12	2,767	2,557
Opening liabilities	-	-	-	-
Net opening balance 01-Jan-2024	(222)	12	2,767	2,557
Changes in the statement of profit or loss				
Reinsurance expenses – amounts relating to the changes in the remaining coverage	(7,706)	-	-	(7,706)
Recoveries of incurred claims and other insurance service expenses	-	-	4,928	4,928
Recoveries or reversals of recoveries of losses on onerous underlying contracts	(1)	(5)	-	(6)
Net finance expenses from reinsurance contracts	(752)	-	-	(752)
Total changes in the statement of profit or loss	(8,459)	(5)	4,928	(3,536)
Cash flows				
Premiums paid	5,898	-	-	5,898
Claims and other recoverables received	-	-	(2,007)	(2,007)
Total cash flows	5,898	-	(2,007)	3,891
Net closing balance 31-Dec-2024	(2,783)	7	5,688	2,912
Closing assets	(2,783)	7	5,688	2,912
Closing liabilities	-	-	-	-
Net closing balance 31-Dec-2024	(2,783)	7	5,688	2,912

Notes to the Financial Statements

For the Year Ended 31 December 2024

13 Insurance and Reinsurance Contracts (continued)

13.2 Movements in carrying amounts of reinsurance contracts - Analysis by remaining coverage and incurred claims (continued)

Reinsurance contracts

	2023			
	Asset for:			
	Remaining coverage excluding loss recovery component	Loss recovery component	Incurred claims component	Total
€ 000	€ 000	€ 000	€ 000	
Opening assets	417	7	2,535	2,959
Opening liabilities	-	-	-	-
Net opening balance 01-Jan-2023	417	7	2,535	2,959
Changes in the statement of profit or loss				
Reinsurance expenses – amounts relating to the changes in the remaining coverage	(7,603)	-	-	(7,603)
Recoveries of incurred claims and other insurance service expenses	-	-	2,143	2,143
Recoveries or reversals of recoveries of losses on onerous underlying contracts	(16)	5	-	(11)
Net finance expenses from reinsurance contracts	(377)	-	-	(377)
Total changes in the statement of profit or loss	(7,996)	5	2,143	(5,848)
Cash flows				
Premiums paid	7,357	-	-	7,357
Claims and other recoverables received	-	-	(1,911)	(1,911)
Total cash flows	7,357	-	(1,911)	5,446
Net closing balance 31-Dec-2023	(222)	12	2,767	2,557
Closing assets	(222)	12	2,767	2,557
Closing liabilities	-	-	-	-
Net closing balance 31-Dec-2023	(222)	12	2,767	2,557

Notes to the Financial Statements

For the Year Ended 31 December 2024

13 Insurance and Reinsurance Contracts (continued)

13.3 Movements in carrying amounts of insurance contract liabilities - Analysis by measurement component

Insurance contracts - Life direct participating and investment DPF contracts

	2024					Total gross € 000
	Estimates of present value of future cash flows (excluding RA) € 000	Risk adjustment for non-financial risk € 000	Estimates of present value of future cash flows (including RA) € 000	Contractual service margin		
				Contracts under fair value approach € 000	Other Contracts € 000	
Opening assets	-	-	-	-	-	-
Opening liabilities	451,847	3,643	455,490	5,470	3,934	464,894
Net opening balance 01-Jan-2024	451,847	3,643	455,490	5,470	3,934	464,894
Changes in the statement of profit or loss						
Changes that relate to current services						
CSM recognised for services provided						
Change in risk adjustment for non-financial risk for risk expired		(278)	(278)	(6,699)	(400)	(7,099)
Experience adjustments	(750)		(750)			(750)
Changes that relate to future services						
Contracts initially recognised in the year	(942)	174	(768)		826	58
Changes in estimates that adjust the CSM *	(9,550)	134	(9,416)	8,611	805	-
Changes in estimates that result in losses and reversal of losses on onerous contracts	(1,565)	97	(1,468)			(1,468)
Insurance service result before reinsurance contracts	(12,807)	127	(12,680)	1,912	1,231	(9,537)
Net finance expenses from insurance contracts	36,631		36,631	-	-	36,631
Total changes in the statement of profit or loss	23,824	127	23,951	1,912	1,231	27,094

* The change in estimate that adjusts the CSM is mainly driven by a re-assessment of the tax obligation estimate on the with-profit portfolio (which is in run off). This also resulted in a one-off CSM release of €6.1m, within 'CSM recognised for services provided'. Additionally the company has also updated its expense assumptions which led to a reduction in the future cash flows

