



Annual Report
31 December 2025

Company Registration Number: C15722

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Directors' report

For the year ended 31 December 2025

The directors present their annual report for the year ended 31 December 2025.

Board of Directors

The directors of MAPFRE MSV Life p.l.c. (the "Company", "MAPFRE MSV Life" or "MMSV") who held office during the period under review were:

Gordon Cordina (Chairperson)
Nicholas Dexter
Javier Rufino Moreno Gonzalez
Joseph FX Zahra
Kenneth Farrugia
Deborah Schembri
Jose Luis Jimenez Guajardo-Fajardo (resigned on 20 March 2025)
Jose Maria del Pozo Jodra (resigned on 20 March 2025)
Etienne Sciberras (appointed on 15 May 2025)
Juan Pedro Bernal Aranda (appointed on 22 December 2025)

According to the Company's Articles of Association, every member or group of members holding in aggregate at least 10% of the issued share capital of the Company having voting rights, are entitled to appoint one director. Every member or group of members holding at least an additional 13% of the issued share capital of the Company having voting rights, are entitled to appoint an additional director for every 13% holding.

Unless appointed for a longer or shorter period, or unless they resign or are earlier removed, directors hold office for a period of one year, provided that no appointment may be made for a period exceeding three years.

During the AGM of the Company held on 20 March 2025, Etienne Sciberras and Juan Pedro Bernal Aranda were appointed Directors subject to regulatory approval. Regulatory Approval was received on 15th May 2025 for Etienne Sciberras and 22nd December 2025 for Juan Pedro Bernal Aranda. Thus, the effective date of appointment for Etienne Sciberras and Juan Pedro Bernal Aranda were the date of receipt of Regulatory Approval.

Principal Activities

The Company is licensed by the Malta Financial Services Authority to carry on long-term business of insurance, including life insurance and life re-insurance, as authorised under the Insurance Business Act (Chapter 403 of the Laws of Malta).

Directors' report - continued

Business review 2025

The global economy continued to demonstrate resilience throughout 2025 despite elevated geopolitical tensions, persistent policy uncertainty, and a slower-than-hoped decline in inflation. Global growth remained moderate, supported by robust labour markets and ongoing investment in technology, particularly in sectors linked to artificial intelligence. The United States economy maintained positive growth momentum, although at a more measured pace than in previous years, while the European Union experienced subdued economic performance reflecting structural challenges and softer domestic demand.

In Malta, economic activity remained strong relative to other EU member states. Economic growth continued to outperform the euro area average, supported by resilient private consumption, a dynamic labour market, and sustained activity in tourism, gaming, and financial services. Despite signs of moderation during the second half of the year, Malta remained among the best-performing EU economies, with inflation easing gradually and employment levels remaining at historically high.

Financial markets closed 2025 in broadly positive territory, with global equity markets delivering strong returns. Once again, US equity markets outperformed European indices, driven primarily by the continued strength of large technology companies. The group of major tech firms—often referred to as the “*magnificent seven*”—continued to be the dominant contributors to equity market gains, fuelled by expectations surrounding artificial intelligence and its future economic impact.

Conversely, fixed income markets faced another mixed and volatile year. While global inflation declined, central banks cut interest rates more cautiously and gradually than anticipated at the start of the year. Stickier-than-expected service inflation, together with underlying wage pressures, resulted in fewer rate cuts in major economies such as the United States, where the Federal Reserve delivered three reductions—below initial market expectations. In Europe, the European Central Bank cut rates by a cumulative 100bps during the year, bringing the deposit facility rate to 2%. The objective of these moves was to support growth across member states, though economic activity remained uneven across the euro area.

MAPFRE MSV Life registered a profit before tax of €15.7 million for the year ended 31 December 2025, compared to a profit of €15.0 million registered for the previous year. Profit after tax is at €11.2 million, compared to an €11.0 million for the previous year.

These results are underpinned by a positive contribution both from the insurance activities and financial income.

In terms of the insurance activities, the release of the Contractual Service Margin (CSM) remains the main determinant of reported profitability. Most of the release in CSM relates to business written in prior years. New profitable business being written adds to the stock of CSM for future release. Thus, normally, in life insurance, as long as business written is profitable, a lower volatility in insurance performance from one year to the next is observed. During 2025, the CSM release represented €12.4m (2024: €10.8m).

The shareholders net investment return amounted to €4.3m (2024: €5.3m).

Directors' report - continued

Business review 2025 - continued

Total business written for financial year 2025 totalled €209.9 million, an increase of 2.0% over the prior year.

Single premium business performed better than in 2024 as demand for With-Profits business improved. Regular premium business continued to perform well, supported by strong demand for life protection products and sustained pension business. The robust performance of the local economy and the high levels of liquidity present in the market remained supportive of savings and investment products.

Net claims incurred decreased to €226.1 million through the year compared to a prior year of €249.0 million, largely as a result of a decline in maturing contracts. A proportion of these maturing contracts were subsequently re-invested in new medium to long-term contracts.

Total assets increased by 1.1% to €2,384.0 million by the end of 2025.

Total shareholders' funds at the close of 2025 amounted to €182.5 million (2024: €174.3million), an increase of 4.7% over the previous year.

The MMSV With-Profits fund Assets Under Management remained practically at the same level when compared to previous year. The MMSV With-Profits fund closed at €1.84 billion as at 31 December 2025 (2024: €1.86 billion). Over the past year, we continued to see increased debt issuance, particularly in Malta Government stock issues. This heightened debt issuances coupled with time deposits continue to compete directly with the With-Profits product offering.

The With-Profits Fund registered a total net investment return of €78.5 million generating a positive net return of 4.3%. The investment return was similar to 2024, which amounted to €79.7 million. Markets dealt with many cross currents in 2025. The first half of the year was dominated by trade concerns as the US raised tariff rates. Developed market equities fell in early April but ultimately shrugged off the impact. In the second half of the year markets focused on the positive implications of fiscal and monetary stimulus. Risk-on sentiment drove an "everything rally," and 2025 was the first year since the pandemic where all major asset classes delivered positive returns. Emerging markets were the top-performing equity market in 2025. Gold dominated the headlines as international central banks continued to diversify their reserve holdings and gold exchange-traded funds saw strong inflows, however, silver outperformed. Strong performance from precious metals offset falling oil prices, lifting overall commodities returns in 2025. Fixed income, however, underperformed other asset classes as fiscal concerns continued to weigh on government bonds and curves steepened in all major markets.

In March 2026, the Board of Directors ("the Board") of MAPFRE MSV Life approved a resolution whereby differential rates of Regular Bonuses were declared in respect of With-Profits plans held with MAPFRE MSV Life for the year ended 31 December 2025. These amounted to 2.25% for the Comprehensive Life Plan (regular and single premium policies), 2.35% in respect of the Comprehensive Flexi Plan (regular and single premium policies), 2.35% under the Single Premium Plan and 2.35% under the With-Profits options of the Investment Bond, Retirement Plan and of the Personal Pension Plan. On the 'Old Series' Endowment and Whole Life policies, a Regular Bonus of 2.00% of the basic sum assured plus bonuses was declared.

Directors' report - continued

Business review 2025 - continued

In addition, the Board also announced the declaration of a Final Bonus for plans in force for more than 10 years in respect of Regular Premium Comprehensive Life Plans and Single Premium Plans. A Final Bonus was also declared for additional top-up premiums on these plans provided where top-up contributions were made at least 10 years before Maturity. For Regular Premium policies, the Final Bonus is expressed as a flat percentage plus a percentage for every year in force after a specified number of years in force as shown in the table below.

Final Bonuses will be paid on the value of the Policy Account as at the date of death or maturity between 1 May 2025 and the next bonus declaration in accordance with the following table:

Product	Final Bonus Flat Rate	Flat Rate > X years	Rate per Year in Force	After Years in Force
Comprehensive Life Plan (Regular Premium)	12.50%	25	3.50%	30
Comprehensive Flexi Plan (Regular Premium)	-	-	0.60%	24
Single Premium Plan	6.00%	12	-	-
Comprehensive Life Plan (Single Premium)	6.00%	12	-	-
Comprehensive Flexi Plan (Single Premium)	6.00%	12	-	-

The Board also approved a Regular Bonus of 2.25% on those Secure Growth policies which formed part of the portfolio of business transferred to MAPFRE MSV Life from Assicurazioni Generali S.p.A. during 2000. Finally, the Board approved a Regular Bonus of 2.00% on the ALICO 78 policies and a Regular Bonus of 2.00% on the ALICO 66 policies which formed part of the portfolio of business transferred to MAPFRE MSV Life in 2011 from American Life Insurance Company ("ALICO").

Notwithstanding the prudent investment policy adopted by MAPFRE MSV Life, past performance remains no guarantee of future results. Although the Company's With-Profits investments have historically provided policyholders with stable and satisfactory returns when compared with other similar investment products, in light of the continued uncertainty in the capital markets investment returns may experience further fluctuations. Fair value movements and investment performance directly influence the level of bonuses declared by the Company. Regular Bonuses are therefore expected to vary over the lifetime of the policy, while Final Bonuses are likely to remain highly volatile and closely tied to the Company's underlying investment results.

The life insurance market in Malta continued to register positive development in 2025. Following the return to growth in 2024 after two years of contraction, the market sustained its momentum during 2025. Growth was observed across both single premium and regular premium business. The latter continued to benefit from the ongoing expansion of private pension products, which remains one of the main drivers of activity in the segment.

Directors' report - continued

Business review 2025 - continued

Overall economic growth, elevated levels of liquidity within households, and the comparatively low proportion of insurance-based savings in Maltese household balance sheets—particularly when compared to European peers—represent a significant opportunity for further growth in MMSV's savings and investment offerings. These structural conditions continue to support the Company's strategic focus on enhancing long-term savings solutions and reinforcing the role of insurance-based products within household financial planning.

During 2025 MMSV experienced a positive trend in demand for With-Profits single premium contracts, marking a clear improvement over recent years. Demand for Unit-Linked single premium products remained sustained and persistent throughout the year. The response received to the product launched towards the end of the first quarter of 2025 continues to demonstrate that there is strong and stable interest among retail investors for short-term, income yielding products.

Life protection business continued to grow over the previous year. This line of business once again benefitted from the strong correlation between life protection and loan activity, as demand for mortgage lending remained solid. At the same time, we continue to observe that the need for adequate family protection is still not sufficiently appreciated, as evidenced by the low insurance penetration ratios in the country. Raising awareness and promoting appropriate levels of protection remain part of our responsibility to enhance financial education and support our role in society in building more secure and resilient communities.

Regular savings business remains a core pillar of our strategy. Through our regular savings solutions, we aim to serve broad market needs with long-term, accessible, flexible and efficient products. Retirement savings continue to represent a key growth area, and encouraging pension savings remains both a responsibility and an obligation. Demand for retirement solutions persisted during 2025, yet market penetration continues to lag significantly behind European averages. In this regard, we believe the government's intention of introducing auto enrolment occupational pension schemes with an opt out option could represent a pivotal moment for growth in pension savings. The Company has been very active in the consultation process and now await the final legislative framework to assess its implications and attractiveness given our existing business and operating model.

In 2025 we achieved one of the most significant technological milestones for the Company: the successful migration of our entire portfolio to the new Core Suite solution, completed in September after several years of dedicated work. This accomplishment positions us for the future with a more robust and modern platform, fully prepared to take on new challenges. Our digitalization objectives and our commitment to developing tools that enhance both customer service and internal management gained further momentum, and we now have a clearer roadmap to respond to market and client needs. During 2025, we also made progress on key deliverables such as the digital signature and initiated major projects that will go live in 2026.

Directors' report - continued

Business review 2025 - continued

There were no new significant insurance risks impacting the portfolios of business during the year, and actuarial assumptions used in the valuation of policyholder obligations are regularly updated to reflect our experience and in conformity with the relevant reporting standards.

Our People

Our people remain our greatest asset, and we continue to prioritise the retention and development of our talent through a comprehensive and forward-looking people agenda. Throughout 2025, we intensified our focus on key strategic areas aimed at strengthening employee capabilities, engagement, and overall well-being.

