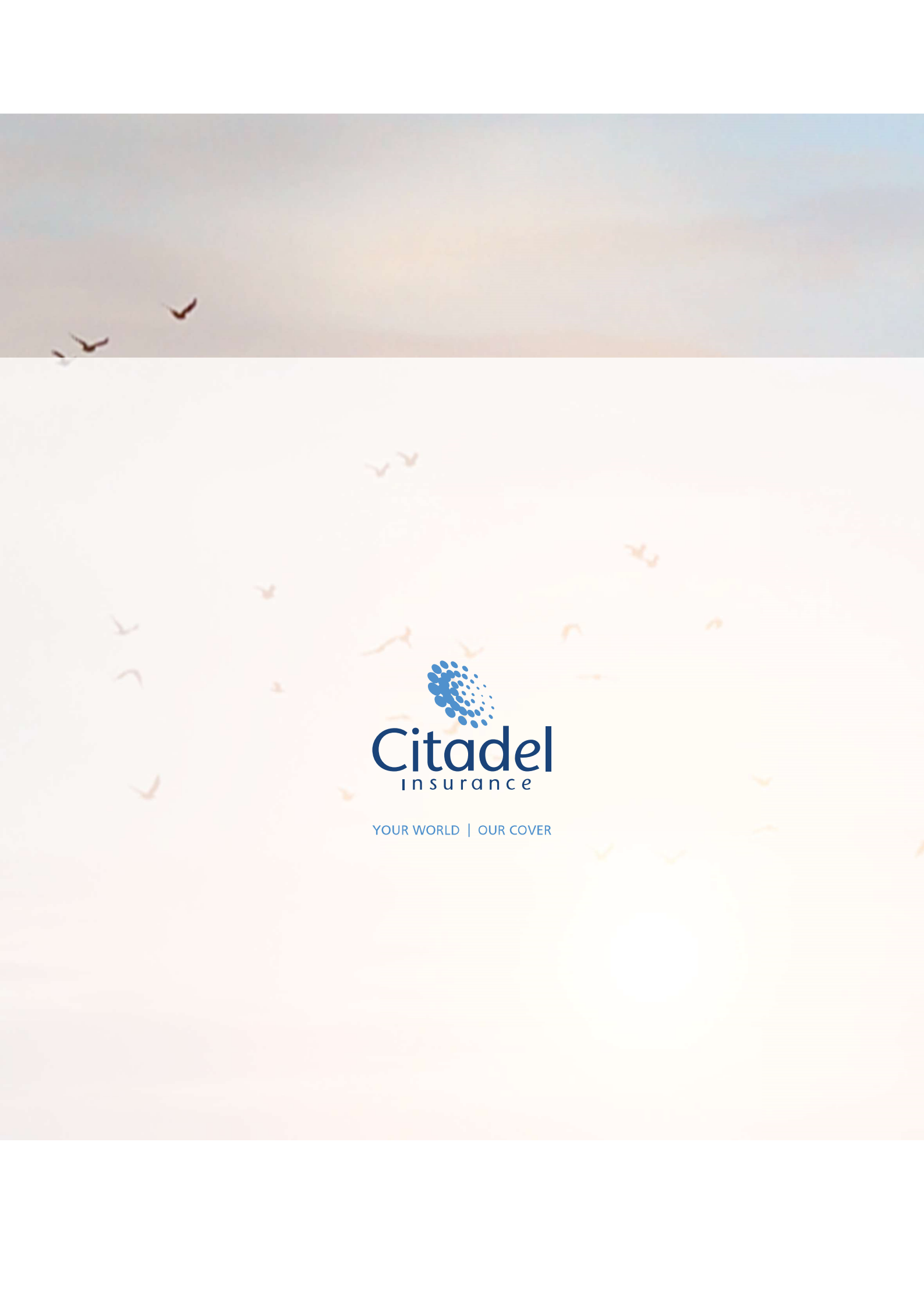


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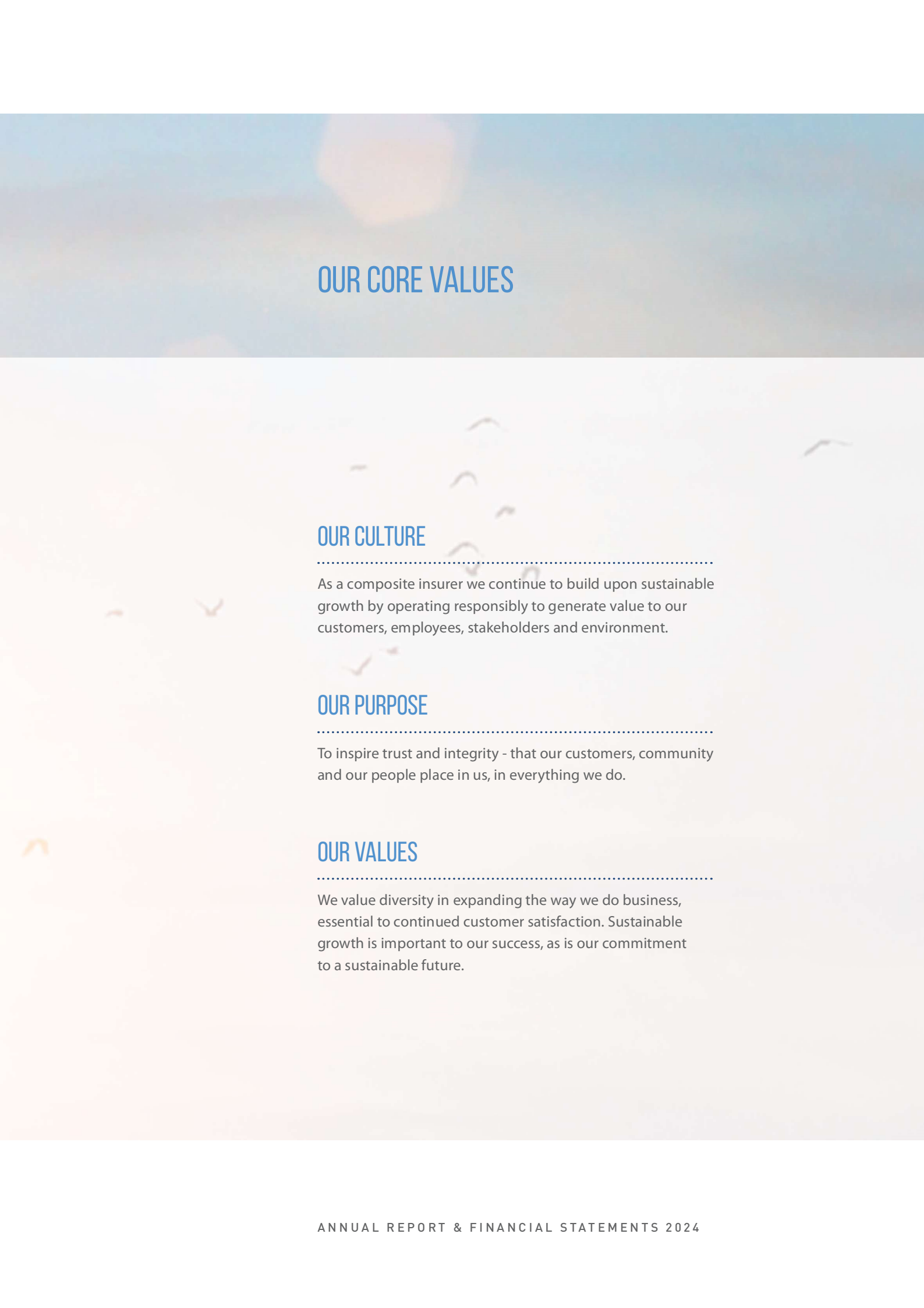


YOUR WORLD | OUR COVER



Citadel
insurance

YOUR WORLD | OUR COVER



OUR CORE VALUES

OUR CULTURE

As a composite insurer we continue to build upon sustainable growth by operating responsibly to generate value to our customers, employees, stakeholders and environment.

OUR PURPOSE

To inspire trust and integrity - that our customers, community and our people place in us, in everything we do.

OUR VALUES

We value diversity in expanding the way we do business, essential to continued customer satisfaction. Sustainable growth is important to our success, as is our commitment to a sustainable future.

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DIRECTORS, OFFICERS AND OTHER INFORMATION

DIRECTORS:	Mr Michael Tripp (Chairman) (appointed 10.10.2024) Prof Ian Refalo B.A. LL.D Dip.IL (Cambridge) (vice-Chairman) (retired 26.5.2025) Ms Angela Tabone (Managing Director) Dr Anne Louise Ellul Cachia Caruana LL.D, M.A. (Fin. Serv.) Mr Stephen Pandolfino B.A. (Hons) Accty, F.I.A., C.P.A., A.C.I.B. Mr Stefano Ferri (appointed 12.5.2025) Mr Alan Alden (appointed 30.7.2024) Mr Richard Abdilla Castillo (appointed 26.5.2025) Dr Joseph J. Vella LL.D. (deceased 7.2.2025)
COMPANY SECRETARY:	Dr F. Kevin Dingli LL.D., LL.M. (London) KM. Dingli & Dingli Advocates
REGISTERED & HEAD OFFICE:	"Casa Borgo", 26, Market Street, Floriana FRN 1082, Malta
COMPANY REGISTRATION NUMBER:	C 21550
INVESTMENT COMMITTEE:	Mr Stephen Pandolfino (appointed 10.10.2024) Mr Michael Tripp Ms Angela Tabone Mr Paulo Eduardo Machado Fernandes
AUDIT COMMITTEE:	Mr Richard Abdilla Castillo (Chairperson – pending MFSA approval) Prof Ian Refalo B.A. LL.D Dip.IL (Cambridge) (retired 26.5.2025) Dr Anne Louise Ellul Cachia Caruana Mr Michael Tripp
RISK MANAGEMENT:	Mr Alan Alden (appointed 30.7.2024) Ms Angela Tabone Mr Michael Tripp Mr Stefano Ferri

AUDITOR:	Forvis Mazars Malta
PRINCIPAL BANKERS:	Bank of Valletta p.l.c. HSBC Bank (Malta) p.l.c. APS Bank p.l.c. BNF Bank p.l.c.
PRINCIPAL LEGAL ADVISORS:	Refalo Advocates
ACTUARY:	BWCI Limited, Guernsey Paul Warren - Cyprus
CUSTOMER SERVICES OFFICE:	28, St. Anne Street, Floriana FRN 9011
BRANCH OFFICES:	Naxxar: 3, Toni Bajjada Square, Naxxar NXR 2590 Haz-Zebbug: Gate Avenue, Haz-Zebbug ZBG 2079 Paola: 57, Cospicua Road, Paola PLA 1012 Zejtun: 25th November Avenue, Zejtun ZTN 2018 Mosta: 17A, Eucharistic Congress Road, Mosta MST 9030 Ta' Xbiex: Testaferrata Street, Ta' Xbiex, XBX 1402 Mellieha: Majestic East, 7, Cross Street c/w Borg Olivier Street, Mellieha MLH 1437 Birkirkara: 157A, Triq Salvu Psaila, Birkirkara, BKR 9076 Victoria - Gozo: The Tower, 2nd Floor, Fortunato Mizzi Street, Victoria, Gozo VCT 2571

CHAIRMAN'S STATEMENT

Picking up the baton as Chair from Professor Refalo it is encouraging to do so during another year of further evolution and positive performance for Citadel Insurance p.l.c.

In 2024, Citadel Insurance p.l.c. made further progress as a value based Maltese insurance provider. The world we live in was ever more volatile and unpredictable, and with consequences for life in Malta the challenges were tough and throughout the year, once again, the Company delivered growth and sustainable profit performance. The second year of accounting under IFRS17 for insurance contracts shows a positive result with growth in revenue of 7.9% from €17,865,856 to €19,284,707 at 31 December 2024. Importantly, retained earnings increased with shareholder funds rising from €10,404,721 to €10,549,891 at 31 December 2024. A strong Balance Sheet is essential as it offers customers security and vitally enables the business to seek new opportunities and enhance its value. Our solvency and liquidity positions remain strong.

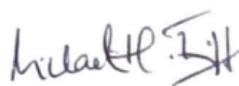
As Professor Refalo reported last year, the Board is committed to maintaining a robust governance framework which allows it and indeed the Company to operate effectively. It is with a sad heart I need to report that Professor Refalo retired and hence more change in the board composition. On behalf of the board, and all at Citadel may I take this opportunity to thank Professor Refalo for his wise and considered contribution to the Company over the last 13 years as the vice-Chairman and later as Chair of Citadel. During his chairman's tenure, Professor Refalo maintained a robust framework whereby the Board collectively continues to strengthen its Corporate Governance structures. During the year we welcomed Alan Alden who brings strong IT and risk management skills. I also have to report that the unexpected demise of Dr Joseph Vella in February 2025 has led to further change and in the current year we have welcomed Richard Abdilla Castillo and Stefano Ferri. The new Board of Directors will

be enhancing our policies which support the generation of value for shareholders and stakeholders through setting a clear agenda over the remainder of 2025 and beyond. As new Chair I have worked to review the overall skills and collectively we have the requisite experience and expertise to direct the Company to meet its strategic objectives. Following this period of change the Board is determined to maintain the highest standards in the way the company operates, meets regulatory requirements and grows.

One of my joys has been observing at first hand the loyalty and commitment of all staff to the business. There are good, shared values and support which the Board knows only too well are key to the Company's continued success. Despite the continual challenges facing the local labour market, we continue to invest in talent by providing our employees with opportunities to grow in their career and provide them with the necessary tools to succeed and meet their objectives. I would like to say publicly how much we appreciate this and in particular the Managing Director's passionate and determined leadership.

Citadel's values are clear and lived throughout the business. This means amongst other things that as they align with our commitment to ESG, various initiatives are organised to give our staff members the opportunity to contribute and assist various philanthropic organisations. We believe that our role in the local community enhances business vibrancy, and we will continue to support and encourage such initiatives to create further awareness within the community.

I would also like to thank my fellow members on the Board for their support and guidance, and our shareholders for their continued support and confidence. My gratitude also goes out to management who always respond proactively to the challenges faced to meet regulatory and other requirements, our staff for their positive commitment and to our customers for their loyalty and trust.



Michael Tripp
Chairman

MANAGING DIRECTOR / CEO REVIEW

2024 was another year where Citadel continued to strengthen its position in the marketplace, maintaining a clear focus on its customers, to support its balanced and diversified business model. The 2024 results demonstrate that we are able to deliver consistence performance and sustainable growth.

The financial results for 2024 have been prepared under the IFRS17 accounting methodology. At 31 December 2024, the net asset value of the Company remained constant and stood at €10,549,891. The Company's investment holdings at fair value increased by 11% to €15,869,372 (2023: €14,310,516). Insurance contract liabilities net of reinsurance decreased by 10% to €15,155,804 (2023: €16,813,037) and cash and cash equivalents remained high at €6,395,164. Insurance Revenue results for life and non-life stood at €19,284,707 (2023: €17,865,856) and the Insurance Service Result stood at €3,750,492 (2023: €2,880,041) before the deduction of other income and expenses. The profit before tax at 31 December 2024 amounted to €333,601 (2023: €200,645).

The performance for 2024 clearly demonstrates that the Company remains consistent in its strategy to manage its business sustainably. Over the last two decades, Citadel has positioned itself as a trusted partner in managing risk and providing insurance solutions to individuals and to the wider business community. The Company's underwriting and claims expertise, knowledge and skills accumulated over the decades, gives it the ability to assess and provide its clients with insurance solutions to mitigate their risks. It is in this way that the target underwriting performance for 2024 was achieved with an overall loss ratio of 50% (2023: 56%). This is in-keeping with Citadel's disciplined underwriting principles and efforts to manage insurance direct costs effectively. Operating costs on the other hand have increased by 20% over the same period last year. These costs were directly related to the new regulatory requirement and IFRS17.

Life business continues to offer life insurance products that provide financial protection to individuals, families and businesses, in the event of the policyholder's death or other trigger events. The Company has managed to maintain its composite uniqueness in the marketplace and is resilient to stiff competition from financial institutions. Par to market, Citadel continued to distribute healthy revisionary bonuses, to its life policyholders for the run-off guaranteed

and other savings plans. The Company declared a bonus of 3.5% and 4.5% respectively on its guaranteed products, 3% bonus on other savings plans and 2% bonus on single premium plans.

During 2024, Citadel's diverse business model, robust capital structure and risk culture continued to sustain an adequately capitalized solvency position. The Solvency Capital Requirement (SCR) for Citadel's composite structure set at a minimum requirement of €8,000,000 remains healthy at 31 December 2024. The SCR stood at 230% and the Minimum Capital Requirement (MCR) at 176%.

At Citadel, we continue to maintain a clear strategy of talent, diversity, equality, inclusivity and belonging. Providing equal opportunities and fostering a workplace where every individual value remains central to our success. The Company invests and motivates employees in upskilling, development opportunities and promotes internal, over-external advancements, to new roles. Employees' personal development and growth achievement are a priority. In addition, we remain committed to improving and re-engineering our digital platforms to provide employees with a more efficient way of servicing customers, and to customers, more efficient ways to access our products. Citadel has, over the years, invested heavily in adapting to more effective and efficient operational digital processes and will continue to embrace digital transformation. We are committed to maintaining a secure and resilient environment, positioning our company for sustainable growth in an increasingly digital landscape.

2025 will bring about new, environmental and other challenges which may impact the economy. Being able to understand, manage and be receptive to change is essential, to effectively create opportunities for delivering sustainable value. Citadel will continue to respond positively to change to drive its business. We will remain true to our purpose and values for our customers, stakeholders, shareholders and our local community.

I would like to thank the Board of Directors for their confidence and direction. My gratitude goes to our employees who have always contributed positively to the Company's drive to succeed in growing customer value and to our customers for their trust and loyalty in the Company.

Angela Tabone
Managing Director / CEO

DIRECTORS' REPORT

The Directors are pleased to present the Annual Report and Financial Statements as at 31 December 2024.

PRINCIPAL ACTIVITIES

The principal activities of the Citadel Insurance p.l.c. consist of the business of insurance.

The Company is licensed to carry on general and long-term business in terms of Article 7 of the Insurance Business Act (Cap. 403).

BUSINESS REVIEW

During the year under review Citadel Insurance p.l.c. generated an increased combined insurance revenue for life and non-life of 7.9% amounting to €19,284,707 compared to €17,865,856 in 2023. The IFRS17 insurance services results of the Company amounted to €3,750,492 (2023 restated: €2,880,041). After deducting net insurance finance and other income and expenditure, the profit before taxation stood at €333,601 (2023 €200,645).

In 2024, the Company continued to react to market conditions due to the persisting economic environment to safeguard its investments. The Company's financial assets at fair value and investment property stood at €15,869,372 (2023: €14,310,516).

Shareholders' Funds amounted to €10,549,891 at 31 December 2024 as compared to €10,404,721. The Solvency II SCR remained strong at 230%; and MCR at 176% at 31 December 2024.

Citadel Insurance p.l.c. continues to respond to a changing business environment by closely monitoring today's challenges to ensure that the interests of all its stakeholders are safeguarded.

OUTLOOK

The outlook of the Board of Directors for 2025 is a prudent approach to meet its strategy. It believes that the Company is well aligned and resourced to respond to the complexity and regulatory challenges in our socio-economic environment. The Board is confident that the Company will continue to evolve and is well positioned to increase customer and shareholder value to deliver sustainable growth.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's principal risks and uncertainties are disclosed in notes to the accounts, mainly note 5 dealing with the management of Insurance and Financial Risks and note 4 makes reference to judgements in applying accounting policies and accounting estimates.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period that require disclosure or adjustment to the financial statements.

BOARD OF DIRECTORS

The Directors of the Company who served during the period under review were:

Mr Michael Tripp (Chairman – appointed 10.10.2024)

Prof. Ian Refalo (vice-Chairman – retired 26.5.2025)

Ms Angela Tabone

Mr Stephen Pandolfino

Dr Anne Louise Ellul Cachia Caruana

Mr Alan Alden (appointed 30.7.2024)

Mr Richard Abdilla Castillo (appointed 26.5.2025)

Stefano Ferri (appointed 12.5.2025)

Dr Joseph J. Vella (deceased 7.2.2025)

In accordance with paragraph 69 (d) of the Company's articles of association the Directors shall continue in office.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are required by the Insurance Business Act (Cap. 403) and the Companies Act (Cap. 386) to prepare Financial Statements in accordance with International Financial Reporting Standards as adopted by the EU 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 of the Company for the year then ended. In preparing the Financial Statements, the Directors should:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business as a going concern.

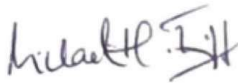
The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable

accuracy, at any time, the financial position of the Company and which enable the Directors to ensure that the Financial Statements comply with the Insurance Business Act (Cap. 403) and the Companies Act (Cap. 386). This responsibility includes designing, implementing and maintaining such internal controls as the Directors determine are necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error. The Directors 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.

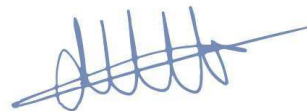
AUDITORS

The appointment of the auditors will be decided upon at the Company's Annual General Meeting.