Notes to the Financial Statements

For the Year Ended 31 December 2024

13 Insurance and Reinsurance Contracts (continued)

13.3 Movements in carrying amounts of insurance contract liabilities - Analysis by measurement component (continued)

Insurance contracts - Life direct participating and investment DPF contracts

	2024					Total gross € 000
	Estimates of present value of future cash flows (excluding RA) € 000	Risk adjustment for non-financial risk € 000	Estimates of present value of future cash flows (including RA) € 000	Contractual service margin		
				Contracts under fair value approach € 000	Other Contracts € 000	
Cash flows						
Premiums received	40,779		40,779			40,779
Claims and other insurance service expenses paid, including investment components	(67,553)		(67,553)			(67,553)
Insurance acquisition cash flows	(444)		(444)			(444)
Total cash flows	(27,218)	-	(27,218)	-	-	(27,218)
Net closing balance 31-Dec-2024	448,453	3,770	452,223	7,382	5,165	464,770
Closing assets	-	-	-	-	-	-
Closing liabilities	448,453	3,770	452,223	7,382	5,165	464,770
Net closing balance 31-Dec-2024	448,453	3,770	452,223	7,382	5,165	464,770

Notes to the Financial Statements

For the Year Ended 31 December 2024

13 Insurance and Reinsurance Contracts (continued)

13.3 Movements in carrying amounts of insurance contract liabilities - Analysis by measurement component (continued)

Insurance contracts - Life direct participating and investment DPF contracts

	2023					
	Estimates of present value of future cash flows (excluding RA)	Risk adjustment for non-financial risk	Estimates of present value of future cash flows (including RA)	Contractual service margin		Total gross
				Contracts under fair value approach	Other Contracts	
€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	
Opening assets	-	-	-	-	-	-
Opening liabilities	436,224	3,086	439,310	4,286	3,431	447,027
Net opening balance 01-Jan-2023	436,224	3,086	439,310	4,286	3,431	447,027
Changes in the statement of profit or loss						
Changes that relate to current services						
CSM recognised for services provided					(335)	(1,203)
Change in risk adjustment for non-financial risk for risk expired		(249)	(249)	(868)		(249)
Experience adjustments	(700)		(700)			(700)
Changes that relate to future services						
Contracts initially recognised in the year	(916)	140	(776)		809	33
Changes in estimates that adjust the CSM	(2,547)	466	(2,081)	2,052	29	-
Changes in estimates that result in losses and reversal of losses on onerous contracts	1,051	200	1,251			1,251
Insurance service result before reinsurance contracts	(3,112)	557	(2,555)	1,184	503	(868)
Net finance expenses from insurance contracts	42,064		42,064	-	-	42,064
Total changes in the statement of profit or loss	38,952	557	39,509	1,184	503	41,196

Notes to the Financial Statements

For the Year Ended 31 December 2024

13 Insurance and Reinsurance Contracts (continued)

13.3 Movements in carrying amounts of insurance contract liabilities - Analysis by measurement component (continued)

Insurance contracts - Life direct participating and investment DPF contracts

	2023					Total gross € 000
	Estimates of present value of future cash flows (excluding RA) € 000	Risk adjustment for non-financial risk € 000	Estimates of present value of future cash flows (including RA) € 000	Contractual service margin € 000		
				Contracts under fair value approach	Other Contracts	
Cash flows						
Premiums received	41,569		41,569			41,569
Claims and other insurance service expenses paid, including investment components	(64,455)		(64,455)			(64,455)
Insurance acquisition cash flows	(443)		(443)			(443)
Total cash flows	(23,329)		(23,329)			(23,329)
Net closing balance 31-Dec-2023	451,847	3,643	455,490	5,470	3,934	464,894
Closing assets	-	-	-	-	-	-
Closing liabilities	451,847	3,643	455,490	5,470	3,934	464,894
Net closing balance 31-Dec-2023	451,847	3,643	455,490	5,470	3,934	464,894

Notes to the Financial Statements

For the Year Ended 31 December 2024

13 Insurance and Reinsurance Contracts (continued)

13.3 Movements in carrying amounts of insurance contract liabilities - Analysis by measurement component (continued)

Insurance contracts - Life other contracts

	2024					
	Estimates of present value of future cash flows (excluding RA)	Risk adjustment for non-financial risk	Estimates of present value of future cash flows (including RA)	Contractual service margin		Total gross
				Contracts under fair value approach	Other Contracts	
€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Opening assets	-	-	-	-	-	-
Opening liabilities	(7,319)	5,985	(1,334)	47,386	8,417	54,469
Net opening balance 01-Jan-2024	(7,319)	5,985	(1,334)	47,386	8,417	54,469
Changes in the statement of profit or loss and OCI						
Changes that relate to current services						
CSM recognised for services provided				(5,421)	(1,197)	(6,618)
Change in risk adjustment for non-financial risk for risk expired		(202)	(202)			(202)
Experience adjustments	(616)		(616)			(616)
Changes that relate to future services						
Contracts initially recognised in the year	(2,307)	242	(2,065)		2,138	73
Changes in estimates that adjust the CSM *	(2,698)	(610)	(3,308)	2,291	1,017	-
Changes in estimates that result in losses and reversal of losses on onerous contracts	(5)	2	(3)			(3)
Insurance service result before reinsurance contracts	(5,626)	(568)	(6,194)	(3,130)	1,958	(7,366)
Net finance expenses from insurance contracts	708		708	431	106	1,245
Total changes in the statement of profit or loss and OCI	(4,918)	(568)	(5,486)	(2,699)	2,064	(6,121)