Training and Development: Learning continued to be a central pillar of our people strategy. We further expanded the use of Group-wide learning platforms and resources to enhance technical expertise, soft skills, and leadership capabilities across all levels. Our leadership development programme played an instrumental role in supporting the organisation's transformation, equipping current and emerging leaders with the mindset and tools needed to navigate an increasingly complex and evolving business environment.

Health and Well-being: We remain committed to fostering a workplace where employees feel supported both professionally and personally. Throughout the year, we continued to invest in initiatives that promote physical, mental, and emotional well-being. These efforts ensured that our people had access to the necessary resources, guidance, and support systems to maintain resilience, balance, and sustained performance.

Equality and Inclusion: We are proud to maintain our strong commitment to equality and inclusion, reflected in our achievement of the NCPA Equal Pay Mark and the FHRD HR Quality Mark. These recognitions reaffirm our ongoing efforts to ensure a fair, transparent, and supportive workplace where every employee feels respected and valued.

Employee Benefits: During the year, we further demonstrated our commitment to our people through the signing of a generous three-year collective agreement. This agreement secures enhanced benefits and reinforces our position as an employer of choice. By offering competitive compensation packages and comprehensive benefits, we continue to attract and retain top talent while promoting stability and long-term engagement across the organisation.

Prioritising our people—investing in their development, nurturing an inclusive culture, and promoting a healthy work environment—remains central to our success. We are committed to fostering a workplace where employees feel valued, empowered, and equipped to fulfil their potential and become the best version of themselves.

Directors' report - continued

Our Contribution to Our Community

MAPFRE Malta recognises its responsibility to the community in which it operates and remains committed to delivering a positive and enduring impact as part of its strategic pillars. During the year under review, we provided support to a diverse range of organisations in pursuit of their respective missions. This support took various forms, including financial contributions, the provision of access to our premises for emerging artists and educational initiatives, and participation in social, cultural, and environmental events. Our contributions continued to span key areas such as philanthropy, arts and culture, education, and environmental sustainability.

A cornerstone of our community engagement efforts remains the active involvement of our employees and their families in volunteering initiatives. Their participation reflects the organisation's values and reinforces our commitment to meaningful societal contribution.

In 2025, 139 employees participated in 17 social and environmental initiatives, demonstrating a strong collective dedication to supporting the wider community. Our corporate social responsibility reflects our tagline – We are MAPFRE and we act.

Capital Management

The shareholders of MMSV are wholly committed to ensure that the Company remains adequately capitalised at all times to sustain business growth and to meet Solvency Capital Requirements in line with the Solvency II framework.

The end-of-year Solvency Capital Requirement (SCR) ratio is expected to close at a very strong and comfortable level, reflecting the Company's solid capital position. Through its robust risk management framework, the Company continues to actively manage its insurance, market and operational risks to safeguard its financial stability and maintain its solvency position within its defined risk tolerance.

Market developments & Outlook

At the end of 2025, we concluded the strategic plan for the period 2024–2026. Execution of this plan was satisfactory, particularly in light of the uncertainty and volatility that characterised the period, requiring flexibility and an agile organisational response.

In 2026, we will close this strategic cycle and concurrently begin the planning of the next strategic plan. This upcoming phase will ensure continuity while identifying new priorities that reflect an evolving operating environment, emerging customer needs, and our long-term ambition.

The new strategic cycle will continue to build on the strong foundations laid in recent years and will remain anchored around key priorities:

- sustainable growth and profitability,
- efficiency and productivity,
- transformation and culture, and
- sustainability.

Directors' report - continued

Market developments & Outlook - continued

By driving this agenda, we aim to continue creating long-term value for our shareholders, enhancing the customer experience, and providing meaningful growth opportunities for our people, while contributing to a more inclusive and responsible society.

During 2025, we have aligned the period of the Strategic Plan with the MAPFRE SA term. This enables us to benefit more from global strategies and timelines thereof. The current strategic plan will come to an end by 2026.

The current geopolitical backdrop remains a key driver of investment portfolio risk, with tensions arising from the Russia–Ukraine conflict and the war driven instability in the Middle East shaping global markets. These dynamics create uncertainty around energy prices, supply chains, and trade policy, influencing inflation and central bank decisions. In this environment, diversification across regions and asset classes, along with exposure to defensive sectors and liquidity buffers, remains essential. The With-Profits portfolio is well diversified and structured to meet these challenges as far as possible while capturing selective opportunities arising from geopolitical shifts. At present no pressures have been identified that would challenge capital or liquidity adequacy, business continuity, and cyber threats due to such heightened geopolitical risks.

Despite persistent geopolitical instability and global policy uncertainty, we remain cautiously optimistic. While EU economies continue to face headwinds, the local Maltese economy is expected to maintain a positive trajectory. This environment supports sustainable business performance, although competition in the market remains high.

We are confident that MMSV's capital strength and diversified business model will continue to underpin its resilience and success. MMSV aims to consolidate its position as the market leader in life protection, pensions and regular savings in Malta. Our commitment to excellence, innovation, sustainability and a strong values-driven culture continues to reinforce our credentials as an employer of choice and a long-term value creator.

The Board expresses its gratitude and appreciation to management and staff for their dedication and contribution throughout the year, to our intermediaries for their continued support, and to our loyal customers for placing their trust in MAPFRE MSV Life p.l.c.

Principal Risks and Uncertainties

The Company's principal risks and uncertainties are further disclosed in Note 3 dealing with management of risk as supplemented by Note 2.17 relating to critical accounting estimates and judgements in applying accounting policies and Note 21 discussing the assumptions underlying the insurance contract assets, insurance contract liabilities and reinsurance contract liabilities.

Directors' report - continued

Dividends and Capital Management

The Directors are recommending the payment of a final net dividend of €5m.

Actuaries

The Company's Approved Actuary is Mr. Eoin Murphy FSAI, a director of Willis Towers Watson PLC.

Statement of directors' responsibilities

The directors are required by the Insurance Business Act, 1998 and the Companies Act, 1995 to prepare financial statements which give a true and fair view of the state of affairs of the Company as at the end of each reporting period and of the profit or loss for that period.

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

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

The directors are also responsible for designing, implementing and maintaining internal 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, and that comply with the Insurance Business Act, 1998 and with the Companies Act, 1995. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of MAPFRE MSV Life p.l.c. for the year ended 31 December 2025 are included in the Annual Report 2025, which is published in hard-copy printed form and will be made available on the Company's website. The directors are responsible for the maintenance and integrity of the Annual Report on the website. Access to information published on the Company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Directors' report - continued

Auditors

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

Approved by the Board of Directors on 18 March 2026 and signed on its behalf by:



Gordon Cordina
Chairman



Josean FX Zanra
Director



Elvira Lopez de Lara Merida
Chief Executive Officer

Registered Office

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Independent Auditors' Report

To the Shareholders of MAPFRE MSV Life p.l.c.

1 Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of MAPFRE MSV Life p.l.c. (the "Company"), which comprise the statement of financial position as at 31 December 2025, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

- (a) 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 International Financial Reporting Standards ("IFRS") as adopted by the EU; and
- (b) have been properly prepared in accordance with the provisions of the Companies Act, 1995 (Chapter 386, Laws of Malta) (the "Act") and the Insurance Business Act, 1998 (Chapter 403, Laws of Malta) (the "Insurance Business Act").

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 *Auditors' 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 the financial statements of public interest entities, together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive* issued in terms of the Accountancy Profession Act (Chapter 281, Laws of Malta) ("APA"), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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Independent Auditors' Report (continued)

To the Shareholders of MAPFRE MSV Life p.l.c.

Key audit matters

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

Measurement of assets and liabilities for remaining coverage ("ARC" and "LRC") for insurance contracts and reinsurance contracts held

Accounting policy note 2.3 and 2.17 to the financial statements and note 21 for further disclosures

ARC and LRC within the 'Insurance contract assets' (€4,484 thousand), 'Insurance contract liabilities' (€1,928,904 thousand) and 'Reinsurance contract liabilities' (€15,225 thousand)

The Company enters into insurance contracts which comprise term and unit-linked contracts with significant insurance risk and investment contract with discretionary participation features ("DPF"). The Company also holds reinsurance contract to cover its term business.

The Company applies the general measurement model on its insurance contracts and reinsurance contracts held, and the variable fee approach on investment contracts with DPF.

ARC and LRC are measured as the total of (i) the expected fulfilment cash flows ("FCF"), which comprise estimates of future cash flows within the contract boundary, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risks, and (ii) the contractual service margin ("CSM"), which represents the unearned profit that the Company will recognize as it provides insurance contract services in the future. The measurement of ARC and LRC involves use of current and historic data, actuarial methods and models, and significant assumptions for the estimation of future cash flows.

We have considered the measurement of ARC and LRC as a key audit matter in view of the nature and subjectivity of the estimate, and its overall inherent estimation uncertainty. The subjectivity involved relates mainly to the judgement involved in the selection of actuarial assumptions. Due to the degree of such inherent estimation uncertainty, the ultimate total settlement value may be different from the amounts provided, and the amount of CSM may be different from the amounts recognized as profit in the future. Those differences may be material.



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Independent Auditors' Report (continued)

To the Shareholders of MAPFRE MSV Life p.l.c.

Measurement of assets and liabilities for remaining coverage ("ARC" and "LRC") for insurance contracts and reinsurance contracts held (continued)

Our response

As part of our procedures, we evaluated the ARC and LRC by performing audit procedures which included:

- the involvement of our actuarial specialist to assist us in:
 - assessing and challenging the significant assumptions selected by applying our experience, industry knowledge, and reference to the related accounting standards; and
 - evaluating the Company's estimate of ARC and LRC by assessing the overall liability movements based on the assumptions and data applied;
- testing of the underlying data elements by reference to the Company's actual cash flows and policy data; and
- considering the adequacy of the related disclosures to the financial statements.

Key observation

We have no key observations to report, specific to this matter.

Other information

The directors are responsible for the other information. The other information comprises the 'Directors' Report', but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the directors' report, on which we report separately below in our 'Report on Other Legal and Regulatory Requirements'.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that (a) give a true and fair view in accordance with IFRS as adopted by the EU, and (b) are properly prepared in accordance with the provisions of the Act and the Insurance Business Act, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



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Independent Auditors' Report (continued)

To the Shareholders of MAPFRE MSV Life p.l.c.

Responsibilities of the directors for the financial statements (continued)

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

The directors are also responsible for overseeing the financial reporting process.

Auditors' responsibilities for the audit of the financial statements

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

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Consider the extent of compliance with those laws and regulations that directly affect the financial statements, as part of our procedures on the related financial statement items. For the remaining laws and regulations, we make enquiries of directors and other management, and inspect correspondence with the regulatory authority, as well as legal correspondence. As with fraud, there remains a higher risk of non-detection of other irregularities (whether or not these relate to an area of law directly related to the financial statements), as these may likewise involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.



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Independent Auditors' Report (continued)

To the Shareholders of MAPFRE MSV Life p.l.c.

Auditors' responsibilities for the audit of the financial statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.



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Independent Auditors' Report (continued)

To the Shareholders of MAPFRE MSV Life p.l.c.

2 Report on Other Legal and Regulatory Requirements

Opinion on the Directors' Report

The directors are responsible for preparing a directors' report in accordance with the provisions of article 177 of the Act.

We are required to consider whether the information given in the directors' report for the accounting period for which the financial statements are prepared is consistent with those financial statements; and, if we are of the opinion that it is not, we shall state that fact in our report. We have nothing to report in this regard.

Pursuant to article 179(3) of the Act we are also required to:

- express an opinion on whether the directors' report has been prepared in accordance with the applicable legal requirements; and
- state whether, in the light of the knowledge and understanding of the entity and its environment obtained in the course of our audit of the financial statements, we have identified material misstatements in the directors' report, giving an indication of the nature of any such misstatements.

In such regards:

- in our opinion, the Directors' Report has been prepared in accordance with the applicable legal requirements; and
- we have not identified material misstatements in the Directors' Report.



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Independent Auditors' Report (continued)

To the Shareholders of MAPFRE MSV Life p.l.c.