Approved by the Board of Directors, authorised for issue on the 6th August 2024 and signed on its behalf by:



Michael Tripp
Chairman



Anne Louise Ellul Cachia Caruana
Director

STATEMENT OF COMPLIANCE

CORPORATE GOVERNANCE GUIDELINES FOR PUBLIC INTEREST COMPANIES

Citadel Insurance p.l.c. (the “Company”), being a large private company, has adopted the “Corporate Governance Guidelines for Public Interest Companies” (the “Guidelines”) issued by the Malta Financial Services Authority (the “Authority”) in August 2006. The Company has implemented the Guidelines in conjunction with other provisions made by prevalent legislation which regulates the local insurance business market. The Board of Directors (the “Board”) firmly believes in pursuing the Guidelines and has endorsed them except in extraordinary circumstances that justify non-adherence thereto.

THE BOARD

In line with the requirements of the Guidelines and the provisions of the Company’s Memorandum and Articles of Association, the Board was composed of six non-executive and independent Directors of which one is a Chairperson, and one executive Director who is the Managing Director and Chief Executive Officer (CEO) of the Company. All Directors are fit and proper persons. They are, individually and collectively, of sufficient calibre, with the necessary skills and experience to provide leadership, integrity and judgement in directing the Company. Each member of the Board has undergone a satisfactory due diligence process conducted by the Authority prior to the appointment.

RESPONSIBILITIES OF THE BOARD

In the best interests of the Company and its shareholders, the Board is responsible for the execution of the basic roles of corporate governance namely: accountability, monitoring, strategy formulation and policy development of the Company. Pursuant to the current nature and demands of the Company’s business, the Board meets every quarter unless further meetings are required. During 2024 the Board met nine times. It reviews and evaluates corporate strategy, major operational and financial plans, risk management policy, performance objectives and monitors implementation and corporate performance within the parameters of all relevant laws, regulations, rules and directives, and codes of best business practice.

The Board has delegated authority and vested accountability for the Company’s day-to-day administration of the business

to a senior management team headed by the Managing Director/Chief Executive Officer (CEO). The Board has also established a number of committees at senior managerial level and set out appropriate internal controls and procedures, as required by Chapter 6: System of Governance of the Insurance Rules, particularly to monitor the Company’s exposure to risk.

BOARD COMMITTEES

The Board has set up specific committees to deal with specialist subject matters and responsibilities with tailor made terms of reference.

- 1. Audit Committee:** The Committee, which fulfils the requirements of Annex II to Chapter 6 of the Insurance Rules, meets at least on a quarterly basis and more frequently if circumstances so require. In 2024 the Committee met eight times. The Committee is appointed by the Board and consisted of three non-executive directors. The Managing Director / Chief Executive Officer (CEO), Head of Finance and other officers of the Company, while not forming part of the Committee, may be asked to attend meetings at the discretion of the Committee. The Committee is responsible for reviewing the financial reporting process, the Company’s systems of internal controls and risk management systems including computerised information systems controls and security, overseeing the internal audit function and reviewing the external audit processes.
- 2. Investment Committee:** The Committee is required to meet once every month or at such other frequency as the Committee may determine. The members of the Committee are appointed by the Board. The Committee is composed of two non-executive directors, one of whom chairs the Committee, and of the Managing Director / Chief Executive Officer (CEO). In 2024, the Committee met seven times. The Committee is responsible for formulating, monitoring and reviewing the Company’s investment strategy and policies and investment processes. Other officers of the Company, while not forming part of the Committee, may be invited to attend.

3. **Risk Management Committee:** The Committee is required to meet at least on a quarterly basis and its remit is to oversee the Company's risk management systems, practices and procedures to ensure effectiveness of risk identification and management, and compliance with internal guidelines and external requirements. The Committee was composed of two non-executive directors, one of whom chaired the Committee, and of the Managing Director / Managing Director / Chief Executive Officer (CEO). The members of the Committee are appointed by the Board and other officers of the Company, while not forming part of the Committee, may be required to attend meetings on the request of the Committee. In 2024, the Committee met three times.

INTERNAL STRUCTURES

The following internal structures have been set up to ensure effective and appropriate internal controls, systems and procedures pursuant to the nature and extent of the operations of the Company:

1. **Claims Committee:** The Committee meets regularly and is chaired by the Managing Director / Chief Executive Officer (CEO). The other members consist of the Executive Head Motor and General Business, the Head of Finance and the Head of General Business Underwriting. The Terms of Reference of the Committee include the review of motor and non-motor liability claims, the review of death claims, the review of claims reserves and the appointment of experts. Other officers of the Company, including the Head of Life, may be invited to attend these meetings on the request of the Committee.

2. **Product Oversight Committee:** The Committee ensures sound governance in designing, monitoring, reviewing and distributing products to clients. The Committee is chaired by the Managing Director / Chief Executive Officer (CEO). Other members include the Executive Head Motor and General Business, the Head of General Business Underwriting, the Head of Life & Health and the Compliance Officer.

3. **Senior Management Team:** The Team comprises of all heads of department. It is responsible for managing the day-to-day operations of the Company, executing the Company's technical and business strategy, identifying, defining and prioritising projects and initiatives, allocating resources and co-ordinating the operations of the business. The Team meets regularly to review the various areas of growth and business targets. It is charged with the implementation of Board-approved strategies and plans.

4. **Reinsurance Team:** The Team is presently composed of the Managing Director / Chief Executive Officer (CEO), the Executive Head Motor and General Business and Head of Life. The Team is responsible for reviewing reinsurance treaties. The Team maintains close contact with the appointed international reinsurance brokers.

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year Ended 31 December 2024

		2024	2023
	Notes	€	€
Insurance revenue	7	19,284,707	17,865,856
Insurance service expenses	8	(15,957,672)	(13,378,436)
Net expense from reinsurance contracts held	9	423,457	(1,607,379)
Insurance service result		3,750,492	2,880,041
Investment income	16	905,319	996,762
Finance income/expenses from insurance contracts held	11	(224,121)	(333,441)
Finance income/expenses from reinsurance contracts held	12	(216,155)	(120,040)
Net insurance finance income/expenses		465,043	543,281
Other income and expenses		(3,881,934)	(3,222,677)
Profit/(loss) before tax		333,601	200,645
Income tax expenses	20	(187,431)	(80,883)
Profit for the year - Total comprehensive income		146,170	119,762

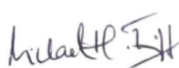
The notes on pages 18 through 80 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

		2024	2023
	Notes	€	€
Assets			
Intangible assets	21	959,805	733,747
Property, plant and equipment	22	5,439,049	5,420,331
Investment property	23	2,711,443	2,711,443
Investment in subsidiary undertaking	24	489,510	369,510
Financial assets at FVTPL	25	13,157,929	11,599,073
Loans receivables	25	749,785	500,000
Insurance and other receivables	26	1,913,590	1,380,123
Investment assets		50,511	56,130
Insurance contract assets	13	26,194	1,504,730
Reinsurance contract assets	14	3,789,803	1,168,146
Current tax assets		-	-
Cash and cash equivalents	27	6,395,164	8,895,674
Total assets		35,682,783	34,338,907
Equity and Liabilities			
Share capital	29	5,000,400	5,000,400
Revaluation reserve		2,379,114	2,379,114
Capital reserve		19,527	19,527
Retained earnings		3,150,850	3,005,680
Total equity		10,549,891	10,404,721
Liabilities			
Insurance contract liabilities	13	18,621,988	17,253,854
Reinsurance contract liabilities	14	323,619	727,329
Deferred tax liabilities	28	1,113,791	1,067,482
Borrowings	30	1,366,546	1,366,546
Amounts owed to banks	27	1,470,657	1,347,320
Current tax liability		649,116	584,826
Other payables and accruals	31	1,587,175	1,586,829
Total liabilities		25,132,892	23,934,186
Total equity and liabilities		35,682,783	34,338,907

The notes on pages 18 through 80 are an integral part of these financial statements. The financial statements on pages 13 to 16 were approved by the Board of Directors, authorised for issue on 6th August 2025 and were signed on its behalf by:



Michael Tripp
Chairman



Angela Tabone
Managing Director / CEO

STATEMENT OF CHANGES IN EQUITY

As at 31 December 2024

	SHARE CAPITAL	PROPERTY REVALUATION RESERVE	CAPITAL RESERVE	RETAINED EARNINGS	TOTAL
	€	€	€	€	€
Balance on 1st January 2023	5,000,400	2,379,114	19,527	2,885,918	10,284,959
Profit for the year - Total comprehensive income	-	-	-	119,762	119,762
Balance on 31st December 2023	5,000,400	2,379,114	19,527	3,005,680	10,404,721
Profit for the year - Total comprehensive income	-	-	-	146,170	146,170
Balance on 31st December 2024	5,000,400	2,379,114	19,527	3,150,850	10,549,891

The notes on pages 18 through 80 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

Year Ended 31 December 2024

		2024	2023
	Notes	€	€
Cash flows from operating activities			
Profit before tax		333,601	200,645
<i>Adjustments for:</i>			
Depreciation and amortisation	21/22	753,019	636,553
Unrealised (gains)/losses on investments		(474,660)	(779,441)
<i>Movement in:</i>			
Insurance contracts assets/liabilities	13	2,846,669	1,392,390
Reinsurance contracts assets/liabilities	14	(3,025,367)	(72,611)
Receivables	26	(533,467)	(211,350)
Payables and right-of-use assets	31	151,729	205,677
Cash inflows from operations		51,524	1,371,863
Tax received/(paid)		(77,912)	(51,720)
Net cash (used in) / generated from operations		<u>(26,388)</u>	<u>1,320,143</u>
Cash flows (used in) / generated from investing activities			
Payments to acquire property, plant and equipment	22	(365,267)	(230,577)
Payments to acquire intangible assets	21	(632,529)	(348,702)
Payments to acquire investments		(2,284,985)	(1,481,000)
Proceeds from sale of investments		1,086,410	226,167
Payments to acquire investment property		-	(1,444)
Net cash (used in) / generated from investing activities		<u>(2,196,371)</u>	<u>(1,835,556)</u>
Cash flows used in financing activities			
Proceeds from loans	25	-	-
Repayments of borrowings	25	(249,785)	(500,000)
Repayment of lease liabilities (principal amount)		(151,303)	(144,019)
Net cash (used in) / generated from financing activities		<u>(401,088)</u>	<u>(644,019)</u>
Net movement in cash and cash equivalents		<u>(2,623,847)</u>	<u>(1,159,432)</u>
Cash and cash equivalents at beginning of the year	27	<u>7,548,354</u>	<u>8,707,786</u>
Cash and cash equivalents at end of the year	27	<u>4,924,507</u>	<u>7,548,354</u>

The notes on pages 18 through 80 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2024

1. GENERAL AND STATUTORY INFORMATION

Citadel Insurance p.l.c. (the "Company") is a composite and underwrites long term and general insurance risks located wholly on the Maltese islands. The Company is a public limited company incorporated and domiciled in Malta with registration number C 21550.

The address of its registered office is Casa Borgo, 26, Market Street, Floriana, FLN 1082, Malta.

2. STATEMENT OF COMPLIANCE

The financial statements have been prepared and presented in accordance with the provisions of the Maltese Companies Act (Cap 386) (the "Act"), which requires adherence to International Financial Reporting Standards, as adopted by the EU ("EU IFRSs"), and their interpretations adopted by the International Accounting Standards Board ("IASB"), and the provisions of the Insurance Business Act (Cap 403).

2.1 New and amended IFRS Accounting Standards that are effective for the current year

Amendments to IAS 1 'Classification of Liabilities as Current or Non-Current' and 'Non-Current Liabilities with Covenants'

The amendments affect only the presentation of liabilities in the statements of financial position and not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. The amendments:

- clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability, and covenants that need to be complied with after the reporting period should not affect that classification;
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability;
- make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services; and
- introduce additional presentation and disclosure requirements for liabilities that are subject to covenants.

The adoption of these amendments did not have a material impact on the Company's financial statements.

Amendments to IAS 7 and IFRS 7 'Supplier Finance Arrangements'

The Company does not have any arrangements which fall within the scope of the amendments.

Amendments to IFRS 16 'Lease Liability in a Sale and Leaseback'

The Company does not have any sale and leaseback arrangements which fall within the scope of the amendments.

2.2 New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2024 and not early adopted

Certain new standards and amendments, revisions and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are not mandatory for the current accounting period. The Company has not early adopted these new standards or these amendments, revisions and interpretations to existing standards:

- Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability'
- Amendments to IFRS 9 and IFRS 7 'Contracts Referencing Nature-dependent Electricity'
- Annual Improvements Volume 11
- IFRS 19 'Subsidiaries without Public Accountability: Disclosures'
- IFRS 18 'Presentation and Disclosure in Financial Statements' sets out requirements for the presentation and disclosure of information in general purpose financial statements to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses. Subject to endorsement by the EU, IFRS 18 will apply to all financial statements prepared and presented in accordance with International Financial Reporting Standards, replacing IAS 1 Presentation of Financial Statements while retaining many of its existing requirements and introducing key changes:
 - present specified categories and defined subtotals in the statement of profit or loss, with special rules applicable to banks and similar entities whose main business activity is to invest in assets and/or provide financing to customers;
 - provide disclosures on management-defined performance measures in the notes to the financial statements, whereby information about any such alternative performance measures must be presented in a single note that must include, amongst others, reconciliations to the most directly comparable subtotal listed in IFRS 18; and
 - improve aggregation and disaggregation by including which characteristics to consider when assessing whether items have similar or dissimilar characteristics.
- Amendments to IFRS 9 and IFRS 7 'Amendments to the Classification and Measurement of Financial Instruments', which among others, provide clarification on the assessment of whether the contractual cash flows on a financial asset represent solely payments of principal and interest, with additional examples now provided in IFRS 9, and additional guidance on assessing whether contractual terms are consistent with a basic lending arrangement, assessing assets with non-recourse features; and assessing contractually-linked instruments;

The amendments to IAS 21, IFRS 9 and IFRS 7, the Annual Improvements Volume 11, and the introduction of IFRS 19 have been determined not to have a material effect. The changes resulting from the future adoption of IFRS 18 and of the amendments to IFRS 9 and IFRS 7 (Classification and Measurement of Financial Instruments) are being assessed by the Company to determine the potential effect on these financial statements.

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3. MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of Preparation

The Company has initially applied IFRS17 and IFRS9, including any consequential amendments to other standards, from 1st January 2023. IFRS17 has brought significant changes to the accounting for insurance and reinsurance contracts. As a result, the Company has restated certain comparative amounts and presented its statement of financial position as at 1st January 2022.

Except for the changes due to the new IFRS17 standards requirements, the Company has consistently applied the accounting policies as set out in Note 1 to all periods presented in these Financial Statements.

The nature and effects of the key changes in the Company's accounting policies resulting from the adoption of IFRS17 and IFRS9 are described in these Notes to the Financial Statements.

These financial statements are prepared under the historical cost convention except for land and buildings, which are carried at revalued amounts and financial instruments at fair value through profit or loss and investment property, which is stated at their fair value, in accordance with EU IFRS.

The preparation of financial statements in conformity with EU IFRS, requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

The financial statements are presented in Euro (€) which is the functional currency of the Company. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

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.

For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and Level 3 inputs are unobservable inputs for the asset or liability.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines when transfers are deemed to have occurred between Levels in the hierarchy at the end of each reporting period.

The statement of financial position is organised in increasing 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.

3.2 IFRS17 Insurance Contracts

The Company determined the transition approach for groups of insurance contracts, depending on the availability of reasonable and supportable historic information.

For Life business the Company selected the fair value approach calculated at transition date being 31st December 2021 and then values rolled forward to the start of January 2022 using a full retrospective approach.

For Group Life and General Business the Company applied the PAA approach as of the transition date (1st January 2022).

NOTES TO THE FINANCIAL STATEMENTS

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The Company underwrites life and non-life business due to its composite nature of its business. The adoption of IFRS17 has resulted in significant changes to the Company's accounting policies for recognition, classification and measurement of insurance contracts, reinsurance contracts held and investment contracts with discretionary participation features.

Insurance contract for Life:

- (a) with direct participation features are measured in line with the Variable Fee Approach (VFA);
- (b) with direct participation features are measured under the General Measurement Model (GMM);
- (c) without direct participation features are measured under the PAA, if selected instead of the GMM and eligibility criteria are fulfilled.

Insurance contract for Non-life:

For short-term insurance contracts, the Company has applied the PAA simplified approach to measure groups of contracts. All short-term insurance contracts originated by the Company, are without direct participation features.

Reinsurance contract for Life and Non-life:

The Company generally applies the same accounting policies to reinsurance contracts to the measure of a group of reinsurance contracts held as to the insurance contracts issued without the direct participation features.

3.3 Key types of insurance contracts issued, and reinsurance contracts held

The Company issues the following types of contracts that are accounted for in accordance with IFRS17 Insurance Contracts.

The Company also issues term riders, which represent an add-on to a basic policy that provides additional benefits to policyholders (at additional cost). They can be purchased by a policyholder concurrently to a basic policy or at a subsequent date, i.e. a date after the inception of the basic policy. The addition of a term rider triggers medical underwriting at the point in time.

Life business non-participating contracts including:

Protection Term life insurance contracts providing level or decreasing sum assured coverage for a period in exchange for renewable fixed premiums.

The Company accounts for these policies applying the General Model.

Life non-participating contracts including:

Group life insurance contracts providing sum assured coverage usually for a period of time of up to one year (with a possibility to guarantee the term for 2 or 3 years) in exchange for renewable premiums reassessed prior to the date of renewal.

The Company accounts for these policies applying the Premium Allocation Model (PAA).

Life linked long-term contracts including:

Investment-linked insurance policies which include life insurance coverage and an investment component. The Company has an obligation to pay policyholders an amount equal to the value of the specified underlying funds.

The Company accounts for these policies applying the Variable Fee Approach (VFA).

Life participating investment contracts:

These contracts are with-profits life contracts with embedded guaranteed capital and a guaranteed interest variable interest rates. During the accumulation phase the cash flows of these contracts are dependent on the returns of the underlying items. However, these underlying items are not specified in the terms of the contract.

The Company accounts for these contracts applying to the General Model.

Investment contracts with discretionary participation features:

These contracts provide the investor with the right to receive additional discretionary amounts contractually based on specified underlying items which are expected to be a significant portion of the total contractual benefits.

The Company accounts for these contracts applying the VFA.

Reinsurance contract for Life:

The Company also holds a variety of reinsurance contracts for life business to mitigate risk exposure.

For Protection Term life, Group life insurance policies, investment-linked insurance policies and with-profits life, the Company holds a variety of reinsurance treaties which respective accounting under IFRS17 apply either the General Model; and/or Premium Allocation Model.

3.3.1 Definitions and classifications

Products sold by the Company are classified as insurance contracts when the Company accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.

This assessment is made on a contract-by-contract basis at the contract issue date. In making this assessment, the Company considers all its substantive rights and obligations, whether they arise from contract, law or regulation.

The Company determines whether a contract contains significant insurance risk by assessing if an insured event could cause the Company to pay to the policyholder additional amounts that are significant in any single scenario with commercial substance even if the insured event is extremely unlikely or the expected present value of the contingent cash flows is a small proportion of the expected present value of the remaining cash flows from the insurance contract.

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The Company issues certain insurance contracts that allow policyholders to participate in investment returns. These contracts are currently on run-off. The majority of contracts provide a fixed return of either 4.5% per annum or 3.5% per annum depending on policy conditions. Other contracts are similarly linked to returns achieved by the Company.

The Company also issues investment contracts with discretionary participation features. These contracts have economic characteristics with similar features to those of insurance contracts. The Company accounts for these contracts by applying IFRS17.

3.4 Separating components from insurance and reinsurance contracts

In addition to the provision of the insurance coverage service, some insurance contracts issued by the Company have other components such as an investment component.

The Company assesses its products to determine whether some of these components are distinct and need to be separated and accounted for separately under the IFRS17 Accounting Standards.

When these non-insurance components are non-distinct, they are accounted for together with the insurance component applying IFRS17.

The Company first considers the need to separate investment components, before assessing the need to separate and non-insurance investment components.

The Company issues certain life insurance policies. These include an investment component under which the Company is required to repay to a policyholder in all circumstances, regardless of an insured event occurring.

In assessing whether an investment component is distinct and therefore required to be accounted for separately applying IFRS9, the Company considers if the investment and insurance components are highly interrelated or not.

When the investment component meets the definition of an investment contract with discretionary participation features, it is then accounted for applying IFRS17.

In determining whether investment and insurance components are highly interrelated the Company assesses whether the Company is unable to measure one component without considering the other and whether the policyholder is unable to benefit from one component unless the other component is present. The Company has not identified any distinct investment components.

The Company applies IFRS17 to account for non-distinct investment components as part of its insurance contracts.

Level of aggregation

The Company identifies portfolios by aggregating insurance contracts that are subject to similar risks and managed together. In grouping insurance contracts into portfolios, the Company

considers the similarity of risks rather than the specific labelling of product lines. The Company has determined that all contracts within each product line, as defined for management purposes, have similar risks. Therefore, when contracts are managed together, they represent a portfolio of contracts.