* Changes in estimates that adjust CSM are driven by an improvement in the morbidity assumption and changes in expense assumptions including the estimated attributable expense

Notes to the Financial Statements

For the Year Ended 31 December 2024

13 Insurance and Reinsurance Contracts (continued)

13.3 Movements in carrying amounts of insurance contract liabilities - Analysis by measurement component (continued)

Insurance contracts - Life other contracts

	2024					Total gross € 000
	Estimates of present value of future cash flows (excluding RA)	Risk adjustment for non-financial risk	Estimates of present value of future cash flows (including RA)	Contractual service margin		
				Contracts under fair value approach	Other Contracts	
€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Cash flows						
Premiums received	14,256		14,256			14,256
Claims and other insurance service expenses paid, including investment components	(6,754)		(6,754)			(6,754)
Insurance acquisition cash flows	(1,443)		(1,443)			(1,443)
Total cash flows	6,059	-	6,059	-	-	6,059
Net closing balance 31-Dec-2024	(6,178)	5,417	(761)	44,687	10,481	54,407
Closing assets	-	-	-	-	-	-
Closing liabilities	(6,178)	5,417	(761)	44,687	10,481	54,407
Net closing balance 31-Dec-2024	(6,178)	5,417	(761)	44,687	10,481	54,407

Notes to the Financial Statements

For the Year Ended 31 December 2024

13 Insurance and Reinsurance Contracts (continued)

13.3 Movements in carrying amounts of insurance contract liabilities - Analysis by measurement component (continued)

Insurance contracts - Life other contracts

	2023					Total gross
	Estimates of present value of future cash flows (excluding RA)	Risk adjustment for non-financial risk	Estimates of present value of future cash flows (including RA)	Contractual service margin		
				Contracts under fair value approach	Other Contracts	
€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Opening assets	-	-	-	-	-	-
Opening liabilities	(4,151)	5,800	1,649	44,558	6,273	52,480
Net opening balance 01-Jan-2023	(4,151)	5,800	1,649	44,558	6,273	52,480
Changes in the statement of profit or loss and OCI						
Changes that relate to current services						
CSM recognised for services provided						
Change in risk adjustment for non-financial risk for risk expired		(201)	(201)	(5,314)	(993)	(6,307)
Experience adjustments	(3,346)		(3,346)			(201)
Changes that relate to future services						(3,346)
Contracts initially recognised in the year	(1,975)	179	(1,796)		1,821	25
Changes in estimates that adjust the CSM	(9,299)	186	(9,113)	7,830	1,283	-
Changes in estimates that result in losses and reversal of losses on onerous contracts	175	21	196			196
Insurance service result before reinsurance contracts	(14,445)	185	(14,260)	2,516	2,111	(9,633)
Net finance expenses from insurance contracts	1,508		1,508	312	33	1,853
Total changes in the statement of profit or loss and OCI	(12,937)	185	(12,752)	2,828	2,144	(7,780)

Notes to the Financial Statements

For the Year Ended 31 December 2024

13 Insurance and Reinsurance Contracts (continued)

13.3 Movements in carrying amounts of insurance contract liabilities - Analysis by measurement component (continued)

Insurance contracts - Life other contracts

	2023						Total gross
	Estimates of present value of future cash flows (excluding RA)	Risk adjustment for non-financial risk	Estimates of present value of future cash flows (including RA)	Contractual service margin		€ 000	
				Contracts under fair value approach	Other Contracts		
€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	
Cash flows							
Premiums received	14,447		14,447				14,447
Claims and other insurance service expenses paid, including investment components	(2,852)		(2,852)				(2,852)
Insurance acquisition cash flows	(1,826)		(1,826)				(1,826)
Total cash flows	9,769	-	9,769	-	-	-	9,769
Net closing balance 31-Dec-2023	(7,319)	5,985	(1,334)	47,386	8,417	54,469	54,469
Closing assets	-	-	-	-	-	-	-
Closing liabilities	(7,319)	5,985	(1,334)	47,386	8,417	54,469	54,469
Net closing balance 31-Dec-2023	(7,319)	5,985	(1,334)	47,386	8,417	54,469	54,469