Matters on which we are required to report by the Act, specific to public-interest entities

Pursuant to article 179B(1) of the Act, we report as under matters not already reported upon in our 'Report on the Audit of the Financial Statements':

- we were first appointed as auditors by the shareholders on 15 July 2015, and subsequently reappointed at the Company's general meetings for each financial period thereafter. The period of total uninterrupted engagement is eleven years.
- our opinion on our audit of the financial statements is consistent with the additional report to the audit committee, required to be issued by the Audit Regulation (as referred to in the Act), and
- we have not provided any of the prohibited services as set out in the APA.

Matters on which we are required to report by exception by the Act

Pursuant to articles 179(10) and 179(11) of the Act, we have nothing to report to you with respect to the following matters:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not obtained all the information and explanations which, to the best of our knowledge and belief, we require for the purpose of our audit.

The Principal authorised to sign on behalf of KPMG on the audit resulting in this independent auditors' report is Thane Micallef.

KPMG
Registered Auditors

18 March 2026

Statement of profit or loss and other comprehensive income

	Notes	Year ended 31 December	
		2025 €'000	2024 €'000
Insurance revenue	5	45,985	46,770
Insurance service expenses	5	(30,648)	(33,533)
Net expenses from reinsurance contracts held	5	(3,249)	(2,744)
Insurance service result		12,088	10,493
Net gains on FVTPL instruments	4	88,404	98,148
Interest revenue from financial assets not measured at FVTPL	4	4,086	5,085
Net losses from fair value adjustments to investment properties and revaluation of properties for own use	4	(652)	(365)
Investment income from investment properties	4	6,026	5,980
Expenses arising from investment properties	4	(420)	(437)
Other investment income	4	461	322
Other investment expenses	4	(5,927)	(6,513)
Net credit impaired gains (losses)	4	57	8
Net investment return		92,035	102,228
Net change in investment contract liabilities	4	(7,052)	(13,131)
Finance income (expenses) from insurance contracts issued	4	(82,102)	(82,374)
Finance income (expenses) from reinsurance contracts held	4	2,063	(697)
Net financial result		(87,091)	(96,202)
Net insurance and investment result		17,032	16,519
Asset management services revenue		1,625	786
Other income		78	71
Other operating expenses		(3,066)	(2,393)
Profit before income tax		15,669	14,983
Income tax expense	8	(4,512)	(4,032)
Profit for the year		11,157	10,951

The notes on pages 22 to 124 are an integral part of these financial statements.


Statement of financial position

	Notes	As at 31 December	
		2025 €'000	2024 €'000
ASSETS			
Intangible assets	12	25,688	23,838
Property, plant and equipment	13	12,409	12,513
Investments:			
Investment property	14	93,769	93,127
Investments in associated undertakings	15	947	5,793
Other investments	16	2,205,519	2,140,474
Insurance contract assets	21	4,484	7,080
Income tax receivable		1,859	2,290
Other receivables	18	4,731	5,002
Cash at bank and in hand	19	34,550	67,119
Total assets		2,383,956	2,357,236
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital	20	94,750	94,750
Retained earnings		87,739	79,582
Total equity		182,489	174,332
Insurance contract liabilities	21	1,928,904	1,954,478
Reinsurance contract liabilities	21	15,225	17,073
Investment contract liabilities	22	229,748	179,685
Deferred tax liability	17	12,175	11,545
Income tax payable		807	800
Derivative financial instruments	16	638	6,816
Other payables	23	13,970	12,507
Total liabilities		2,201,467	2,182,904
Total equity and liabilities		2,383,956	2,357,236

The notes on pages 22 to 124 are an integral part of these financial statements. The financial statements on pages 18 to 124 were authorised for issue by the Board of Directors on 18 March 2026 and were signed on its behalf by:



Gordon Cordina
Chairman



Josean FX Zanra
Director



Elvira Lopez de Lara Merida
Chief Executive Officer

Statement of changes in equity

	Notes	Share capital €'000	Retained earnings €'000	Total €'000
Balance at 1 January 2024		94,750	70,631	165,381
Comprehensive income				
Profit for the year – total comprehensive income		-	10,951	10,951
Transactions with owners				
Dividends	11	-	(2,000)	(2,000)
Balance at 31 December 2024		94,750	79,582	174,332
Balance at 1 January 2025				
		94,750	79,582	174,332
Comprehensive income				
Profit for the year – total comprehensive income		-	11,157	11,157
Transactions with owners				
Dividends	11	-	(3,000)	(3,000)
Balance at 31 December 2025		94,750	87,739	182,489

The notes on pages 22 to 124 are an integral part of these financial statements.

Cash flow statement

	Notes	Year ended 31 December	
		2025 €'000	2024 €'000
Operating activities			
Cash used in operations	24	(37,703)	(62,505)
Dividends received		24,203	17,980
Interest received		31,717	28,186
Taxation paid		(3,444)	(7,150)
Net cash generated (used) in operating activities		14,773	(23,489)
Investing activities			
Purchase of intangible assets	12	(5,291)	(6,351)
Purchase of property, plant and equipment	13	(270)	(407)
Additions to investment property	14	(1,294)	(816)
Purchase of other financial investments	16	(921,560)	(1,438,659)
Disposal of associated undertakings		7,528	20,800
Disposal of other financial investments		876,545	1,481,975
Net cash (used in) generated from investing activities		(44,342)	56,542
Financing activities			
Dividends paid	11	(3,000)	(2,000)
Cash used in financing activities		(3,000)	(2,000)
Net movement in cash and cash equivalents		(32,569)	31,053
Cash and cash equivalents at beginning of year		67,119	36,066
Cash and cash equivalents at end of year	19	34,550	67,119

The notes on pages 22 to 124 are an integral part of these financial statements.

Notes to the financial statements

1. Basis of preparation

MAPFRE MSV Life p.l.c. (“the Company”) is licensed under the Insurance Business Act, 1998 to transact long-term insurance business.

The Company offers a range of individual life insurance and investment contracts that can be broadly classified into long-term insurance contracts, investment contracts with discretionary participation features (‘DPF’) and linked long-term contracts. Long-term insurance contracts and investment contracts with DPF consist mainly of life protection and/or savings contracts. Linked long-term contracts are essentially investment contracts that are intended to provide customers with asset management solutions for their savings and retirement needs. Linked long-term contracts are more commonly referred to as unit-linked contracts.

These financial statements are prepared in accordance with International Financial Reporting Standards (‘IFRS’) as adopted by the European Union (‘EU’), the Insurance Business Act, 1998 and the Companies Act, 1995. The financial statements are prepared under the historical cost convention as modified by the revaluation of property, investment property and financial assets and financial liabilities (including derivatives) at fair value through profit or loss.

The preparation of financial statements in conformity with the above reporting framework 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 2.17.

The statement of financial position is organised in increasing order of liquidity, with additional disclosures on the current or non-current nature of the Company’s assets and liabilities provided within the notes to the financial statements.

Amendments to published standards effective in 2025

In 2025, the Company adopted amendments to existing standards that are mandatory for the Company’s accounting period beginning on 1 January 2025. The adoption of these amendments to standards as per the requirements of IFRSs as adopted by the EU did not result in material changes to the Company’s accounting policies.

1. Basis of preparation - continued

Standards and amendments to published standards that are not yet effective

A number of new standards and amendments to existing standards are effective for annual periods beginning after 1 January 2025. However, the Company has not early adopted the new standards or amendments in preparing these financial statements and management are of the opinion that there are no requirements that are expected to have a material impact on the Company's financial statements in the period of initial application.

2. Summary of material accounting policies

2.1 Accounting policies

The material accounting policies adopted in the preparation of these financial statements are set out below. The Company has consistently applied the accounting policies to all periods presented in the financial statements, except in respect of some groups of insurance and reinsurance contracts existing at 1 January 2022 which is the date the Company transitioned to IFRS 17 'Insurance Contracts'.

For some groups of insurance and reinsurance contracts in the life risk and investments contracts with DPF, the Company applied the fair value approach in IFRS 17 to identify, recognise and measure the groups of contracts at 1 January 2022 because it was impracticable to apply the full retrospective approach. These transition approaches continue to impact a significant part of how the Contractual Service Margin ('CSM') balance has been determined at the reporting date.

2.2 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Transactions in foreign currencies have been converted into the functional currency at the rates of exchange ruling on the date of the transaction or valuation where items are re-measured.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Translation differences on non-monetary items, mainly arising on equities held at fair value through profit or loss, are reported as part of the net gains (losses) on fair value through profit or loss ('FVTPL') instruments.

2. Summary of material accounting policies - continued

2.3 Insurance and investment contracts issued and reinsurance contracts held

(a) Definition and classification

The following table provides an overview of the Company's assessment of its products and whether these fall in scope of IFRS 17:

Portfolio	Product	In scope of IFRS 17?	Measurement model	Description of benefit
Life Risk	Insurance contracts - Term assurance including term riders	Yes	General Measurement Model ('GMM')	Pure insurance contracts carrying significant insurance risk where the obligation of the Company towards the insured is the payment of a death benefit, if the death occurs whilst the policy is in force.
Life Risk	Unit-linked – Maximum Investment Plan	Yes	GMM	A unit-linked contract with significant insurance risk is one that incorporates a material sum assured within the contract (i.e. the sum assured/minimum death benefit provided, exceeds the investment value of the product. This group of contracts was substantially modified resulting to derecognition during 2025.
Direct participating contracts	With-profits (Investment contracts with DPF)	Yes	Variable Fee Approach ('VFA')	Investment contracts with DPF where the obligation of the Company towards the insured also includes an annual discretionary investment return (declared bonus rate).
Direct participating contracts	Hybrids (Investment contracts with DPF)	Yes	VFA	These are mainly unit-linked products including with-profits components (investment contract with DPF).
Investment contracts	Unit-linked - others (Investment contracts without DPF)	No	FVTPL	Investment contracts which pays the policyholder an additional 1% of the fund value at the time of death, this component is deemed to be immaterial to the overall value of the fund and therefore, no significant insurance risk is deemed to arise from it. Therefore, these contracts are valued in line with IFRS 9 'Financial Instruments'.

2. Summary of material accounting policies - continued

2.3 Insurance and investment contracts issued and reinsurance contracts held - continued

(a) *Definition and classification - continued*

Insurance contracts are contracts under which 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. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract by contract basis. Judgement is used to assess whether a contract transfers insurance risk and whether the accepted insurance risk is significant. Generally, the Company defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 5% more than the benefits payable (on a present value basis) if the insured event did not occur. The Company accounts for these contracts under IFRS 17.

The Company also issues term riders which represent an add-on to a basic policy that provides additional benefits to policyholders (at additional cost). They can be purchased by a policyholder concurrently to a basic policy or at a subsequent date, i.e. a date after the inception of the basic policy. The addition of a term rider triggers medical underwriting at the point in time the rider is added, giving the Company the ability to reprice the policy at that point in time. The Company has concluded that term riders are to be separated from the host contract and will form part of the term portfolio.

Contracts that have a legal form of insurance but do not transfer significant insurance risk and expose the Company to financial risk are classified as investment contracts, and they follow financial instruments accounting under IFRS 9, unless they have DPF as described below, in which case they are accounted for as insurance contracts.

A number of investment contracts contain a DPF. This feature entitles the holder to receive, as a supplement to guaranteed benefits (i.e. amounts not subject to the Company's discretion), additional benefits or bonuses:

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the Company; and
- that are based on realised and/or unrealised investment returns on specified pools of underlying assets held by the Company.

The Company also issues a 'hybrid' product which is a unit-linked product that gives policyholders the possibility to initially allocate and subsequently switch a portion of the premium to a 'with-profits' DPF holding as well as a unit-linked holding. This product was deemed to fall within scope of IFRS 17 when the policyholder allocates a percentage holding in the with-profits fund as at inception or transition date. Furthermore, management concluded that the unit-linked component of the product does not constitute a distinct investment component, given that both elements of the 'hybrid' product cannot be measured and presented separately and are interdependent on each other.