The determination of whether a contract or a group of contracts is onerous is based on the expectations as at the date of initial recognition, with fulfilment cash flow expectations determined on a probability-weighted basis. The Company determines the appropriate level at which reasonable and supportable information is available to assess whether the contracts are onerous at initial recognition and whether the contracts are not onerous at initial recognition have a significant possibility of becoming onerous subsequently. The Company applies significant judgement in determining at what level of granularity the Company has sufficient information to conclude that all contracts within a set will be in the same group. In the absence of such information, the Company assesses each contract individually.

The composition of groups established at initial recognition is not subsequently reassessed. The company does not hold any onerous contract from initial recognition.

3.4.1 Recognition

The Company recognises groups of insurance contracts issued from the earliest of the following dates:

- (a) The beginning of the coverage period of the group of contracts;
- (b) The date when the first payment from a policyholder in the group becomes due (in the absence of a contractual due date, this is deemed to be when the first payment is received);
- (c) The date when a group of contracts becomes onerous.

The Company recognises only contracts issued within a one-year period meeting the recognition criteria by the reporting date. Subject to this limit, a group of insurance contracts can remain open after the end of the current reporting period.

New contracts are included in the group when they meet the recognition criteria in subsequent reporting periods until such time that all contracts expect to be included within the group have been recognised.

Investment contracts with discretionary participation features are initially recognised at the date the Company becomes a party to the contract.

3.4.2 Contract boundaries

The measurement of a group of insurance contracts includes all future cash flows expected to arise within the boundary of each contract in the group.

In determining which cash flows fall within a contract boundary, the Company considers its substantive rights and obligations

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arising from the terms of the contract, and from applicable laws, regulations and customary business practices. The Company determines that cash flows are within the boundary of a contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums or the Company has a substantive obligation to provide the policyholder with insurance contract services.

In estimating expected future cash flows of a group of contracts, the Company applies judgement in assessing future policyholder behavior surrounding the exercise of options available to them. These include surrender options, and other options falling within the contract boundary.

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

The Company assesses the contract boundary at initial recognition and at each subsequent reporting date to include the effect of changes in circumstances on the Company's substantive rights and obligations.

3.4.3 Measurement of insurance contracts issued

Measurement on initial recognition for contracts other than PAA

The Company measures a group of contracts on initial recognition as the sum of the expected fulfilment cash flows within the contract boundary and the contractual service margin representing the unearned profit in the contracts relating to services that will be provided under the contracts.

Fulfilment cash flows within contract boundary

The fulfilment cash flows are the current unbiased and probability-weighted estimates of the present value of the future cash flows, including a risk adjustment for non-financial risk. In arriving at a probability-weighted estimate means, the Company considers a range of scenarios to establish a full range of possible outcomes incorporating all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of expected future cash flows. The estimates of future cash flows reflect conditions existing at the measurement date including assumptions at that date about the future.

The Company estimates expected future cash flows for a group of contracts at a group level. When estimating future cash flows, the Company includes all cash flows within the contract boundary including:

- (a) Premiums and any additional cash flows resulting from those premiums;
- (b) Reported claims that have not yet been paid, claims incurred but not yet reported;
- (c) future claims expected to arise from the policy and potential cash inflows from recoveries on future claims covered by existing insurance contracts;

- (d) For investment-linked insurance policies and investment contracts with discretionary participation features, payments that vary based on the returns on underlying items and resulting from any embedded guarantees.

The Company issues investment-linked insurance policies with discretionary participation features that result in policyholders sharing the returns on the underlying items.

The cash flow estimates include both market variables, which are consistent with observable market prices, and non-market variables, which are not contradictory with market information and based on internally and externally derived data. The Company updates its estimates at the end of each reporting period using all newly available information. The Company determines its current expectations of probabilities of future events occurring at the end of the reporting period. In developing new estimates, the Company considers the most recent experience and earlier experience, as well as other information.

Discount rates

The time value of money and financial risk is measured separately from expected future cash flows with changes in financial risks recognised in profit or loss at the end of each reporting period unless the Company has elected the accounting policy to present the time value of money separately in profit or loss and other comprehensive income.

The Company measures the time value of money using discount rates that reflect the liquidity characteristics of the insurance contracts and the characteristics of the cash flows, consistent with observable current market prices. They exclude the effect of factors that influence such observable market prices but do not affect the future cash flows of the insurance contracts (e.g. credit risk). Expected future cash flows that vary based on the returns on any financial underlying items are discounted at rates that reflect this variability.

The Company estimates the discount rate applicable to each group of contracts on initial recognition, which is based on recognised contracts. In the following reporting period, as new contracts are included in the group, the discount rate applicable to the group on initial recognition is revised from the start of the reporting period in which the new contracts are added to the group. The Company re-estimates the discount rate applicable to the group at initial recognition using a weighted average discount rate over the period the contracts in the group are issued.

Risk adjustment for non-financial risk

The Company measures the compensation it would require for bearing the uncertainty about the amount and timing of cash flows arising from insurance contracts, other than financial risk, separately as an adjustment for non-financial risk. The Company uses the cost of capital method in estimating the risk adjustment. The level of capital and the cost of capital rate that feed this estimation technique are calibrated from the Company's economic capital's approach within which the Company estimates the impact of non-financial risks.

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The economic capital approach includes a quantitative measure of the Company's risk appetite which allows a specific measure of the Company's non-financial risk and the degree of its risk aversion for financial reporting purposes.

Contractual service margin (CSM)

The CSM is a component of the overall carrying amount of a group of insurance contracts representing unearned profit that the Company will recognise as it provides insurance contract services over the coverage period.

At initial recognition, the Company measures the CSM at an amount that, unless a group of insurance contracts is onerous, results in no gains recognised in profit or loss arising from:

- (a) The expected fulfilment cash flows of the group;
- (b) The amount of any derecognised asset for insurance acquisition cash flows allocated to the group;
- (c) Any other asset or liability previously recognised for cash flows related to the group; and
- (d) Any cash flows that have already arisen on the contracts as of that date.

The Company determines at initial recognition the group's coverage units. The Company then allocates the group's CSM based on the coverage units provided in the period.

Insurance acquisition cash flows

The Company includes insurance acquisition cash flows in the measurement of a group of insurance contracts if they are directly attributable to either the individual contracts in a group, the group itself or the portfolio of insurance contracts to which the group belongs. The Company estimates, at a portfolio level, insurance acquisition cash flows not directly attributable to the group but directly attributable to the portfolio. The Company then allocates them to the group of newly written and renewed contracts on a systematic and rational basis.

Insurance acquisition cash flows for the Company comprise commission paid to intermediaries for new and renewal business, marketing costs and salaries of employees whose efforts are directly related to the acquisition of insurance business. Insurance acquisition cash flows that are directly attributable to a group of insurance contracts shall be allocated to that group. 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. The Company does not incur any material directly attributable acquisition cash flows, or other inflows or outflows, before a group of insurance contracts is recognised. Consequently, it does not recognise any 'pre-recognition' cash flows.

3.4.3.1 Subsequent measurement under the General Model

In estimating the total future fulfilment cash flows, the Company distinguishes between those relating to already incurred claims and those relating to future service.

At the end of each reporting period, the carrying amount of the

group of insurance contracts will reflect a current estimate of the liability for remaining coverage (LRC) as at that date and a current estimate of the liability for incurred claims (LIC).

The LRC represents the Company's obligation to investigate and pay valid claims under existing contracts for insured events that have not yet occurred, amounts that relate to other insurance contract services not yet provided (i.e. provision of investment-return and investment-related services) and investment components and other amounts not related to insurance contract services that have not yet been transferred to the LIC. The LRC is comprised of (a) the fulfilment cash flows relating to future service, (b) the CSM yet to be earned and (c) any outstanding premiums for insurance contract services already provided.

The LIC includes the Company's liability to pay valid claims for insured events that have already incurred, other incurred insurance expenses arising from past coverage service and the liability for claims incurred but not yet reported. It also includes the Company's liability to pay amounts the Company is obliged to pay the policyholder under the contract. This includes repayment of investment components, when a contract is derecognised. The current estimate of LIC comprises the fulfilment cash flows related to current and past service allocated to the group at the reporting date.

Changes in fulfilment cash flows

At the end of each reporting period, the Company updates the fulfilment cash flows for both LIC and LRC to reflect the current estimates of the amounts, timing and uncertainty of future cash flows, as well as discount rates and other financial variables.

Experience adjustments are the difference between:

- (a) The expected cash flow estimates at the beginning of the period and the actual cash flows for premiums received in the period (and any related cash flows paid such as insurance acquisition cash flows and insurance premium taxes); and
- (b) The expected cash flow estimate at the beginning of the period and the actual incurred amounts of insurance service expenses in the period (excluding insurance acquisition expenses, salaries and other non-insurance related costs).

Experience adjustments relating to current or past service are recognised in profit or loss. For incurred claims (including incurred but not reported) and other incurred insurance service expenses, experience adjustments always relate to current or past service which are included in profit or loss as part of insurance service expenses.

Experience adjustments relating to future service are included in the LRC by adjusting the CSM. The release of the CSM depends on whether the contract does not participate, participates indirectly, or directly participates in the performance of the specified underlying items. At the end of each reporting period, the Company re-estimates the LRC fulfilment cash flows, updating for changes in assumptions relating to financial and non-financial risks.

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Adjustments to the CSM

For insurance contracts without direct participating features, the following changes in fulfilment cash flows are considered to be related to future service and adjust (or 'unlock') the CSM of the group of insurance contracts:

- (a) Experience adjustments relating to the premiums received in the period that relate to future service, and any related cash flows such as insurance acquisition cash flows and premium-based taxes measured at the 'locked in' discount rates applicable when the contracts in the group were initially recognised;
- (b) The change in the estimate of the present value of expected future cash flows in the liability for remaining coverage, related to non-financial variables, measured at the 'locked in' discount rates applicable when the contracts in the group were initially recognised. All financial variables are locked in at initial recognition;
- (c) Changes in the risk adjustment for non-financial risk relating to future service. The Company has elected not to disaggregate the change in the risk adjustment for non-financial risk between (i) a change related to non-financial risk and (ii) the effect of the time value of money and changes in the time value of money; and
- (d) Differences between the amount of investment components that were expected to be payable in the period and the amount of investment components that actually became payable. The amount of investment components expected to be payable in the period is measured at the discount rates applicable before it became payable.

The following adjustments do not relate to future service and thus do not adjust the CSM:

- (a) Changes in fulfilment cash flows for the effect of the time value of money and the effect of financial risk and changes thereof;
- (b) Changes in the fulfilment cash flows relating to the LIC;
- (c) Experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

Any further increases in fulfilment cash flows relating to future coverage are recognised in profit or loss as they occur, increasing the loss component of the group of insurance contracts. Any subsequent decreases in fulfilment cash flows related to future coverage do not adjust the CSM until the loss component of the group is fully reversed through profit or loss.

At the end of the reporting period, the carrying amount of the CSM for a group of insurance contracts without direct participating features is the carrying amount at the beginning of the period adjusted for:

- (a) The effect of any new contracts added to the group;
- (b) Interest accreted on the carrying amount of the CSM measured at the discount rates determined at initial recognition;
- (c) The changes in fulfilment cash flows related to future service, except:

- (i) Increases in fulfilment cash flows that exceed the carrying amount of the CSM, giving rise to a loss that results in the group of contracts becoming onerous or more onerous;
- (ii) Decreases in fulfilment cash flows that reverse a previously recognised loss on a group of onerous contracts;
- (d) The effect of any currency exchange differences on the CSM; and
- (e) The amount recognised as insurance revenue because of the transfer of insurance contract services in the period, determined by the allocation of the CSM remaining at the end of the reporting period over the current and remaining coverage period.

Recognition of the CSM in profit or loss

An amount of the CSM is released to profit or loss in each period during which the insurance contract services are provided.

In determining the amount of the CSM to be released in each period, the Company follows three steps:

- (a) Determine the total number of coverage units in the group. The amount of coverage units in the group is determined by considering the quantity of benefits provided under the contract and the expected coverage period for each contract;
- (b) Allocate the CSM at the end of the period (before any of it is released to profit or loss to reflect the insurance contract services provided in the period) equally to each of the coverage units provided in the current period and expected to be provided in the future; and
- (c) Recognise in profit or loss the amount of CSM allocated to the coverage units provided during the period.

The amount of CSM allocated to each coverage unit changes over time, as the amount of CSM changes. The allocation of the CSM to coverage units is done at the end of the period, after reflecting all other CSM adjustments (the accretion of interest and the effect of change in assumptions relating to future coverage), but before any of it is released to profit or loss. The amount of CSM remaining at the end of the reporting period is allocated equally to the coverage units provided in the period and the remaining coverage units relating to future periods.

3.4.3.2 Insurance contracts measured under the premium allocation approach for non-Life and Group Life

Insurance Contract Classification

The Company applies the PAA to the measurement of non-life insurance contracts and has reclassified its products for its individual and commercial business insurances under IFRS4 to represent similar contract boundary in a variety of groupings similar to solvency II for mainly FOB, Assistance, Medical Expenses, General Liability, Marine, Miscellaneous and Motor. These groupings have coverage periods of one year or less and which therefore qualify for the simplified approach (on the premium allocation approach (PAA)).

Although the Company Life Business forms part of the Life, this product which has similar characteristics has been modeled under simplified approach (PAA) following similar criteria as the non-life basis of measurement of liability for remaining coverage.

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Initial recognition

The Company recognizes groups for the PAA insurance contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of the contracts;
- The date when the first payment from a policyholder becomes due (for which the first payment is received) or
- An earlier date if facts and circumstance indicate that the group is onerous.

For contracts measured under the PAA, the Company assumes that no such contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise.

Insurance acquisition cash flows (IACF)

Insurance acquisition costs under the PAA are selling, underwriting and initiating costs typically incurred prior to or at the start of the coverage period of a contract that are directly attributable to the acquisition of the groups of insurance contracts, for example, sales commissions, direct response marketing, in-house expenses directly attributable to sales and policy insurance activities. The IACF are amortised in a systematic way over the coverage period using the same pattern for the insurance revenue recognition.

Measurement under PAA

For non-life insurance contracts under the PAA, the measurement of the liability for remaining coverage (unexpired risk) is simplified as:

The Liability for remaining coverage (LRC) is measured initially based on the premiums received less any payments related eligible IACF. Subsequently the LRC is reduced by the amount recognised as the insurance revenue for services provided in the period less any amortisation of IACF recognised as an expense in the period. Insurance revenue is generally recognised over the coverage period of the policy.

Generally, premiums due to the Company for insurance contract services already provided in the period received at the end of the reporting period are included in the LRC. The carrying amount of the LRC at the end of each subsequent reporting period represents the carrying amount at the start of the reporting period adjusted for the premiums received in the period and the amount recognised as insurance revenue for insurance contract services provided in that period.

The liability for incurred claims (LIC) reflects a current, explicit, unbiased and probability-weighted estimate of the present value of the expected future cash outflows considering all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows. It includes an explicit adjustment for non-financial risk (the risk adjustment). The risk adjustment is recognised as and when the claims are incurred and subsequently released to insurance service expenses as the uncertainty associated with the amount and time of the claim payments is resolved.

The Company is required to establish a LIC for payment for losses and loss adjustment expenses that arise from the Company's non-

life products. These liabilities represent the ultimate costs to settle claims occurring prior to but still outstanding as of the balance sheet date. The Company establishes its liabilities by product line, type and extent of coverage and year of occurrence. The value of the LIC includes the value of both reported losses and incurred but not reported losses.

The liability for reported losses is based on estimates of future payments to settle reported claims. The Company bases such estimates on the facts available at the time the liability is established, considering the estimated costs of bringing pending claims to final settlement. The liability takes into account economic factors that can influence the amount required to fulfill the Company's obligations. In determining the level of liability, the Company considers historical trends and patterns of loss payments, and types of coverage. Between the reporting and final settlement of a claim, circumstances may change which may result in changes to established liability. Accordingly, the Company reviews and re-evaluates claims and their liabilities on a regular basis.

The Company uses a number of accepted actuarial methods to estimate and evaluate the amount of the LIC. The process of establishing the amount of the LIC deals with uncertainty, requiring the use of informed estimates and judgments considering the time value of money and the uncertainty about the amount and timing of the cash flows that arise from non-financial risks. Any changes in estimates or judgements are reflected in the profit and loss in the period in which estimates and judgements are changed.

Risk Adjustment

The risk adjustment is the measure of the compensation required by the Company for the uncertainty arising from non-financial risks. As such, it is based on subjective considerations that take into account Citadel's internal view of the capital required in order to continue operating on a going-concern basis.

3.4.3.3 Onerous contracts

The Company considers an insurance contract to be onerous if the expected fulfilment cash flows allocated to the contract, any previously recognised acquisition cash flows and any cash flows arising from the contract at the date of initial recognition in total result in a net cash outflow.

3.4.4 Reinsurance contracts

Recognition

The Company uses treaty reinsurance and facultative insurance to mitigate some of its risk exposures. Reinsurance contracts held are accounted for applying IFRS17 when they meet the definition of an insurance contract. This includes the condition that the contract must transfer significant insurance risk.

Reinsurance contracts transfer significant insurance risk only if they transfer to the reinsurer substantially all the insurance risk relating to the reinsured portions of the underlying insurance contracts, even if a reinsurance contract does not expose the issuer (reinsurer) to the possibility of a significant loss.

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Reinsurance contracts held are accounted for separately from underlying insurance contracts issued and are assessed on an individual contract basis. In aggregating reinsurance contracts held, the Company determines portfolios in the same way as it determines portfolios of underlying insurance contracts issued.

In determining the timing of initial recognition of a reinsurance contract held, the Company assesses whether the reinsurance contract's terms provide protection on losses on a proportionate basis. The Company recognises a group of reinsurance contracts held that provides proportionate coverage:

- (a) At the start of the coverage period of that group of reinsurance contracts held; and
- (b) At the initial recognition of any of the underlying insurance contracts, whichever is later.

The Company recognises a group of non-proportional reinsurance contracts at the earliest of the beginning of the coverage period of the group or the date an underlying onerous group of contracts is recognised. The boundary of a reinsurance contract held includes cash flows resulting from the underlying contracts covered by the reinsurance contract held. This includes cash flows from insurance contracts that are expected to be issued by the Company in the future if these contracts are expected to be issued within the boundary of the reinsurance contract held.

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

Reinsurance contracts held measured under the General Model

The Company's surplus share life reinsurance and the facultative reinsurance contracts held are accounted for applying the measurement requirements of the General Model for estimates of cash flows and discount rates. The Company measures the reinsurance contracts held and the underlying insurance contracts issued using consistent assumptions. The Company includes in the estimates of the present value of expected future cash flows for a group of reinsurance contracts held the effect of any risk of non-performance by the reinsurer, including the effects of any collateral and losses from disputes. The effect of non-performance risk of the reinsurer is assessed at each reporting date.

In determining the asset representing the risk adjustment for non-financial risk transferred to the reinsurer, the Company assesses the amount of risk transferred by the Company to the reinsurer by calculating the risk adjustment of the underlying contracts before and after the effect of the reinsurance contracts held. The difference is recognised as the asset representing the risk adjustment reinsured.

The Company adjusts the carrying amount of the CSM of a group of reinsurance contracts held at the end of a reporting period to reflect changes in the fulfilment cash flows applying the same approach as for insurance contracts issued.

Reinsurance contracts held measured under the PAA

The Company measures quota and surplus treaty for general business other than group life and health, and quota share treaty for health reinsurance contracts by applying the PAA. Non-proportional reinsurance treaties further reduce the Company's exposure. Under the PAA, the initial measurement of the asset for remaining coverage equals the reinsurance premium paid net of commission.

The Company measures the amount relating to remaining service by allocating the premium paid over the coverage period of the group. For all reinsurance contracts held, the allocation is based on the passage of time.

Where the reinsurance contracts held covers a group of onerous underlying insurance contracts, the Company adjusts the carrying amount of the asset for remaining coverage and recognises a gain when, in the same period, it reports a loss on initial recognition of an onerous group of underlying insurance contracts. The recognition of this gain results in the recognition for the loss recovery component of the asset for the remaining coverage of a group of reinsurance contracts held.

3.4.4.1 Insurance revenue

As the Company provides insurance services under a group of insurance contracts issued, it reduces its LRC and recognises insurance revenue, which is measured at the amount of consideration the Company expects to be entitled to in exchange for those services.

For groups of insurance contracts measured under the General Model and VFA, insurance revenue consists of the sum of the changes in the LRC due to:

- (a) The insurance service expenses incurred in the period measured at the amounts expected at the beginning of the period, excluding:
 - (i) Amounts allocated to the loss component;
 - (ii) Repayments of investment components;
 - (iii) Amounts that relate to transaction-based taxes collected on behalf of third parties;
 - (iv) Insurance acquisition expenses;
 - (v) Amounts relating to risk adjustment for non-financial risk;
- (b) The change in the risk adjustment for non-financial risk, excluding:
 - (i) Changes that relate to future service that adjust the CSM;
 - (ii) Amounts allocated to the loss component;
 - (iii) The amount of CSM for the services provided in the period; and
 - (iv) Other amounts, if any.

