



# ANNUAL 20 REPORT 25



YOUR WORLD | OUR COVER



## OUR CORE VALUES

### OUR CULTURE

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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

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

### OUR VALUES

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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.

# CONTENTS

DIRECTORS, OFFICERS AND OTHER INFORMATION	4 - 5
CHAIRMAN'S STATEMENT	6
MANAGING DIRECTOR / CEO REVIEW	7
DIRECTORS' REPORT	8 - 9
<b>CORPORATE GOVERNANCE</b>	
STATEMENT OF COMPLIANCE	10 - 11
<b>FINANCIAL STATEMENTS</b>	
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	13
STATEMENT OF FINANCIAL POSITION	14
STATEMENT OF CHANGES IN EQUITY	15
STATEMENT OF CASH FLOWS	16
NOTES TO THE FINANCIAL STATEMENTS	17 - 77
INDEPENDENT AUDITOR'S REPORT	78

# DIRECTORS, OFFICERS AND OTHER INFORMATION

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**DIRECTORS:**

Mr Michael Tripp (Chairman)  
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  
Mr Richard Abdilla Castillo (appointed 26.5.2025)  
Dr Joseph J. Vella LL.D. (deceased 7.2.2025)  
Mr Raphael Huegli (appointed 19.1.2026)

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**COMPANY SECRETARY:**

Dr F. Kevin Dingli LL.D., LL.M. (London) KM. Dingli & Dingli Advocates

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**REGISTERED & HEAD OFFICE:**

“Casa Borgo”, 26, Market Street, Floriana, FLN 1082, Malta

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**COMPANY REGISTRATION NUMBER:**

C 21550

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**INVESTMENT COMMITTEE:**

Mr Stephen Pandolfino (Chairperson)  
Mr Michael Tripp  
Ms Angela Tabone  
Mr Paulo Eduardo Machado Fernandes  
Mr Richard Abdilla Castillo

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**AUDIT COMMITTEE:**

Mr Richard Abdilla Castillo (Chairperson - appointed 23.10.2025)  
Prof Ian Refalo B.A. LL.D Dip.IL (Cambridge) (retired 26.5.2025)  
Dr Anne Louise Ellul Cachia Caruana  
Mr Michael Tripp

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**RISK MANAGEMENT:** Mr Alan Alden (Chairperson)  
Ms Angela Tabone  
Mr Michael Tripp  
Mr Stefano Ferri

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**AUDITOR:** Deloitte Audit Limited

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**PRINCIPAL BANKERS:** Bank of Valletta p.l.c.  
HSBC Bank (Malta) p.l.c.  
APS Bank p.l.c.  
BNF Bank p.l.c.

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**PRINCIPAL LEGAL ADVISORS:** Refalo Advocates

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**ACTUARY:** BWCI Limited, Guernsey  
Paul Warren - Cyprus

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**CUSTOMER SERVICES OFFICE:** No. 28, St. Anne Street, Floriana FRN 9011

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**BRANCH OFFICES:** Birkirkara: 157A, Triq Salvu Psaila, Birkirkara BKR 9076  
Naxxar: 3, Toni Bajjada Square, Naxxar NXR 2590  
Haz-Zebbug: Gate Avenue, Vjal Il-Helsien, 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  
Victoria - Gozo: The Tower, 2nd Floor, Fortunato Mizzi Street, Victoria, Gozo VCT 2571

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# CHAIRMAN'S STATEMENT

I am pleased to report that the 2025 financial year was one of the most successful years for Citadel Insurance, publishing a €1.894,088 profit before taxation. A consistent momentum of controlled growth leading to a stronger performance on the Company's insurance business was enhanced by ongoing investment gains. The Company's cash and capital generation increased during 2025. The total equity reached €12,450,734, which capital surplus is driving the healthy solvency ratio of over 200% for Citadel's composite structure.

Citadel's performance demonstrates that its strategy is robust across market cycles and resilient in the face of volatility. Keeping this achievement in mind, the Company is in a very encouraging position to withstand upcoming challenges during 2026.

The Company's key highlights for 2025 are reflected in a substantial increase in its investment portfolio of 14% to €14,974,592, an overall gross written premium income generation of €20 million and a more pragmatic approach to insurance expense ratios. As we ended 2025, a number of new business initiatives were coming to conclusion which will continue to boost Citadel's standing on the local market. I look forward to reporting on their successful outcomes.

The Company's governance framework and a clear division of responsibilities enable the Board to operate effectively, fulfilling its commitments and providing valuable oversight. Leading Citadel's Board now for nearly two years, I am impressed by the loyalty and commitment of the management team and staff to the greater good of the business and its customers.

Ensuring robust corporate governance remains a key focus for the Board. During 2025, we continued to adapt Citadel's approach with enhanced activity in all three Board Committees - audit, risk and investment. We reviewed the Board's composition across a number of dimensions (skills, experience, diversity). As reported last year, new Board members were appointed during 2025 and we have recently welcomed Raphael Huegeli, to the now fully composed Board. With growing opportunities ahead, my ambition as Chair is to lead the members of the Board to assess the potential impact of its key decisions, to engage with our stakeholders, to strengthen our reputation and to drive long-term sustainability.

Citadel remains a uniquely positioned and values-based insurer, built on strong ethics, respecting the world around it and desiring to contribute to local communities. It is with much gratitude that the Board wishes to thank management and all staff for their loyalty and energy meeting customer needs. In my turn, I thank fellow directors and our shareholders for their continued support and confidence. Our focus will remain on investing in and delivering long-term value to our loyal customers and stakeholders - key to our success story.



**Michael Tripp**  
Chairman

# MANAGING DIRECTOR / CEO

2025 has been a year of meaningful outcomes. Maximising the potential of our unique position in the marketplace, we continued our focused strategy of delivering clearly targeted products and solutions that are vital for our long-term success. Our achievement in generating a profit before taxation of €1,894,088, has surpassed our ambitious targets for 2025. This underscores the strength of our diverse product range, disciplined approach to underwriting and operational resilience.

## Financial and business highlights

The performance for 2025 clearly demonstrates that the Company remains consistent in its strategy to manage its business effectively and sustainably. Whilst new premium for life and non-life business income increased by 10%, we retained the same level of gross premium income generated in 2024 amounting to €19,949,690. This is simply due to the fact that the Company replaced a large underperforming scheme with more profitable and diverse business which generated much higher and healthier underlying results.

Life business continues to offer our customers products that provide financial protection for individuals, families and businesses. In line with the market, Citadel continued to distribute healthy revisionary bonuses. The Company has declared a bonus of 3.5% and 4.5% depending on tenure on its guaranteed products (in run-off), and 3.5% on other savings plans.

Insurance Revenue results for life and non-life stood at €18,422,732 (2024: €19,284,707) while Insurance Service Expenses decreased by 32% to €10,803,953 (2024: €15,957,672). Net Insurance and Investment result stood at €6,131,696 (2024: €4,215,535) before the deduction of other income and expenses which increased by only 9% to €4,237,608. Profit after deducting taxation for 2025 stood at €1,255,460 (2024: €146,170). Following the re-valuation of land and buildings, the total Comprehensive Income increased to €1,900,843 at 31 December 2025.

Achieving our 2025 financial targets so positively reflects the Company's commitment to acquire and retain increasingly diverse revenue streams and capital growth. At year-end 2025, the return on equity stood at 10% with the net asset value increasing to €12,450,734 (2024: €10,549,891). Simultaneously cash and cash equivalents increased by 10% and stood at €5,412,619 (2024: €4,924,507) as insurance receivables and liabilities reduced in value. The Company's investment holdings at fair value increased by 13% to €14,974,592 (2024: €13,157,929).

Our solvency capital coverage ratio of 234% (SCR) shows that we continue to operate from a position of underlying financial strength. Our Solvency II capital surplus of €8,188,115 represented an MCR of 202% over the minimum capital requirement required for our composite structure €8,000,000. This gives us a really solid foundation to support our business growth in the long term.

## Building on talent to drive our business

Talent remains one of our top priorities and building our workforce skills base is crucial for the success of our business. At Citadel we attract and retain people by offering significant opportunities for personal development and growth. We believe that by investing in career development and strategically aligning our talent with critical key areas of our business, we are able to optimize employee engagement to its full potential.

We embrace diversity, equity and inclusiveness. We are committed to providing equal opportunities, fostering a workplace whereby every individual, regardless of background, culture or identity, is treated with respect and fairness. It is with this dedication that we create a diverse and inclusive environment which drives innovation in our workforce and ensures that each employee has an equal opportunity to grow and to learn new skills.

With this spirit in mind, we encourage employee engagement to navigate more effective ways of servicing customers, and for our customers, more efficient ways to access our products. By constantly adapting to change using digital processes we are able to enhance efficiency and contain costs. Citadel has, over the years, invested heavily in adapting to more its operational processes to continue to embrace digital transformation.