Notes to the Financial Statements

For the Year Ended 31 December 2024

13 Insurance and Reinsurance Contracts (continued)

13.4 Movements in carrying amounts of reinsurance contracts assets - Analysis by measurement component

Reinsurance contracts - Life other contracts

	2024					
	Estimates of present value of future cash flows (excluding RA)	Risk adjustment for non-financial risk	Estimates of present value of future cash flows (including RA)	Contractual service margin		Total reinsurance
				Contracts under fair value approach	Other Contracts	
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Opening assets	(28,177)	1,617	(26,560)	28,194	923	2,557
Opening liabilities	-	-	-	-	-	-
Net opening balance 01-Jan-2024	(28,177)	1,617	(26,560)	28,194	923	2,557
Changes in the statement of profit or loss						
Changes that relate to current services						
CSM recognised for services provided				(3,190)	(380)	(3,570)
Change in risk adjustment for non-financial risk for risk expired		(43)	(43)			(43)
Experience adjustments	835		835			835
Changes that relate to future services						
Contracts initially recognised in the year	(444)	42	(402)	-	402	-
Changes in estimates that adjust the contractual service margin *	(925)	7	(918)	773	145	-
Changes in estimates that do not adjust the contractual service margin	(6)	0	(6)			(6)
Net income/expenses from reinsurance contracts	(540)	6	(534)	(2,417)	167	(2,784)
Net finance income/expenses from reinsurance contracts	(1,026)		(1,026)	249	25	(752)
Total changes in the statement of profit or loss	(1,566)	6	(1,560)	(2,168)	192	(3,536)

Notes to the Financial Statements

For the Year Ended 31 December 2024

13 Insurance and Reinsurance Contracts (continued)

13.4 Movements in carrying amounts of reinsurance contracts assets - Analysis by measurement component (continued)

Reinsurance contracts - Life other contracts

	2024					
	Estimates of present value of future cash flows (excluding RA)	Risk adjustment for non-financial risk	Estimates of present value of future cash flows (including RA)	Contractual service margin		Total reinsurance
				Contracts under fair value approach	Other Contracts	
€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Cash flows						
Premiums paid	5,898		5,898			5,898
Claims and other recoverables received	(2,007)		(2,007)			(2,007)
Total cash flows	3,891	-	3,891	-	-	3,891
Net closing balance 31-Dec-24	(25,852)	1,623	(24,229)	26,026	1,115	2,912
Closing assets	(25,852)	1,623	(24,229)	26,026	1,115	2,912
Closing liabilities	-	-	-	-	-	-
Net closing balance 31-Dec-24	(25,852)	1,623	(24,229)	26,026	1,115	2,912

Notes to the Financial Statements

For the Year Ended 31 December 2024

13 Insurance and Reinsurance Contracts (continued)

13.4 Movements in carrying amounts of reinsurance contracts assets - Analysis by measurement component (continued)

Reinsurance contracts - Life other contracts

	2023					
	Estimates of present value of future cash flows (excluding RA)	Risk adjustment for non-financial risk	Estimates of present value of future cash flows (including RA)	Contractual service margin		Total reinsurance
				Contracts under fair value approach	Other Contracts	
€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Opening assets	(17,844)	1,296	(16,548)	19,532	(25)	2,959
Opening liabilities	-	-	-	-	-	-
Net opening balance 01-Jan-2023	(17,844)	1,296	(16,548)	19,532	(25)	2,959
Changes in the statement of profit or loss						
Changes that relate to current services						
CSM recognised for services provided				(3,252)	(273)	(3,525)
Change in risk adjustment for non-financial risk for risk expired		(34)	(34)			(34)
Experience adjustments	(1,901)		(1,901)			(1,901)
Changes that relate to future services						
Contracts initially recognised in the year	(241)	29	(212)	-	212	-
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM	-	-	-	-	2	2
Changes in estimates that adjust the contractual service margin	(13,086)	323	(12,763)	11,764	999	-
Changes in estimates that do not adjust the contractual service margin	(16)	3	(13)			(13)
Net income/expenses from reinsurance contracts	(15,244)	321	(14,923)	8,512	940	(5,471)
Net finance income/expenses from reinsurance contracts	(535)	-	(535)	150	8	(377)
Total changes in the statement of profit or loss	(15,779)	321	(15,458)	8,662	948	(5,848)