Insurance revenue also includes the portion of premiums that relate to recovering those insurance acquisition cash flows included in the insurance service expenses in each period. Both amounts are measured in a systematic way on the basis of the passage of time.

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When applying the PAA, the Company recognises insurance revenue for the period based on the passage of time by allocating expected premium receipts including premium experience adjustments to each period of service.

At the end of each reporting period, the Company considers whether there was a change in facts and circumstances indicating a need to change, on a prospective basis, the premium receipt allocation due to changes in the expected pattern of claim occurrence.

3.4.4.2 Insurance service expenses

Insurance service expenses arising from a group of insurance contracts issued comprises:

- (a) Changes in the LIC related to claims and expenses incurred in the period excluding repayment of investment components;
- (b) Changes in the LIC related to claims and expenses incurred in prior periods (related to past service);
- (c) Other directly attributable insurance service expenses incurred in the period;
- (d) Amortisation of insurance acquisition cash flows, which is recognised at the same amount in both insurance service expenses and insurance contract revenue;
- (e) Loss component of onerous groups of contracts if any recognised in the period; and
- (f) Changes in the LRC related to future service that do not adjust the CSM, because they are changes in the loss components of onerous groups of contracts.

3.4.4.3 Income or expenses from reinsurance contracts held

The Company presents income or expenses from a group of reinsurance contracts held and reinsurance finance income or expenses in profit or loss for the period separately. Income or expenses from reinsurance contracts held are split into the following two amounts:

- (a) Amount recovered from reinsurers; and
- (b) An allocation of the premiums paid

The Company presents cash flows that are contingent on claims as part of the amount recovered from reinsurers. Ceding commissions on claims of the underlying contracts are presented as a deduction in the premiums to be paid to the reinsurer which is then allocated to profit or loss.

3.4.4.4 Insurance finance income and expenses

Insurance finance income or expenses present the effect of the time value of money and the change in the time value of money, together with the effect of financial risk and changes in financial risk of a group of insurance contracts and a group of reinsurance contracts held. When applying the PAA, the Company does not discount the liability for remaining coverage to reflect the time value of money and financial risk for its non-life insurance policies with a coverage period. Claims are discounted applying the discount rate at the time of reporting.

3.4.5 Contracts existing at transition date

Contracts measured applying the fair value approach

The Company concluded that reasonable and supportable information for application of the modified retrospective approach was not available for life insurance contracts issued and therefore applied the fair value approach for those contracts at 31st December 2021.

The Company uses reasonable and supportable information available at the transition date to identify groups of insurance contracts:

- (a) Determine whether an insurance contract meets the definition of an insurance contract with direct participation features;
- (b) Identify discretionary cash flows for insurance contracts without direct participation features; and
- (c) Determine whether an investment contract meets the definition of an investment contract with discretionary participation features within the scope of IFRS17.

Level of aggregation

For life insurance contracts issued prior to 31st December 2008 the Company included contracts into groups of contracts issued more than one year apart as there was no reasonable and supportable information available to make the division. All other business was included in groups where contracts were not written more than 12 months apart.

Measurement at the transition date

In applying the fair value approach at 31st December 2008, the CSM or loss component of the LRC was estimated as the difference between the fair value and the fulfilment cash flows of the group of contracts as of that date. In determining fair value, the Company followed the requirements of IFRS13 'Fair Value Measurement', except for that standard's requirement in relation to demand features (that fair value cannot be less than the amount repayable on demand). This is because it would contradict the IFRS17 requirement to incorporate cash flows on a probability-weighted basis.

Discount rates

The Company used discount rates as at the date of transition, instead of discount rates as at the date of initial recognition.

Insurance acquisition cash flows

The Company determined the asset for insurance acquisition cash flows at the transition date at an amount equal to the amount the Company would have incurred at the transition date to obtain rights to:

- (a) Recover insurance acquisition cash flows from premiums of insurance contracts before the transition date but not yet recognised at the transition date;
- (b) Obtain future insurance contracts after the transition date without having to pay again for those costs already paid; and
- (c) Obtain future renewals of insurance contracts recognised at transition date.

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The Company did not include an amount for insurance acquisition cash flows in the measurement of the groups of insurance contracts recognised at the transition date.

Reinsurance contracts held

For a group of reinsurance contracts held the Company determines the loss-recovery component of the asset for remaining coverage at 31st December 2021 via an approach similar to the fair value approach used for contracts issued.

3.4.6 Taxation

Income tax specifically chargeable to policyholders

When income tax expenses are specifically chargeable to the policyholder under the terms of the contract, they are measured applying IAS12, and the Company includes those amounts in the fulfilment cash flows applying IFRS17. The Company accounts for them as a reduction in the liability for remaining coverage and recognises insurance revenue when incurred.

3.4.7 Investment income

Interest income is initially recorded in the income statement as it accrues. Dividend income is recognised in the income statement 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.

Investment return is initially recorded in the non-technical account, except for income attributed to the long term business which is recognised immediately in the long term business technical account. A transfer is made from the non-technical account to the general business technical account of the actual investment return on investments deemed to form an integral part of the core business activities.

Investment fees and commissions

Fees and commission income includes fees on investment management services contracts that are recognised as the services are provided.

3.5 Expenses

3.5.1 Employee benefits

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. Employee benefit costs are recognised as an expense during the year in which these are incurred.

3.5.2 Net financing costs

Net financing costs comprise interest payable on borrowings. These are charged against income without restriction.

3.6 Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement with the exception of those items recognised in other comprehensive income or directly in equity, in which case it is dealt with in other comprehensive income or in equity, as appropriate.

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

Deferred tax is provided in full using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.7 Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated to Euro at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Euro at foreign exchange rates ruling at the dates the fair value was determined.

3.8 Intangible assets

An intangible asset is recognised if it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably. Intangible assets are initially measured at cost. Expenditure on an intangible asset is recognised as an expense in the period when it is incurred unless it forms part of the cost of the asset that meets the recognition criteria. The Company assesses whether the useful life of intangible assets is finite or indefinite.

Intangible assets with a finite useful life are amortised. Amortisation is charged to profit or loss so as to write off the cost of intangible assets less any estimated residual value, over their estimated useful lives. The amortisation method applied, the residual value

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and the useful life are reviewed, and adjusted if appropriate, at the end of each reporting period.

Intangible assets are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount, and are included in profit or loss in the period of derecognition.

3.9 Computer software

In determining the classification of an asset that incorporates both intangible and tangible elements, the Company uses judgement to assess which element is more significant. Computer software that is an integral part of the related hardware is classified as property, plant and equipment and accounted for in accordance with the Company's accounting policy on property, plant and equipment. Where the software is not an integral part of the related hardware, this is classified as an intangible asset and carried at cost less any accumulated amortisation and any accumulated impairment losses. Computer software classified as an intangible asset is amortised on a straight-line basis over five years.

3.10 Tenancy rights

The cost of buying the rights to tenancy and the right to lease is recognised as an intangible asset with a finite economic life. The rights are amortised over 15 years.

3.11 Policy lists

Policy lists are classified as intangible assets of the Company and are recognised upon acquisition. After initial recognition, policy lists are carried at cost less any accumulated amortisation and any accumulated impairment losses. Policy lists are amortised on a straight-line basis over ten years.

3.12 Property, plant and equipment

Owned assets

Land and buildings comprise the offices occupied by the Company.

Following initial recognition at cost, land and buildings are revalued by a professional qualified architect at least on a triennial basis, such that their carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any accumulation at the date of the revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Any surpluses arising on revaluation are credited to a revaluation reserve. Any deficiencies resulting from decreases in value are deducted from this reserve to the extent that it is sufficient to absorb them, with any excess charged to the income statement.

All other property, plant and equipment are stated at historical cost net of accumulated depreciation (see below) and impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent costs

The Company recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are charged to the statement of profit or loss during the financial period in which they are incurred.

Property, plant and equipment also include right-of-use assets in terms of IFRS 16 'Leases'. The accounting policy for right-of-use assets is included below in the Section entitled 'Leases'.

Depreciation

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives at the following rates:

	%
Buildings	2-8
Motor vehicles	15
Furniture, fittings and other equipment	10-20

The depreciation method and the assets' residual values and useful lives are reviewed at the end of each reporting period and adjusted if appropriate.

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

3.13 Financial assets and other financial instruments

The Company classifies its financial assets in the following categories: at fair value through profit or loss, and loan and receivables. The classification is dependent on the purpose for which the investments were acquired.

The directors determine the appropriate classification of financial assets at initial recognition.

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Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, i.e. financial assets acquired principally for the purpose of selling in the short-term. A financial asset is also classified in this category if, on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Assets in this category are classified as current assets if expected to be settled within twelve months; otherwise, they are classified as non-current.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the asset. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise of cash and cash equivalents, loans and receivable balance and insurance and other receivables in the statement of financial position.

Financial assets and financial liabilities are recognised on the Company statement of financial position when the Company has become a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially recognised at their fair value plus directly attributable transaction costs for all financial assets or financial liabilities not classified at fair value through profit or loss. Loans and receivables are subsequently carried at amortised cost using the effective interest method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or when the entity transfers the financial asset and the transfer qualifies for derecognition.

Financial liabilities are derecognised when they are extinguished. This occurs when the obligation specified in the contract is discharged, cancelled or expires.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

The Company evaluates the terms of financial instruments that it issues, the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument to

determine whether the financial instruments are financial liabilities or equity instruments or whether they contain both a liability and an equity component, in which case such components are classified separately as financial liabilities and equity instruments.

Receivables

Receivables are classified with assets and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

3.13.1 Investments

The Company's investments are classified into the following categories:

- (a) financial assets at fair value through profit or loss and loans; and
- (b) receivables.

The classification depends on the purpose for which the investments were acquired.

Financial assets at fair value through profit or loss are those that are held for trading purposes or those financial assets that are so designated by the Company upon initial recognition. After initial recognition, financial assets at fair value through profit or loss are measured at their fair value. Gains and losses arising from a change in fair value are recognised in profit or loss in the period in which they arise.

Dividend income on financial assets at fair value through profit or loss is recognised with investment income, if any, arising on other financial assets. Interest income and fair value gains and losses on financial assets at fair value through profit or loss are disclosed within the line item investment income.

3.13.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that are held for trading or are designated upon initial recognition as at fair value through profit or loss or those for which the Company may not recover substantially all of its initial investment other than because of credit deterioration. After initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the financial asset is derecognised or impaired and through the amortization process.

3.13.3 Offsetting financial instruments

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

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3.13.4 Bank overdraft

After initial recognition, interest-bearing bank overdrafts are carried at face value in view of their short-term maturities.

3.13.5 Other borrowings

After initial recognition, other borrowings are measured at amortised cost using the effective interest method unless the effect of discounting is immaterial. Any difference between the proceeds, net of transaction costs, and the settlement or redemption value of other borrowings is recognised in profit or loss over the period of the borrowings.

3.13.6 Payables

Payables are classified within liabilities and are stated at their nominal value unless the effect of discounting is material, in which case payables are measured at amortised cost using the effective interest method.

3.13.7 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

3.14 Investments in subsidiary undertaking

A subsidiary is an entity that is controlled by the Company. The Company controls an investee when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Investments in subsidiaries are accounted for on the basis of the direct equity interest and are stated at cost less any accumulated impairment losses. Dividends from the investment are in profit or loss.

3.15 Investment Property

Investment property is property held to earn rentals or for capital appreciation or both. Investment property is recognised as an asset when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably.

Investment property is initially measured at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value at the end of the reporting period. Gains or losses arising from changes in the fair value of investment property are recognised in profit or loss in the period in which they arise.

Investment property is derecognised on disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses on derecognition

represent the difference between the net disposal proceeds, if any, and the carrying amount and are recognised in profit or loss in the period of derecognition.

3.16 Impairment

3.16.1 Impairment of financial assets

The Company assesses at each reporting date whether there is objective evidence that any assets other than those stated at fair value through profit or loss and deferred tax assets, are impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset ("a loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The Company first assesses whether objective evidence of impairment exists. If any such indication exists, the carrying value is reduced to the estimated recoverable amount by means of a charge to the income statement, unless the asset is carried at a revalued amount.

For loans and receivables, objective evidence that a financial asset or group of financial assets is impaired included observable data that comes to the attention of the Company about the following events:

- (a) significant financial difficulty of the issuer or debtors;
- (b) a breach of contract, such as a default or delinquency in payments;
- (c) it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation; and
- (d) observable data indicating there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets of the Company.

Impairment losses recognised in prior periods are reversed if there are indications that the conditions leading to the original impairment loss no longer exist, or if there has been a change in the estimates used to determine the recoverable amount. Such losses are then 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, had no impairment loss been recognised for the asset.

3.16.2 Impairment of Non-Financial Assets

Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

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Non-financial assets of the Company that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

3.16.3 Shares issued by the Company

Ordinary shares issued by the Company are classified as equity instruments.

3.16.4 Leases

The Company assesses whether the contract is, or contains, a lease at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The lease term is determined as the non-cancellable period of a lease, together with both (a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and (b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, unless otherwise stated below. For short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets, the Company applies the recognition exemption. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the pattern of the lessee's benefit.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. The Company's incremental borrowing rate is the rate of interest that the lessee would have to pay to borrow over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise:

1. Fixed lease payments (including in-substance fixed payments), less any lease incentives;
2. Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
3. The amount expected to be payable by the lessee under residual value guarantees;
4. The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
5. Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured

by increasing the carrying amount to reflect interest in the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability to reflect revised in-substance fixed lease payments or whenever:

- (a) there is a change in the lease term or a change in the assessment of a purchase option being exercised, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate; or
- (b) there is a change in future lease payments resulting from a change in an index or a rate or a change in the amounts expected to be payable under a residual value guarantee, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used). For such remeasurements, the amount is recognised as an adjustment to the right-of-use asset, unless the carrying amount of the right-of-use asset is reduced to zero, in which case the amount is recognised in profit or loss.

The carrying amount of the lease liability is also remeasured when a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets are initially measured at the commencement date at cost, being the amount of the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The Company applies the accounting policy entitled 'Impairment' to determine and to measure the extent of any impairment losses on the right-of-use assets.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'Other operating expenses' in profit or loss.

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4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with EU IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and underlying assumptions are continually evaluated and reviewed and are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. As a result, actual results may differ from these estimates.

Any revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The judgements (apart from those involving estimations) made by management in the process of applying the Company's accounting policies and that can significantly affect the amounts recognised in the financial statement described in this paragraph. Other than the key assumptions concerning the future, and key sources of estimation uncertainty, at the end of the reporting period, may also have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4.1 Determining the lease term of contracts with renewal and termination options – Company as lessee

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate. The Company included up to 10 years of the renewal period as part of the lease term for leases of its operating branches premises having a shorter non-cancellable period.

4.2 Leases - Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset

of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as for an entity that does not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the Company's functional currency). The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as its credit rating). The change in management's estimate in IBR, would not have a material impact on the Company's liabilities.

4.3 Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (addressed separately below), that the directors have made in the process of applying the Company's accounting policies and that will have the most significant effect on the amounts recognised in financial statements.

Assessment of significance of insurance risk

The Company applies its judgement in assessing whether a contract transfers to the issuer significant insurance risk. A contract transfers significant insurance risk only if an insured event could cause the Company to pay additional amounts that are significant in any single scenario and only if there is a scenario that has commercial substance in which the issuer has a possibility of a loss on a present value basis upon an occurrence of the insured event, regardless of whether the insured event is extremely unlikely. The assessment of whether additional amounts payable on the occurrence of an insured event are significant and whether there is any scenario with commercial substance in which the issuer has a possibility of a loss on a present value basis involves significant judgement and is performed at initial recognition on a contract-by-contract basis. The type of contracts where this judgement is required are those that transfer financial and insurance risk and result in the latter being the smaller benefit provided. The application of judgement in this area is aided by the Company's processes to filter contracts where the additional amounts referred to above are more than 5% but less than 10% of the amounts paid if the insured event does not occur. Additional amounts that are less than 5% are considered by the Company as insignificant. This assessment is performed after separation of non-closely related derivatives, distinct investment components and promises to transfer distinct goods and non-insurance services.

Combination of insurance contracts

Determining whether it is necessary to treat a set or series of insurance contracts as a single contract involves significant judgement and careful consideration. In assessing whether a set or series of insurance contracts achieve, or are designed to achieve, an overall commercial effect, the Company determines whether the rights and obligations are different when looked at together compared to when looked at individually and whether the Company is unable to measure one contract without considering the other.

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Year Ended 31 December 2024

Consideration whether there are investment components

The Company considers all terms of contracts it issues to determine whether there are amounts payable to the policyholder in all circumstances, regardless of contract cancellation, maturity, and the occurrence or non-occurrence of an insured event. The Company considers such payments to meet the definition of an investment component, irrespective of whether the amount repayable varies over the term of the contract as the amount is repayable only after it has first been paid by the policyholder.

Determination of the contract boundary

The measurement of a group of insurance contracts includes all the future cash flows arising within the contract boundary. In determining which cash flows fall within a contract boundary, the Company considers its substantive rights and obligations arising from the terms of the contract, from applicable law, regulation and customary business practices. Cash flows are considered to be outside of the contract boundary if the Company has the practical ability to reprice existing contracts to reflect their reassessed risks, and if the contract's pricing for coverage up to the date of reassessment only considers the risks until the next reassessment date. The Company applies its judgement in assessing whether it has the practical ability to set a price that fully reflects all the risks in the contract or portfolio.

The Company considers contractual, legal and regulatory restrictions when making its assessment and applies judgement to decide whether these restrictions have commercial substance.

Identification of portfolios

The Company defines a portfolio as insurance contracts subject to similar risks and managed together. Contracts within the same product line are expected to be in the same portfolio as they have similar risks and are managed together. The assessment of which risks are similar and how contracts are managed requires the exercise of judgement. Where similar products are issued by different entities within a group, they are considered to be separate portfolios. Despite the oversight provided by management at the group level, the Company determines that these contracts are managed at the local issuing entity level. For some product lines, the group acquires insurance contracts as part of a business combination or a portfolio transfer. Unlike originally issued contracts, contracts acquired in a settlement phase transfer an insurance risk of adverse claims development. The Company considers such risk to be different from contracts it originally issues and aggregates such contracts in separate portfolios by product line. For investment-linked insurance policies, the Company considers groups of contracts participating in different pools of underlying items to be in different portfolios, because they are subject to different risks from underlying items. However, where different products participate in the same pool of underlying items (e.g. investment-linked insurance policies and investment contracts with discretionary participating features), these are also considered separate portfolios due to different insurance risks.

Level of aggregation

The Company applies judgement when distinguishing between contracts that have no significant possibility of becoming onerous and other profitable contracts.

Assessment of directly attributable cash flows

The Company uses judgement in assessing whether cash flows are directly attributable to a specific portfolio 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, and fulfilment cash flows directly attributable to the fulfilment of insurance contracts.

Assessment of the eligibility for meeting the criteria for direct participating contracts

Direct participating contracts are considered to be sufficiently different from other participating contracts due to the enforceable link to the underlying items, the significance of policyholders' share of those returns to the overall policyholder payments. The Company assesses whether a contract meets the definition of a direct participating contract using the Company's expectations existing at inception of the contract. This assessment is performed, on a contract-by-contract basis, for all insurance contracts with direct participating features and investment contracts with discretionary participating features (investment contracts with DPFI). In assessing the significance of the policyholder's share of returns from the underlying items and the degree of variability in total payments to the policyholder, the Company applies significant judgement. The Company considers that annual charges applied to the policyholder amount reduce the policyholder share of returns.

Level of aggregation for determining the risk adjustment for non-financial risk

IFRS 17 does not define the level at which the risk adjustment for non-financial risk should be determined. The level of aggregation for determining the risk adjustment for non financial risk is not an accounting policy choice and requires judgement. The Company considers that the benefits of diversification occur separately for life and non-life business of insurance. The pre-diversification risk adjustment is calculated at group level.

Selecting a method of allocation of coverage units

IFRS 17 establishes a principle for determining coverage units, not a set of detailed requirements or methods. The selection of the appropriate method for determining the amount of coverage units is not an accounting policy choice. It involves the exercise of significant judgement and development of estimates considering individual facts and circumstances. The Company selects the appropriate method on a portfolio-by-portfolio basis. In determining the appropriate method, the Company considers the likelihood of insured events occurring to the extent that they affect expected period of coverage in the group, different levels

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of service across the period and the quantity of benefits expected to be received by the policyholder. For contracts providing both insurance coverage and investment-related services or both insurance coverage and investment-return services, the Company exercises judgement in determining the scaling factor applied in the weighting of benefits determined at initial recognition. The weights are recalculated in each subsequent period, reflecting historical experience and changes in assumptions for future periods that are determined at the reporting date.