## 2026 Outlook

2026 will bring about new socio and economic challenges. The conflicts in the Middle East and the continued global tensions are impacting capital markets and economies worldwide. Being able to understand, manage and be receptive to change is essential, to effectively create opportunities for delivering sustainable value.

As we look ahead, our focus remains on building momentum on the progress we have made - financially, operationally and culturally during the past few years. The 2025 performance reflects a business that is growing sustainably and staying true to our purpose and values, for our customers, stakeholders, shareholders and the local community. I am confident that as we continue to capture new opportunities alongside those already in the pipeline, Citadel will respond positively to change in order to drive its business forward.

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

Angela Tabone  
Managing Director / CEO

# DIRECTORS' REPORT

The Directors are pleased to present the Annual Report and Financial Statements as at 31 December 2025.

## 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 insurance revenue for life and non-life amounting to €18,422,732 compared to €19,284,707 in 2024. The IFRS17 insurance services results of the Company amounted to €4,772,599 (2024: €3,750,492). After deducting net insurance finance and other income and expenditure, the profit before taxation stood at €1,894,088 (2024: €333,601).

During 2025, 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 €17,954,591 (2024: €15,869,372).

Shareholders' Funds amounted to €12,450,734 at 31 December 2025 as compared to €10,549,891 at 31 December 2024. The Solvency II SCR remained strong at 230%; and MCR at 176% at 31 December 2025.

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 2026 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 Howard Tripp (Chairman)  
Prof. Ian Refalo (Vice-Chairman - retired 26.5.2025)  
Ms Angela Tabone  
Mr Stephen Pandolfino  
Dr Anne Louise Ellul Cachia Caruana  
Mr Alan Alden  
Mr Richard Abdilla Castillo (appointed 26.5.2025)  
Stefano Ferri (appointed 12.5.2025)  
Dr Joseph J. Vella (deceased 7.2.2025)  
Mr Raphael Huegli (appointed 19.1.2026)

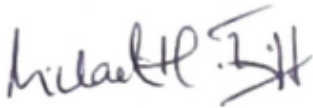
In accordance with paragraph 69 (d) of the Company's articles of association, the Directors shall continue in office.

# DIRECTORS' REPORT cont.

## 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.



**Michael Tripp**  
Chairman

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

## 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 10<sup>th</sup> April 2026 and signed on its behalf by:



**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 five non-executive and independent Directors of which one is a Chairperson, a non-executive Director, 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 caliber, 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 2025 the Board met eight 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 2025, the Committee met seventeen 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 quarter 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 three non-executive directors, one of whom chairs the Committee, the Managing Director/Chief Executive Officer (CEO), and another person who is not a director. In 2025, the Committee met eleven 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 not less than four times a year 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 three non-executive directors, one of whom chaired the Committee, and the 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 2025, the Committee met six 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.

## STATEMENT OF COMPLIANCE cont.

3. *Senior Management Team:* The Team consists of all the 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 coordinating 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 the Head of Life & Health. The Team is responsible for reviewing reinsurance treaties. The Team maintains close contact with the appointed international reinsurance brokers.



## FINANCIAL STATEMENTS

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	13
STATEMENT OF FINANCIAL POSITION	14
STATEMENT OF CHANGES IN EQUITY	15
STATEMENT OF CASH FLOWS	16
NOTES TO THE FINANCIAL STATEMENTS	17 - 77

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year Ended 31 December 2025

	Notes	2025 €	2024 €
Insurance revenue	7	18,422,732	19,284,707
Insurance service expenses	8	(10,803,953)	(15,957,672)
Net income/(expenses) from reinsurance contracts held	9	<u>(2,846,180)</u>	<u>423,457</u>
<b>Insurance service result</b>		<b><u>4,772,599</u></b>	<b><u>3,750,492</u></b>
<b>Net investment income</b>	16	<b>1,158,188</b>	<b>905,319</b>
Finance income/(expenses) from insurance contracts held	11	24,347	(224,121)
Finance income/(expenses) from reinsurance contracts held	12	<u>176,562</u>	<u>(216,155)</u>
<b>Net insurance finance income/(expenses)</b>		<b><u>200,909</u></b>	<b><u>(440,276)</u></b>
<b>Net insurance and investment result</b>		<b><u>6,131,696</u></b>	<b><u>4,215,535</u></b>
Other expenses		<u>(4,237,608)</u>	<u>(3,881,934)</u>
<b>Profit before tax</b>		<b><u>1,894,088</u></b>	<b><u>333,601</u></b>
Income tax expenses	20	<u>(638,628)</u>	<u>(187,431)</u>
<b>Profit for the year</b>		<b><u>1,255,460</u></b>	<b><u>146,170</u></b>

Statement of Comprehensive Income		2025 €	2024 €
<b>Profit for the year</b>		<b><u>1,255,460</u></b>	<b><u>-</u></b>
Revaluation of land and buildings	22	685,383	-
Income tax relating to these items		(40,000)	-
<b>Other comprehensive income for the year, net of tax</b>		<b><u>645,383</u></b>	<b><u>-</u></b>
<b>Total comprehensive income for the year</b>		<b><u>1,900,843</u></b>	<b><u>146,170</u></b>

The notes on pages 17 through 77 are an integral part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	Notes	2025 €	2024 €
<b>Assets</b>			
Intangible assets	21	849,018	959,805
Property, plant and equipment	22	6,135,652	5,439,049
Investment property	23	2,979,999	2,711,443
Investment in subsidiary undertaking	24	639,510	489,510
Financial assets at FVTPL	25	14,974,592	13,157,929
Financial assets at amortised cost	25	749,785	749,785
Insurance and other receivables	26	1,459,295	1,913,590
Investment assets		27,998	50,511
Insurance contract assets	10, 13	1,570,579	26,194
Reinsurance contract assets	10, 14	771,217	3,789,803
Cash and cash equivalents	27	6,620,053	6,395,164
<b>Total assets</b>		<b>36,777,698</b>	<b>35,682,783</b>
<b>Equity and Liabilities</b>			
Share capital	29	5,000,400	5,000,400
Revaluation reserve		3,024,497	2,379,114
Capital reserve		19,527	19,527
Retained earnings		4,406,310	3,150,850
<b>Total equity</b>		<b>12,450,734</b>	<b>10,549,891</b>
<b>Liabilities</b>			
Insurance contract liabilities	10, 13	17,059,462	18,621,988
Reinsurance contract liabilities	10, 14	745,855	323,619
Deferred tax liabilities	28	1,382,946	1,113,791
Borrowings	30	1,366,546	1,366,546
Amounts owed to banks	27	1,207,434	1,470,657
Current tax liability		769,945	649,116
Other payables and accruals	31	1,794,776	1,587,175
<b>Total liabilities</b>		<b>24,326,964</b>	<b>25,132,892</b>
<b>Total equity and liabilities</b>		<b>36,777,698</b>	<b>35,682,783</b>

The notes on pages 17 through 77 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 10<sup>th</sup> April 2026 and were signed on its behalf by:



Mr Michael Tripp  
Chairman



Angela Tabone  
Managing Director/CEO

# STATEMENT OF CHANGES IN EQUITY

Year Ended 31 December 2025

	SHARE CAPITAL €	PROPERTY REVALUATION RESERVE €	CAPITAL RE- SERVE €	RETAINED EARNINGS €	TOTAL €
<b>Balance on 1st January 2024</b>	<b>5,000,400</b>	<b>2,379,114</b>	<b>19,527</b>	<b>3,004,680</b>	<b>10,403,721</b>
Profit for the year - Total comprehensive income	-	-	-	146,170	146,170
<b>Balance on 31st December 2024</b>	<b>5,000,400</b>	<b>2,379,114</b>	<b>19,527</b>	<b>3,150,850</b>	<b>10,549,891</b>
Profit for the year	-	-	-	1,255,460	1,255,460
Other comprehensive income	-	645,383	-	-	645,383
<b>Balance on 31 December 2025</b>	<b>5,000,400</b>	<b>3,024,497</b>	<b>19,527</b>	<b>4,406,310</b>	<b>12,450,734</b>

The notes on pages 17 through 77 are an integral part of these financial statements.