Notes to the Financial Statements

For the Year Ended 31 December 2024

13 Insurance and Reinsurance Contracts (continued)

13.4 Movements in carrying amounts of reinsurance contracts assets - Analysis by measurement component (continued)

Reinsurance contracts - Life other contracts

	2023					
	Estimates of present value of future cash flows (excluding RA) € 000	Risk adjustment for non-financial risk € 000	Estimates of present value of future cash flows (including RA) € 000	Contractual service margin		Total reinsurance € 000
				Contracts under fair value approach € 000	Other Contracts € 000	
Cash flows						
Premiums paid	7,357		7,357			7,357
Claims and other recoverables received	(1,911)	-	(1,911)	-	-	(1,911)
Total cash flows	5,446	-	5,446	-	-	5,446
Net closing balance 31-Dec-23	(28,177)	1,617	(26,560)	28,194	923	2,557
Closing assets	(28,177)	1,617	(26,560)	28,194	923	2,557
Closing liabilities	-	-	-	-	-	-
Net closing balance 31-Dec-23	(28,177)	1,617	(26,560)	28,194	923	2,557

Notes to the Financial Statements

For the Year Ended 31 December 2024

13 Insurance and Reinsurance Contracts (continued)

13.5 Effects of insurance contracts initially recognised

	2024		2023		Total
	Profitable contracts issued € 000	Onerous contracts issued € 000	Profitable contracts issued € 000	Onerous contracts issued € 000	
Life direct participating and investment DPF contracts					
Estimates of present value of cash outflows	19,899	2,903	18,549	1,484	20,033
- Insurance acquisition cash flows	313	113	252	53	305
- Claims and other insurance service expenses payable	19,586	2,790	18,297	1,431	19,728
Estimates of present value of cash inflows	(20,882)	(2,862)	(19,489)	(1,460)	(20,949)
Risk adjustment for non-financial risk	156	18	132	8	140
CSM	826	-	809	-	809
Losses recognised on initial recognition	-	(58)	-	33	33
Life other contracts					
Estimates of present value of cash outflows	5,566	509	4,461	191	4,652
- Insurance acquisition cash flows	918	90	741	63	804
- Claims and other insurance service expenses payable	4,648	419	3,720	128	3,848
Estimates of present value of cash inflows	(7,926)	(456)	(6,454)	(173)	(6,627)
Risk adjustment for non-financial risk	222	20	172	7	179
CSM	2,138	-	1,821	-	1,821
Losses recognised on initial recognition	-	(73)	-	25	25

Notes to the Financial Statements

For the Year Ended 31 December 2024

13 Insurance and Reinsurance Contracts (continued)

13.6 Effect of reinsurance contracts initially recognised in the year

	2024	2023
	Profitable contracts issued	Profitable contracts issued
	€ 000	€ 000
Life other contracts		
Estimates of present value of cash outflows:		
Insurance acquisition cash flows and claims and other insurance service expenses payable	2,317	1,433
Estimates of present value of cash inflows	(1,873)	(1,192)
Risk adjustment for non-financial risk	(42)	(30)
CSM	(402)	(211)
Losses recognised on initial recognition	-	-

Notes to the Financial Statements

For the Year Ended 31 December 2024

13 Insurance and Reinsurance Contracts (continued)

13.7 Present value of expected future cashflows of insurance contract liabilities and reinsurance contract assets and contractual service margin

	less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	10-20 years	Over 20 years	Total
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Insurance liability future cash flows									
Life direct participating and investment DPF contracts	23,698	847	20,805	14,790	18,633	66,186	152,784	150,710	448,453
Life other contracts	(4,836)	(6,518)	(6,026)	(5,469)	(4,290)	(14,494)	1,725	33,730	(6,178)
Insurance liability future cash flows at 31 Dec 2024	18,862	(5,671)	14,779	9,321	14,343	51,692	154,509	184,440	442,275
Reinsurance contracts future cash flows at 31 Dec 2024	(3,076)	1,430	1,382	1,369	1,368	6,675	11,157	5,547	25,852
Remaining contractual service margin									
Life direct participating and investment DPF contracts	1,393	1,271	1,122	976	853	3,002	2,466	1,464	12,547
Life other contracts	6,086	5,416	4,877	4,398	3,968	14,526	12,779	3,118	55,168
Insurance contracts remaining contractual service margin at 31 Dec 2024	7,479	6,687	5,999	5,374	4,821	17,528	15,245	4,582	67,715
Reinsurance contracts remaining contractual service margin at 31 Dec 2024	(3,131)	(2,742)	(2,451)	(2,200)	(1,977)	(7,137)	(6,095)	(1,408)	(27,141)
Insurance liability future cash flows									
Life direct participating and investment DPF contracts	11,219	3,104	4,141	27,874	22,425	86,282	150,439	146,364	451,848
Life other contracts	(3,552)	(6,562)	(5,975)	(5,536)	(5,006)	(14,951)	(547)	34,810	(7,319)
Insurance liability future cash flows at 31 Dec 2023	7,667	(3,458)	(1,834)	22,338	17,419	71,331	149,892	181,174	444,529
Reinsurance contracts future cash flows at 31 Dec 2023	170	1,402	1,448	1,397	1,376	6,612	11,132	4,640	28,177
Remaining contractual service margin									
Life direct participating and investment DPF contracts	1,255	1,120	1,014	868	725	2,330	1,708	383	9,403
Life other contracts	5,876	5,311	4,801	4,334	3,918	14,481	13,008	4,074	55,803
Insurance contracts remaining contractual service margin at 31 Dec 2023	7,131	6,431	5,815	5,202	4,643	16,811	14,716	4,457	65,206
Reinsurance contracts remaining contractual service margin at 31 Dec 2023	(3,256)	(2,915)	(2,615)	(2,345)	(2,104)	(7,639)	(6,594)	(1,651)	(29,119)