Assessment of discretionary cash flows for indirect participating contracts

The terms of some indirect participating contracts, such as deferred variable annuities, give the Company discretion over the cash flows to be paid to policyholders. Changes in discretionary cash flows are considered to be related to future service, and, accordingly, adjust the CSM. To identify whether changes in cash flows are deemed to be changes in discretionary cash flows, the Company exercises judgement in specifying at inception what it regards as their commitment under the contract. How the Company specifies its commitment under the contract will determine how much of the changes in expected future cash flows will be reflected immediately in profit or loss or will adjust CSM. For deferred variable annuities, the Company considers its commitment under the contract to be the minimum guaranteed return in the accumulation phase and the guaranteed annuity rates in the pay-out phase.

4.4 Key sources of estimation uncertainty

The following are key estimations that the directors have used in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Insurance contract assets and liabilities and reinsurance contract assets and liabilities

By applying IFRS17 to the measurement of insurance contracts issued (including investment contracts with DPF) and reinsurance contracts held, the Company has made estimations in the following key areas. They form part of the overall balances of insurance contract assets and liabilities and reinsurance contract assets and liabilities:

- Future cash flows
- Discount rates
- Allocation rate for insurance finance income or expenses
- Risk adjustment for non-financial risk
- Allocation of asset for insurance acquisition cash flows to current and future groups of contracts

5. INSURANCE AND FINANCIAL RISK MANAGEMENT

5.1 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the

resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

The primary insurance activity carried out by the Company assumes risks that relate to motor, property, engineering, marine, travel, credit, liability, accident, life, financial or other losses that may arise from an insurable event. The Company is therefore exposed to the uncertainty surrounding the timing and severity of claims under the insurance contract. The Company also has exposure to market risk through its insurance and investment activities.

The Company manages its insurance risk through underwriting limits, approval procedures for transactions that involve new products or that exceed set limits, pricing guidelines, centralised management of reinsurance and monitoring of emerging issues.

The Company uses relevant methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. The principal risk is that the frequency and severity of claims is greater than expected. Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated.

The frequency and severity of claims can be affected by several factors, but primarily by the types of risks that the company accepts to insure. Risk can be significantly affected by a single event such as a severe storm or a drastic change in the methods of compensation awarded by courts.

The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling, as discussed in the subsequent notes.

Concentration of insurance risk

The Company's concentration of insurance risk is on the whole resulting from risks situated in Malta.

Underwriting strategy

Since its establishment, the Company has developed its own underwriting criteria and strategy which have evolved in line with the technical underwriting disciplines of its international treaty reinsurers.

The positive portfolio results over the years have borne out the Company's strategy of pursuing prudent underwriting policies and focusing on risk selection. The Company's consistent pursuit of this strategy is a reflection of the fact that from the outset it has taken a long-term view of the business.

The Company continues to provide risk management guidance to clients with a view to improving the underwriting results of risk exposures associated with diverse sectors of commercial and industrial activity.

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Reinsurance strategy

The Company reinsures a portion of the risks it underwrites in order to control its exposures to losses and protect capital resources. The Company buys a combination of proportionate and non-proportionate reinsurance treaties to reduce the Company's net exposure. In addition, the Company also buys facultative reinsurance in certain specified circumstances. Ceded reinsurance contains credit risk, and such reinsurance recoverable are reported after deductions, if any, for known insolvencies and, uncollectible items. The Company monitors the financial condition of reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically.

The Company utilises a reinsurance agreement with non-affiliated reinsurers to control its exposure to losses resulting from one occurrence and for the accumulation of net property losses arising out of one occurrence.

The Company's policy is to only utilise reinsures with a minimum Standard & Poor rating (or equivalent when not available) of "A-".

Terms and conditions of insurance contracts

The terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts are set out below.

Nature of risks covered

The following gives an assessment of the Company's main products and the ways in which it manages the associated risks.

General insurance contracts – Motor

The Company writes all classes of motor insurance in Malta providing cover in Malta and statutory cover in the European Union. Motor insurance can cover the policyholder against material own damage and third-party liability depending on the level of cover in force.

In Malta there is compulsory motor insurance legislation obliging motorists to have third party liability cover. Prior to May 2004, third party cover was unlimited but was subsequently changed by means of legislative amendments to a limit of €1,164,687. The adoption of the 5th Motor Insurance Directive provided for further increases to the third-party liability limit, up to €5,000,000 for death or bodily injury. With effect from 11th June 2017, the third party liability limit increased to €6,070,000 for death or bodily injury.

'Own damage' claims are easily quantifiable and settled and are therefore classified as 'short-tailed', meaning that expense deterioration and investment return will be of negligible importance. This contrasts with the 'long-tailed' classes where the ultimate claim cost takes longer to determine, making expenses and investment return considerably more important.

There are numerous components underlying the liability aspect of motor insurance. Most of these have relatively moderate payment patterns (with most of the claims for a given accident year closed within five years), while others can have longer payment patterns.

This can give rise to an element of uncertainty about claim reserves.

The insurance risk is managed primarily through pricing, product design, risk selection, appropriate investment strategy, rating and reinsurance. The Company therefore monitors and reacts to changes in the general economic and commercial environment in which it operates.

General insurance contracts

The Company writes property insurance in Malta and in respect of Maltese interests abroad. Property insurance indemnifies, subject to any limits or excesses, the policyholder against loss or damage to their own material property and business interruption arising from this damage.

The event giving rise to a claim for damage to buildings or contents usually occurs suddenly (as for fire and burglary) and the cause is easily determinable. The claim will thus be notified promptly and can be settled without delay. Property business is therefore classified as 'short-tailed'.

The key risks associated with this product are underwriting risk, competitive risk and claims experience risk (including the variable incidence of natural causes). The Company is also exposed to the risk of dishonest actions by policyholders.

Underwriting risk is the risk that the Company does not charge premiums appropriate for the different properties it insures. The risk on any policy will vary according to many factors such as location, safety measures in place and the age of property. For domestic property insurance it is expected that there will be large numbers of properties with similar risk profiles. However, for commercial business this will not be the case. Many commercial property proposals comprise of a unique combination of location, type of business, and safety measures in place. Calculating a premium commensurate with the risk for these policies will be subjective, and hence risky.

Property classes are exposed to the risk that the insured will make false or invalid claims, or exaggerate the amount claimed following a loss. This largely explains why economic conditions correlate with the profitability of a property portfolio.

General insurance contracts – Liability

The Company writes liability insurance in Malta and in respect of Maltese interests abroad. Under these contracts monetary compensation is paid for property damage and bodily injury suffered by employees or members of the public.

General liability is considered a 'long tail' line, as it takes a relatively long period of time to finalise and settle claims for a given accident year. The speed of claim reporting and claim settlement is a function of the specific coverage provided, the jurisdiction and specific policy provisions. There are numerous components underlying the liability product line. Most of these have relatively moderate payment patterns (with most of the claims for a given accident year closed within five years), while others can have longer payment patterns.

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While the majority of liability coverages are written on an “occurrence basis,” certain liability coverages (such as those covering professional liability) are generally insured on a “claims-made” basis.

This line is typically the largest source of uncertainty regarding claim provisions.

The key risks associated with this product are underwriting risk, competitive risk, and claims experience risk (including the variable incidence of natural disasters). The Company is also exposed to the risk of dishonest actions by policyholders.

As with the liability aspect of motor insurance, the insurance risk is managed primarily through pricing, product design, risk selection, appropriate investment strategy, rating and reinsurance.

The Company therefore monitors and reacts to changes in the general economic and commercial environment in which it operates.

Long-term life insurance contracts

The Company writes long term business in Malta. These contracts insure events associated with human life over a long duration.

The most significant factors that could increase the overall frequency of claims are epidemics or widespread changes in lifestyle resulting in earlier or more claims than expected. At present, these risks do not vary significantly in relation to the location of the risk insured by the Company. However, undue concentration by amounts could have an impact on the severity of payments on a portfolio basis.

The Company manages these risks through its underwriting policy and reinsurance arrangements. Medical selection is also included in the Company’s underwriting procedures with premiums varied to reflect the health condition and family medical history of the applicants.

For contracts with fixed and guaranteed benefits and fixed future premiums there are no mitigating terms and conditions that reduce the insurance risk accepted.

For contracts with Discretionary Participation Features (DPF), the participating nature of these contracts results in a portion of the insurance risk being shared with the insured party.

Uncertainty in the estimation of future payments and premium receipts for long term insurance contracts arises from the unpredictability of long term changes in overall levels of mortality and variability in policyholder behaviour.

Short-duration life insurance contracts

These contracts are issued to employers to insure events associated with the human life of their employees. The risk is affected by the nature of the industry in which the employer operates in addition to the factors noted above. The Company attempts to manage this

risk through its underwriting, claims handling and reinsurance policy. There is no specific need to estimate mortality rates or morbidity rates for future years because these contracts have a short duration.

Financial risk

The exposures to risk and the way risks arise, together with the Company’s objectives, policies and processes for managing and measuring these risks are disclosed in more detail below.

The Company is exposed to financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. These comprise mainly market risk, credit risk, and liquidity risk.

Each of these financial risks is described below, together with a summary of the ways in which the Company manages these risks.

Where possible, the Company aims to reduce and control risk concentrations. Concentrations of financial risk arise when financial instruments with similar characteristics are influenced in the same way by changes in economic or other factors. The amount of the risk exposure associated with financial instruments sharing similar characteristics is disclosed in more detail in the notes to the financial statements.

Asset/Liability matching

The Company actively manages its assets using an approach that balances quality, diversification, asset/liability matching, liquidity and investment return. The goal of the investment process is to optimise the net of taxes, risk-adjusted investment income and risk-adjusted total return, whilst ensuring that the assets and liabilities are managed on a cash flow and duration basis.

The Company establishes target asset portfolios for life and non-life products, which represents the investment strategies used to profitably fund its liabilities within acceptable levels of risk. These strategies include objectives for effective duration, yield curve, liquidity, asset sector concentration and credit quality. The estimates used in determining the approximate amounts and timing of payments to or on behalf of policyholders for insurance liabilities are regularly re-evaluated. Many of these estimates are inherently subjective and could impact the Company’s ability to achieve its asset/liability management goals and objectives.

Market risk

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

Interest rate risk

The Company is exposed to cash flow interest rate risk on cash deposits and borrowings carrying a floating interest rate and to fair value interest rate risk on debt instruments carrying a fixed interest rate and re-measured at fair value. Investments in equity instruments are not exposed to interest rate risk.

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Year Ended 31 December 2024

2024	NOTES	WITHIN 1 YEAR	BETWEEN 1-5 YEARS	OVER 5 YEARS	TOTAL
		€	€	€	€
Assets held at variable rates					
Cash and cash equivalents	27	6,395,164	-	-	6,395,164
Assets held at fixed rates					
Debt securities	25	536,298	3,297,476	3,137,338	6,971,112
Loans and receivables	25	249,785	500,000	-	749,785
Total interest-bearing assets		7,181,247	3,797,476	3,137,338	14,116,061
Liabilities issued at variable rates					
Borrowings	27	(1,470,657)	(1,000,000)	-	(2,470,657)
Liabilities issued at fixed rates					
Borrowings	30	-	(366,546)	-	(366,546)
Net exposure on assets held at variable rates at 31 December 2024		4,924,507	(1,000,000)	-	3,924,507
Net exposure on assets held at fixed rates at 31 December 2024		786,083	3,430,930	3,137,338	7,354,351

2023	NOTES	WITHIN 1 YEAR	BETWEEN 1-5 YEARS	OVER 5 YEARS	TOTAL
		€	€	€	€
Assets held at variable rates					
Cash and cash equivalents	27	8,895,674	-	-	8,895,674
Assets held at fixed rates					
Debt securities	25	353,989	2,790,641	2,582,833	5,727,463
Loans and receivables	25	250,000	250,000	-	500,000
Total interest-bearing assets		9,499,663	3,040,641	2,582,833	15,123,137
Liabilities issued at variable rates					
Borrowings	27	(1,347,320)	(1,000,000)	-	(2,347,320)
Liabilities issued at fixed rates					
Borrowings	30	-	(366,546)	-	(366,546)
Net exposure on assets held at variable rates at 31 December 2023		7,548,354	(1,000,000)	-	6,548,354
Net exposure on assets held at fixed rates at 31 December 2023		603,989	2,674,095	2,582,833	5,860,917

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The Company's exposure to market risk for changes in interest rate is concentrated primarily in its investment portfolio, and to a lesser extent, in any debt obligations arising. The Company monitors this exposure through regular reviews of its asset and liability positions. When developing and reviewing investment strategies, the investment committee seeks to mitigate the Company's exposure to interest rate risk by spreading its investment in debt securities over a wide range of maturity dates. Estimates of cash flows, as well as the impact of interest rate fluctuations relating to the Company's investment portfolio and insurance liabilities, are modelled and reviewed quarterly. The overall objective of these strategies is to limit the net changes in the value of assets and liabilities arising from interest rate movements.

General insurance liabilities presented in the accounts are generally of a short term duration/tail and are therefore not discounted and not rate-sensitive liabilities. In those instances, where interest is payable (e.g. in the case of damages awarded by the courts), interest is included in the claims cost whilst the investment income earned until the claim is settled is credited to profit or loss as it accrues. Liabilities emanating from Long-term business insurance contracts are presented as discounted.

The sensitivity for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instruments will fluctuate because of changes in market interest rates at the reporting date. The Company's fair value interest rate risk arises primarily on debt securities that carry a fixed rate of interest and are measured at fair value. The net effect of an immediate 50 basis point increase/decrease in yields at the end of 2024 was estimated at €36,772 (2023 - €29,305).

Equity price risk

The portfolio of marketable equity securities and certain collective investment schemes has exposure to price risk, which is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk. The Company's objective is to earn competitive relative returns by investing in a diverse portfolio of high quality, liquid securities. Portfolio characteristics are analysed regularly and equity price risk is actively managed. Holdings are diversified across industries, and concentrations in any one Company or industry are limited by parameters established by the Company's investment committee, as well as by statutory requirements.

The Company's portfolio is analysed by category as follows:

2024	GENERAL BUSINESS	LIFE BUSINESS	TOTAL	MARKET VALUE
				€
Bank deposits	0.00%	5.76%	5.76%	749,785
Corporate bonds (local and foreign)	8.89%	17.91%	26.80%	3,490,811
Government bonds	7.08%	19.64%	26.72%	3,480,301
Equity	31.43%	2.37%	33.81%	4,403,437
Collective investment scheme	1.57%	5.35%	6.92%	900,798
	48.97%	51.03%	100.00%	13,025,132
				€
				€
2023	GENERAL BUSINESS	LIFE BUSINESS	TOTAL	MARKET VALUE
				€
Bank deposits	0.00%	4.50%	4.50%	500,000
Corporate bonds (local and foreign)	9.51%	21.57%	31.08%	3,455,470
Government bonds	3.31%	17.12%	20.43%	2,271,993
Equity	34.99%	2.68%	37.67%	4,188,376
Collective investment scheme	1.84%	4.49%	6.32%	703,211
	49.64%	50.36%	100.00%	11,119,050

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Year Ended 31 December 2024

Sensitivity analysis

The sensitivity for equity price risk illustrates how changes in the fair value of equity securities will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual issuer, or factors affecting all similar equity traded in the market. An increase or a decrease of 5% in equity prices, with all other variables held constant, would result in an impact of +/- €220,172 (2023 – +/- €209,419) on the Company's results, and has substantially the same impact on the Company's results.

Currency risk

Whereas the majority of the Company's financial assets and liabilities are denominated in Euro which is the functional currency, some financial assets are held in other currencies. The Company may therefore be exposed to currency risk as the value of instruments denominated in other currencies may fluctuate due to changes in exchange rates. Any movements in the rates of exchange of those financial assets that are denominated in other foreign currencies are not deemed to have a significant effect on the Company's results.

The directors do not consider the Company's and the Company's exposure to exchange risk to be significant.

Significant guarantees

On death or maturity there is an effective guarantee under the conventional "With-Profit" policies. The Company pays the higher of the sum assured plus attaching regular bonuses and the asset share.

Credit risk

The Company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Company is exposed to credit risk are:

- (a) Cash and cash equivalents
- (b) Financial assets at fair value through profit or loss – Debt securities
- (c) Loans and receivables
- (d) Reinsurance assets
- (e) Insurance receivable

The total financial assets bearing credit risk are the following:

	2024	2023
	€	€
Cash and cash equivalents	6,395,164	8,895,674
Financial assets at fair value through profit or loss	6,971,112	5,727,463
Loans and receivables	749,785	500,000
	14,116,061	15,123,137

The carrying amounts disclosed above represent the maximum exposure to credit risk.

The Company's cash is placed with quality financial institutions. The credit risk in respect of concentration of investments is not considered by the directors to be significant in view of the credit standing of the issuers.

The table below shows the credit rating of the financial institutions at which cash is held by the Company at the end of the reporting period using the Standard & Poor's credit rating symbols.

	2024	2023
	€	€
AA-	1,676,953	1,994,565
BBB	2,990,108	0
BBB-	0	2,351,270
Unrated	838,995	2,087,421
	5,506,056	6,433,256

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An investment committee has been established to manage the Company's credit and market risk arising out of its investment activities. The committee is bound by an investment policy, which establishes maximum exposures to individual counterparties and minimum holdings in securities issued by first class names. The Board of Directors has approved this investment policy and subsequent revisions. At 31 December 2024, 50% of the Company's debt securities comprised of Government Bonds (41% in 2023), of which 88% (91% in 2023) are investments in Government Bonds

on the Malta Stock Exchange and 12% (9% in 2023) are quoted on equivalent exchanges. The remaining 50% (59% in 2023) are represented by investments in corporate bonds of which 46% (47% in 2023) are listed on the Malta Stock Exchange and 54% (53% in 2023) are listed on equivalent European exchanges.

Where the cash and cash equivalents are held with unrated subsidiaries as part of a wider network, the rating of the group was utilised for presentation purposes.

The table below shows the credit rating of the debt securities at the end of the reporting period using an internal credit rating.

	2024		2023	
	Government Bonds	Corporate Bonds	Government Bonds	Corporate Bonds
	€	€	€	€
AA+	-	51,479	-	-
AA-	-	52,665	-	53,290
A	-	140,853	-	163,059
A-	3,277,568	466,194	2,165,474	503,515
BBB+	-	358,545	-	353,009
BBB	96,895	338,019	96,370	330,374
BBB-	105,838	497,687	106,519	479,935
Unrated	-	1,585,369	-	1,475,918
	3,480,301	3,490,811	2,368,363	3,359,100

In the current year, the Company had a loan and receivable balance held with a reliable financial institution, amounting to €749,785. This balance was €500,000 in the prior year.

The Company cedes insurance risk to limit exposure to underwriting losses under various agreements that cover individual risks, group risks or defined blocks of business, on a co-insurance, proportional and non-proportional yearly renewable term excess or catastrophe excess of loss basis. These reinsurance agreements spread the risk and minimise the effect of losses. The amount of each risk retained depends on the Company's evaluation of the specific risk, subject in certain circumstances, to maximum limits based on characteristics of coverage. Under the terms of the reinsurance agreements, the reinsurer agrees to reimburse the ceded amount in the event the claim is paid. However, the Company remains liable

to its policyholders with respect to ceded insurance if any reinsurer fails to meet the obligations it assumes. The Company manages its credit risk arising through its reinsurance arrangements by using mainly "A" rated reinsurers. When selecting a reinsurer, the Company considers their relative security. The security of the reinsurer is assessed from public rating information and from internal investigations.

Other receivables are presented net of an allowance for doubtful debts. An allowance for doubtful debts is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Credit risk with respect to other receivables is limited due to credit control procedures in place and the large number of customers comprising the Company's debtor base.

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Within other receivables are the following receivables that are classified as impaired and therefore provided for:

	2024	2023
	€	€
Specifically provided for receivables	<u>147,391</u>	<u>147,391</u>

Balances are determined to be impaired because of significant financial difficulties experienced by the counterparties or pending legal cases.

Liquidity risk

The Company has to meet daily calls on its cash resources, notably from claims arising on its general and life insurance contracts. There is therefore a risk that cash will not be available to settle liabilities when due. The Company manages this risk by setting minimum limits on the proportion of maturing assets that will be available to settle these liabilities. It also holds a number of listed investments that can be readily disposed of should such need arise.

Furthermore, the Company has set a minimum level of borrowing facilities that could be utilized to cover claims maturities and surrenders at unusually high levels.

The following maturity analysis shows the expected timing of cash flows arising from the Company's financial liabilities. The analysis includes both interest and principal cash flows.

2024	LESS THAN 1 YEAR	BETWEEN 1-5 YEARS	OVER 5 YEARS	TOTAL
	€'000	€'000	€'000	€'000
Subordinated loans	-	1,367	-	1,367
Bank borrowings	1,471	-	-	1,471
Lease liabilities	149	329	73	551
Other payables	1,587	-	-	1,587
	<u>3,207</u>	<u>1,696</u>	<u>73</u>	<u>4,976</u>

2023	LESS THAN 1 YEAR	BETWEEN 1-5 YEARS	OVER 5 YEARS	TOTAL
	€'000	€'000	€'000	€'000
Subordinated loans	-	1,367	-	1,367
Bank borrowings	1,347	-	-	1,347
Lease liabilities	142	321	91	554
Other payables	1,958	-	-	1,958
	<u>3,447</u>	<u>1,688</u>	<u>91</u>	<u>5,226</u>

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2024

Reconciliation of liabilities arising from financing activities

Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Statement of Cash Flows as cash flows from financing activities. The liabilities arising from financing activities are the loans and receivables and borrowings in which the movement is attributable to cash flow movement as presented on the Statement of Cash Flows.