# STATEMENT OF CASH FLOWS

Year Ended 31 December 2025

		2025	2024
	Notes	€	€
Cash flows from operating activities			
Profit before tax		1,894,088	333,601
<i>Adjustments for:</i>			
Depreciation and amortisation	21/22	736,732	753,019
Unrealised (gains)/losses on investments		(350,446)	(474,660)
Fair value gain on investment properties		(268,557)	-
Interest expense on lease liability		12,653	14,666
<i>Movement in:</i>			
Insurance contracts assets/liabilities	13	(3,106,840)	2,846,669
Reinsurance contracts assets/liabilities	14	3,440,823	(3,025,367)
Receivables	26	416,320	(533,467)
Payables	31	165,154	(7,482)
Cash inflows/(outflows) from operations		<u>2,939,927</u>	<u>(93,021)</u>
Tax paid		(250,670)	(77,912)
Net cash (used in) / generated from operations		<u>2,689,257</u>	<u>(170,933)</u>
Cash flows (used in) / generated from investing activities			
Payments to acquire property, plant and equipment	22	(168,452)	(206,256)
Payments to acquire intangible assets	21	(269,341)	(632,529)
Payments to acquire investments		(2,314,985)	(2,284,985)
Proceeds from sale of investments		721,285	1,086,410
Net cash used in investing activities		<u>(2,031,493)</u>	<u>(2,037,360)</u>
Cash flows used in financing activities			
Repayments of borrowings	25	-	(249,785)
Payment of lease liabilities (principal amount)		(169,652)	(165,769)
Net cash used in financing activities		<u>(169,652)</u>	<u>(415,554)</u>
Net movement in cash and cash equivalents		488,112	(2,623,847)
Cash and cash equivalents at beginning of the year	27	<u>4,924,507</u>	<u>7,548,354</u>
Cash and cash equivalents at end of the year	27	<u>5,412,619</u>	<u>4,924,507</u>

The notes on pages 17 through 77 are an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

## 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:

- (a) 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;
- (b) clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability;
- (c) make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services; and
- (d) 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 2025 and not early adopted

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are not yet effective for the Company's current accounting period.

The Company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU, and the Directors are of the opinion that there are no requirements which will have a material impact on the Company's financial statements in the period of initial application, other than what is described below.

#### IFRS 18 'Presentation and Disclosure in Financial Statements' (effective for annual periods beginning on or after 1 January 2027)

IFRS 18 (issued on 9 April 2024) was endorsed for use in the European Union on 16 February 2026 and is set to replace IAS 1 Presentation of Financial Statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though IFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, particularly those related to the statement of financial performance. IFRS 18 will also require the disclosure of management-defined performance measures within the financial statements.

Management is currently assessing the implications of applying IFRS 18 on the Company's financial statements.

The new standard will be applicable from its mandatory effective date of 1 January 2027, with retrospective application, meaning that comparative information will be restated to reflect the new presentation and disclosure requirements introduced.

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

## 3. MATERIAL ACCOUNTING POLICY INFORMATION

### 3.1 Basis of Preparation

The Company has consistently applied the accounting policies as set out in Note 1 to all periods presented in these 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 measurement 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 arranged 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 IFRS 17 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 31 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 (1 January 2022).

The Company underwrites life and non-life business due to its composite nature of its business. The adoption of IFRS 17 has resulted in significant changes to the Company's accounting policies for recognition classification and measurement of insurance contract, 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 IFRS 17 Insurance Contracts.

The Company also issues term riders, which represent an addition to a basic policy that provides additional benefits to policy holders (at additional cost). They can be purchased by a policy holder 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).

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

## *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 the 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 IFRS 17 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.

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

The Company also issues investment contracts with discretionary participation features. These contracts have economic characteristics similar feature to those of insurance contracts. The Company accounts for these contracts applying IFRS 17.

### **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 IFRS 17 Accounting Standards.

When these non-insurance components are non-distinct, they are accounted for together with the insurance component applying IFRS 17.

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 IFRS 9, 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 IFRS 17.

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 FRS 17 to account for non-distinct investment components as part of its insurance contracts.

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

## *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 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.

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

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 of 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

## 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 occurred, 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.

### 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:

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;

(a) 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;

(b) 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

(c) 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;

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

- (c) The changes in fulfilment cash flows related to future service, except:
- (d) Increases in fulfilment cash flows that exceed the carrying amount of the CSM, giving rise to a loss that results in the
- (e) group of contracts becoming onerous or more onerous;
- (f) Decreases in fulfilment cash flows that reverse a previously recognised loss on a group of onerous contracts;
- (g) The effect of any currency exchange differences on the CSM; and
- (h) 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 IFRS 4 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.

#### *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 contract 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 amortized 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 recognized as the insurance revenue for services provided in the period less any amortization of IACF recognized as an expense in the period, Insurance revenue is generally recognized 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 recognized 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

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

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 reevaluates 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 IFRS 17 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.

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 recognized. 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.

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

## *Reinsurance contracts held measured under the PAA*

The Company measures quota & 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:
- (b) Amounts allocated to the loss component;
- (c) Repayments of investment components;
- (d) Amounts that relate to transaction-based taxes collected on behalf of third parties;
- (e) Insurance acquisition expenses;
- (f) Amounts relating to risk adjustment for non-financial risk;
- (g) The change in the risk adjustment for non-financial risk, excluding:
- (h) Changes that relate to future service that adjust the CSM;
- (i) Amounts allocated to the loss component;
- (j) The amount of CSM for the services provided in the period; and
- (k) 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

## 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 31 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 IFRS 17.

### *Level of aggregation*

For life insurance contracts issued prior to 31 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 31 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 IFRS 13 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 IFRS 17 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.

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 31 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 IAS 12, and the Company includes those amounts in the fulfilment cash flows applying IFRS 17. 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.

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

## 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 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.

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

## *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 at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will be recorded in profit or loss.

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

#### *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.

#### *Financial assets at amortised cost*

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 expected credit losses (ECLs). ECL is recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

## 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 Financial assets at amortised cost

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.

## 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 amortized 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

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

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). 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

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

(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 IAS 37. 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.

## 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 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

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

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.

### *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 fulfilment cash flows directly attributable to the fulfilment of insurance contracts.

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

## *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 DPF). 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 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 IFRS 17 to 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.

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

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.

## *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

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

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.

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 behavior.

## *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.

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

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.

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

The net exposure on assets held at variable and fixed rates are the following:

2025	NOTES	WITHIN 1 YEAR	BETWEEN 1-5 YEARS	OVER 5 YEARS	TOTAL
		€	€	€	€
<b>Assets held at variable rates</b>					
Cash and cash equivalents	27	6,620,053	-	-	6,620,053
<b>Assets held at fixed rates</b>					
Debt securities	25	1,087,772	2,528,121	4,667,533	8,283,426
Financial assets at amortised cost	25	249,785	500,000	-	749,785
<b>Total interest-bearing assets</b>		<b>7,957,610</b>	<b>3,028,121</b>	<b>4,667,533</b>	<b>15,653,264</b>
<b>Liabilities issued at variable rates</b>					
Borrowings	27, 30	(1,207,434)	(1,000,000)	-	(2,207,434)
<b>Liabilities issued at fixed rates</b>					
Borrowings	30	-	(366,546)	-	(366,546)
<b>Net exposure on assets held at variable rates at 31 December 2025</b>		<b>5,412,619</b>	<b>(1,000,000)</b>	<b>-</b>	<b>4,412,619</b>
<b>Net exposure on assets held at fixed rates at 31 December 2025</b>		<b>1,337,557</b>	<b>2,661,575</b>	<b>4,667,533</b>	<b>8,666,665</b>

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

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

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 Company's portfolio is analysed by category as follows:

2025	GENERAL BUSINESS	LIFE BUSINESS	TOTAL	MARKET VALUE
				€
Bank deposits	0.00%	5.02%	5.02%	749,785
Corporate bonds (local and foreign)	9.31%	17.90%	27.21%	4,067,219
Government bonds	8.15%	20.05%	28.21%	4,216,207
Equity	29.93%	2.21%	32.15%	4,805,067
Collective investment scheme	1.37%	6.05%	7.42%	1,108,840
	<b>48.76%</b>	<b>51.24%</b>	<b>100.00%</b>	<b>14,947,118</b>

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
	<b>48.97%</b>	<b>51.03%</b>	<b>100.00%</b>	<b>13,025,132</b>

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 2025 was estimated at €43,333 (2024 €36,772).

## 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

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

## 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 +/- €240,253 (2024 +/- €220,172) on the Company's results, and in 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 total financial assets bearing credit risk are the following:

	2025	2024
	€	€
Cash and cash equivalents	6,620,053	6,395,164
Financial assets at fair value through profit or loss	8,283,426	6,971,112
Financial assets at amortised cost	749,785	749,785
Other receivables	1,132,685	1,531,372
	<b>16,785,949</b>	<b>15,647,433</b>

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 and Poor's credit rating symbols.

	2025	2024
	€	€
AA-	1,587,999	1,676,953
BBB	2,447,086	2,990,108
Unrated	2,585,968	838,995
	<b>6,620,053</b>	<b>5,506,056</b>

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) Financial assets at amortised cost
- (d) Reinsurance assets
- (e) Insurance receivable

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

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 2025, 51% of the Company's debt securities comprised of Government Bonds (50% in 2024), of which 94% (88% in 2024) are investments in Government Bonds on the Malta Stock Exchange and 6% (12%

in 2024) are quoted on equivalent exchanges. The remaining 49% (50% in 2024) are represented by investments in corporate bonds of which 47% (46% in 2024) are listed on the Malta Stock Exchange and 53% (57% in 2024) 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.