The current and non-current split of insurance contracts and reinsurance contracts broadly aligns to the above analysis

Notes to the Financial Statements

For the Year Ended 31 December 2024

14 Cash and cash equivalents

Balances of cash and cash equivalents are analysed below:

	2024	2023
	€ 000	€ 000
Cash at bank		
- Linked business	3,850	3,443
- Non-linked business	26,307	30,006
	-----	-----
As per statement of financial position	30,157	33,449
	-----	-----
As per statement of cash flows	30,157	33,449
	=====	=====

15 Investment contracts liabilities

Investment contracts at fair value through profit or loss (unit-linked):

	2024	2023
	€ 000	€ 000
At 1 January	156,958	162,123
Premiums received	3,094	2,109
Account balances paid on surrender and other termination during the year	(10,858)	(18,420)
Investment return from underlying assets	16,483	11,146
	-----	-----
At 31 December	165,677	156,958
	=====	=====

Investment contract liabilities have been designated by the Company as at fair value through profit or loss. The carrying value of these financial liabilities is determined by the fair value of the linked assets, at carrying date. There will be no difference between the carrying amount and the maturity amount at maturity date. The current/non-current split broadly aligns to the analysis in Note 5.1.4.

Notes to the Financial Statements

For the Year Ended 31 December 2024

16 Provision for liabilities and charges

At 31 December 2024 and 2023, the onerous contract provision results from a closed investment product where related income is based on balances under management, whilst related costs are fixed. The onerous contract provision represents an estimate of future losses and is substantially non-current in nature.

	2024	2023
	€ 000	€ 000
At 1 January	1,129	1,249
Reversal taken to profit or loss	(375)	(120)
At 31 December	754	1,129

Contingent liabilities

Legal claims against the Company amount to €50,000 (2023: €205,000). Based on legal advice, it is not considered probable that settlement will require the outflow of economic benefits in the case of these legal claims

17 Other Liabilities

	2024	2023
	€ 000	€ 000
Other payables	2,201	1,623
Amounts due to related parties	3,521	3,551
Creditors and accrued expenses	1,863	2,944
Deferred income on investment contracts	68	113
	7,653	8,231

17.1 Deferred income of €68,000 (2023: €113,000) represents amounts that are deferred under investment management services contracts that are recognised as revenue over the lifetime of the product.

17.2 Amounts due to related parties are unsecured, interest free and payable on demand.

18 Other assets

	2024	2023
	€ 000	€ 000
Accrued income and prepayments	3,013	2,016
Other receivables	603	381
	3,616	2,397

Notes to the Financial Statements

For the Year Ended 31 December 2024

19 Deferred tax assets and liabilities

19.1 Recognised deferred tax assets and (liabilities)

Deferred tax assets and (liabilities) are attributable to the following temporary differences:

	Assets		Liabilities		Net	
	2024	2023	2024	2023	2024	2023
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Property and equipment	1	-	-	(18)	1	(18)
Insurance payables and deferred income	-	-	(6)	(9)	(6)	(9)
Share-based payments	51	51	(51)	(51)	-	-
Other provisions	282	406	-	-	282	406
	<u>334</u>	<u>457</u>	<u>(57)</u>	<u>(78)</u>	<u>277</u>	<u>379</u>

Disclosed as follows:	2024	2023
	€ 000	€ 000
Deferred tax assets	277	379
Deferred tax liabilities	-	-
	<u>277</u>	<u>379</u>

19.2 Movement in temporary differences during the year

	2024	2023
	€ 000	€ 000
At 1 January	379	104
Recognised in profit or loss	(102)	275
At 31 December	<u>277</u>	<u>379</u>

Deferred tax is non-current in nature.

20 Financial assets and liabilities - basis of measurement

20.1 Valuation of financial instruments

All financial instruments are recognised initially at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of a financial instrument on initial recognition is generally its transaction price (that is, the fair value of the consideration given or received). However, sometimes there is a difference between the transaction price and the fair value of the financial asset where fair value will be based on a quoted price in an active market (such as other observable current market transactions in the same instrument, without modification or repackaging), or on a valuation technique whose variables include only data from observable markets, such as interest rate yield curves, option volatilities and currency rates.