Fair values

The investments held by the Company as reported under Note 25.1 to the financial statements, "Financial Assets at fair value through profit or loss" are stated at their respective market values. These financial assets comprise listed equities, bonds, funds and government bonds whose market value is based on readily available quoted prices.

At 31 December 2024 and 2023, the carrying amounts of other short term instruments approximated their fair values due to the short term maturities of these assets and liabilities. The fair value of long term instruments is not materially different from their carrying amounts.

IFRS7 requires the disclosure of fair value measurement methodologies in a three-level hierarchy, as described in the basis of preparation paragraph in Note 3.

All the Company's financial instruments as disclosed in Note 25 are measured using Level 1 methodologies. The land and buildings as disclosed in Note 22 are measured using Level 3 methodologies. The investment property as disclosed in Note 23 are measured using Level 3.

Capital risk management

The Company's objectives when managing capital are:

- To comply with the obligations to maintain positive solvency position based on the regulatory requirements of the insurance market where the Company operates;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

The Company's directors manage its capital structure and make adjustments to it, in light of changes in economic conditions. The capital requirement of the Company is maintained in accordance with regulatory solvency and capital requirement of the insurance market in which it operates.

The Company is financed by shareholders' total equity together with subordinated shareholder and bank borrowings. The capital structure is reviewed on an ongoing basis. Based on recommendations of the directors, the Company balances its overall capital structure through the payments of dividends, new share issues as well as the issue of new debt or the redemption of existing debt. The Company's overall strategy remains unchanged from the prior year.

The Company was compliant with the respective regulatory solvency requirements throughout the financial period. 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 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 €14,060,188 (2023: €12,611,196), an improvement of €1,448,992.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2024

Technique for estimation of future cash flows

In estimating fulfilment cash flows included in the contract boundary, the Company considers the range of all possible outcomes in an unbiased way specifying the amount of cash flows, timing and probability of each scenario reflecting conditions existing at the measurement date, using a probability-weighted average expectation. The probability-weighted average represents the probability-weighted mean of all possible scenarios. In determining possible scenarios, the Company uses all the reasonable and supportable information available to them without undue cost and effort, which includes information about past events, current conditions and future forecasts.

Cash flow estimates include both market variables directly observed in the market or derived directly from markets and non-market variables such as mortality rates, accident rates, average claim costs, probabilities of severe claims, policy surrender rates. The Company maximises the use of observable inputs for market variables and utilises internally generated group-specific data.

For life insurance contracts, the Company uses a combination of internal mortality statistics and data from reinsurers in estimating mortality rates.

Method of estimating discount rates

In determining discount rates for different products, the Company uses the top-down approach for cash flows of non-participating

contracts that do not depend on underlying items. Applying this approach, the Company uses the yield curve created by market rates of return implied in the fair value of a reference portfolio of assets and adjusts it to exclude the effects of risks present in the assets, but not in the insurance cash flows, except for the differences in liquidity, which need not be eliminated. One of the key sources of estimation uncertainty is estimating the market risk premiums for credit risk of the underlying items that are only relevant to assets included in the reference portfolio, but not to the non-participating contracts (and are accordingly excluded).

The Company looks to the market price of credit derivatives as a reference point. The key source of estimation uncertainty is determining discount rates beyond the last observable period for which credit derivatives are available. The other key source of estimation uncertainty is estimating the effect of the differences in timing, amount, and uncertainty of the cash flows of items in the reference portfolio and the cash flows of the Company of insurance contracts.

To derive the yield curve from the reference portfolio of items, the Company uses observable market inputs such as market prices in an active market. The Company exercises judgement to assess similarities between the characteristics of a reference portfolio of assets for which observable market information is available and the characteristics of the insurance contracts being measured.

The Company used the following yield curves to discount cash flows:

	CURRENCY	1 YEAR	5 YEARS	10 YEARS
2024	€	2.47%	2.37%	2.50%
2023	€	3.56%	2.52%	2.10%

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2024

6. SENSITIVITY ANALYSIS

Underwriting risk

The following table details the impact of changes in key assumptions on the Company's profit or loss and equity before and after risk mitigation from reinsurance contracts held. This analysis is based on a change in one risk variable with all other variables held constant. Sensitivity analysis assumes that changes to variables can be made independently, which is very unlikely to occur in practice. There were no changes made from the previous period in the methods and assumptions used in preparing the sensitivity analysis.

CHANGE IN ASSUMPTION		PROFIT OR LOSS		EQUITY	
		GROSS	NET	GROSS	NET
		€	€	€	€
2024					
Mortality	+10%	281,351	31,855	182,878	20,706
Mortality	-10%	(326,789)	(82,098)	(212,413)	(53,364)
Lapse rates	+5%	(16,570)	(211,968)	(10,771)	(137,779)
Lapse rates	-5%	19,541	264,267	12,702	171,774
Expenses	+10%	(52,152)	(52,152)	(33,899)	(33,899)
Expenses	-10%	49,236	49,236	32,003	32,003
Loss rate	+5%	(385,127)	(328,020)	(250,333)	(213,213)
Loss rate	-5%	385,127	328,020	32,003	32,003
2023					
Mortality	+10%	362,188	11,533	235,422	7,496
Mortality	-10%	(825,594)	(486,398)	(536,636)	(316,159)
Lapse rates	+5%	36,589	(235,598)	23,783	(153,139)
Lapse rates	-5%	(44,148)	384,231	(28,696)	249,750
Expenses	+10%	(41,483)	(41,483)	(26,964)	(26,964)
Expenses	-10%	32,294	32,294	20,991	20,991
Loss rate	+5%	(410,600)	(335,235)	(266,890)	(217,903)
Loss rate	-5%	410,600	335,235	266,890	217,903

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2024

Claims development

Claims development information is disclosed in order to illustrate the insurance risk inherent in the Company. The tables compare the claims paid on an accident year with the provisions established for these claims. The top part of the table provides a review of current estimates of cumulative claims net of reinsurance and demonstrates how the estimated claims have changed at subsequent reporting or accident year-ends. The estimate is increased or decreased as losses are paid and more information becomes known with the development of unpaid claims. The lower part of the table provides a reconciliation of the total provision included in the statement of financial position and the estimate of cumulative claims. The claims development table contains figures that are presented net of reinsurance due to the fact that the reinsurance recoverables for the classes presented in this triangulation are minimal and do not exceed their respective attachment points under the reinsurance treaties.

While the information in the table provides a historical perspective on the adequacy of unpaid claims estimates established in previous years, readers of these financial statements are cautioned against extrapolating redundancies or deficiencies of the past on current unpaid loss balances. The Company believes that the estimate of total claims outstanding as of the end of 2023 is adequate. Although the amounts provided reflect managements' best estimate of the total claims outstanding, the Company's total outlay in relation to such claims becomes final on payment. Liability in respect of classes of business not in the analysis includes the marine, fire, accident, credit, engineering and health classes of business as well as the life business and the incurred but not reported liability.

COMPANY	2015	2016	2017	2018
	€	€	€	€
Estimates of the ultimate claim costs:				
At the end of the accident year	2,154,508	2,222,247	2,400,713	2,584,016
One year later	2,787,473	2,809,620	3,256,794	3,472,248
Two years later	2,647,604	2,681,028	3,109,818	3,339,323
Three years later	2,685,164	2,569,678	3,045,711	3,330,333
Four years later	2,659,930	2,559,627	3,091,662	3,343,253
Five years later	2,693,614	2,578,207	3,069,995	3,344,590
Six years later	2,703,645	2,585,213	3,097,443	3,350,102
Seven years later	2,787,985	2,631,273	3,092,049	
Eight years later	2,813,820	2,604,454		
Nine years later	2,830,820			
Current estimates of cumulative amounts	2,830,008	2,604,454	3,092,049	3,350,102
Current payments to-date	(2,619,507)	(2,514,647)	(3,054,301)	(3,314,670)
Liabilities recognised in the statement of financial position	210,156	89,807	37,748	35,432
Liabilities in respect of prior years				
Liabilities in respect of classes of business not in the analysis				
Total reserve included in the statement of financial position				

2019	2020	2021	2022	2023	2024	NET
€	€	€	€	€	€	€
2,894,153	2,124,631	2,373,066	2,793,969	2,830,347	3,318,608	25,696,258
3,587,429	2,361,033	2,696,291	3,358,572	3,219,495		27,548,955
3,462,044	2,325,400	2,701,875	3,247,617			23,514,709
3,417,319	2,210,808	2,578,687				19,837,700
3,336,742	2,198,092					17,189,306
3,314,950						15,001,356
						11,736,403
						8,511,307
						5,418,274
						2,830,820
3,314,950	2,198,092	2,578,687	3,247,617	3,219,495	3,318,608	29,754,062
(3,255,554)	(2,054,641)	(2,285,576)	(2,525,950)	(2,144,362)	(1,007,687)	(24,776,895)
59,396	143,451	293,111	721,667	1,075,133	2,310,921	4,976,823
						596,118
						881,925
						6,454,866

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2024

7. INSURANCE REVENUE

The following table presents an analysis of the insurance revenue recognised in the period.

	2024	2023
	€	€
<i>Amounts relating to changes in liabilities for remaining coverage</i>		
Expected incurred insurance service claims	564,341	556,373
Expected incurred insurance service expenses	549,334	523,551
Change in risk adjustment for non-financial risk for risk expired	207,221	711,147
CSM recognised for services provided	574,653	435,773
Recovery of insurance acquisition cash flows	137,476	65,041
Experience adjustments	225,361	(58,179)
Contracts not measured under the PAA	2,258,386	2,233,706
Contracts measured under the PAA	17,026,321	15,632,150
Total insurance revenue	19,284,707	17,865,856

8. INSURANCE SERVICE EXPENSES

The table below shows an analysis of insurance service expenses recognised in the period.

	2024	2023
	€	€
Incurring insurance service claims	10,982,137	9,383,275
Incurring directly attributable expenses	-	-
Changes that relate to past service – adjustment to the LIC	13,514	(88,675)
Changes that relate to future service – losses on onerous groups of contracts and reversal of such losses	1,600,075	904,094
Insurance acquisition costs	3,361,946	3,179,741
Total insurance expenses	15,957,672	13,378,436

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2024

9. INCOME OR EXPENSES FROM REINSURANCE CONTRACTS HELD

An analysis of allocation of reinsurance premiums paid and amounts recovered from reinsurers, are presented in the tables below:

	2024	2023
	€	€
<i>Amounts relating to changes in the remaining coverage</i>		
Expected amount recoverable for claims and other insurance service expenses incurred in the period	641,129	620,829
Change in risk adjustment for non-financial risk for risk expired	148,496	276,051
CSM recognised for services received	(58,039)	66,269
Experience adjustments for premium paid	-	-
Contracts not measured under the PAA	731,586	963,149
Contracts measured under the PAA	4,322,166	3,875,583
Allocation of reinsurance premiums paid	5,053,752	4,838,732
 Amounts recoverable for incurred claims and other incurred insurance service expenses	 2,896,891	 2,822,134
Incurred directly attributable expenses	-	-
Changes in amounts recoverable that relate to past service – adjustments to incurred claims and other expenses	1,880,064	409,219
Changes in fulfilment cash flows that do not adjust underlying CSM	-	-
Effect of changes in the risk of reinsurers non-performance	-	-
Amounts recovered from reinsurers and incurred expenses	4,776,955	3,231,353
Net expenses from reinsurance contracts held	276,797	1,607,379

10. PORTFOLIOS OF INSURANCE AND REINSURANCE CONTRACT ASSETS AND LIABILITIES

The table below sets out the carrying amounts of portfolios of insurance and reinsurance contract assets and liabilities at the end of the reporting date:

	2024	2023
	€	€
Insurance contract assets	26,194	1,504,730
Insurance contract liabilities	(18,453,016)	(17,101,823)
Net	(18,426,822)	(15,597,093)
 Reinsurance contract assets	 3,789,803	 1,168,146
Reinsurance contract liabilities	(323,619)	(727,329)
Net	3,466,184	440,817

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Year Ended 31 December 2024

11. INSURANCE FINANCE EXPENSES

The table below presents an analysis of total insurance finance expenses recognised in profit or loss and OCI in the period:

	2024	2023
	€	€
Interest accreted to insurance contracts	200,074	62,824
Effect of changes in interest rates and other financial assumptions through profit and loss	49,472	102,696
Effect of changes in interest rates and other financial assumptions through OCI	-	-
Effect of changes in fulfilment cash flows at current rate when CSM is unlocked at locked-in rate	(25,425)	167,921
Effect of risk mitigation on CSM for contracts measured under VFA	-	-
Total insurance finance expense	224,121	333,441

12. REINSURANCE FINANCE INCOME

The table below presents an analysis of total reinsurance finance income recognised in profit or loss and OCI in the period:

	2024	2023
	€	€
Interest accreted to reinsurance contracts	(23,988)	(17,897)
Effect of changes in interest rates and other financial assumptions through profit and loss	(15,231)	(106,816)
Effect of changes in interest rates and other financial assumptions through OCI	-	-
Effect of changes in fulfilment cash flows at current rate when CSM is unlocked at locked-in rate	(176,936)	4,674
Total reinsurance finance income	(216,155)	(120,039)

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Year Ended 31 December 2024

13. INSURANCE CONTRACT ASSETS AND LIABILITIES

The following table shows the reconciliation from the opening to the closing balances of the net liability for the remaining coverage and the liability for incurred claims for insurance contracts.

2024	LIABILITY FOR REMAINING COVERAGE			LIABILITY FOR INCURRED CLAIMS MEASURED UNDER PREMIUM ALLOCATION APPROACH		TOTAL
	EXCLUDING LOSS COMPONENT	ASSET FOR INSURANCE ACQUISITION CASH FLOWS	LOSS COMPONENT	PRESENT VALUE OF FULFILMENT CASH FLOWS	RISK ADJUSTMENT	
	€	€	€	€	€	€
Opening insurance contract assets	2,073,389	-	(59,229)	-	-	1,504,731
Opening insurance contract liabilities	(8,075,665)	-	(99,253)	(8,397,169)	(436,737)	(17,101,823)
Net opening position of insurance contracts	(6,002,276)	-	(158,482)	(8,397,169)	(436,737)	(15,597,093)
Insurance revenue	19,284,707	-	-	-	-	19,284,707
<i>Insurance service expenses</i>						
Incurred claims and other insurance service expenses	-	-	-	(9,428,917)	(211,204)	(10,982,136)
Adjustments to liabilities for incurred claims	-	-	-	970,490	345,509	(1,600,075)
Losses and reversals of losses on onerous contracts	-	-	(13,514)	-	-	(13,514)
Amortisation of insurance acquisition cash flows	(3,361,946)	-	-	-	-	(3,361,946)
Impairment loss on acquisition cost assets	-	-	-	-	-	-
Insurance service result	15,922,761	-	(13,514)	(8,458,427)	134,305	3,327,035
Insurance finance income or expenses from insurance contracts recognised in profit or loss	(10,209)	-	2,652	(204,386)	-	(224,121)

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Year Ended 31 December 2024

13. INSURANCE CONTRACT ASSETS AND LIABILITIES (cont.)

2024 (cont.)	LIABILITY FOR REMAINING COVERAGE			LIABILITY FOR INCURRED CLAIMS FOR CONTRACTS MEASURED UNDER GENERAL MODEL		LIABILITY FOR INCURRED CLAIMS FOR CONTRACTS MEASURED UNDER PREMIUM ALLOCATION APPROACH		TOTAL
	EXCLUDING LOSS COMPONENT	ASSET FOR INSURANCE ACQUISITION CASH FLOWS	LOSS COMPONENT	€	€	PRESENT VALUE OF FULFILMENT CASH FLOWS	RISK ADJUSTMENT	
	€	€	€	€	€	€	€	€
Insurance finance income or expenses from insurance contracts recognised in OCI	-	-	-	-	-	-	-	-
Effect of movements in exchange rates	-	-	-	-	-	-	-	-
Investment components excluded from insurance revenue and insurance service expenses	251,524	-	-	(251,524)	-	-	-	-
Total changes in statement of profit or loss and OCI	16,164,076	-	(10,862)	(4,521,791)	(8,662,813)	134,305	3,102,912	
<i>Cash flows</i>								
Premiums received (including investment components)	(20,095,633)	-	-	-	-	-	(20,095,633)	
Insurance acquisition cash flows	3,833,984	-	-	-	-	-	3,833,984	
Directly attributable expenses paid	-	-	-	20,133	-	-	20,133	
Claims and other insurance service expenses paid (including investment components)	-	-	-	1,003,182	9,136,720	-	10,139,902	
Total cash flows	(16,261,649)	-	-	1,023,315	9,136,720	-	(6,101,614)	
Closing insurance contract assets	26,194	-	-	-	-	-	26,194	
Closing insurance contract liabilities	(6,126,042)	-	(169,345)	(4,100,905)	(7,923,263)	(302,433)	(18,621,988)	
Net closing position of insurance contracts	(6,099,848)	-	(169,345)	(4,100,905)	(7,923,263)	(302,433)	(18,595,794)	

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2024

13. INSURANCE CONTRACT ASSETS AND LIABILITIES

The following table shows the reconciliation from the opening to the closing balances of the net liability for the remaining coverage and the liability for incurred claims for insurance contracts.

2023	LIABILITY FOR REMAINING COVERAGE			LIABILITY FOR INCURRED CLAIMS FOR CONTRACTS MEASURED UNDER PREMIUM ALLOCATION APPROACH		TOTAL
	EXCLUDING LOSS COMPONENT	ASSET FOR INSURANCE ACQUISITION CASH FLOWS	LOSS COMPONENT	PRESENT VALUE OF FULFILMENT CASH FLOWS	RISK ADJUSTMENT	
	€	€	€	€	€	€
Opening insurance contract assets	1,688,646	-	(5,978)	25,426	(1,681)	961,423
Opening insurance contract liabilities	(7,009,702)	-	(218,270)	(7,692,043)	(398,142)	(15,318,157)
Net opening position of insurance contracts	(5,321,056)	-	(224,248)	(7,666,617)	(399,822)	(14,356,734)
Insurance revenue	17,865,856	-	-	-	-	17,865,856
<i>Insurance service expenses</i>						
Incurred claims and other insurance service expenses	-	-	-	(8,480,497)	(305,002)	(9,383,275)
Adjustments to liabilities for incurred claims	-	-	-	(682,933)	268,087	(904,094)
Losses and reversals of losses on onerous contracts	-	-	(88,675)	-	-	88,675
Amortisation of insurance acquisition cash flows	(3,179,741)	-	-	-	-	(3,179,741)
Impairment loss on acquisition cost assets	-	-	-	-	-	-
Insurance service result	14,686,115	-	88,675	(9,163,431)	(36,915)	4,487,420
Insurance finance income or expenses from insurance contracts recognised in profit or loss	(9,981)	-	(22,910)	(263,352)	-	(333,441)

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Year Ended 31 December 2024

13. INSURANCE CONTRACT ASSETS AND LIABILITIES (cont.)

2023 (cont.)	LIABILITY FOR REMAINING COVERAGE			LIABILITY FOR INCURRED CLAIMS FOR CONTRACTS MEASURED UNDER GENERAL MODEL		LIABILITY FOR INCURRED CLAIMS FOR CONTRACTS MEASURED UNDER PREMIUM ALLOCATION APPROACH		TOTAL
	EXCLUDING LOSS COMPONENT	ASSET FOR INSURANCE ACQUISITION CASH FLOWS	LOSS COMPONENT	€	€	PRESENT VALUE OF FULFILMENT CASH FLOWS	RISK ADJUSTMENT	
Insurance finance income or expenses from insurance contracts recognised in OCI	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Effect of movements in exchange rates								
Investment components excluded from insurance revenue and insurance service expenses	244,718	-	-	(244,718)	-	-	-	-
Total changes in statement of profit or loss and OCI	14,920,852	-	65,765	(1,368,940)	(9,426,783)	(36,915)	4,153,979	
<i>Cash flows</i>								
Premiums received (including investment components)	(18,728,779)	-	-	-	-	-	(18,728,779)	
Insurance acquisition cash flows	3,167,225	-	-	-	-	-	3,167,225	
Directly attributable expenses paid	-	-	-	488,508	34,581	-	523,089	
Claims and other insurance service expenses paid (including investment components)	-	-	-	830,446	8,661,650	-	9,492,096	
Total cash flows	(15,561,554)	-	-	1,318,954	8,696,231	-	(5,546,369)	
Closing insurance contract assets	2,073,389	-	(59,229)	(509,429)	-	-	1,504,730	
Closing insurance contract liabilities	(8,227,696)	-	(99,253)	(92,999)	(8,397,169)	(436,737)	(17,253,854)	
Net closing position of insurance contracts	(6,154,307)	-	(158,483)	(602,428)	(8,397,169)	(436,737)	(15,749,124)	