2. Summary of material accounting policies - continued

2.3 Insurance and investment contracts issued and reinsurance contracts held - continued

(a) Definition and classification - continued

Since this product is primarily a unit-linked product with the option to hold a percentage of the holding in the with-profits fund, management has determined that for such a contract to be in scope of IFRS 17, it needs to hold a 5% level of significant discretionary benefit.

Local statutory regulations and the terms and conditions of both investment contracts with DPF and hybrids set out the bases for the determination of the amounts on which the additional discretionary benefits are based (the DPF eligible surplus), and within which the Company may exercise its discretion as to the quantum and timing of their payment to contract holders, also considering the advice of the Approved Actuary. The Company accounts for these contracts under IFRS 17 as it also issues insurance contracts.

The Company assessed investment contracts that qualify as having direct participation features as a result of the nature of their design (i.e. they are primarily investment related contracts where the investment risk is substantially borne by the policyholder) to ascertain whether or not they meet the VFA eligibility criteria.

IFRS 17 requires these criteria to be assessed at the individual contract level. The Company assesses the criteria at the product level. The assessment is carried out based on the Company's expectations at inception, and is not reassessed subsequently, unless the product is modified.

The with-profits policies are ring fenced, meaning, a barrier clearly segregates the policyholder assets participating in the fund from the shareholders' ones. Therefore, the pool of assets is clearly identifiable. The 'underlying items' in this case would be the with-profits assets.

Investment contracts with direct participation features are viewed as creating an obligation to pay policyholders an amount that is equal to the fair value of the underlying items, less a variable fee for service. The variable fee comprises the amount of the Company's share of the fair value of the underlying items less the fulfillment cash flows ('FCF') that do not vary based on the returns on underlying items. Therefore, on an average probability-weighted basis, the Company considers that the amount it expects to pay to policyholders comprises a substantial portion of the fair value returns on underlying items.

The variability in cash flows is assessed over the duration of the insurance contracts and on the basis of the average of the probability-weighted present value. The duration of the contract takes into account all the cash flows in the contract boundary. The major component of the liability (the present value of the future net cash outflows) is made up of claims which vary substantially with the underlying items.

2. Summary of material accounting policies - continued

2.3 Insurance and investment contracts issued and reinsurance contracts held - continued

(a) Definition and classification - continued

In the normal course of business, the Company uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all of the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

All references to insurance contracts in these financial statements apply to insurance contracts issued or acquired, reinsurance contracts held and investment contracts with DPF, unless specifically stated otherwise.

(b) Unit of account

The Company manages insurance contracts issued by product type, where each product type includes contracts which are subject to similar risks and are managed together. The Company has determined that contracts have similar risk and are managed together if they are priced together, have the same underwriting process, have common reporting, and claims and risks underlying the contracts are managed together. All insurance contracts of the same product type represent a portfolio. Each portfolio is further disaggregated into groups of contracts that are issued within a calendar year (annual cohorts) and are at initial recognition:

- contracts that are onerous; or
- all remaining contracts.

In variation to the above, as further described below, in contrast with all other contracts in scope of IFRS 17, investment contracts with DPF are not grouped by annual cohort.

As per Article 2 of the Commission Regulation (EU) 2021/2036 and 2023/1803 (the 'Regulation'), a Company may choose not to apply the annual cohorting requirement to groups of investment contracts with discretionary participation features and with cash flows that affect or are affected by cash flows to policyholders of other contracts.

The Company's with-profits fund is a pool of policies sharing in the same pool of underlying items. Therefore, the risk that a particular policy becomes onerous (i.e. the possibility of the with-profits fund assets being lower than the present value of its future liabilities) is shared between the policyholders within this pool. In such instances, policies, which do not exhibit such onerosity, will make good for those policies which are onerous.

2. Summary of material accounting policies - continued

2.3 Insurance and investment contracts issued and reinsurance contracts held - continued

(b) Unit of account - continued

Given that the Company's with-profits fund has all mutualisation features described above, the Company has chosen to apply the option to avoid allocating policies to annual cohorts as per the Regulation as these are groups of investment contracts with DPF and with cash flows that affect or are affected by cash flows to policyholders of other contracts. All with-profits and hybrid policies will therefore be allocated to a single cohort.

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. Separate portfolios for reinsurance contracts held were therefore established and the Company has a single reinsurance portfolio. In groups of reinsurance contracts held, the amount an entity pays generally exceeds the expected present value of the cash flows generated by that reinsurance contract plus the risk adjustment for non-financial risk and thus the Company is usually in a net cost position. The Company has determined that the reinsurance contracts held will be grouped by calendar year (annual cohorts) under the category 'Rest' which includes reinsurance contracts held with an initial net loss but with a possibility of a future of net profit.

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

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

The Company applies IFRS 17 to all remaining components of the contract. The Company does not have any contracts that require further separation (except for term riders – refer to note 2.3 (a)). The Company also does not have any contracts that requires combination.

2. Summary of material accounting policies - continued

2.3 Insurance and investment contracts issued and reinsurance contracts held - continued

(c) Recognition, modification and derecognition

Recognition

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

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

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

A group of reinsurance contracts held that provide proportionate coverage (quota share reinsurance) is recognised at the later of:

- the beginning of the coverage period of the group; and
- the initial recognition of any underlying insurance contract.

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

Modification and derecognition

An insurance contract is derecognised when it is extinguished (that is, when the obligation specified in the insurance contract expires or is discharged or cancelled), or when the contractual terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new insurance contract is recognised.

If a contract modification is not significant, the changes in cash flows caused by the modification are treated as changes in estimates of FCF.

2. Summary of material accounting policies - continued

2.3 Insurance and investment contracts issued and reinsurance contracts held - continued

(c) Recognition, modification and derecognition - continued

Modification and derecognition - continued

When an insurance contract is derecognised from within a group of insurance contracts, the Company:

- adjusts the FCF to eliminate the present value of future cash flows and risk adjustment for non-financial risk relating to the rights and obligations removed from the group;
- adjusts the CSM; and
- adjusts the number of coverage units for the expected remaining insurance contract services, to reflect the number of coverage units removed.

(d) Measurement

Fulfilment cash flows

Fulfilment cash flows ('FCF') are the current estimates of the future cash flows within the contract boundary of a group of contracts and include the premiums the Company expects to collect from customers, claims it expects to pay out, benefits and expenses, adjusted to reflect the timing and uncertainty of these amounts.

Estimates of future cash flows:

- are based on probability-weighted average of all possible outcomes;
- are reflective of the Company's perspective, provided estimates of any relevant market variables are consistent with observable market prices for those variables; and
- are reflective of conditions existing at measurement date.

An explicit risk adjustment for non-financial risk is estimated separately from the other estimates for Asset for Remaining Coverage ('ARC') and Liability for Remaining Coverage ('LRC').

2. Summary of material accounting policies - continued

2.3 Insurance and investment contracts issued and reinsurance contracts held - continued

(d) Measurement - continued

Fulfilment cash flows - continued

The estimates of future cash flows are also adjusted using current discount rates to reflect the time value of money and financial risks relating to these flows. The discount rates reflect the characteristics of the cash flows arising from the groups of insurance contracts, including timing, currency and liquidity of cash flows. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires judgement and estimation.

Risk of non-performance is not included in the measurement of groups of insurance contracts issued. In the measurement of reinsurance contracts held, the probability-weighted estimates of the present value of future cash flows include the potential credit losses and other disputes of the reinsurer to reflect the non-performance risk of the reinsurer.

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

The Company uses consistent assumptions to measure the estimates of the present value of future cash flows for the group of reinsurance contracts held and such estimates for the groups of underlying insurance contracts.

Contract boundary

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

Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the entity can compel the policyholder to pay the premiums or in which the entity has a substantive obligation to provide the policyholder with insurance contract services.

A substantive obligation lasts until:

- the Company has the practical ability to reassess the risks of a particular policyholder, and hence, can set a price to fully reflect those risks;
- both of the following criteria are satisfied:
 - the entity has a practical ability to reassess the risk of the portfolio of insurance contracts, as a result of which it can set a price to fully reflect those risks; and
 - the pricing of premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

2. Summary of material accounting policies - continued

2.3 Insurance and investment contracts issued and reinsurance contracts held - continued

(d) Measurement - continued

Contract boundary - continued

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

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

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

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

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

Insurance acquisition costs

Insurance acquisition cash flows are cash flows arising from the costs of selling, underwriting and starting a group of insurance contracts that are directly attributable to the portfolio of insurance contracts to which the group belongs. Insurance acquisition cash flows for the Company comprise commission paid to intermediaries for new business and salaries of employees whose efforts are directly related to the acquisition of new insurance business.

Insurance acquisition cash flows that are directly attributable to a group of insurance contracts shall be allocated to that group. IFRS 17 requires that insurance acquisition cash flows are also allocated to groups that will include insurance contracts that are expected to arise from renewals of the insurance contracts in that group. The latter does not apply to the Company as it does not incur acquisition costs in relation to future renewals.

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

2. Summary of material accounting policies - continued

2.3 Insurance and investment contracts issued and reinsurance contracts held - continued

(d) Measurement - continued

Insurance acquisition costs - continued

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'.

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows, and it reflects the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Company fulfils insurance contracts.

For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Company to the reinsurer.

Methods and assumptions used to determine the risk adjustment for non-financial risks are discussed in note 21.5 (a).

Initial measurement and CSM

The CSM is a component of the carrying amount of the asset or liability for a group of insurance contracts issued representing the unearned profit that the Company will recognise as it provides insurance contract services in the future. At initial recognition, the CSM is an amount that results in no income or expenses arising from:

- the initial recognition of the FCF;
- cash flows arising from the contracts in the group at that date.

When the above calculation results in a net outflow, the group of insurance contracts would be onerous. A loss arising from onerous insurance contracts is recognised immediately in profit or loss, with no CSM recognised in the statement of financial position and a loss component is established in the amount of loss recognised.

No onerous contracts have been identified by the Company.

For groups of reinsurance contracts held, any net gain or loss at initial recognition is recognised as the CSM unless the net cost of purchasing reinsurance relates to past events, in which case the Company recognises the net cost immediately in profit or loss.

2. Summary of material accounting policies - continued

2.3 Insurance and investment contracts issued and reinsurance contracts held - continued

(d) Measurement - continued

Initial measurement and CSM - continued

For reinsurance contracts held, the CSM represents a deferred gain or loss that the Company will recognise as a reinsurance expense as it receives insurance contract services from the reinsurer in the future.

Subsequent measurement

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

- the LRC, comprising:
 - the FCF related to future service allocated to the group at that date; and
 - the CSM of the group at that date; and
- the liability for incurred claims ('LIC'), comprising the FCF related to past service allocated to the group at the reporting date.

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

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

Changes in fulfilment cash flows

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

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

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

2. Summary of material accounting policies - continued

2.3 Insurance and investment contracts issued and reinsurance contracts held - continued

(d) Measurement - continued

Changes in fulfilment cash flows - continued

For insurance contracts measured under the General Measurement Model ('GMM'), the following adjustments relate to future service and thus adjust the CSM:

- (a) experience adjustments arising from premiums received in the period that relate to future service and related cash flows;
- (b) changes in estimates of the present value of future cash flows in the LRC, except those described in the following paragraph;
- (c) differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period; and
- (d) changes in the risk adjustment for non-financial risk that relate to future service.

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

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

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

When measuring a group of investment contracts with DPF, the Company adjusts the fulfilment cash flows for the whole of the changes in the obligation to pay policyholders an amount equal to the fair value of the underlying items. These changes do not relate to future services and are recognised in profit or loss. The Company then adjusts any CSM for changes in the amount of the Company's share of the fair value of the underlying items, which relate to future services, as explained below.

2. Summary of material accounting policies - continued

2.3 Insurance and investment contracts issued and reinsurance contracts held - continued

(d) Measurement - continued

Changes in fulfilment cash flows - continued

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

- changes in the amount of the Company's share of the fair value of the underlying items; and
- changes in the FCF that do not vary based on the returns of underlying items:
 - (a) changes in the effect of the time value of money and financial risks including the effect of financial guarantees;
 - (b) experience adjustments arising from premiums received in the period that relate to future service and related cash flows;
 - (c) changes in estimates of the present value of future cash flows in the LRC, except those described in the following paragraph;
 - (d) differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period; and
 - (e) changes in the risk adjustment for non-financial risk that relate to future service.