	2025		2024	
	Government Bonds €	Corporate bonds €	Government Bonds €	Corporate bonds €
AAA	102,110	-	-	-
AA+	-	100,610	-	51,479
AA-	48,300	51,625	-	52,665
A	-	192,268	-	140,853
A-	3,955,222	687,605	3,277,568	466,194
BBB+	-	253,556	-	358,545
BBB	-	686,274	96,895	338,019
BBB-	110,575	446,276	105,838	497,687
Unrated	-	1,649,005	-	1,585,369
	<b>4,216,207</b>	<b>4,067,219</b>	<b>3,480,301</b>	<b>3,490,811</b>

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 €749,785 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 Comp-

any 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.

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

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

	2025	2024
	€	€
Specifically provided for the 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.

2025	LESS THAN 1 YEAR	BETWEEN 1-5 YEARS	OVER 5 YEARS	TOTAL
	€ '000	€ '000	€ '000	€ '000
Subordinated loans	-	1,367	-	1,367
Bank borrowings	1,207	-	-	1,207
Lease liabilities	174	285	146	605
Other payables	1,231	-	-	1,231
	<u>2,612</u>	<u>1,652</u>	<u>146</u>	<u>4,410</u>

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	330	73	552
Other payables	1,587	-	-	1,587
	<u>3,207</u>	<u>1,697</u>	<u>73</u>	<u>4,977</u>

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

## *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 2025 and 2024, 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.

IFRS 7 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.

## *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

## *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's 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 2025, the Company's eligible own funds adequately covered the required SCR and amounted to €16,188,115 (2024: €14,060,188), an improvement of €2,127,927.

## *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.

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

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
2025	€	2.22%	2.62%	3.00%
2024	€	2.47%	2.37%	2.50%

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

## 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
		€	€	€	€
<b>2025</b>					
Mortality	+10%	337,881	69,205	219,622	44,983
Mortality	-10%	(332,376)	(387,484)	(216,044)	(251,865)
Lapse rates	+25%	(25,208)	(226,352)	(16,386)	(147,129)
Lapse rates	-25%	60,752	312,563	39,489	203,166
Expenses	+10%	(36,135)	(36,135)	(23,488)	(23,488)
Expenses	-10%	35,590	35,590	23,133	23,133
Loss rate	+5%	(394,072)	(345,872)	(256,147)	(224,817)
Loss rate	-5%	394,072	345,872	256,147	224,817
<b>2024</b>					
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

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

## 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 2025 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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	NET
	€	€	€	€	€	€	€	€	€	€	
At the end of the accident year	2,222,247	2,400,713	2,584,016	2,894,153	2,124,631	2,373,066	2,793,969	2,830,347	3,318,608	3,465,726	27,007,476
One year later	2,809,620	3,256,794	3,472,248	3,587,429	2,361,033	2,696,291	3,358,572	3,219,495	3,586,878		28,348,360
Two years later	2,681,028	3,109,818	3,339,323	3,462,044	2,325,400	2,701,875	3,247,617	3,075,154			23,942,259
Three years later	2,569,678	3,045,711	3,330,333	3,417,319	2,210,808	2,578,687	3,073,281				20,225,817
Four years later	2,559,627	3,091,662	3,343,253	3,336,742	2,198,092	2,532,724					17,062,100
Five years later	2,578,207	3,069,995	3,344,590	3,314,950	2,192,842						14,500,584
Six years later	2,585,213	3,097,443	3,350,102	3,308,237							12,340,995
Seven years later	2,631,273	3,092,049	3,340,510								9,063,832
Eight years later	2,604,454	3,069,049									5,673,503
Nine years later	2,642,970										2,642,970
Current estimates of cumulative amounts	2,642,970	3,069,049	3,340,510	3,308,237	2,192,842	2,532,724	3,078,281	3,075,154	3,586,878	3,465,726	30,287,372
Current payments to-date	(2,518,323)	(3,054,301)	(3,319,438)	(3,261,100)	(2,083,499)	(2,333,875)	(2,658,002)	(2,534,692)	(2,224,807)	(1,123,962)	(25,111,999)
	124,647	14,748	21,072	47,137	109,343	198,849	415,280	540,462	1,362,071	2,341,764	5,175,374
Liabilities in respect of prior years											477,046
Liabilities in respect of classes of business not in the analysis											1,101,289
Impact of discounting, risk adjustment and others											(672,084)
Total liability for incurred claims included in the statement of financial position											6,081,625

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

## 7. INSURANCE REVENUE

The following tables present an analysis of the insurance revenue recognised in the period.

	2025	2024
	€	€
<i>Amounts relating to changes in liabilities for remaining coverage</i>		
Expected incurred insurance service claims	585,306	564,341
Expected incurred insurance service expenses	410,540	549,334
Change in risk adjustment for non-financial risk for risk expired	180,645	207,221
CSM recognised for services provided	529,074	574,653
Recovery of insurance acquisition cash flows	143,511	137,476
Experience adjustments	(35,491)	225,361
<b>Contracts not measured under the PAA</b>	<b>1,813,585</b>	<b>2,258,386</b>
<b>Contracts measured under the PAA</b>	<b>16,609,147</b>	<b>17,026,321</b>
<b>Total insurance revenue</b>	<b>18,422,732</b>	<b>19,284,707</b>

## 8. INSURANCE SERVICE EXPENSES

The tables below show an analysis of insurance service expenses recognised in the period.

	2025	2024
	€	€
Incurring insurance service claims	8,916,815	10,982,137
Changes that relate to past service - adjustment to the LIC	24,680	13,514
Changes that relate to future service - losses on onerous groups of contracts and reversal of such losses	(1,319,896)	1,600,075
Insurance acquisition costs	3,182,354	3,361,946
<b>Total insurance expenses</b>	<b>10,803,953</b>	<b>15,957,672</b>

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

## 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:

	2025	2024
	€	€
<i>Amounts relating to changes in the remaining coverage</i>		
Expected amount recoverable for claims and other insurance service expenses incurred in the period	495,808	641,129
Change in risk adjustment for non-financial risk for risk expired	119,318	148,496
CSM recognised for services received	40,152	35,508
Experience adjustments for premium paid	-	(793,801)
<b>Contracts not measured under the PAA</b>	<b>655,278</b>	<b>31,332</b>
<b>Contracts measured under the PAA</b>	<b>3,276,465</b>	<b>4,322,166</b>
<b>Allocation of reinsurance premiums paid</b>	<b>3,931,743</b>	<b>4,353,498</b>
Amounts recoverable for incurred claims and other incurred insurance service expenses	(1,986,386)	(2,896,891)
Changes in amounts recoverable that relate to past service - adjustments to incurred claims and other expenses	900,823	(1,880,064)
<b>Amounts recovered from reinsurers and incurred expenses</b>	<b>(1,085,563)</b>	<b>(4,776,955)</b>
<b>Net income/(expenses) from reinsurance contracts held</b>	<b>(2,846,180)</b>	<b>423,457</b>

## 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:

	2025	2024
	€	€
Insurance contract assets	1,570,579	26,194
Insurance contract liabilities	(17,059,462)	(18,621,988)
<b>Net</b>	<b>(15,488,883)</b>	<b>(18,595,794)</b>
Reinsurance contract assets	771,217	3,789,803
Reinsurance contract liabilities	(745,855)	(323,619)
<b>Net</b>	<b>25,362</b>	<b>3,466,184</b>

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

## 11. INSURANCE FINANCE EXPENSES

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

	2025	2024
	€	€
Interest accreted to insurance contracts	(147,750)	(200,074)
Effect of changes in interest rates and other financial assumptions through profit and loss	299,058	(49,472)
Effect of changes in fulfilment cash flows at current rate when CSM is unlocked at locked-in rate	(126,961)	25,425
<b>Total insurance finance income/(expense)</b>	<b>24,347</b>	<b>(224,121)</b>

## 12. REINSURANCE FINANCE INCOME

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

	2025	2024
	€	€
Interest accreted to reinsurance contracts	69,854	(23,988)
Effect of changes in interest rates and other financial assumptions through profit and loss	108,587	(15,231)
Effect of changes in fulfilment cash flows at current rate when CSM is unlocked at locked-in rate	(1,879)	(176,936)
<b>Total reinsurance finance income/(expense)</b>	<b>176,562</b>	<b>(216,155)</b>