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2024

13. INSURANCE CONTRACT ASSETS AND LIABILITIES

The following table shows the reconciliation from the opening to the closing balances of the net insurance contract assets and liabilities analysed by components:

2024	BEST ESTIMATE LIABILITY	RISK ADJUSTMENT	CONTRACTUAL SERVICE MARGIN	TOTAL
	€	€	€	€
Opening insurance contract assets	8,068,571	(3,110,282)	(3,453,558)	1,504,731
Opening insurance contract liabilities	(3,935,666)	(94,488)	(475,220)	(4,505,374)
Net opening position of insurance contracts	4,132,905	(3,204,770)	(3,928,778)	(3,000,643)
<i>Changes that relate to current service</i>				
CSM for services provided recognised in profit and loss	-	-	574,653	574,653
Experience adjustments	551	-	-	551
Change in risk adjustment recognised in profit and loss	-	207,853	-	207,853
<i>Changes that relate to future service</i>				
Contracts initially recognised in the period	590,167	(230,745)	(359,422)	-
Changes in estimates that adjust the CSM	(74,852)	717,307	(642,455)	-
Changes in estimates that result in losses and reversals of losses on onerous contracts	(56,500)	38,824	-	(17,676)
<i>Changes that relate to past service</i>				
Adjustments to liabilities for incurred claims	(2,916,074)	-	-	(2,916,074)
Insurance finance expenses from insurance contracts recognised in profit or loss	8,425	-	(28,161)	(19,736)
Insurance finance expenses from insurance contracts recognised in OCI	-	-	-	-
Effect of movements in exchange rates	-	-	-	-
Total changes in the statement of profit or loss and OCI	2,448,283	733,239	(455,385)	(2,170,429)

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2024

13. INSURANCE CONTRACT ASSETS AND LIABILITIES (cont.)

2024 (cont.)	BEST ESTIMATE LIABILITY	RISK ADJUSTMENT	CONTRACTUAL SERVICE MARGIN	TOTAL
	€	€	€	€
<i>Cash flows</i>				
Premiums received (including investment components)	(2,505,718)	-	-	(2,505,718)
Insurance acquisition cash flows	548,387	-	-	548,387
Directly attributable expenses paid	20,133	-	-	20,133
Claims and other insurance service expenses paid (including investment components)	1,172,154	-	-	1,172,154
Total cash flows	(765,044)	-	-	(765,044)
Closing insurance contract assets	-	-	-	-
Closing insurance contract liabilities	919,578	(2,471,531)	(4,384,163)	(5,936,114)
Net closing position of insurance contracts	919,578	(2,471,531)	(4,384,163)	(5,936,114)

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2024

13. INSURANCE CONTRACT ASSETS AND LIABILITIES

2023	BEST ESTIMATE LIABILITY	RISK ADJUSTMENT	CONTRACTUAL SERVICE MARGIN	TOTAL
	€	€	€	€
Opening insurance contract assets	7,454,301	(2,967,242)	(3,528,751)	958,308
Opening insurance contract liabilities	(3,779,798)	(107,615)	(144,887)	(4,032,300)
Net opening position of insurance contracts	3,674,503	(3,074,857)	(3,673,638)	(3,073,992)
<i>Changes that relate to current service</i>				
CSM for services provided recognised in profit and loss	-	-	435,773	435,773
Experience adjustments	426,189	-	-	(426,189)
Change in risk adjustment recognised in profit and loss	-	711,583	-	711,583
<i>Changes that relate to future service</i>				
Contracts initially recognised in the period	542,517	(192,947)	(349,570)	-
Changes in estimates that adjust the CSM	858,533	(534,012)	(324,521)	-
Changes in estimates that result in losses and reversals				
of losses on onerous contracts	(200,555)	(114,536)	-	86,019
<i>Changes that relate to past service</i>				
Adjustments to liabilities for incurred claims	(489,248)	-	-	(489,248)
Insurance finance expenses from insurance contracts				
recognised in profit or loss	(53,266)	-	(16,822)	(70,088)
Insurance finance expenses from insurance contracts				
recognised in OCI	-	-	-	-
Effect of movements in exchange rates	-	-	-	-
Total changes in the statement of profit or loss and OCI	1,485,280	(129,913)	(255,140)	1,100,227

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2024

13. INSURANCE CONTRACT ASSETS AND LIABILITIES (cont.)

2023 (cont.)	BEST ESTIMATE LIABILITY	RISK ADJUSTMENT	CONTRACTUAL SERVICE MARGIN	TOTAL
	€	€	€	€
<i>Cash flows</i>				
Premiums received (including investment components)	(2,732,317)	-	-	(2,732,317)
Insurance acquisition cash flows	193,938	-	-	193,938
Directly attributable expenses paid	488,508	-	-	488,508
Claims and other insurance service expenses paid (including investment components)	1,022,994	-	-	1,022,994
Total cash flows	(1,026,878)	-	-	(1,026,878)
Closing insurance contract assets	8,068,571	(3,110,282)	(3,453,558)	1,504,730
Closing insurance contract liabilities	(3,935,666)	(94,488)	(475,220)	(4,505,373)
Net closing position of insurance contracts	4,132,905	(3,204,770)	(3,928,778)	(3,000,643)

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2024

13. INSURANCE CONTRACT ASSETS AND LIABILITIES (cont.)

The following table provides an analysis of insurance contracts initially recognised in the period.

2024	NON-ONEROUS CONTRACTS	ONEROUS CONTRACTS	TOTAL
	€	€	€
<i>Estimates of present value of future cash outflows</i>	(150,096)	-	(150,096)
Insurance acquisition cash flows	987,458	-	987,458
Claims and other directly attributable insurance service expenses	1,137,554	-	1,137,554
<i>Estimates of present value of future cash inflows</i>	(1,727,721)	-	(1,727,721)
<i>Present value of cash flows</i>	(590,167)	-	(590,167)
<i>Risk adjustment for non-financial risk</i>	230,745	-	230,745
<i>Contractual service margin</i>	359,422	-	359,422
Insurance contract liabilities	-	-	-

2023	NON-ONEROUS CONTRACTS	ONEROUS CONTRACTS	TOTAL
	€	€	€
<i>Estimates of present value of future cash outflows</i>	(165,137)	-	(165,137)
Insurance acquisition cash flows	768,320	-	768,320
Claims and other directly attributable insurance service expenses	933,457	-	933,457
<i>Estimates of present value of future cash inflows</i>	(1,475,974)	-	(1,475,974)
<i>Present value of cash flows</i>	(542,517)	-	(542,517)
<i>Risk adjustment for non-financial risk</i>	192,947	-	192,947
<i>Contractual service margin</i>	349,570	-	349,570
Insurance contract liabilities	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2024

14. REINSURANCE CONTRACT ASSETS AND LIABILITIES

The following table shows the reconciliation from the opening to the closing balances of the net liability for the remaining coverage and the liability for incurred claims for reinsurance contracts.

2024	LIABILITY FOR REMAINING COVERAGE		LIABILITY FOR INCURRED CLAIMS		LIABILITY FOR INCURRED CLAIMS FOR CONTRACTS		TOTAL
	EXCLUDING LOSS COMPONENT	LOSS COMPONENT	FOR CONTRACTS MEASURED UNDER GENERAL MODEL	MEASURED UNDER PREMIUM ALLOCATION APPROACH	PRESENT VALUE OF FULFILMENT CASH FLOWS	RISK ADJUSTMENT	
	€	€	€	€	€	€	€
Opening reinsurance contract assets	(2,363,017)	-	-		3,510,446	32,566	1,179,995
Opening reinsurance contract liabilities	(1,382,787)	-	489,601		162,434	4,609	(726,144)
Net opening position of reinsurance contracts	(3,745,805)	-	489,601		3,672,879	37,175	453,851
<i>Net income or expense from reinsurance contracts held</i>							
Allocation of reinsurance							
premiums paid	(4,353,498)	-	-		-	-	(4,353,498)
Expenses directly attributable to reinsurance	-	-	-		-	-	-
Changes in expected recoveries							
on past claims and other expenses	-	-	540,137		2,308,187	48,567	2,896,891
Changes in fulfilment cash flows							
that do not adjust underlying CSM	-	-	-		-	-	-
Effect of changes in the risk of reinsurers non-performance	-	-	-		-	-	-
Adjustments to liabilities for incurred claims	-	-	2,813,331		(874,441)	(58,826)	1,880,064
Finance income or expenses from reinsurance contracts recognised in profit or loss	(274,565)	-	8,401		50,009	-	(216,155)
Finance income or expenses from reinsurance contracts recognised in OCI	-	-	-		-	-	-

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2024

14. REINSURANCE CONTRACT ASSETS AND LIABILITIES (cont.)

2024 (cont.)	LIABILITY FOR REMAINING COVERAGE		LIABILITY FOR INCURRED CLAIMS FOR CONTRACTS MEASURED UNDER GENERAL MODEL	LIABILITY FOR INCURRED CLAIMS FOR CONTRACTS MEASURED UNDER PREMIUM ALLOCATION APPROACH		TOTAL
	EXCLUDING LOSS COMPONENT	LOSS COMPONENT		PRESENT VALUE OF FULFILMENT CASH FLOWS	RISK ADJUSTMENT	
	€	€	€	€	€	€
Effect of movements in exchange rates	-	-	-	-	-	-
Investment components excluded from insurance revenue and insurance service expenses	-	-	-	-	-	-
Total changes in statement of profit or loss and OCI	(4,628,062)	-	3,361,869	1,483,755	(10,259)	207,302
<i>Cash flows</i>						
Premiums paid	5,223,632	-	-	-	-	5,223,632
Directly attributable expenses paid	-	-	-	-	-	-
Amounts received from reinsurers relating to incurred claims	-	-	(166,499)	(2,252,103)	-	(2,418,601)
Total cash flows	5,223,633	-	(166,499)	(2,252,103)	-	2,805,032
Closing reinsurance contract assets	(1,114,605)	-	3,684,971	1,197,153	22,284	3,789,803
Closing reinsurance contract liabilities	(2,035,629)	-	-	1,707,379	4,632	(323,619)
Net closing position of reinsurance contracts	(3,150,234)	-	3,684,971	2,904,532	26,916	3,466,184

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2024

14. REINSURANCE CONTRACT ASSETS AND LIABILITIES (cont.)

2023	LIABILITY FOR REMAINING COVERAGE		LIABILITY FOR INCURRED CLAIMS		LIABILITY FOR INCURRED CLAIMS FOR CONTRACTS		TOTAL
	EXCLUDING LOSS COMPONENT	LOSS COMPONENT	FOR CONTRACTS MEASURED UNDER GENERAL MODEL	MEASURED UNDER PREMIUM ALLOCATION APPROACH	PRESENT VALUE OF FULFILMENT CASH FLOWS	RISK ADJUSTMENT	
	€	€	€	€	€	€	€
Opening reinsurance contract assets	(1,246,008)	-	-	1,929,813	35,967	719,772	
Opening reinsurance contract liabilities	(2,480,617)	-	627,072	1,498,651	3,328	(351,566)	
Net opening position of reinsurance contracts	(3,726,625)	-	627,072	3,428,464	39,295	368,206	
<i>Net income or expense from reinsurance contracts held</i>							
Allocation of reinsurance							
premiums paid	(4,838,732)	-	-	-	-	(4,838,732)	
Expenses directly attributable to reinsurance	-	-	-	-	-	-	
Changes in expected recoveries							
on past claims and other expenses	-	-	258,112	2,502,496	61,526	2,822,134	
Changes in fulfilment cash flows that do not adjust underlying CSM	-	-	-	-	-	-	
Effect of changes in the risk of reinsurers non-performance	-	-	-	-	-	-	
Adjustments to liabilities for incurred claims	-	-	(1,114)	473,978	(63,646)	409,219	
Finance income or expenses from reinsurance contracts recognised in profit or loss	(199,427)	-	34,479	44,909	-	(120,040)	
Finance income or expenses from reinsurance contracts recognised in OCI	-	-	-	-	-	-	

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2024

14. REINSURANCE CONTRACT ASSETS AND LIABILITIES (cont.)

2023 (cont.)	LIABILITY FOR REMAINING COVERAGE		LIABILITY FOR INCURRED CLAIMS FOR CONTRACTS MEASURED UNDER GENERAL MODEL	LIABILITY FOR INCURRED CLAIMS FOR CONTRACTS MEASURED UNDER PREMIUM ALLOCATION APPROACH		TOTAL
	EXCLUDING LOSS COMPONENT	LOSS COMPONENT		PRESENT VALUE OF FULFILMENT CASH FLOWS	RISK ADJUSTMENT	
	€	€	€	€	€	€
Effect of movements in exchange rates	-	-	-	-	-	-
Investment components excluded from insurance revenue and insurance service expenses	-	-	-	-	-	-
Total changes in statement of profit or loss and OCI	(5,038,159)	-	291,477	3,021,383	(2,120)	(1,727,419)
<i>Cash flows</i>						
Premiums paid	4,981,630	-	-	-	-	4,981,630
Directly attributable expenses paid	-	-	-	-	-	-
Amounts received from reinsurers relating to incurred claims	-	-	(403,447)	(2,778,153)	-	(3,181,600)
Total cash flows	4,981,630	-	(403,447)	(2,778,153)	-	1,800,030
Closing reinsurance contract assets	(2,374,866)	-	-	3,510,446	32,566	1,168,146
Closing reinsurance contract liabilities	(1,382,787)	-	489,601	161,248	4,609	(727,329)
Net closing position of reinsurance contracts	(3,757,653)	-	489,601	3,671,694	37,175	440,817

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2024

14. REINSURANCE CONTRACT ASSETS AND LIABILITIES (cont.)

The following table shows the reconciliation from the opening to the closing balances of the net reinsurance contract assets and liabilities analysed by components:

2024	BEST ESTIMATE LIABILITY	RISK ADJUSTMENT	CONTRACTUAL SERVICE MARGIN	TOTAL
	€	€	€	€
Opening reinsurance contract assets	-	-	-	-
Opening reinsurance contract liabilities	(3,664,215)	2,127,463	1,062,435	(474,317)
Net opening position of reinsurance contracts	(3,664,215)	2,127,463	1,062,435	(474,317)
<i>Changes that relate to current service</i>				
CSM recognised for the period	-	-	58,039	58,039
Change in risk adjustment for non-financial risk for risk expired	-	(148,496)	-	(148,496)
Experience adjustments	(100,992)	-	-	(100,992)
<i>Changes that relate to future service</i>				
Contracts initially recognised in the period	(250,119)	223,655	26,464	-
Changes in estimates that adjust the CSM	1,921,959	(685,877)	(1,236,082)	-
Changes in the FCF that do not adjust the CSM for the group of underlying insurance contracts	-	-	-	-
<i>Changes that relate to past service</i>				
Effect of changes in the risk of reinsurers non-performance	-	-	-	-
Changes to incurred claims component	2,813,331	-	-	2,813,331
Finance income or expenses from reinsurance contracts recognised in profit or loss	(281,442)	-	15,278	(266,164)
Finance income or expenses from reinsurance contracts recognised in OCI	-	-	-	-
Effect of movements in exchange rates	-	-	-	-
Total changes in the statement of profit or loss	(4,102,738)	(610,718)	(1,136,301)	2,355,718

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2024

14. REINSURANCE CONTRACT ASSETS AND LIABILITIES (cont.)

2024 (cont.)	BEST ESTIMATE LIABILITY	RISK ADJUSTMENT	CONTRACTUAL SERVICE MARGIN	TOTAL
	€	€	€	€
<i>Cash flows</i>				
Premiums paid (including investment components)	1,044,447	-	-	1,044,447
Directly attributable expenses paid	-	-	-	-
Amounts received from reinsurers relating to incurred claims (including investment components)	(166,499)	-	-	(166,499)
Total cash flows	877,948	-	-	877,948
Closing reinsurance contract assets	1,316,470	1,516,745	(73,866)	2,759,349
Closing reinsurance contract liabilities	-	-	-	-
Net closing position of reinsurance contracts	1,316,470	1,516,745	(73,866)	2,759,349

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2024

14. REINSURANCE CONTRACT ASSETS AND LIABILITIES (cont.)

2023	BEST ESTIMATE LIABILITY	RISK ADJUSTMENT	CONTRACTUAL SERVICE MARGIN	TOTAL
	€	€	€	€
Opening reinsurance contract assets	-	-	-	-
Opening reinsurance contract liabilities	(2,889,581)	1,948,941	892,589	(48,051)
Net opening position of reinsurance contracts	(2,889,581)	1,948,941	892,589	(48,051)
<i>Changes that relate to current service</i>				
CSM recognised for the period	-	-	(66,269)	(66,269)
Change in risk adjustment for non-financial risk for risk expired	-	(276,051)	-	(276,051)
Experience adjustments	(362,716)	-	-	(362,716)
<i>Changes that relate to future service</i>				
Contracts initially recognised in the period	(310,046)	259,188	50,859	-
Changes in estimates that adjust the CSM	(370,706)	195,386	175,320	-
Changes in the FCF that do not adjust the CSM for the group of underlying insurance contracts	-	-	-	-
<i>Changes that relate to past service</i>				
Effect of changes in the risk of reinsurers non-performance	-	-	-	-
Changes to incurred claims component	(1,114)	-	-	(1,114)
Finance income or expenses from reinsurance contracts recognised in profit or loss	(174,886)	-	(9,937)	(164,949)
Finance income or expenses from reinsurance contracts recognised in OCI	-	-	-	-
Effect of movements in exchange rates	-	-	-	-
Total changes in the statement of profit or loss	(1,219,468)	178,523	169,847	(871,098)

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2024

14. REINSURANCE CONTRACT ASSETS AND LIABILITIES (cont.)

2023 (cont.)	BEST ESTIMATE LIABILITY	RISK ADJUSTMENT	CONTRACTUAL SERVICE MARGIN	TOTAL
	€	€	€	€
<i>Cash flows</i>				
Premiums paid (including investment components)	873,782	-	-	873,782
Directly attributable expenses paid	-	-	-	-
Amounts received from reinsurers relating to incurred claims (including investment components)	(428,948)	-	-	(428,948)
Total cash flows	444,834	-	-	444,834
Closing reinsurance contract assets	-	-	-	-
Closing reinsurance contract liabilities	(3,664,215)	2,127,463	1,062,435	(474,316)
Net closing position of reinsurance contracts	(3,664,215)	2,127,463	1,062,435	(474,316)

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2024

14. REINSURANCE CONTRACT ASSETS AND LIABILITIES (cont.)

The following table provides an analysis of reinsurance contracts initially recognised in the period.

2024	ORIGINATED IN NET GAIN	ORIGINATED IN NET LOSS	TOTAL
	€	€	€
Estimates of present value of future cash outflows	919,851	-	919,851
Estimates of present value of future cash inflows	1,169,970	-	1,169,970
Present value of cash flows	(250,119)	-	(250,119)
Risk adjustment for non-financial risk	223,655	-	223,655
Contractual service margin	26,464	-	26,464

2023	ORIGINATED IN NET GAIN	ORIGINATED IN NET LOSS	TOTAL
	€	€	€
Estimates of present value of future cash outflows	980,339	-	980,339
Estimates of present value of future cash inflows	1,290,385	-	1,290,385
Present value of cash flows	(310,046)	-	(310,046)
Risk adjustment for non-financial risk	259,188	-	259,188
Contractual service margin	50,859	-	50,859

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2024

15. CONTRACTUAL SERVICE MARGIN

The following table shows an analysis of the expected recognition of the CSM remaining at the end of the reporting period in profit or loss.