Adjustments (b) to (e) are measured using the current discount rates.

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

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

The Company does not have any products with complex guarantees and does not use derivatives as economic hedges of the risks.

2. Summary of material accounting policies - continued

2.3 Insurance and investment contracts issued and reinsurance contracts held - continued

(d) Measurement - continued

Changes to the contractual service margin

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

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

For a group of reinsurance contracts held, the carrying amount of the CSM at the end of each reporting period is adjusted to reflect changes in the FCF in the same manner as a group of underlying insurance contracts issued.

Interest accretion on the CSM

Under the GMM, interest is accreted on the CSM using discount rates determined at initial recognition that are applied to nominal cash flows that do not vary based on the returns of underlying items. The Company uses the discount curves at the middle of each quarter during the year and will be assuming equal weighting per quarter given the stability of new business written.

2. Summary of material accounting policies - continued

2.3 Insurance and investment contracts issued and reinsurance contracts held - continued

(d) Measurement - continued

Adjusting the CSM for changes in the FCF relating to future service

The CSM is adjusted for changes in the FCF, measured applying the discount rates as specified in the *Changes in fulfilment cash flows* section above.

Release of the CSM to profit or loss

The amount of the CSM recognised in profit or loss for insurance contract services in the period is determined by the allocation of the CSM remaining at the end of the reporting period over the current and remaining expected coverage period of the group of insurance contracts based on coverage units.

The coverage period is defined as a period during which the entity provides insurance contract services. Insurance contract services include coverage for an insured event (insurance coverage), the generation of an investment return for the policyholder, if applicable (investment-return service) for the contracts under the GMM, and the management of underlying items on behalf of the policyholder (investment-related service) for the contracts under the VFA. The period of investment-return service or investment-related service ends at or before the date when all amounts due to current policyholders relating to those services have been paid. Investment-return services are provided only when an investment component exists in insurance contracts or the policyholder has a right to withdraw an amount, and the Company expects these amounts to include an investment return that is achieved by the Company by performing investment activities to generate that investment return.

For contracts issued, the Company determines the coverage period for the CSM recognition as follows:

- for investment contracts with DPF (including hybrids), the coverage period corresponds to the period in which investment-return services are expected to be provided; and
- for term life risk contracts, no investment-return services are provided and, thus, the coverage period is determined by insurance coverage.

2. Summary of material accounting policies - continued

2.3 Insurance and investment contracts issued and reinsurance contracts held - continued

(d) Measurement - continued

Release of the CSM to profit or loss - continued

The total number of coverage units in a group is the quantity of service provided by the contracts in the group over the expected coverage period. The coverage units are determined at each reporting period-end prospectively by considering:

- the quantity of benefits provided by contracts in the group;
- the expected coverage period of contracts in the group; and
- the likelihood of insured events occurring, only to the extent that they affect the expected coverage period of contracts in the group.

The Company determines coverage units as follows:

- for term life insurance contracts, coverage units are determined based on the policies' face values that are equal to the fixed death benefit amounts in force; and
- for investment contracts with DPF, including with-profits and unit-linked hybrids, coverage units are based on the fund assets and value of the fund.

The Company does not reflect the time value of money in the allocation of the CSM to coverage units.

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

Coverage units for the proportionate term life reinsurance contracts held are based on the insurance coverage provided by the reinsurer, and they are determined by the ceded policies' fixed face values in force, taking into account new business projected within the reinsurance contract boundary. The coverage period for these contracts is determined based on the coverage period of all underlying contracts whose cash flows are included in the reinsurance contract boundary.

2. Summary of material accounting policies - continued

2.3 Insurance and investment contracts issued and reinsurance contracts held - continued

(e) Amounts recognised in profit or loss

Insurance revenue

As the Company provides insurance contract services under the group of insurance contracts, it reduces the LRC and recognises insurance revenue. The amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration that the Company expects to be entitled to in exchange for those services.

Insurance revenue comprises the following:

Amounts relating to the changes in the LRC:

- a) claims and other directly attributable expenses incurred in the period measured at the amounts expected at the beginning of the period, excluding:
 - repayments of investment components and policyholder rights to withdraw an amount;
 - amounts of transaction-based taxes collected in a fiduciary capacity;
 - insurance acquisition expenses; and
 - amounts related to the risk adjustment for non-financial risk (see (b));
- b) changes in the risk adjustment for non-financial risk, excluding:
 - changes included in insurance finance income (expenses);
 - changes that relate to future coverage (which adjust the CSM);
- c) amounts of the CSM recognised for the services provided in the period;
- d) experience adjustments arising from premiums received in the period other than those that relate to future service; and
- e) other amounts.

Insurance acquisition cash flows recovery is determined by allocating the portion of premiums related to the recovery of those cash flows on the basis of the passage of time over the expected coverage of a group of contracts.

2. Summary of material accounting policies - continued

2.3 Insurance and investment contracts issued and reinsurance contracts held - continued

(e) Amounts recognised in profit or loss - continued

Insurance service expenses

Insurance service expenses include the following:

- (a) incurred claims and benefits, excluding investment components;
- (b) other incurred directly attributable expenses;
- (c) insurance acquisition cash flows amortisation; and
- (d) changes that relate to past service i.e. changes in the FCF relating to the LIC.

Other expenses that do not meet the above criteria are included as other operating expenses in the profit or loss.

Net income (expenses) from reinsurance contracts held

The Company presents financial performance of groups of reinsurance contracts held on a net basis in net income (expenses) from reinsurance contracts held, comprising the following amounts:

- (a) reinsurance expenses;
- (b) incurred claims recovery;
- (c) other incurred directly attributable expenses;
- (d) changes that relate to past service i.e. changes in the FCF relating to incurred claims recovery;
and
- (e) effect of changes in the risk of reinsurers' non-performance.

Reinsurance expenses are recognised similarly to insurance revenue. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received insurance contract services at an amount that reflects the portion of ceding premiums that the Company expects to pay in exchange for those services.

2. Summary of material accounting policies - continued

2.3 Insurance and investment contracts issued and reinsurance contracts held - continued

(e) Amounts recognised in profit or loss - continued

Net income (expenses) from reinsurance contracts held - continued

Reinsurance expenses comprise the following amounts relating to the changes in the remaining coverage:

- (a) claims and other directly attributable expenses recovery in the period, measured at the amounts expected to be incurred at the beginning of the period, excluding amounts related to the risk adjustment for non-financial risk (see (b));
- (b) changes in the risk adjustment for non-financial risk, excluding:
 - changes included in finance income (expenses) from reinsurance contracts held; and
 - changes that relate to future coverage (which adjust the CSM);
- (c) amounts of the CSM recognised for the services received in the period; and
- (d) experience adjustments arising from premiums paid in the period other than those relating to future service.

Ceding commissions of the underlying contracts issued reduce ceding premiums and are accounted for as part of reinsurance expenses.

Insurance finance income or expenses

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- the effect of the time value of money and changes in the time value of money; and
- the effect of financial risk and changes in financial risk.

For contracts measured under the GMM, the main amounts within insurance finance income or expenses are:

- interest accreted on the FCF and the CSM; and
- the effect of changes in interest rates and other financial assumptions.

For contracts measured under the VFA, insurance finance income or expenses comprise changes in the value of underlying items (excluding additions and withdrawals).

The Company has opted to include all its insurance finance income and expenses in profit or loss for all of its insurance contracts. The Company does not issue insurance contracts that generate cash flows in a foreign currency.

2. Summary of material accounting policies - continued

2.4 Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Company's activities. The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met.

Rendering of services

Revenue recognition in relation to revenue from insurance contracts and investment contracts with DPF issued by the Company is described in Note 2.3(e).

Revenue arising from the issue of investment contracts without DPF and other related services offered by the Company, is recognised in the accounting period in which the services are rendered. Fees include investment management fees arising from services rendered in conjunction with the issue and management of investment contracts where the Company actively manages the consideration received from its customers to fund a return that is based on the investment profile that the customer selected on origination of the instrument. The Company recognises these fees on a straight-line basis over the estimated life of the contract.

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

- Front-end fees are charged to the client on inception. The consideration received is deferred as a liability and recognised over the life of the contract on a straight-line basis.
- Regular fees are charged to the customer periodically (monthly, quarterly, half yearly or annually) either directly or by making a deduction from invested funds. Regular charges billed in advance are recognised on a straight-line basis over the billing period.

Other revenue receivable by the Company mainly comprises commission or trailer fees receivable on account of investment or other services provided in an intermediary capacity which is accounted for on an accruals basis.

2. Summary of material accounting policies - continued

2.5 Investment return

Investment return includes net gains or losses on financial assets at fair value through profit or loss, interest income from financial assets not classified as fair value through profit or loss, rent receivable from and other fair value movements of investment properties, and is net of investment expenses (e.g. charges and interest payable).

(a) Net fair value gains or losses from financial assets at fair value through profit or loss

This category includes gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss in the year in which they arise, dividend income recognised when the right to receive payment is established and interest income received on financial assets at fair value through profit or loss.

(b) Interest income

Interest income from financial assets not classified as fair value through profit or loss is recognised using the effective interest method.

(c) Investment income from investment properties

Rent receivable from investment property is accounted for on an accruals basis in accordance with the substance of the relevant lease agreements.

2.6 Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. 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.

(a) As a lessor

Property leased out under operating leases are included in investment property. Rental income is recognised in profit or loss on a straight-line basis over the period of the lease to which it relates.

(b) As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

2. Summary of material accounting policies - continued

2.6 Leases - continued

(b) As a lessee - continued

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise of fixed payments. The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

2.7 Intangible assets

(a) Computer software

Acquired computer software licences are measured at cost less any accumulated amortisation and any accumulated impairment losses. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line method over their useful lives, not exceeding a period of ten years. All costs associated with maintaining computer software programmes are recognised as an expense as incurred.

(b) Deferred policy acquisition costs

Incremental costs that are incurred in acquiring new investment contracts without DPF are capitalised as deferred acquisition costs ('DAC').

The DAC is subsequently amortised over the life of the contracts as follows:

- For long-term investment contracts with a fixed maturity date, DAC is amortised over the life of the contract.
- For long-term investment contracts with no fixed date of maturity, DAC is amortised over the estimated life of the contract. This basis is reviewed periodically with reference to the historical experience of surrenders for these contracts.

2. Summary of material accounting policies - continued

2.8 Property, plant and equipment

All property, plant and equipment is initially recorded at historical cost. Freehold land and buildings are subsequently shown at revalued amount being its fair value at the end of the revaluation less accumulated depreciation for buildings and any accumulated impairment losses. Fair value is based on periodic valuations by qualified valuers to ensure that the carrying amount of property does not differ materially from that which would be determined using fair values at the end of the reporting period. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as a revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against the revaluation reserve directly in equity; all other decreases are charged to profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Freehold land is not depreciated as it is deemed to have an indefinite life. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings	100 years
Leasehold improvements	10 - 40 years
Furniture, fittings and equipment	3 - 10 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2. Summary of material accounting policies - continued

2.9 Investment property

Freehold and leasehold properties treated as investment property principally comprise office and other commercial buildings that are held for long-term rental yields and that are not occupied by the Company. Investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary for any difference in the nature, location or condition of the specific asset. If this information is not available, the Company uses alternative valuation methods such as discounted cash flow projections or recent prices in less active markets. These valuations are reviewed annually by qualified valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value. Changes in fair values are reported in profit or loss.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

2.10 Investment in associated undertakings

Interests in associated undertakings that are allocated to the insurance and investment contract liabilities are designated as financial assets at fair value through profit or loss. Associates are all entities over which the Company has significant influence but not control, over the financial and operating policies, generally accompanying a shareholding of between 20% and 50% of the voting rights.