Notes to the Financial Statements

For the Year Ended 31 December 2024

20 Financial assets and liabilities - basis of measurement (continued)

20.1 Valuation of financial instruments (continued)

When such evidence exists, the Company recognises a trading gain or loss on day one, being the difference between the transaction price and the fair value. In all other cases (such as when significant unobservable parameters are used), the entire day one gain or loss is deferred and is recognised in the income statement over the life of the transaction until the transaction matures, is closed out, the valuation inputs become observable, or when the Company enters into an offsetting transaction.

The fair value of financial instruments is generally measured on an individual basis. However, in cases where the Company manages a group of financial assets and liabilities according to its net market or credit risk exposure, the Company measures the fair value of the group of financial instruments on a net basis but presents the underlying financial assets and liabilities separately in the financial statements, unless they satisfy the IFRS offsetting criteria as described in note 3.8 iv.

20.2 Control framework

Fair values are subject to a control framework designed to ensure that they are either determined, or validated, by a function independent of the risk-taker.

Where fair values are determined by reference to externally quoted prices or observable pricing inputs to models, independent price determination or validation is used. For inactive markets, direct observation of a traded price may not be possible. In these circumstances, the Company sources alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable. The factors that are considered in this regard are, inter alia:

- the extent to which prices may be expected to represent genuine traded or tradable prices;
- the degree of similarity between financial instruments;
- the degree of consistency between different sources;
- the process followed by the pricing provider to derive the data;
- the elapsed time between the date to which the market data relates and the reporting date; and
- the manner in which the data was sourced.

For fair values determined using a valuation model, the control framework may include, as applicable, development or validation by independent support functions of (i) the logic within valuation models; (ii) the inputs to those models; (iii) any adjustments required outside the valuation models; and, where possible, (iv) model outputs. Valuation models are subject to a process of due diligence and calibration before becoming operational and are calibrated against external market data on an ongoing basis.

20.3 Fair value hierarchy

Fair values are determined according to the following hierarchy:

- Level 1 – valuation technique using quoted market price: financial instruments with quoted prices for identical instruments in active markets.
- Level 2 – valuation technique using observable inputs: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Level 3 – valuation technique with significant unobservable inputs: financial instruments valued using models where one or more significant inputs are unobservable.

Notes to the Financial Statements

For the Year Ended 31 December 2024

20 Financial assets and liabilities - basis of measurement (continued)

20.4 Fair value measurement

For all financial instruments where fair values are determined by reference to externally quoted prices or observable pricing inputs to models, independent price determination or validation is utilised. In inactive markets, direct observation of a traded price may not be possible. In these circumstances, the Company sources alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable.

The table below analyses financial instruments carried at fair value, by the respective fair valuation measurement hierarchy level.

	Level 1	Level 2	Level 3	Total
At 31 December 2024	€ 000	€ 000	€ 000	€ 000
<u>Assets</u>				
Equity securities	28,278	-	-	28,278
Government and supranational bonds	129,900	-	-	129,900
Other debt securities	93,244	-	-	93,244
Collective investment schemes	456,480	-	7,047	463,527
<u>Liabilities</u>				
Investment contracts at fair value through profit or loss	165,677	-	-	165,677
At 31 December 2023	€ 000	€ 000	€ 000	€ 000
<u>Assets</u>				
Equity securities	28,559	-	-	28,559
Government and supranational bonds	128,666	-	-	128,666
Other debt securities	103,698	-	-	103,698
Collective investment schemes	423,898	-	8,203	432,101
<u>Liabilities</u>				
Investment contracts at fair value through profit or loss	156,958	-	-	156,958

The carrying amounts of cash and cash equivalents, other financial assets and other financial liabilities approximate their fair value.

Although the Company believes its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair values, especially for Level 3 assets. Nonetheless, management is confident that changing one or more of the assumptions used to reasonably possible alternative assumptions would not change fair value significantly.

Notes to the Financial Statements

For the Year Ended 31 December 2024

20 Financial assets and liabilities - basis of measurement (continued)

20.4 Fair value measurement (continued)

The following table shows a reconciliation from the opening balances to the closing balances of financial assets for fair value measurements classified within Level 3 of the fair value hierarchy.

Level 3	2024	2023
Collective Investment Schemes	€ 000	€ 000
At 1 January	8,203	7,980
Purchases	-	-
Disposals	(1,070)	(693)
Reclassification to Level 3	-	1,285
Loss recognised in profit or loss	(86)	(369)
At 31 December	<u>7,047</u>	<u>8,203</u>

The Collective Investment Schemes categorised in Level 3 are comprised of three investments (2023: three), a European Property Fund, a UK Property Fund and a Mid-Market Debt Fund valued in aggregate at €7,047,000 (2023: €8,203,000).