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

## 13.1. 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.

2025	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	
	€	€	€	€	€	€	€
Opening insurance contract assets	26,194	-	-	-	-	-	26,194
Opening insurance contract liabilities	(6,126,042)	-	(169,345)	(4,100,905)	(7,923,263)	(302,433)	(18,621,988)
<b>Net opening position of insurance contracts</b>	<b>(6,099,848)</b>	<b>-</b>	<b>(169,345)</b>	<b>(4,100,905)</b>	<b>(7,923,263)</b>	<b>(302,433)</b>	<b>(18,595,793)</b>
Insurance revenue	18,422,732	-	-	-	-	-	18,422,732
<i>Insurance service expenses</i>							
Incurred claims and other insurance service expenses	-	-	-	(474,281)	(8,258,207)	(184,327)	(8,916,815)
Adjustments to liabilities for incurred claims	-	-	-	708,460	443,397	168,039	1,319,896
Losses and reversals of losses on onerous contracts	-	-	(24,680)	-	-	-	(24,680)
Amortisation of insurance acquisition cash flows	(3,182,354)	-	-	-	-	-	(3,182,354)
<b>Insurance service result</b>	<b>15,240,378</b>	<b>-</b>	<b>(24,680)</b>	<b>234,179</b>	<b>(7,814,810)</b>	<b>(16,288)</b>	<b>7,618,779</b>
Insurance finance income/(expenses) from insurance contracts recognised in profit or loss	198,434	-	11,336	(78,998)	(106,425)	-	24,347

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

## 13.1. INSURANCE CONTRACT ASSETS AND LIABILITIES (cont.)

2025 (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	
	€	€	€	€	€	€	€
Investment components excluded from insurance revenue and insurance service expenses	339,436	-	-	(339,436)	-	-	-
<b>Total changes in statement of profit or loss and OCI</b>	<b>15,778,248</b>	<b>-</b>	<b>(13,344)</b>	<b>(184,255)</b>	<b>(7,921,235)</b>	<b>(17,835)</b>	<b>7,641,578</b>
<i>Cash flows</i>							
Premiums received (including investment components)	(19,552,886)	-	-	-	-	-	(19,552,886)
Insurance acquisition cash flows	3,637,145	-	-	-	-	-	3,637,145
Directly attributable expenses paid	-	-	-	5,299	-	-	5,299
Claims and other insurance service expenses paid (including investment components)	-	-	-	3,662,536	7,713,238	-	11,375,773
<b>Total cash flows</b>	<b>(15,915,741)</b>	<b>-</b>	<b>-</b>	<b>3,667,835</b>	<b>7,713,238</b>	<b>-</b>	<b>(4,534,669)</b>
Closing insurance contract assets	2,018,323	-	(12,429)	(435,315)	-	-	1,570,579
Closing insurance contract liabilities	(8,255,664)	-	(170,259)	(182,010)	(8,131,261)	(320,268)	(17,059,462)
<b>Net closing position of insurance contracts</b>	<b>(6,237,341)</b>	<b>-</b>	<b>(182,688)</b>	<b>(617,325)</b>	<b>(8,131,261)</b>	<b>(320,268)</b>	<b>(15,488,883)</b>

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

## 13.1. INSURANCE CONTRACT ASSETS AND LIABILITIES (cont.)

2024	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	
	€	€	€	€	€	€	€
Opening insurance contract assets	2,073,389	-	(59,229)	(509,429)	-	-	1,504,731
Opening insurance contract liabilities	(8,075,665)	-	(99,253)	(92,999)	(8,397,169)	(436,737)	(17,101,823)
<b>Net opening position of insurance contracts</b>	<b>(6,002,276)</b>	<b>-</b>	<b>(158,482)</b>	<b>(602,428)</b>	<b>(8,397,169)</b>	<b>(436,737)</b>	<b>(15,597,092)</b>
Insurance revenue	19,284,707	-	-	-	-	-	19,284,707
<i>Insurance service expenses</i>							
Incurred claims and other insurance service expenses	-	-	-	(1,342,015)	(9,428,917)	(211,204)	(10,982,136)
Adjustments to liabilities for incurred claims	-	-	-	(2,916,074)	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	-	-	-	-	-	-	-
<b>Insurance service result</b>	<b>15,922,761</b>	<b>-</b>	<b>(13,514)</b>	<b>(4,258,089)</b>	<b>(8,458,427)</b>	<b>134,305</b>	<b>3,327,036</b>
Insurance finance income or expenses from insurance contracts recognised in profit or loss	(10,209)	-	2,652	(12,178)	(204,386)	-	(224,121)

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

## 13.1. 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	-	-	-	-	-	0	0
Investment components excluded from insurance revenue and insurance service expenses	251,524	-	-	(251,524)	-	-	-
<b>Total changes in statement of profit or loss and OCI</b>	<b>16,164,076</b>	<b>-</b>	<b>(10,862)</b>	<b>(4,521,791)</b>	<b>(8,662,813)</b>	<b>134,305</b>	<b>3,102,915</b>
<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
<b>Total cash flows</b>	<b>(16,261,649)</b>	<b>-</b>	<b>-</b>	<b>1,023,315</b>	<b>9,136,720</b>	<b>-</b>	<b>(6,101,614)</b>
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)
<b>Net closing position of insurance contracts</b>	<b>(6,099,848)</b>	<b>-</b>	<b>(169,345)</b>	<b>(4,100,905)</b>	<b>(7,923,263)</b>	<b>(302,433)</b>	<b>(18,595,794)</b>

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

## 13.2. 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, not measured under the PAA, analysed by components:

2025	BEST ESTIMATE LIABILITY	RISK ADJUSTMENT	CONTRACTUAL SERVICE MARGIN	TOTAL
	€	€	€	€
Opening insurance contract assets	-	-	-	-
Opening insurance contract liabilities	919,580	(2,471,531)	(4,384,163)	(5,936,114)
<b>Net opening position of insurance contracts</b>	<b>919,580</b>	<b>(2,471,531)</b>	<b>(4,384,163)</b>	<b>(5,936,114)</b>
<i>Changes that relate to current service</i>				
CSM for services provided recognised in profit and loss	-	-	529,074	529,074
Experience adjustments	490,434	-	-	490,434
Change in risk adjustment recognised in profit and loss	-	180,999	-	180,999
<i>Changes that relate to future service</i>				
Contracts initially recognised in the period	659,313	(187,767)	(471,546)	-
Changes in estimates that adjust the CSM	931,891	150,631	(1,082,522)	-
Changes in estimates that result in losses and reversals of losses on onerous contracts	(16,701)	(12,694)	-	(29,395)
<i>Changes that relate to past service</i>				
Adjustments to liabilities for incurred claims	708,460	-	-	708,460
Insurance finance expenses from insurance contracts recognised in profit or loss	176,240	-	(45,468)	130,772
Insurance finance expenses from insurance contracts recognised in OCI	-	-	-	-
Effect of movements in exchange rates	-	-	-	-
<b>Total changes in the statement of profit or loss and OCI</b>	<b>2,949,637</b>	<b>131,169</b>	<b>(1,070,462)</b>	<b>2,010,344</b>

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

## 13.2. INSURANCE CONTRACT ASSETS AND LIABILITIES (cont.)

2025	BEST ESTIMATE LIABILITY	RISK ADJUSTMENT	CONTRACTUAL SERVICE MARGIN	TOTAL
	€	€	€	€
<i>Cash flows</i>				
Premiums received (including investment components)	(2,751,792)	-	-	(2,751,792)
Insurance acquisition cash flows	534,210	-	-	534,210
Directly attributable expenses paid	5,299	-	-	5,299
Claims and other insurance service expenses paid (including investment components)	3,675,574	-	-	3,675,574
<b>Total cash flows</b>	<b>1,463,291</b>	<b>-</b>	<b>-</b>	<b>1,463,291</b>
Closing insurance contract assets	8,761,630	(2,259,702)	(4,978,981)	1,522,947
Closing insurance contract liabilities	(3,429,121)	(80,659)	(475,644)	(3,985,424)
<b>Net closing position of insurance contracts</b>	<b>5,332,509</b>	<b>(2,340,361)</b>	<b>(5,454,625)</b>	<b>(2,462,477)</b>

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

## 13.2. INSURANCE CONTRACT ASSETS AND LIABILITIES (cont.)

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)
<b>Net opening position of insurance contracts</b>	<b>4,132,905</b>	<b>(3,204,770)</b>	<b>(3,928,778)</b>	<b>(3,000,643)</b>
<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)	0
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	-	-	-	-
<b>Total changes in the statement of profit or loss and OCI</b>	<b>(2,448,283)</b>	<b>733,239</b>	<b>(455,385)</b>	<b>(2,170,429)</b>

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

## 13.2. 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
<b>Total cash flows</b>	<b>(765,044)</b>	<b>-</b>	<b>-</b>	<b>(765,044)</b>
Closing insurance contract assets	-	-	-	-
Closing insurance contract liabilities	919,578	(2,471,531)	(4,384,163)	(5,936,116)
<b>Net closing position of insurance contracts</b>	<b>919,578</b>	<b>(2,471,531)</b>	<b>(4,384,163)</b>	<b>(5,936,116)</b>

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

## 13.3. INSURANCE CONTRACT ASSETS AND LIABILITIES

The following table provides an analysis of insurance contracts initially recognised in the period, not measured under the PAA.