2.11 Financial instruments

Summary of measurement categories

The Company classifies its financial assets and financial liabilities into the following categories:

Type of financial instruments	Classification	Reason
Cash at bank	AC	SPPI, hold to collect business model
Equity securities and units in unit trusts	FVTPL	Trading or portfolio managed at FV
Debt securities	FVTPL	Trading or portfolio managed at FV
Collective investment schemes	FVTPL	Trading or portfolio managed at FV
Forward foreign exchange contracts and swaps	FVTPL	Trading or portfolio managed at FV
Deposits with banks or credit institutions	AC	SPPI, hold to collect business model
Other receivables	AC	SPPI, hold to collect business model
Other payables	AC	Not managed at FV
Investment contract liabilities	FVTPL	Managed at FV

The Company does not apply hedge accounting and does not have any fair value through other comprehensive income ('FVOCI') instruments.

2. Summary of material accounting policies - continued

2.11 Financial instruments - continued

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on the trade date (that is, the date on which the Company commits to purchase or sell the asset).

At initial recognition, the Company measures a financial asset or financial liability at its fair value, plus or minus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Immediately after initial recognition, an expected credit loss ('ECL') allowance is recognised for financial assets measured at amortised cost ('AC').

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

- When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (that is, a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
- In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Amortised cost and effective interest rate

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

The effective interest rate ('EIR') is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (that is, its AC before any impairment allowance) or to the AC of a financial liability. The calculation does not consider the ECL and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the EIR.

When the Company revises the estimates of future cash flows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate discounted using the original EIR. Any changes are recognised in profit or loss.

2. Summary of material accounting policies - continued

2.11 Financial instruments - continued

Amortised cost and effective interest rate - continued

Interest revenue is calculated by applying the EIR to the gross carrying amount of financial assets recognised at AC.

Financial assets

(a) Business model

The business model reflects how the Company manages assets in order to generate cash flows. That is, it reflects whether the Company's objective is solely to collect the contractual cash flows from assets or to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (for example, financial assets are held for trading purposes), the financial assets are classified as part of the other business model and measured at FVTPL.

Factors considered by the Company in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed, and how managers are compensated. For example, the business model for the investments underlying investment contracts with DPF is to hold to collect and sell contractual cash flows. The proceeds from the contractual cash flows of the financial assets are used to settle insurance contract liabilities as they become due.

(b) Solely payments of principal and interest ('SPPI')

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent SPPI (the SPPI test). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement (i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement). Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

2. Summary of material accounting policies - continued

2.11 Financial instruments - continued

Financial assets - continued

(c) Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as government and corporate bonds.

The classification and subsequent measurement of debt instruments depend on:

- the Company's business model for managing the asset; and
- the cash flow characteristics of the asset (represented by SPPI).

Based on these factors, the Company classifies its debt instruments into one of the following two measurement categories:

- **AC:** Assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at FVTPL, are measured at AC. The carrying amount of these assets is adjusted by any ECL allowance recognised and measured, as described further below. Interest revenue from these financial assets is included in interest revenue from financial assets not measured at FVTPL using the EIR method.
- **FVTPL:** Assets that do not meet the criteria for AC or FVOCI are measured at FVTPL. Also, some assets are voluntarily measured at FVTPL, because this significantly reduces an accounting mismatch. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised and presented in the statement of profit or loss and other comprehensive income within net gains (losses) on FVTPL instruments in the period in which it arises.

The Company reclassifies debt instruments only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent, and none occurred during the period.

(d) Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective (that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets). Examples of equity instruments include basic ordinary shares.

The Company subsequently measures all equity investments at FVTPL. Gains and losses on equity investments at FVTPL are included in the line 'Net gains (losses) on FVTPL instruments' in the profit or loss.

2. Summary of material accounting policies - continued

2.11 Financial instruments - continued

Financial assets - continued

(e) Cash at bank

Cash at bank is carried in the statement of financial position at AC net of ECL. In the cash flow statement, it includes cash in hand and deposits held at call for operational purposes with banks.

(f) Fair value measurement

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges. The quoted market price used for financial assets held by the group is the current bid price for foreign financial instruments and the closing price for local investments.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the market for a financial asset is not active, the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same or valued by reference to the net assets of the underlying investment.

(g) Impairment

IFRS 9 provides that in measuring ECL an entity must reflect:

- An unbiased evaluation of a range of possible outcomes and their probabilities of occurrence;
- Discounting for the time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

However, IFRS 9 emphasises that estimating ECL may not necessarily need to be a complex process and that an entity need not identify every possible scenario. In some cases, relatively simple modelling may be sufficient without the need for many detailed simulations or scenarios.

The Company calculates the ECL at an instrument level, using three main components:

- a probability of default ('PD'),
- a loss given default ('LGD'), and
- and the exposure at default ('EAD').

2. Summary of material accounting policies - continued

2.11 Financial instruments - continued

Financial assets - continued

(g) *Impairment* - continued

At initial recognition, an allowance is required for ECL resulting from default events that are possible within the next 12 months, or less, where the remaining life is less than 12 months ('12-month ECL').

In the event of a 'significant increase in credit risk' (SICR), an allowance is required for ECL resulting from all possible default events over the expected life of the financial instrument ('Lifetime ECL'). In the case of a non-maturity deposit, the Company assumes a lifetime of 1 month.

Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets which are considered to have experienced a SICR are classified as 'stage 2'; and financial assets for which there is objective evidence of impairment, and which are so considered to be in default or otherwise credit impaired, are classified as 'stage 3'.

The ECL allowance and any changes to it are recognised by recognising impairment gains and losses in profit or loss.

(h) *Derecognition*

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Company transfers substantially all of the risks and rewards of ownership; or (ii) the Company neither transfers nor retains substantially all of the risks and rewards of ownership and the Company has not retained control.

The Company enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as pass-through transfers that result in derecognition if the Company:

- has no obligation to make payments unless it collects equivalent amounts from the assets;
- is prohibited from selling or pledging the assets; and
- has an obligation to remit any cash that it collects from the assets without material delay.

2. Summary of material accounting policies - continued

2.11 Financial instruments - continued

Financial assets - continued

(i) Modification

If cash flows are modified when the debtor is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual cash flows rather than to originate a new asset with substantially different terms. If the Company plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place.

Financial liabilities

(a) Classification and subsequent measurement

Financial liabilities are classified and subsequently measured at AC, except for derivatives and investment contracts without DPF, which are measured at FVTPL.

Investment contracts without DPF are financial liabilities whose fair value is dependent on the fair value of underlying financial assets and are designated at inception at FVTPL. The Company designates these investment contracts to be measured at FVTPL, because it eliminates or significantly reduces a measurement or recognition inconsistency (that is, an accounting mismatch) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Company's main valuation techniques incorporate all factors that market participants would consider and make maximum use of observable market data. The fair value of financial liabilities for investment contracts without DPF is determined using the current unit values in which the contractual benefits are denominated. These unit values reflect the fair values of the financial assets contained within the Company's unitised investment funds linked to the financial liability. The fair value of the financial liabilities is obtained by multiplying the number of units attributed to each contract holder at the end of the reporting period by the unit value for the same date.

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

Changes in the fair value of financial liabilities measured at FVTPL presented in the profit or loss.

(b) Derecognition

Financial liabilities are derecognised when they are extinguished (that is, when the obligation specified in the contract is discharged, is cancelled or expires).

2. Summary of material accounting policies - continued

2.11 Financial instruments - continued

Financial liabilities - continued

(b) *Derecognition* - continued

The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(c) *Modification*

If a financial liability measured at AC is modified but not substantially, then it is not derecognised.

Derivatives

Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Fair values are obtained from quoted market prices in active markets, and other valuation techniques, as appropriate. Subsequent changes in the fair value of any derivative instruments are recognised immediately in profit or loss.

2.12 Impairment of non-financial assets

Assets that have an indefinite useful life and are not subject to amortisation, or assets not yet available for use, are tested annually for impairment. Assets that are subject to amortisation or depreciation 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 and independent cash flows (cash-generating units).

2.13 Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when, and only when the Company currently has a legally enforceable right to set-off the recognised amounts and it intends to settle them on a net basis, or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when it is required or permitted by a standard – e.g. gains and losses arising from a group of similar transactions such as the gains and losses on financial assets measured at FVTPL.

2. Summary of material accounting policies - continued

2.14 Current and deferred tax

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

The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognised, in respect of, temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that: a) is not a business combination; and b) at the time of the transaction (i) affects neither accounting nor taxable profit or loss and (ii) does not give rise to equal taxable and deductible temporary differences.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any. Deferred tax is expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences.

If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences are considered. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profit improves.

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

2. Summary of material accounting policies - continued

2.15 Share capital

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

2.16 Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which an obligation to pay a dividend is established.

2.17 Critical accounting estimates and judgments in applying accounting policies

The Company makes estimates and assumptions concerning the future. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Information about assumptions and estimation uncertainties that have a risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the year ended 31 December 2025 is described below.

Insurance contract assets, insurance contract liabilities and reinsurance contract liabilities

Insurance contract assets, insurance contract liabilities and reinsurance contract liabilities are subject to an annual valuation using generally accepted accounting and actuarial practice.

Different principles and valuation methodologies are adopted depending on the type and generation of products. The key assumptions used in determining the measurement of insurance contract assets, insurance contract liabilities and reinsurance contract liabilities are described in Note 21 to the financial statements.

3. Management of risk

The Company is a party to contracts that transfer insurance risk or financial risk or both. This section summarises these risks and the way the Company manages them.

3. Management of risk - continued

The following tables reconcile the statement of financial position to the investment classes and product lines:

31 December 2025	Life Risk	Investment contracts with DPF Underlying assets	Investment contracts without DPF	Other	Total
Cash at bank and in hand	-	6,632	-	27,918	34,550
Deposits with banks or credit institutions	-	30,032	-	29,951	59,983
Debt securities	-	941,256	-	49,037	990,293
Equity securities and units in unit trusts	-	802,402	-	83,385	885,787
Assets held to cover linked liabilities					
- collective investment schemes	-	39,331	227,916	-	267,247
Investments in associated undertakings	-	947	-	-	947
Investment property	-	93,769	-	-	93,769
Forward foreign exchange contracts and swaps	-	2,209	-	-	2,209
Total investment assets and cash and cash equivalents	-	1,916,578	227,916	190,291	2,334,785
Insurance and investment contract balances					
Insurance contract assets	4,484	-	-	-	4,484
Insurance contract liabilities	(57)	(1,928,847)	-	-	(1,928,904)
Reinsurance contract liabilities	(15,225)	-	-	-	(15,225)
Investment contract liabilities	-	-	(229,748)	-	(229,748)
Total insurance and investment contract balances	(10,798)	(1,928,847)	(229,748)	-	(2,169,393)
Other assets and liabilities					
Other assets	-	-	3,698	40,989	44,687
Other liabilities	-	-	(255)	(26,697)	(26,952)
Forward foreign exchange contracts and swaps	-	(638)	-	-	(638)
Total other assets and liabilities	-	(638)	3,443	14,292	17,097

3. Management of risk - continued

31 December 2024	Life Risk	Investment contracts with DPF Underlying assets	Investment contracts without DPF	Other	Total
Cash at bank and in hand	-	21,490	-	45,629	67,119
Deposits with banks or credit institutions	-	9,108	-	30,549	39,657
Debt securities	-	955,212	-	48,960	1,004,172
Equity securities and units in unit trusts	-	823,008	-	52,504	875,512
Assets held to cover linked liabilities					
- collective investment schemes	6,366	36,330	178,437	-	221,133
Investments in associated undertakings	-	5,793	-	-	5,793
Investment property	-	93,127	-	-	93,127
Forward foreign exchange contracts and swaps	-	-	-	-	-
Total investment assets and cash and cash equivalents	6,366	1,944,068	178,437	177,642	2,306,513
Insurance and investment contract balances					
Insurance contract assets	7,080	-	-	-	7,080
Insurance contract liabilities	(6,400)	(1,948,078)	-	-	(1,954,478)
Reinsurance contract liabilities	(17,073)	-	-	-	(17,073)
Investment contract liabilities	-	-	(179,685)	-	(179,685)
Total insurance and investment contract balances	(16,393)	(1,948,078)	(179,685)	-	(2,144,156)
Other assets and liabilities					
Other assets	-	1	2,002	41,640	43,643
Other liabilities	-	-	(255)	(24,597)	(24,852)
Forward foreign exchange contracts and swaps		(6,816)	-	-	(6,816)
Total other assets and liabilities	-	(6,815)	1,747	17,043	11,975

3.1 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 fortuitous; however, it can be predicted with a certain disclosed level of reliability.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims are greater than estimated.