The UK Property Fund invests in a diversified range of property throughout the UK, principally, but not exclusively, in the retail, office and industrial/warehouse sectors. The European Property Fund invests in a diversified portfolio of European commercial and residential property and seeks opportunities to add value to the fund, whereas the European Mid-Market Debt Fund consists of predominantly senior debt to European mid-market companies concentrating on primary market transactions, within Western Europe, focusing on the largest economies.

In view of the absence of quoted market prices or observable inputs for modelling the fair value of these assets, the fair value of the investment held is derived by reference to net asset values sourced from custodians. The net asset value of the funds as at 31 December 2024 is based on unaudited valuation statements provided by the fund administrators, thereby making reference to significant unobservable inputs. Furthermore, both property funds trade at a net asset value which is determined using Level 3 inputs. In this respect, the investment in the UK Property Fund was transferred from Level 1 to Level 3 during the financial year ended 31 December 2023.

The net asset value is provided to the Company one quarter in arrears, although historical variations are not significant quarter to quarter. The uncertainty in utilising the net asset value lies in the availability of the financial statements of the alternative funds at 31 December 2024 and their respective audit opinion.

Notes to the Financial Statements

For the Year Ended 31 December 2024

21 Capital and reserves

21.1 Share capital

	Ordinary shares	
	2024	2023
	No.	No.
On issue at 1 January – fully paid	24,007,288	24,007,288
On issue at 31 December – fully paid	24,007,288	24,007,288

At 31 December 2024, the authorised share capital comprised 30,000,000 (2023: 30,000,000) ordinary shares at a par value of €1.164686 each (2023: €1.164686). All issued shares are fully paid up.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

22 Related party transactions

22.1 Parent and ultimate controlling party

The Company is a wholly owned subsidiary of HSBC Bank Malta p.l.c., the registered address of which is 116, Archbishop Street, Valletta, Malta.

The Company's ultimate parent company is HSBC Holdings plc, which is incorporated and registered in the United Kingdom and the Company's immediate parent company is HSBC Bank Malta p.l.c. The immediate parent company of HSBC Bank Malta p.l.c. is HSBC Continental Europe, which is incorporated and registered in France. The registered address of HSBC Holdings plc is 8, Canada Square, London E14 5HQ, United Kingdom and the registered address of HSBC Continental Europe is 38, avenue Kléber – 75116 Paris, France. Copies of the HSBC Holdings plc Annual Report and Accounts may be obtained from its registered office or viewed on www.hsbc.com.

HSBC Bank Malta p.l.c., prepares the consolidated financial statements of the Group of which HSBC Life Assurance (Malta) Ltd forms part. These financial statements are filed and available for public inspection at the Registrar of Companies in Malta.

22.2 Transactions with key management personnel

Directors' fees and emoluments are included in other operating expenses and are disclosed in note 9.

Notes to the Financial Statements

For the Year Ended 31 December 2024

22 Related party transactions (continued)

22.3 Other related party transactions

	2024	2023
	€ 000	€ 000
Net income		
Fees and commissions income – other related parties	591	660
Bank interests – parent	59	-
Bank interests – other related parties	151	-
Investment income – other related parties	1,103	795
Dividend income – other group	149	145
	2024	2023
	€ 000	€ 000
Expenses		
Fees and commissions expense – parent	745	858
Fees and commission expense – other related parties	4	-
Other administrative expense – other related parties	1,871	3,031

Expenditure from related party transactions includes expenses incurred for the provision of services by related entities such as custodian and asset administration, investment management and actuarial services. It also includes commissions payable to group companies in relation to sales of the Company's products. The Company's products are marketed and sold primarily by HSBC Bank Malta p.l.c. through its sales channels.

Investment in Group Companies

The Company holds one share in HSBC Global Asset Management (Malta) Limited. This share has a par value of €2.329373 and was originally acquired in prior years at nil consideration.

Notes to the Financial Statements

For the Year Ended 31 December 2024

22 Related party transactions (continued)

22.4 Related party balances

	2024	2023
	€ 000	€ 000
Year-end balances with related parties		
Assets		
Insurance and other receivables – other related parties	140	138
Cash and cash equivalents – parent	15,700	28,958
Cash and cash equivalents – other related parties	14,044	4,421
Collective investment schemes	255,119	237,872
Liabilities		
Insurance and other payables:		
- Parent	2,918	1,200
- Other related parties	603	2,351

23 Comparative information

Some comparative figures have been reclassified in order to conform with the current year's presentation.