2025	NON-ONEROUS CONTRACTS	ONEROUS CONTRACTS	TOTAL
	€	€	€
<i>Estimates of present value of future cash outflows</i>	1,176,623	-	1,176,623
Insurance acquisition cash flows	161,524	-	161,524
Claims and other directly attributable insurance service expenses	1,015,100	-	1,015,100
Estimates of present value of future cash inflows	(1,835,936)	-	(1,835,936)
Present value of cash flows	(659,313)	-	(659,313)
Risk adjustment for non-financial risk	187,767	-	187,767
Contractual service margin	471,546	-	471,546
<b>Insurance contract liabilities</b>	-	-	-

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
Estimates of present value of future cash inflows	(1,727,721)	-	(1,727,721)
Present value of cash flows	(590,167)	-	(590,167)
Risk adjustment for non-financial risk	230,745	-	230,745
Contractual service margin	359,422	-	359,422
<b>Insurance contract liabilities</b>	-	-	-

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

## 14.1. 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.

2025	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	
	€	€	€	€	€	€
Opening reinsurance contract assets	(1,114,605)	-	3,684,971	1,197,153	22,284	3,789,803
Opening reinsurance contract liabilities	(2,035,629)	-	-	1,707,379	4,632	(323,618)
<b>Net opening position of reinsurance contracts</b>	<b>(3,150,234)</b>	<b>-</b>	<b>3,684,971</b>	<b>2,904,532</b>	<b>26,916</b>	<b>3,466,185</b>
<i>Net income or expense from reinsurance contracts held</i>						
Allocation of reinsurance premiums paid	(3,931,743)	-	-	-	-	(3,931,743)
Expenses directly attributable to reinsurance	-	-	-	-	-	-
Changes in expected recoveries on past claims and other expenses	-	-	394,571	1,564,655	27,160	1,986,386
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	-	-	(682,606)	(183,630)	(34,587)	(900,823)
Finance income or expenses from reinsurance contracts recognised in profit or loss	71,203	-	75,953	29,406	-	176,562
Finance income or expenses from reinsurance contracts recognised in OCI	-	-	-	-	-	-

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

## 14.1. REINSURANCE CONTRACT ASSETS AND LIABILITIES (cont.)

2025 (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	
	€	€	€	€	€	€
<b>Total changes in statement of profit or loss and OCI</b>	(3,860,540)	-	(212,082)	1,410,431	(7,427)	<b>(2,669,618)</b>
<i>Cash flows</i>						
Premiums paid	4,052,596	-	-	-	-	<b>4,052,596</b>
Directly attributable expenses paid	-	-	-	-	-	-
Amounts received from reinsurers relating to incurred claims	-	-	(2,840,207)	(1,979,905)	-	<b>(4,820,112)</b>
<b>Total cash flows</b>	<b>4,052,596</b>	<b>-</b>	<b>(2,840,207)</b>	<b>(1,979,905)</b>	<b>-</b>	<b>(767,516)</b>
Closing reinsurance contract assets	12,293	-	632,680	126,188	56	<b>771,217</b>
Closing reinsurance contract liabilities	(2,974,159)	-	-	2,208,869	19,435	<b>(745,855)</b>
<b>Net closing position of reinsurance contracts</b>	<b>(2,961,866)</b>	<b>-</b>	<b>632,680</b>	<b>2,335,057</b>	<b>19,491</b>	<b>25,362</b>

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

## 14.1. REINSURANCE CONTRACT ASSETS AND LIABILITIES (cont.)

2024	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	
	€	€	€	€	€	€
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	(726,143)
<b>Net opening position of reinsurance contracts</b>	<b>(3,745,804)</b>	<b>-</b>	<b>489,601</b>	<b>3,672,880</b>	<b>37,175</b>	<b>453,852</b>
<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 cont.

Year Ended 31 December 2025

## 14.1. 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	-	-	-	-	-	-
<b>Total changes in statement of profit or loss and OCI</b>	<b>(4,628,062)</b>	<b>-</b>	<b>3,361,869</b>	<b>1,483,755</b>	<b>(10,259)</b>	<b>207,303</b>
<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)	-	(2,418,602)
<b>Total cash flows</b>	<b>5,223,632</b>	<b>-</b>	<b>(166,499)</b>	<b>(2,252,103)</b>	<b>-</b>	<b>2,805,030</b>
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	4,631	(323,619)
<b>Net closing position of reinsurance contracts</b>	<b>(3,150,234)</b>	<b>-</b>	<b>3,684,971</b>	<b>2,904,532</b>	<b>26,915</b>	<b>3,466,184</b>

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

## 14.2. REINSURANCE CONTRACT ASSETS AND LIABILITIES

The following table shows the reconciliation from the opening to the closing balances of the net reinsurance contract assets and liabilities, not measured under the PAA, analysed by components:

2025	BEST ESTIMATE LIABILITY	RISK ADJUSTMENT	CONTRACTUAL SERVICE MARGIN	TOTAL
	€	€	€	€
Opening reinsurance contract assets	1,316,472	1,516,746	626,387	3,459,605
Opening reinsurance contract liabilities	-	-	-	-
<b>Net opening position of reinsurance contracts</b>	<b>1,316,472</b>	<b>1,516,746</b>	<b>626,387</b>	<b>3,459,605</b>
<i>Changes that relate to current service</i>				
CSM recognised for the period	-	-	(40,152)	(40,152)
Change in risk adjustment for non-financial risk for risk expired	-	(119,318)	-	(119,318)
Experience adjustments	(101,237)	-	-	(101,237)
<i>Changes that relate to future service</i>				
Contracts initially recognised in the period	(97,553)	91,701	5,852	-
Changes in estimates that adjust the CSM	(201,759)	(44,267)	246,026	-
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	(682,607)	-	-	(682,607)
Finance income or expenses from reinsurance contracts recognised in profit or loss	133,354	-	13,802	147,156
Finance income or expenses from reinsurance contracts recognised in OCI	-	-	-	-
Effect of movements in exchange rates	-	-	-	-
<b>Total changes in the statement of profit or loss</b>	<b>(949,802)</b>	<b>(71,884)</b>	<b>225,527</b>	<b>(796,159)</b>

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

## 14.2. REINSURANCE CONTRACT ASSETS AND LIABILITIES (cont.)

2025 (cont.)	BEST ESTIMATE LIABILITY	RISK ADJUSTMENT	CONTRACTUAL SERVICE MARGIN	TOTAL
	€	€	€	€
<i>Cash flows</i>				
Premiums paid (including investment components)	803,654	-	-	803,654
Directly attributable expenses paid	-	-	-	-
Amounts received from reinsurers relating to incurred claims (including investment components)	(2,840,207)	-	-	(2,840,207)
<b>Total cash flows</b>	<b>(2,036,553)</b>	<b>-</b>	<b>-</b>	<b>(2,036,553)</b>
Closing reinsurance contract assets	(1,669,883)	1,444,862	851,915	626,894
Closing reinsurance contract liabilities	-	-	-	-
<b>Net closing position of reinsurance contracts</b>	<b>(1,669,883)</b>	<b>1,444,862</b>	<b>851,915</b>	<b>626,894</b>

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

## 14.2. REINSURANCE CONTRACT ASSETS AND LIABILITIES (cont.)

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)
<b>Net opening position of reinsurance contracts</b>	<b>(3,664,215)</b>	<b>2,127,463</b>	<b>1,062,435</b>	<b>(474,317)</b>
<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	-	-	-	-
<b>Total changes in the statement of profit or loss</b>	<b>4,102,737</b>	<b>(610,718)</b>	<b>(1,136,301)</b>	<b>2,355,718</b>

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

## 14.2. 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)
<b>Total cash flows</b>	<b>877,948</b>	<b>-</b>	<b>-</b>	<b>877,948</b>
Closing reinsurance contract assets	1,316,470	1,516,745	(73,866)	2,759,349
Closing reinsurance contract liabilities	-	-	-	-
<b>Net closing position of reinsurance contracts</b>	<b>1,316,470</b>	<b>1,516,745</b>	<b>(73,866)</b>	<b>2,759,349</b>

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

## 14.3. REINSURANCE CONTRACT ASSETS AND LIABILITIES

The following table provides an analysis of reinsurance contracts initially recognised in the period, not measured under the PAA.