3. Management of risk - continued

3.1 Insurance risk - continued

Insurance events are fortuitous and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques. Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be.

In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company manages this risk through adequate reinsurance arrangements and proactive claims handling.

The Company has developed its insurance underwriting strategy to diversify the type of insurance risk accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. The objective of the underwriting strategy is to ensure that the underwritten risks are well diversified in terms of type and amount of risk. The variability of risks is improved by the careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits.

Key risks arising from insurance contracts issued:

Product	Key risks	Risk mitigation
Term	Mortality risk: death of policyholder earlier than expected	Reinsurance with financially strong reinsurer and adequate underwriting
Investment contracts with DPF	- Market risk: investment return on underlying items falling below guaranteed minimum rates - Interest rate risk: difference in duration and yield of assets and liabilities	- Management discretion to determine amount and timing of policyholder bonus rates - Matching of asset and liability cash flows
Unit-linked	Lapse risk: insufficient charges to cover acquisition expenses	Surrender penalties and review of charges

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, and lack of geographical spread. The Company is largely exposed to insurance risk in one geographical area, Malta and in one currency, the Euro.

Frequency and severity of claims (Mortality risk)

For contracts where death is the insured risk, the most significant factor that could increase the overall frequency of claims are epidemics or wide-spread changes in lifestyle resulting in earlier or more claims than expected.

3. Management of risk - continued

3.1 Insurance risk - continued

Frequency and severity of claims (Mortality risk) - continued

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 benefit payments on a portfolio basis.

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 investment contracts with DPF, the participating nature of the contracts results in a portion of the insurance risk being reduced over the term of policy. Investment contracts with DPF carry negligible mortality risk.

The Company manages these risks through its underwriting strategy and reinsurance arrangements. The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and level of insured benefits. Medical selection is also included in the Company's underwriting procedures with premiums varied to reflect the health condition and life expectancy of the applicants.

The Company has reinsurance protection in place to cover death claims. The type of reinsurance cover and the level of retention for each risk are based on the Company's internal risk management assessment, which takes account of the nature of the risk covered and the sum assured. The reinsurance program is approved by the Board of Directors ("the Board") annually. The reinsurance arrangements in place include a mix of quota share, facultative and catastrophe protection, which limits the liability of the Company to any one individual life or event. The Company's reinsurance is placed with listed multinational reinsurance companies with investment grade rating not less than A.

The mortality assumptions applied are disclosed in Note 21.

Policyholder lapse risk

Higher lapses than expected cause a loss of future profits and possibility of non-recovery of sales expenses.

The amount of insurance risk is also subject to contract holder behaviour. On the assumption that policyholders will make decisions rationally overall underwriting risk can be assumed to be aggravated by such behaviour. For example, it is likely that contract holders whose health has deteriorated significantly will be less inclined to terminate contracts insuring death benefits than those contract holders remaining in good health. This results in an increasing trend of expected mortality as the portfolio of insurance contracts reduces due to voluntary terminations.

3. Management of risk - continued

3.1 Insurance risk - continued

Policyholder lapse risk - continued

Unit-linked and with-profits policies, can be surrendered before maturity for a cash surrender value specified in the contractual terms. Cash surrender value equals the policyholder account/investment value at the time of termination, less any surrender penalties. Through these penalties, policyholders are discouraged from surrendering contracts earlier than policy maturity.

As such, penalties mitigate the expense risk arising from acquisition and other costs incurred when policies were issued, because such costs were originally assumed to be spread over a longer period, since early surrender was not expected.

The lapse assumptions applied are disclosed in Note 21.

Expense Risk

Expense risk is the risk of unexpected increases in policy maintenance, claim handling and other costs relating to fulfilment of insurance contracts. The risk is managed through budgeting and periodic cost evaluations. Investment contracts with DPF carry negligible expense risk.

The expense assumptions applied are disclosed in Note 21.

Market Risk

This risk is covered in Note 3.2 (a). The investment assets return and discount rate assumptions applied are disclosed in Note 21.

Sensitivity analysis to underwriting risk variables

The following tables present information on how reasonably possible changes in assumptions made by the Company with regard to underwriting risk variables impact product line insurance liabilities and profit or loss and equity before and after risk mitigation by reinsurance contracts held. The analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions might be correlated.

3. Management of risk - continued

3.1 Insurance risk - continued

Sensitivity analysis to underwriting risk variables - continued

31 December 2025	CSM		Profit or loss before tax		Equity	
	Gross €'000	Net €'000	Gross €'000	Net €'000	Gross €'000	Net €'000
<i>Life Risk</i>						
Mortality rate – 10% increase	(4,411)	(1,901)	174	92	113	60
Mortality rate – 10% decrease	4,408	1,903	(179)	(94)	(116)	(61)
Lapse rates – 10% increase	(1,822)	(288)	282	27	183	18
Lapse rates – 10% decrease	1,822	288	(282)	(27)	(183)	(18)
Expenses – 10% increase	(1,629)	(2,068)	14	16	9	10
Expenses – 10% decrease	1,629	2,068	(14)	(16)	(9)	(10)
<i>Investment contracts with DPF</i>						
Mortality rate – 10% increase	(319)	(319)	3	3	2	2
Mortality rate – 10% decrease	319	319	(3)	(3)	(2)	(2)
Lapse rates – 10% increase	(455)	(455)	40	40	26	26
Lapse rates – 10% decrease	455	455	(40)	(40)	(26)	(26)
Expenses – 10% increase	(1,199)	(1,199)	(62)	(62)	(40)	(40)
Expenses – 10% decrease	1,199	1,199	62	62	40	40
31 December 2024	CSM		Profit or loss before tax		Equity	
	Gross €000s	Net €000s	Gross €000s	Net €000s	Gross €000s	Net €000s
<i>Life Risk</i>						
Mortality rate – 10% increase	(4,274)	(1,870)	(174)	(63)	(113)	(41)
Mortality rate – 10% decrease	4,269	1,872	172	63	112	41
Lapse rates – 10% increase	(1,652)	(171)	149	118	97	77
Lapse rates – 10% decrease	1,652	171	(149)	(118)	(97)	(77)
Expenses – 10% increase	(1,649)	(2,045)	(86)	(108)	(56)	(70)
Expenses – 10% decrease	1,649	2,045	86	108	56	70
<i>Investment contracts with DPF</i>						
Mortality rate – 10% increase	(311)	(311)	-	-	-	-
Mortality rate – 10% decrease	311	311	-	-	-	-
Lapse rates – 10% increase	53	53	98	98	64	64
Lapse rates – 10% decrease	(53)	(53)	(98)	(98)	(64)	(64)
Expenses – 10% increase	(1,707)	(1,707)	(116)	(116)	(76)	(76)
Expenses – 10% decrease	1,707	1,707	116	116	76	76

Changes in underwriting risk variables mainly affect the CSM, profit or loss and equity as follows.

	GMM	VFA
a. CSM	Changes in fulfilment cash flows, other than those recognised as insurance finance income or expenses	Changes in fulfilment cash flows
b. Profit or loss	Changes in fulfilment cash flows that are recognised as insurance finance income or expenses in profit or loss and change in CSM release and /or coverage units	Changes in CSM release and /or coverage units
c. Equity	The effect on profit or loss under (b) after tax	The effect on profit or loss under (b) after tax

3. Management of risk - continued

3.2 Financial Risk

The Company is exposed to financial risks through its financial assets, financial liabilities and insurance contract assets, insurance contract liabilities and reinsurance contract liabilities. In particular, the key risk is that in the long-term, the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts. The components of financial risks are market risk (including cash flow and fair value interest rate risk, equity price risk and currency risk), credit risk and liquidity risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements.

The risks that the Company primarily faces due to the nature of its assets and liabilities are interest rate risk and equity price risk.

The Company has developed its Asset/Liability management framework to support the manner in which these risk positions are managed. It actively manages its assets to achieve a competitive rate of return within risk objectives delineated by asset liquidity measures, duration targets and credit quality parameters. The Investment Committee reviews and approves investment strategies on a periodic basis ensuring that assets are managed efficiently and within approved risk mandates.

(a) Market risk

Market risk comprises interest rate, equity price and foreign currency risks. These risks arise from variability in fair values of financial instruments or related future cash flows, as well as from variability of the FCF of insurance contracts due to variability in market risk variables.

(i) Cash flow and fair value interest rate risk

Insurance and investment contracts with DPF have benefit payments that are fixed and guaranteed at the inception of the contract (for example, sum assured), or as annual discretionary bonuses are declared. The Company's primary financial risk on these contracts is the risk that interest income and capital redemptions from the financial assets backing the liabilities are insufficient to fund the guaranteed benefits payable.

The Company does not guarantee a positive fixed rate of return to its policyholders at the inception of a contract. The declaration of discretionary bonuses is guided by the bonus philosophy of the Board. Once a reversionary bonus is declared, it is guaranteed to be paid in full at maturity or on the prior death of the life assured. Also, policyholders have the option to withdraw their current year's bonus without any charges following the date the bonus is declared.

3. Management of risk - continued

3.2 Financial Risk - continued

(a) Market risk - continued

(i) *Cash flow and fair value interest rate risk - continued*

The bonus philosophy considers historic and current rates of return generated by the Company's investment portfolio as well as the Company's expectations for future investment returns. The impact of interest rate risk is mitigated by the presence of the DPF. These guaranteed benefits increase as discretionary benefits are declared and allocated to contract holders. The current rates of regular and final bonuses are determined by the Board in consultation with the Approved Actuary. Different bonus rates are declared on different generations of contracts depending on the type of product, cost structure, past investment performance and premium rates. Different bonuses are declared to maintain equity between different generations of contract holders and products with different characteristics. Future bonus rates are not guaranteed and the assumptions are set to allow for a fair and orderly run-off of the fund.

All unit-linked and investment contracts with a DPF feature can be surrendered before maturity for a cash surrender value that is always less than the actual contract liability. Cash surrender values are determined at the discretion of the Company and can be varied from time to time.

The primary factor affecting the level of cash surrender value is the investment return earned on the assets of the Company. In addition, the cash surrender value is affected by the expenses, tax and the cost of risk benefits (such as life cover) borne by the Company, deductions to provide a return to shareholders, as well as profits and losses arising on other contracts. The expenses include payment of commission, medical report expenses, office administration costs and other expenses incurred in the setting up and maintenance of the contract. At most, the cash surrender value will be the amount of the actual liability reduced by the surrender charge (where applicable).

Furthermore, in respect of all with-profits (with the exception of some contracts that have been in force more than a certain number of years), the Company reserves the right to increase the level of the surrender charge and, if necessary, to apply a Market Value Reduction ('MVR'). An MVR is a deduction which the Company may make on surrender of a contract with DPF. For example, if the underlying investment return, after allowing for expenses, tax, risk benefits, shareholder returns and adjustment for profits or losses on other contracts is less than the return already provided for in the form of reversionary bonuses, the Company may decide to apply a MVR.

The MVR serves to protect the interests of remaining investors and the Company, who would otherwise have to subsidise the amount paid on surrendering contracts. The Company does not apply a standard percentage deduction on all contracts but determines the deduction to apply to each individual surrender at the time the surrender is made. The amount depends on a number of factors including the length of time the contract has been in force, and the underlying investment return over the same time period. There will be no MVR at maturity or on death. This means that at maturity or on death the payment of the actual contract liability is guaranteed.

3. Management of risk - continued

3.2 Financial Risk - continued

(a) Market risk - continued

(i) Cash flow and fair value interest rate risk - continued

The cash surrender value may also be less than the total amount of premiums paid up to the date of surrender. The Company is not required to, and does not, measure the effect of the above embedded derivative at fair value.