2024	INSURANCE CONTRACTS ISSUED	REINSURANCE CONTRACTS HELD
	€	€
Less than 1 year	264,495	(24,063)
1 to 2 years	255,244	(22,136)
2 to 3 years	249,201	(20,318)
3 to 4 years	238,712	(18,346)
4 to 5 years	232,384	(16,925)
>5 years	3,144,126	27,921
Total CSM	4,384,162	(73,867)

2023	INSURANCE CONTRACTS ISSUED	REINSURANCE CONTRACTS HELD
	€	€
On demand	234,042	46,504
1 to 2 years	228,684	45,943
2 to 3 years	220,533	45,354
3 to 4 years	214,703	44,818
4 to 5 years	205,303	44,340
>5 years	2,825,513	835,475
Total CSM	3,928,778	1,062,435

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2024

16. INVESTMENT RETURN

	2024	2023
	€	€
Investment gains:		
Income from financial assets at fair value through profit or loss:		
• Dividend and interest income	300,607	244,038
• Net fair value gain / (loss)	577,722	725,217
Income from loans and receivables	74,128	60,363
	<u>952,457</u>	<u>1,029,618</u>
Investment expenses and charges		
Net investment management and transaction charges	(47,138)	(32,856)
	<u>(47,138)</u>	<u>(32,856)</u>
Net (loss) / investment return	<u>905,319</u>	<u>996,762</u>

17. EMPLOYEE BENEFIT EXPENSE

	2024	2023
	€	€
Salaries	2,783,717	2,556,954
Salaries of key management (including Directors)	673,348	595,913
Social security costs	211,122	191,115
	<u>3,668,187</u>	<u>3,343,982</u>

The average number of persons employed by the Company during the year, including executive director, was as follows:

	2024	2023
	No.	No.
Accounts and administration	32	27
Insurance business	66	71
	<u>98</u>	<u>98</u>

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2024

18. DIRECTORS' COMPENSATION

	2024	2023
	€	€
Directors' remuneration and fees	355,811	381,384
	<u>355,811</u>	<u>381,384</u>

19. PROFIT / (LOSS) BEFORE TAX

The profit before tax is stated after charging the following:

	2024	2023
	€	€
<i>Stated after charging:</i>		
Auditors' remuneration		
Annual statutory audit	170,000	95,785
Other assurance services	4,473	20,532
Depreciation and amortisation	753,019	635,891
 Subordinated loan interest		
Shareholders' subordinated loan interest	14,823	13,737
Bank loan interest	<u>57,048</u>	<u>57,048</u>

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2024

20. INCOME TAX

The income tax expense for the year and the result of the accounting profit multiplied by the tax rate applicable in Malta are reconciled as follows:

	2024	2023
	€	€
Profit/(Loss) for the year	333,601	200,645
Tax at the applicable rate of 35%	116,760	70,226
Tax effect of:		
Depreciation on ineligible assets	79,706	50,395
Dividend income exempt from tax	(227)	(347)
Unrealised movements on investments disposed	-	204,297
Temporary differences on property, plant and equipment	-	18,632
Disallowed administrative expenses	2,275	10,948
Unrelieved foreign tax	809	106
Permanent difference on right of use assets	1,830	698
Rental income taxed at 15% FWT	(12,754)	(1,812)
Tax credits utilized during the year	(2,181)	(2,067)
Prior year deferred tax not recognised	(115)	-
Tax relieved by group losses	-	(46,349)
Other gains brought to charge for tax purposes	1,328	(790,156)
Tax change for the year	187,431	80,883

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2024

21. INTANGIBLE ASSETS

	TENANCY RIGHTS	COMPUTER SOFTWARE	CLIENT LIST	TOTAL
	€	€	€	€
Year ended 31 December 2023				
Opening net book value	101,567	497,906	81,288	680,761
Additions	-	348,702	-	348,702
Amortisation	(20,343)	(255,452)	(19,920)	(295,715)
Closing net book value	81,224	591,155	61,368	733,747
Acquisition cost / revalued amount	305,000	2,864,815	199,473	3,369,288
Accumulated amortisation	(223,776)	(2,273,660)	(138,105)	(2,635,541)
Closing net book value	81,224	591,155	61,368	733,747
Year ended 31 December 2024				
Opening net book value	81,224	591,555	61,368	733,747
Additions	-	632,529	-	632,529
Amortisation	(20,343)	(366,208)	(19,920)	(406,471)
Closing net book value	60,881	857,476	41,448	959,805
Acquisition cost / revalued amount	305,000	3,497,344	199,473	4,001,817
Accumulated amortisation	(244,119)	(2,639,868)	(158,025)	(3,042,012)
Closing net book value	60,881	857,476	41,448	959,805

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2024

22. PROPERTY, PLANT AND EQUIPMENT

	LAND AND BUILDINGS	LEASEHOLD PREMISES	MOTOR VEHICLES	FURNITURE AND FITTINGS	RIGHT-OF-USE ASSETS	TOTAL
	€	€	€	€	€	€
Year ended 31 December 2023						
Opening net book value	4,544,446	204,111	52,888	275,001	454,147	5,530,593
Acquisitions / disposals	20,049	-	-	26,939	183,589	230,577
Depreciation charge for the year	(87,928)	(17,765)	(1,020)	(92,102)	(142,025)	(340,840)
Closing net book value	4,476,567	186,346	51,868	209,838	495,711	5,420,330
Acquisition cost/revalued amount	4,652,458	347,702	217,450	2,162,500	1,123,584	8,503,695
Accumulated depreciation	(175,891)	(161,356)	(165,582)	(1,952,662)	(627,873)	(3,083,364)
Closing net book value	4,476,567	186,346	51,869	209,838	495,711	5,420,331
Year ended 31 December 2024						
Opening net book value	4,476,567	186,346	51,869	209,838	495,711	5,420,331
Acquisitions / disposals	2,108	-	1,044	203,104	83,537	289,795
Movements from remeasurement of lease	-	-	-	-	75,473	75,473
Depreciation charge for the year	(83,793)	(17,765)	-	(86,989)	(158,001)	(346,548)
Closing net book value	4,394,882	168,581	52,913	325,953	496,720	5,439,049
Acquisition cost/revalued amount	4,654,566	347,702	218,495	2,365,604	1,282,594	8,868,961
Accumulated depreciation	(259,684)	(179,121)	(165,582)	(2,039,651)	(785,874)	(3,429,912)
Closing net book value	4,394,882	168,581	52,913	325,953	496,720	5,439,049

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2024

22. PROPERTY, PLANT AND EQUIPMENT (cont.)

Land and buildings

Land and buildings are revalued by an independent, professionally qualified valuer every three years on an open market value basis. The fair value of land and buildings is computed by multiplying the office space in square metres by the market price per square metre of land and buildings with a similar structure in terms of age, size and location. The last revaluation was carried out during 2021.

The main unobservable inputs used in the discounted cash flow valuation relate to ongoing rental rates of €200/square metre for offices in the area (2023: €200/square metre) and a capitalisation rate of 6.5% (2023: 6.5%). Changes in unobservable inputs might result in a significantly higher/lower fair value measurement. The higher the price per square metre, the higher the fair value whilst the higher the discount rate, the lower the fair value. The carrying

amount of land and buildings that would have been included in the financial statements had these assets been carried at cost less accumulated depreciation is €1,727,056 (2023: €1,810,849).

None of the Company's owned property, plant and equipment are subject to operating leases in which the Company is the lessor. The right-of-use assets that meet the definition of property, plant and equipment is further analysed as follows.

Right of Use Assets

The Company leases several branches premises from which it operates in the normal course of business included, within 'Land and Buildings'. The average remaining lease term is 4.5 years (2023: 4 years).

23. INVESTMENT PROPERTY

	2024	2023
	€	€
Opening net book value	2,711,443	2,709,999
Additions	-	1,444
Increase in fair value during the year	-	-
Closing net book value at 31 December	2,711,443	2,711,443

The properties were purchased in 2006 and 2018 and management assessed the fair value at acquisition to be equivalent to the acquisition cost. On an annual basis, the Company engages external, independent and qualified valuers to determine the fair value of the properties in question.

The fair value of the investment property has been arrived at on the basis of a recent valuation carried out by an independent professionally qualified valuer on the basis of market value that reflects recent transactions for similar properties and discounted cash flows using the applicable discount rate and market yield. The directors are of the opinion that the fair value of the property has

not altered significantly since the date of the valuation and hence this is an appropriate estimate of the fair value at 31 December 2021. There has been no change to the valuation technique during the year.

The main unobservable inputs used in the discounted cash flow valuation relate to ongoing rental rates of €180/square metre for offices in the area (2023: €180/square metre) and a capitalisation rate of 6.5% (2023: 6.5%). Changes in unobservable inputs might result in a significantly higher/lower fair value measurement. The higher the price per square metre, the higher the fair value whilst the higher the discount rate, the lower the fair value.

24. INVESTMENTS IN SUBSIDIARY

Investments in subsidiaries are accounted for at cost.

	2024	2023
	€	€
Investments in subsidiaries at beginning of year	369,510	269,510
Add: Investments in subsidiaries during the year	120,000	100,000
Investments in subsidiaries at end of the year	489,510	369,510

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2024

24. INVESTMENTS IN SUBSIDIARY (cont.)

NAME	REGISTERED OFFICE	% OF EQUITY HELD	
Spiral Insurance Brokers PCC Limited	72, Tigné Street, Sliema, SLM 3172, Malta (Change in registered address 17/05/2022)	2024	2023
		100%	100%
CAPITAL AND RESERVES			
Spiral Insurance Brokers PCC Limited		€	€
		112,143	90,635
PROFIT / (LOSS)			
Spiral Insurance Brokers PCC Limited		€	€
		(98,492)	(86,078)
Citadel Insurance p.l.c. availed itself of Section 174 of the Company's Act for group reporting.			

25. FINANCIAL ASSETS

The Company's investments are summarised by measurement category in the table below:

	2024	2023
	€	€
Fair value through profit or loss	13,157,929	11,599,073
Loans and receivables	749,785	500,000
	13,907,714	12,099,073

25.1 Investments at fair value through profit and loss

	2024	2023
	€	€
<i>Designated upon initial recognition</i>		
Equity securities and collective investment schemes:		
Listed shares	4,403,437	4,188,376
Collective investment schemes	900,798	703,211
Listed shares	882,582	980,023
Assets held to cover linked liabilities	6,186,817	5,871,610
Debt securities – fixed interest rate:		
Government bonds	3,480,301	2,271,993
Listed corporate bonds	3,490,811	3,455,470
	6,971,112	5,727,463
Total investments at fair value through profit and loss	13,157,929	11,599,073

The Company uses this designation as doing so results in more relevant information because a group of financial assets is managed and its performance is evaluated on a fair value basis, in accordance with the documented investment strategy, and information about the group is provided internally on that basis to the Company's key management personnel.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2024

Maturity of fixed income debt securities:

	2024	2023
	€	€
Within 1 year	536,298	353,989
Between 1 and 5 years	3,297,476	2,790,641
Over 5 years	3,137,338	2,582,833
	6,971,112	5,727,463
	3.11%	2.87%

25.2 Loans and receivables

The maturities of the Company's loans and receivables are summarised below:

	2024	2023
	€	€
Due within 1 year	249,785	250,000
Due within 1 – 5 years	500,000	250,000
	749,785	500,000
Weighted average effective interest rate at the reporting	2.45%	2.45%

No investments are pledged to third parties at the financial year end. Financial assets are held primarily in the Company's functional currency.

26. OTHER RECEIVABLES

	2024	2023
	€	€
Other receivables	1,531,372	1,020,603
• Other receivables	-	105,337
• Accrued interest	382,218	254,183
• Other prepayments and accrued income	1,913,590	1,380,123

No interest is due on the above receivables.

27 CASH AND CASH EQUIVALENTS

Balances of cash and cash equivalents as shown on the statements of cash flow are analysed below:

	2024	2023
	€	€
Cash at bank and in hand	5,506,058	6,433,256
Treasury bills	889,106	2,462,418
Bank balance overdrawn	(1,470,657)	(1,347,320)
Net balance as shown in the statements of cash flows	4,924,507	7,548,354

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2024

28. DEFERRED TAX

Deferred tax (assets)/liabilities are attributable to the following:

	BALANCE AT THE BEGINNING OF THE YEAR	RECOGNISED IN PROFIT OR LOSS	BALANCE AT THE END OF THE YEAR
	€	€	€
Provision for impairment losses	(53,368)	-	(53,368)
Unabsorbed tax losses	-	(94,521)	(94,521)
Temporary differences on property, plant and equipment	59,950	1,348	61,298
Unrealised gains on investments	391,763	139,998	531,761
Revaluation of property	460,000	-	460,000
Right-of-use assets	(7,779)	(516)	(8,295)
Fair value movement on investment property	216,800	-	216,800
Temporary differences attributable to initial application of IFRS17	116	-	116
	<u>1,067,482</u>	<u>46,309</u>	<u>1,113,791</u>

Deferred tax assets and deferred tax liabilities are offset to the extent that the Company has a legally enforceable right to set off current assets against current liabilities. At 31st December 2024, the Company had an unrecognised deferred tax asset of €47,970 (2023 – €47,970) emanating from unabsorbed capital loss.

29. SHARE CAPITAL

	2024	2023
	€	€
<i>Authorised:</i>		
7,200,000 ordinary shares of €1.00 each	7,200,000	7,200,000
<i>Issued and fully paid up:</i>		
2,570,400 ordinary 'A' shares of €1.00 each	2,570,400	2,570,400
1,008,000 ordinary 'B' shares of €1.00 each	1,008,000	1,008,000
918,000 ordinary 'C' shares of €1.00 each	918,000	918,000
504,000 ordinary 'D' shares of €1.00 each	504,000	504,000
	<u>5,000,400</u>	<u>5,000,400</u>

The management and administration of the Company is entrusted to a Board of Directors consisting of not less than two (2) and not more than nine (9) directors as appointed by the shareholders in accordance with their appointment rights, whereby the holders of the ordinary 'A' shares can appoint five (5) directors including the Chairman.

Otherwise save as may be expressly provided in the Memorandum and Articles of Association, the ordinary shares of the different classes shall rank *pari passu* for all intents and purposes of law.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2024

30. BORROWINGS

SUBORDINATED LOANS	2024	2023
	€	€
Unsecured 4% shareholders' subordinated loans	366,546	366,546
Unsecured bank subordinated loans	1,000,000	1,000,000
	<u>1,366,546</u>	<u>1,366,546</u>

The Shareholders' subordinated loans of €366,546 has been extended indefinitely and is considered to be non-current. No guarantees have been given or received.

The bank subordinated loans are repayable as follows:

	2024	2023
	€	€
Due in 2027	1,000,000	1,000,000
	<u>1,000,000</u>	<u>1,000,000</u>

As at year end the bank borrowings bore interest at the rate of 5.75% (2023: 5.75%) per annum.

31. OTHER PAYABLES AND DEFERRED INCOME

	2024	2023
	€	€
Lease liabilities	520,415	517,936
Other payables and accruals	1,066,760	1,068,893
	<u>1,587,175</u>	<u>1,586,829</u>

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

LEASE LIABILITIES	2024	2023
	€	€
Total undiscounted minimum lease payments payable in settlement of lease liabilities	552,085	558,769
Less: future finance charges	(31,670)	(80,403)
Present value of lease obligations	<u>520,415</u>	<u>478,366</u>
Less: amounts included in current liabilities	(138,891)	(130,519)
Amounts included in non-current liabilities	<u>381,524</u>	<u>347,848</u>

The total cash outflow for leases in 2024 amounts to €165,769 (2023: €155,781).

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2024

32. RELATED PARTY DISCLOSURES

Citadel Insurance p.l.c. is the parent company of Spiral Insurance Brokers PCC Limited as disclosed in Note 24.

The immediate and ultimate parent company of Citadel Insurance p.l.c. is Citadel Holdings Limited, the registered office of which is Apartment 12, 182/183 Tower Reef Apts., Tower Road, Sliema, Malta. Consolidated financial statements which include the financial results of the Company may be obtained from the ultimate parent company's registered office.

The Directors consider the ultimate controlling party to be Georgia Tabone.

The terms and conditions of the subordinated loans due to related parties are disclosed in Note 30.

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

INDEPENDENT AUDITORS' REPORT

To the members of Citadel Insurance p.l.c.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Citadel Insurance p.l.c. (the Company), set out on pages 12 to 79, which comprise the statement of financial position as at 31 December 2024 and the statements of profit or loss, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (EU IFRSs) and have been prepared in accordance with the requirements of the Companies Act (Cap. 386).

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 are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to report to our assessment of the risk of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITORS' REPORT

To the members of Citadel Insurance p.l.c. (continued)

Insurance liabilities

Risk description

The company's liability for incurred claims (LIC) is described in accounting policy 3.3 and disclosed in note 12 to these financial statements. The LIC comprises two components which are the estimated present value of future cash flows and the risk adjustment. The estimated present value of future cash flows represents the fulfilment of expected cash outflows, after taking into consideration the time value of money, related to past service for claims and expenses already incurred, including events that have occurred but not yet reported. The risk adjustment for non-financial risk is the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash outflows in relation to the insurance contracts. As at 31 December 2024, the LIC represented 74.08% of the company's total liabilities.

The Company estimates the amount, timing and uncertainty of the future cash outflows related to incurred claims by taking into consideration all reasonable and supportable information available. The incurred claims incorporate expected losses that have been reported. Included within the estimated future cash outflows, the Company estimates a provision for the expenses expected to be borne in processing and resolving all outstanding and IBNR claims.

Estimated future cash outflows on losses that have been reported to the Company but not yet settled is done on a case by case base estimate based on updated information the entity has on such a case. This is supplemented by actuarial models, which differ between life and non life insurance. In the case of life insurance contracts the following approach has been adopted:

- (a) with direct participation features are measured in line with the Variable Fee Approach (VFA);
- (b) with direct participation features are measured under the General Measurement Model (GMM);
- (c) without direct participation features are measured under the PAA, if selected instead of the GMM and eligibility criteria are fulfilled.

For non life insurance contracts the for short term insurance contracts, the Company has applied the PAA simplified approach to measure groups of contracts.

The Company accounts for the time value of money by discounting the estimated future cash outflows in relation to the liability for incurred claims. The Company calculated the risk free rate at initial recognition.

How our audit addressed the key audit matter

As part of our procedures, with the assistance of our actuarial specialists, we evaluated the appropriateness of the Company's assumptions applied in estimating the future cash flows and the resulting estimate, for substantially all the liability for incurred claims and remaining liabilities. We have remeasured the risk adjustment and discounting rate as per our expectations based on industry knowledge and experience and compared these with the

INDEPENDENT AUDITORS' REPORT

To the members of Citadel Insurance p.l.c. (continued)

Company's results. In relation to claims data and other elements used in the estimates, we evaluated a sample to assess their relevance and reliability based on the information available to the Company at the financial reporting date.

We have also assessed the relevance of disclosures relating to the Company's liability arising from insurance contracts presented in the notes the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the Chairman's statement, the Managing Director review and the directors' report. Our opinion on the financial statements does not cover this information, including the directors' report. In connection with our audit of the financial statements, our responsibility is to read the other information 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.

With respect to the Directors' Report, we also considered whether the Directors' Report includes the disclosures required by Article 177 of the Maltese Companies Act (Cap. 386). Based on the work we have performed, in our opinion:

- 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).

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the directors' report. We have nothing to report in this regard.

Responsibilities of the Directors

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS as adopted by the EU, 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.

INDEPENDENT AUDITORS' REPORT

To the members of Citadel Insurance p.l.c. (continued)

Responsibilities of the Directors (continued)

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 has no realistic alternative but to do so.

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.

As part of an audit in accordance with ISAs, we exercise professional judgment 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.

INDEPENDENT AUDITORS' REPORT

To the members of Citadel Insurance p.l.c. (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

We communicate with the directors 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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.

Report on Other Legal and Regulatory Requirements

Under the Maltese Companies Act (Cap. 386) we are required to report to you if, in our opinion:

- We have not received all the information and explanations we require for our audit.
- Adequate accounting records have not been kept, or that 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 nothing to report to you in respect of these responsibilities.

Additionally, the financial statements have been properly prepared in accordance with the requirements of the Insurance Business Act (Cap. 403), 1998.

Use of audit report

This report is made solely to the company's members as a body in accordance with the requirements of the Companies Act (Cap 386) of the laws of Malta. Our audit work has been undertaken so that we might state to the company's members those matters that we are required to state to them in an auditor's report and for no other purpose. To the full extent permitted by law we do not accept to anyone other than the company's members as a body for our audit work, for this report or for the opinions we have formed.

INDEPENDENT AUDITORS' REPORT

To the members of Citadel Insurance p.l.c. (continued)

Appointment

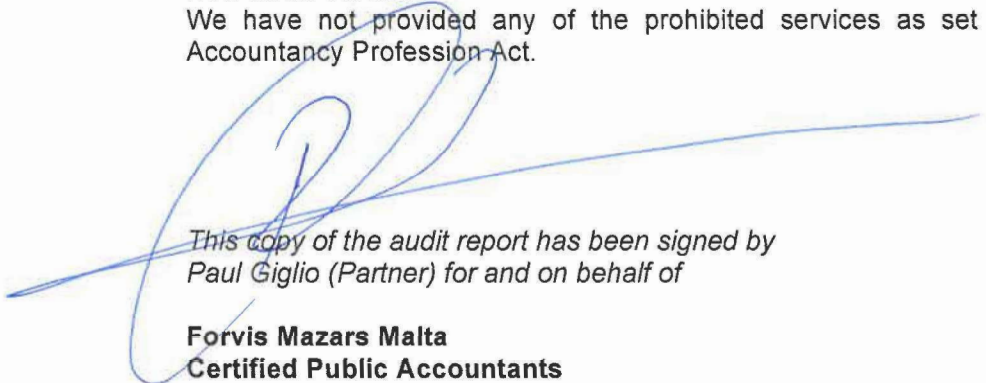
We were appointed by the shareholders as auditors of Citadel Insurance p.l.c. on 15 October 2021, as for the year ended 31 December 2021. The period of total uninterrupted engagement is four years.

Consistency with the additional report to those charged with Governance

Our opinion on our audit of the financial statements is consistent with the additional report to the audit committee required to be issued by the Audit Regulation (as referred to in the Act);

Non-audit services

We have not provided any of the prohibited services as set out in Article 18A of the Accountancy Profession Act.



*This copy of the audit report has been signed by
Paul Giglio (Partner) for and on behalf of*

Forvis Mazars Malta
Certified Public Accountants
Birkirkara
Malta

8 August 2025

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