2025	ORIGINATED IN NET GAIN	ORIGINATED IN NET LOSS	TOTAL
	€	€	€
Estimates of present value of future cash outflows	640,111	-	640,111
Estimates of present value of future cash inflows	737,663	-	737,663
<b>Present value of cash flows</b>	<b>(97,553)</b>	-	<b>(97,553)</b>
Risk adjustment for non-financial risk	91,701	-	91,701
Contractual service margin	5,851	-	5,851

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
<b>Present value of cash flows</b>	<b>(250,119)</b>	-	<b>(250,119)</b>
Risk adjustment for non-financial risk	223,655	-	223,655
Contractual service margin	26,464	-	26,464

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

## 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.

2025	INSURANCE CONTRACTS ISSUED	REINSURANCE CONTRACTS HELD
	€	€
Less than 1 year	310,013	26,184
1 to 2 years	303,843	26,795
2 to 3 years	294,778	27,309
3 to 4 years	287,680	27,550
4 to 5 years	278,163	27,940
>5 years	3,980,148	716,136
<b>Total CSM</b>	<b>5,454,625</b>	<b>851,914</b>

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
<b>Total CSM</b>	<b>4,384,162</b>	<b>(73,867)</b>

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

## 16. INVESTMENT RETURN

	2025	2024
	€	€
<b>Investment gains</b>		
Income from financial assets at fair value through profit or loss:		
• Dividend and interest income	411,985	300,607
• Net fair value gain	478,278	577,722
Income from financial assets at amortised cost	40,870	74,128
	<u>931,133</u>	<u>952,457</u>
<b>Investment expenses and charges</b>		
Net investment management and transaction charges	(41,511)	(47,138)
	<u>(41,511)</u>	<u>(47,138)</u>
Fair value gain on investment property	268,566	-
<b>Net investment return</b>	<u>1,158,188</u>	<u>905,319</u>

## 17. EMPLOYEE BENEFIT EXPENSE

	2025	2024
	€	€
Salaries	2,779,285	2,783,717
Salaries of key management (including Directors)	586,942	673,348
Social security costs	198,827	211,122
	<u>3,565,054</u>	<u>3,668,187</u>

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

	2025	2024
	No.	No.
Accounts and administration	33	32
Insurance business	63	66
	<u>96</u>	<u>98</u>

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

## 18. DIRECTORS' COMPENSATION

	2025	2024
	€	€
Directors' remuneration and fees	351,048	355,811
	<u>351,048</u>	<u>355,811</u>

## 19. PROFIT/(LOSS) BEFORE TAX

The profit before tax is stated after charging the following:

	2025	2024
	€	€
<i>Stated after charging:</i>		
<b>Auditors' remuneration</b>		
Annual statutory audit	180,000	170,000
Other assurance services	30,000	4,473
Other services	91,484	-
Depreciation and amortisation	736,732	753,019
<b>Subordinated loan interest</b>		
Shareholders' subordinated loan interest	14,359	14,823
Bank loan interest	<u>57,048</u>	<u>57,048</u>

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

## 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:

	2025	2024
	€	€
Profit for the year	1,894,087	333,601
Tax at the applicable rate of 35%	662,930	116,760
<b>Tax effect of:</b>		
Investment property fair value movement	(93,995)	-
Depreciation on ineligible assets	72,794	79,706
Others	(3,101)	(9,035)
<b>Tax charge for the year</b>	<b>638,628</b>	<b>187,431</b>

## 21. INTANGIBLE ASSETS

	TENANCY RIGHTS	COMPUTER SOFTWARE	CLIENT LIST	TOTAL
	€	€	€	€
<b>Year ended 31 December 2024</b>				
Opening net book value	81,224	591,155	61,368	733,747
Additions	-	632,529	-	632,529
Amortisation	(20,343)	(366,208)	(19,920)	(406,471)
<b>Closing net book value</b>	<b>60,881</b>	<b>857,476</b>	<b>41,448</b>	<b>959,805</b>
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)
<b>Closing net book value</b>	<b>60,881</b>	<b>857,476</b>	<b>41,448</b>	<b>959,805</b>
<b>Year ended 31 December 2025</b>				
Opening net book value	60,881	857,476	41,448	959,805
Additions	-	269,341	-	269,341
Amortisation	(20,343)	(339,865)	(19,920)	(380,128)
<b>Closing net book value</b>	<b>40,538</b>	<b>786,952</b>	<b>21,528</b>	<b>849,018</b>
Acquisition cost / revalued amount	305,000	3,766,685	199,473	4,271,158
Accumulated amortisation	(264,462)	(2,979,733)	(177,945)	(3,422,140)
<b>Closing net book value</b>	<b>40,538</b>	<b>786,952</b>	<b>21,528</b>	<b>849,018</b>

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

## 22. PROPERTY, PLANT AND EQUIPMENT

	LAND AND BUILDINGS	LEASEHOLD PREMISES	MOTOR VEHICLES	FURNITURE AND FITTINGS	RIGHT-OF-USE ASSETS	TOTAL
	€	€	€	€	€	€
<b>Year ended 31 December 2024</b>						
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	289,793
Depreciation charge for the year	(83,793)	(17,765)	-	(86,989)	(158,001)	(346,548)
Remeasurement of lease liability	-	-	-	-	75,473	75,473
<b>Closing net book value</b>	<b>4,394,882</b>	<b>168,581</b>	<b>52,913</b>	<b>325,953</b>	<b>496,720</b>	<b>5,439,049</b>
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)
<b>Closing net book value</b>	<b>4,394,882</b>	<b>168,581</b>	<b>52,913</b>	<b>325,953</b>	<b>496,720</b>	<b>5,439,049</b>
<b>Year ended 31 December 2025</b>						
Opening net book value	4,394,882	168,581	52,913	325,953	496,720	5,439,049
Acquisitions / disposals	-	-	(46,220)	214,672	164,457	332,909
Revaluation during the year	685,383	-	-	-	-	685,383
Depreciation charge for the year	(80,265)	(17,765)	29,332	(137,519)	(150,387)	(356,604)
Remeasurement of lease liability	-	-	-	-	34,915	34,915
<b>Closing net book value</b>	<b>5,000,000</b>	<b>150,816</b>	<b>36,025</b>	<b>403,106</b>	<b>545,705</b>	<b>6,135,652</b>
Acquisition cost/revalued amount	5,000,000	347,702	172,275	2,580,276	1,481,966	9,582,219
Accumulated depreciation	-	(196,886)	(136,250)	(2,177,170)	(936,261)	(3,446,567)
<b>Closing net book value</b>	<b>5,000,000</b>	<b>150,816</b>	<b>36,025</b>	<b>403,106</b>	<b>545,705</b>	<b>6,135,652</b>

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

## 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 meters 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 2025.

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 (2024: €200/square metre) and a capitalisation rate of 6% (2024: 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 €1.5 million (2024: €1.6 million).

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 lease term is 5.0 years (2024: 4.5 years).

## 23. INVESTMENT PROPERTY

### Opening net book value

Increase in fair value during the year

Closing net book value at 31 December

2025	2024
€	€
2,711,443	2,711,443
268,556	-
<u>2,979,999</u>	<u>2,711,443</u>

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 last date of the valuation and hence this is an appropriate estimate of the fair value at 31 December 2025. 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 (2024: €180/square metre) and a capitalisation rate of 6% (2024: 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 capitalisation rate, the lower the fair value.

## 24. INVESTMENTS IN SUBSIDIARY

Investments in subsidiaries are accounted for at cost.

Investments in subsidiary at beginning of year

Add: Investments in subsidiary during the year

Investments in subsidiary at end of the year

2025	2024
€	€
489,510	369,510
150,000	120,000
<u>639,510</u>	<u>489,510</u>

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

## 24. INVESTMENTS IN SUBSIDIARY (cont.)

NAME	REGISTERED OFFICE	% OF EQUITY HELD	
		2025	2024
Spiral Insurance Brokers PCC Limited	72, Tigne Street, Sliema, SLM 3172, Malta	100%	100%
<b>CAPITAL AND RESERVES</b>			
		€	€
Spiral Insurance Brokers PCC Limited		183,303	112,143
<b>PROFIT / (LOSS)</b>			
		€	€
Spiral Insurance Brokers PCC Limited		(78,843)	(98,492)

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:

	2025	2024
	€	€
At air value through profit or loss	14,974,592	13,157,929
At amortised cost	749,785	749,785
	<u>15,724,377</u>	<u>13,907,714</u>

### 25.1 Financial assets at fair value through profit and loss

	2025	2024
	€	€
<i>Designated upon initial recognition</i>		
<b>Equity securities and collective investment schemes:</b>		
Listed shares	4,805,067	4,403,437
Collective investment schemes	1,108,840	900,798
Assets held to cover linked liabilities	777,259	882,582
	<u>6,691,166</u>	<u>6,186,817</u>
<b>Debt securities - fixed interest rate:</b>		
Government bonds	4,216,207	3,480,301
Listed corporate bonds	4,067,219	3,490,811
	<u>8,283,426</u>	<u>6,971,112</u>
Total investments at fair value through profit and loss	<u>14,974,592</u>	<u>13,157,929</u>

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 cont.

Year Ended 31 December 2025

Maturity of fixed income debt securities:

	2025	2024
	€	€
Within 1 year	1,087,773	536,298
Between 1 and 5 years	2,528,120	3,297,476
Over 5 years	4,667,533	3,137,338
	<u>8,283,426</u>	<u>6,971,112</u>
Weighted average effective interest rate at reporting date	<u>3.08%</u>	<u>3.11%</u>

## 25.2 Financial assets at amortised cost

The maturities of the Company's financial assets at amortised cost are summarised below:

	2025	2024
	€	€
Due within 1 year	249,785	249,785
Due within 1 - 5 years	500,000	500,000
	<u>749,785</u>	<u>749,785</u>
Weighted average effective interest rate at the reporting date	<u>4.05%</u>	<u>2.45%</u>

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

	2025	2024
	€	€
• Other receivables	1,132,685	1,531,372
• Other prepayments and accrued income	326,610	382,218
	<u>1,459,295</u>	<u>1,913,590</u>

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:

	2025	2024
	€	€
Cash at bank and in hand	6,620,053	5,506,058
Treasury bills	-	889,106
Bank balance overdrawn	(1,207,434)	(1,470,657)
Net balance as shown in the statements of cash flows	<u>5,412,619</u>	<u>4,924,507</u>

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

## 28. DEFERRED TAX

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

	BALANCE AT THE BEGINNING OF THE YEAR	MOVEMENT	BALANCE AT THE END OF THE YEAR
	€	€	€
<b>Arising on income and expenses recognised in profit or loss:</b>			
Provision for impairment losses	(53,368)	-	(53,368)
Unabsorbed tax losses	(94,521)	94,521	-
Temporary differences on property, plant and equipment	61,298	669	61,967
Unrealised gains on investments	531,761	109,899	641,660
Right-of-use assets	(8,295)	2,316	(5,979)
Fair value movement on investment property	216,800	21,600	238,400
Unrealised exchange gain	116	150	266
<b>Arising on income and expenses recognised in other comprehensive income:</b>			
Revaluation of property	460,000	40,000	500,000
	<u>1,113,791</u>	<u>269,155</u>	<u>1,382,946</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 31 December 2025, the Company had no unrecognised deferred tax asset (2024 - €115).

## 29. SHARE CAPITAL

	2025	2024
	€	€
<b>Authorised:</b>		
7,200,000 ordinary shares of €1.00 each	<u>7,200,000</u>	<u>7,200,000</u>
<b>Issued and fully paid up:</b>		
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	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	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 cont.

Year Ended 31 December 2025

## 30. BORROWINGS

SUBORDINATED LOANS	2025	2024
	€	€
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:

	2025	2024
	€	€
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% (2024: 5.75%) per annum.

## 31. OTHER PAYABLES AND DEFERRED INCOME

	2025	2024
	€	€
Lease liabilities	562,790	520,415
Other payables and accruals	1,231,986	1,066,760
	<u>1,794,776</u>	<u>1,587,175</u>

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

LEASE LIABILITIES	2025	2024
	€	€
Total undiscounted minimum lease payments payable in settlement of lease liabilities	604,683	552,085
Less: future finance charges	(41,894)	(31,670)
Present value of lease obligations	<u>562,789</u>	<u>520,415</u>
Less: amounts included in current liabilities	(162,358)	(138,891)
Amounts included in non-current liabilities	<u>400,431</u>	<u>381,524</u>

The total cash outflow for leases in 2025 amounts to €169,652 (2024: €165,769).

# NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2025

## **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 auditor's 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 13 to 77, which comprise the statement of financial position as at 31 December 2025, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2025, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRSs) as adopted by the European Union and have been properly prepared in accordance with the requirements of the Companies Act (Cap. 386) and the Insurance Business Act (Cap. 403).

#### **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' *International Code of Ethics for Professional Accountants including International Independence Standards* (IESBA Code), as applicable to audits of financial statements of public interest entities, together with the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive* (Maltese Code) that is relevant to our audit of the financial statements of public interest entities in Malta. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Maltese Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. In conducting our audit, we have remained independent of the Company and have not provided any of the non-audit services prohibited by article 18A(1) of the Maltese Accountancy Profession Act (Cap. 281).

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## Independent auditor's report (continued)

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

### Other Matter

The financial statements of the Company for the year ended 31 December 2024, were audited by another auditor who expressed an unmodified opinion on those statements on 8 August 2025.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. The key audit matter described below was 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 this matter.

#### Valuation of liability for incurred claims included in insurance contract liabilities

As at 31 December 2025, the Company's liability for incurred claims comprised an estimate of the present value of future cash flows and a risk adjustment for non-financial risk amounting to EUR8.3 million and EUR320,338, respectively. The liability for incurred claims is material to the Company which is equivalent to 35% of the Company's total liabilities as at 31 December 2025.

As described in the notes to the financial statements, the fulfilment cash flows represent 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, 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 estimation of liability for incurred claims is an inherently complex area and requires a significant amount of judgement.

Our audit approach included:

- Evaluating the design and implementation of key controls over the Company's claim reserving process;
- Reviewing a selection of claims outstanding to determine the reasonableness of assumptions made and consistency in the methodology used;
- Assessing the Company's actuaries' competence, capabilities and objectivity;
- Test the completeness and accuracy of the data provided to the actuaries for the purpose of determining the liability for incurred claims;
- With the involvement of our internal actuarial specialists, review and challenge the reasonableness of the assumptions and methodologies adopted by the Company's actuaries for the liability for incurred claims as well as the method used to estimate the discount rates and risk adjustment for non-financial risk;
- Analysing the loss ratios and claims development by class of business;
- Assessing the adequacy of disclosures made in the financial statements in relation to the liability for incurred claims.

The Company's disclosures about the liability for incurred claims are disclosed in notes 3, 4 and 13 to the financial statements.

## Independent auditor's report (continued)

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

### Information Other than the Financial Statements and the Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the Directors, Officers and Other Information on pages 4 to 5, the chairman's statements on page 6, the managing director/CEO review on page 7, the directors' report on pages 8 to 9 and the statement of compliance on pages 10 to 11, but does not include the financial statements and our auditor's report thereon.

Except for our opinion on the Directors' Report in accordance with the Companies Act (Cap. 386), our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

With respect to the Directors' Report, we also considered whether the Directors' Report includes the disclosure requirements of Article 177 of the Companies Act (Cap. 386).

In accordance with the requirements of sub-article 179(3) of the Companies Act (Cap. 386) in relation to the Directors' Report on pages 8 to 9, in our opinion, based on the work undertaken in the course of the audit:

- 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 applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

### Responsibilities of the Directors for the Financial Statements

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

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

## Independent auditor's report (continued)

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

### Auditor's Responsibilities for the Audit of the Financial Statements

This report, including the opinions set out herein, has been prepared for the Company's members as a body in accordance with articles 179, 179A and 179B of the Companies Act (Cap. 386).

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 opinions in accordance with articles 179, 179A and 179B of the Companies Act (Cap. 386). 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.

In terms of article 179A(4) of the Companies Act (Cap. 386), the scope of our audit does not include assurance on the future viability of the Company or on the efficiency or effectiveness with which the directors have conducted or will conduct the affairs of the Company. The financial position of the Company may improve, deteriorate, or otherwise be subject to change as a consequence of decisions taken, or to be taken, by the management thereof, or may be impacted by events occurring after the date of this opinion, including, but not limited to, events of force majeure.

As such, our audit report on the Company's historical financial statements is not intended to facilitate or enable, nor is it suitable for, reliance by any person, in the creation of any projections or predictions, with respect to the future financial health and viability of the Company, and cannot therefore be utilised or relied upon for the purpose of decisions regarding investment in, or otherwise dealing with (including but not limited to the extension of credit), the Company. Any decision-making in this respect should be formulated on the basis of a separate analysis, specifically intended to evaluate the prospects of the Company and to identify any facts or circumstances that may be materially relevant thereto.

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.

## Independent auditor's report (continued)

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

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

- 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. Accordingly, in terms of generally accepted auditing standards, the absence of any reference to a material uncertainty about the Company's ability to continue as a going concern in our auditor's report should not be viewed as a guarantee as to the Company's ability 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.

For the avoidance of doubt, any conclusions concerning the adequacy of the capital structure of the Company, including the formulation of a view as to the manner in which financial risk is distributed between shareholders and/or creditors cannot be reached on the basis of these financial statements alone and must necessarily be based on a broader analysis supported by additional information.

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 the directors 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 the directors, 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**

#### **Matters on which we are required to report by exception under the Companies Act**

Under the Companies Act (Cap. 386), we have responsibilities to report to you if in our opinion:

- Proper accounting records have not been kept;
- Proper 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; or
- We have been unable to obtain all the information and explanations which, to the best of our knowledge and belief, are necessary for the purpose of our audit.

We have nothing to report to you in respect of these responsibilities.

## **Independent auditor's report (continued)**

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

### **Auditor tenure**

We were first appointed to act as statutory auditor of the Company by the members of the Company on 30 September 2025 for the financial year ended 31 December 2025. Accordingly, the period of total uninterrupted engagement as statutory auditor including previous reappointments of the firm is one financial year.

### **Consistency of the audit report with the additional report to the Board of Directors**

Our audit opinion is consistent with the additional report to the Board of Directors in accordance with the provisions of Article 11 of EU Regulation No. 537/2014.

The audit report was drawn up on 10 April 2026 and signed by:



Mark Giorgio as Director  
in the name and on behalf of  
**Deloitte Audit Limited**  
Registered auditor  
Central Business District, Birkirkara, Malta

# ANNUAL 20 REPORT 25