The Company matches its insurance contract liabilities with a diversified portfolio of assets which includes equity, debt securities and property. The return from debt and cash-based securities is subject to interest rate risk.

In general, the Company is exposed to risk associated with the effects of fluctuations in the prevailing levels of market interest rates. Assets/liabilities issued at variable rates generally expose the Company to cash flow interest risk. Assets/liabilities issued at fixed rates generally expose the Company to fair value interest rate risk. Company investment parameters exist to limit exposure to any one particular issuer and any one particular security. Periodic reports are prepared at portfolio, legal entity and asset class level that are circulated to the Company's key management personnel. Note 16 incorporates maturity information with respect to the Company's investments.

The total assets and liabilities subject to interest rate risk are the following:

Financial instruments

	2025 €'000	2024 €'000
Assets at floating interest rates	100,729	93,884
Assets at fixed interest rates	1,277,846	1,271,507
	1,378,575	1,365,391

Reconciled to the notes to the financial statements as follows:

Financial instruments

	2025 €'000	2024 €'000
Debt securities (Note 16)	990,293	1,004,172
Deposits with banks or credit institutions (Note 16)	59,983	39,657
A component of equity securities and units in unit trusts (Note 16)	328,142	321,387
Interest bearing cash and cash equivalents	157	175
	1,378,575	1,365,391

3. Management of risk - continued

3.2 Financial Risk - continued

(a) Market risk - continued

(i) Cash flow and fair value interest rate risk - continued

Insurance and reinsurance contracts	2025 €'000	2024 €'000
Liabilities	(1,862,464)	(1,882,844)
Assets	6,991	10,580
	(1,855,473)	(1,872,264)

Interest rate risk in relation to hybrid contracts, amounting to €38.2m (2024: €35.2m) has been excluded as the directors consider the exposure to be insignificant.

In managing its portfolio, the Company entered into fixed income security futures contracts. Accordingly, it is exposed to movements in interest rates in the respective markets of the underlying, which comprise short, medium and long-term sovereign debt. The notional amount of futures contracts outstanding is shown below:

	2025 €'000	2024 €'000
Long positions		
- Federal Republic of Germany	70,690	65,488
- United States Government	11,154	17,884
	81,844	83,372
Short positions		
- Federal Republic of Germany	65,501	78,096
- United States Government	6,777	18,601
	72,278	96,697

Up to the reporting date, the Company did not have any hedging policy with respect to interest rate risk other than as described in Note 2.11.

3. Management of risk - continued

3.2 Financial risk - continued

(a) Market risk - continued

(i) Cash flow and fair value interest rate risk - continued

Interest rate risk sensitivity

An analysis of the Company's sensitivity to a 1% increase or decrease in market interest rates at the reporting date, assuming that all other variables remain constant, is presented below. An explanation of the method used in preparing such a sensitivity analysis and of the main parameters and assumptions underlying the information provided is found in Note 3.1.

	CSM		Profit or loss before tax		Equity	
	Increase €'000	Decrease €'000	Increase €'000	Decrease €'000	Increase €'000	Decrease €'000
31 December 2025						
Insurance and reinsurance contracts (Net)	398	(440)	(733)	689	(476)	448
Investment contracts with DPF	3,801	(12,290)	301	(1,098)	195	(714)
31 December 2024						
Insurance and reinsurance contracts (Net)	406	(449)	(371)	233	(241)	151
Investment contracts with DPF	6,483	(19,019)	552	(1,714)	359	(1,114)

(ii) Equity price risk

The Company's financial assets are susceptible to the risk of decreases in value due to changes in the prices of equities. The directors manage the risk of price volatility by entering into a diverse range of investments including equities and collective investment schemes. In addition, the Company's investments are spread geographically in a diverse number of different countries. The Company has an active Investment Committee that has established a set of investment guidelines that is also approved by the Board. Investments over prescribed limits are directly approved by the Board. These guidelines provide parameters for investment management, including contracts with external portfolio managers. They include, inter alia, reference to an optimal spread of the investment portfolio, assessment of equity issuers and maximum exposures by the Company to any one issuer and its connected parties (with the exception of investments in Government paper). These parameters also consider solvency restrictions imposed by the Regulator.

Management structures are in place to monitor all the Company's overall market positions on a regular basis. Reports are prepared at portfolio, legal entity and asset class level that are circulated to the Company's key management personnel. These are also reviewed by the Investment Committee and the Board.

3. Management of risk - continued

3.2 Financial risk - continued

(a) Market risk - continued

(ii) Equity price risk - continued

The total assets subject to equity price risk are the following:

	2025 €'000	2024 €'000
Assets subject to equity price risk	558,592	559,918
Reconciled to the notes to the financial statements as follows:		
Investments in associated undertakings (Note 15)	947	5,793
A component of equity securities and units in unit trusts (Note 16)	557,645	554,125
	558,592	559,918

In the case of assets held to cover unit-linked liabilities the exposure is carried by the contract holder. In the case of capital guaranteed products any shortfalls guaranteed upon maturity are mitigated by a back-to-back guarantee with international financial service providers as further referred in 3.2 (a) (i).

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 equity issuer, or factors affecting all similar equity traded in the market.

An analysis of the Company's sensitivity to a 10% decrease in equity prices at the reporting date, assuming that all other variables remain constant, is presented below. An explanation of the method used in preparing such a sensitivity analysis and of the main parameters and assumptions underlying the information provided is found in Note 3.1.

	CSM €'000	Profit or loss before tax €'000	Equity €'000
31 December 2025			
Investment contracts with DPF	(1,182)	(175)	(114)
 31 December 2024			
Investment contracts with DPF	(3,580)	(381)	(248)

3. Management of risk - continued

3.2 Financial risk - continued

(a) Market risk - continued

(iii) Currency risk

The Company's liabilities are substantially denominated in Euro. The Company's exposure to foreign currency risk arises primarily from both equity and debt securities denominated in major foreign currencies. The Company hedges its foreign currency denominated debt securities using foreign exchange forward contracts in order to mitigate the risk that principal cash flows for these investments fluctuate as a result of changes in foreign exchange rates.

The table below summarises the Company's exposure to foreign currencies other than Euro.

31 December 2025	Net exposure Before Hedging €'000	Notional amount of currency derivatives €'000	Net exposure after hedging €'000
Currency of exposure:			
USD	294,044	181,811	112,233
CHF	18,628	-	18,628
GBP	7,611	747	6,864
SEK	7,226	-	7,226
DKK	5,752	-	5,752
HKD	3,801	-	3,801
Others	20,835	3,948	16,887
	357,897	186,506	171,391
<hr/>			
31 December 2024	Net exposure Before Hedging €'000	Notional amount of currency derivatives €'000	Net exposure after hedging €'000
Currency of exposure:			
USD	307,277	178,616	128,661
CHF	15,318	-	15,318
GBP	12,113	6,121	5,992
SEK	7,337	-	7,337
DKK	8,318	951	7,367
HKD	1,987	-	1,987
Others	20,505	(239)	20,744
	372,855	185,449	187,406

Within the table above, €166.50m of the unhedged exposure relates to equity investments (2024: €185.8m). Due to an increasingly globalised economy, the Company's equity investments are diversified across various currencies. The directors consider that the exposure to currency risk is appropriately captured in the equity price risk sensitivity (Note 3.2 (a) (ii)). Any residual currency exposure relating to non-equity investments is not considered to be significant.

3. Management of risk - continued

3.2 Financial risk - continued

(b) Credit risk

(i) *Credit risk management and exposures*

Credit risk is the risk of decreases in value when counterparties are not capable of fulfilling their obligations or when changes in their credit status take place.

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:

- Investments and cash and cash equivalents;
- Amounts due from reinsurers in respect of claims already paid; and
- Counterparty risk with respect to forward foreign exchange contracts.

The Company places limits on the level of credit risk undertaken from the main categories of financial instruments. These limits also take due consideration of the solvency restrictions imposed by the relevant regulations. The investment strategy of the Company considers the credit standing of the counterparty and control structures are in place to assess and monitor these risk thresholds.

The Company structures the levels of credit risk it accepts by limiting as far as possible its exposure to a single counterparty or groups of counterparty. The Company has in place internal control structures to assess and monitor credit exposures and risk thresholds.

The Company's cash is placed with a number of core domestic credit institutions and investment grade international banks, thereby reducing the concentration of counterparty credit risk to an acceptable level.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is monitored on a quarterly basis by reviewing credit grades provided by rating agencies and other publicly available financial information. At the same time that the Board approves the overall reinsurance protection for the Company, it ensures that the reinsurers' credit rating (either Standard & Poors or equivalent) is within the parameters set by it.

It is not normal for credit to be extended to insurance policyholders due to the nature of the Company's business, unless automatic policy loans are advanced up to the surrender value of the contract.

3. Management of risk - continued

3.2 Financial risk - continued

(b) Credit risk - continued

(i) *Credit risk management and exposures - continued*

The Company does not trade in derivative contracts, with the exception of forward contracts and exchange traded futures. All derivative contracts are placed with quality financial institutions within the parameters of a hedging policy approved by the Board.

The total assets bearing credit risk are the following:

	2025 €'000	2024 €'000
Fair value through profit or loss		
Debt securities (Note 16)	941,256	955,212
Forward foreign exchange contracts and swaps (Note 16)	2,209	-
Total exposure	943,465	955,212
Amortised cost	2025 €'000	2024 €'000
Cash at bank and in hand (Note 19)	34,550	67,119
Deposits with banks or credit institutions (Note 16)	60,063	39,779
Debt securities (Note 16)	49,049	48,986
A component of other receivables	3,683	3,563
ECL (Note 16)	(92)	(148)
Total exposure	147,253	159,299

3. Management of risk - continued

3.2 Financial risk - continued

(b) Credit risk - continued

(i) *Credit risk management and exposures - continued*

The assets above are analysed in the table below using Standard and Poors rating (or equivalent).

	2025 €'000	2024 €'000
AAA	93,922	80,268
AA	124,076	230,349
A	491,690	433,292
BBB	302,324	303,888
Below BBB or not rated	78,706	66,714
	1,090,718	1,114,511

The carrying amount of these assets represents the maximum credit exposure.

(c) Liquidity risk

The Company is exposed to daily calls on its available cash resources mainly from claims and benefits arising from long-term contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Company manages its funds in such a manner as to ensure an adequate portion of available funds to meet such calls, principally through limits set by the Board on the minimum proportion of maturity funds available to meet such calls. Furthermore, the Company invests a majority of its assets in listed investments that can be readily disposed of.

The following table indicates the expected timing of cash flows arising from the maturity of the Company's liabilities. The expected cash flows do not consider the impact of early surrenders.

3. Management of risk - continued

3.2 Financial risk - continued

(c) Liquidity risk - continued

At 31 December 2025	Expected cash flows							Total
	Payable on demand	0-1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	>5 Years	
	Undiscounted	Discounted	Discounted	Discounted	Discounted	Discounted	Discounted	
	€ million							
Insurance contract assets	3	(10)	(8)	(7)	(6)	(5)	(27)	(60)
Insurance contracts liabilities	50	186	142	163	182	176	910	1,809
Reinsurance contracts liabilities	7	3	3	2	2	2	17	36
Other payables (excluding deferred income)	13	-	-	-	-	-	-	13
	73	179	137	158	178	173	900	1,798

At 31 December 2024	Expected cash flows							Total
	Payable on demand	0-1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	>5 Years	
	Undiscounted	Discounted	Discounted	Discounted	Discounted	Discounted	Discounted	
	€ million							
Insurance contract assets	4	(9)	(8)	(7)	(6)	(5)	(25)	(56)
Insurance contracts liabilities	56	175	163	133	152	171	984	1,834
Reinsurance contracts liabilities	6	3	2	2	2	2	20	37
Other payables (excluding deferred income)	11	-	-	-	-	-	-	11
	77	169	157	128	148	168	979	1,826

Expected cash flows on unit-linked liabilities, presented under investment contract liabilities amounting to €229.7m (2024: €179.7m) and as part of insurance contract liabilities €35.7m (2024: €39.2m), have not been included as the directors consider that there is limited exposure to liquidity risk given that these are principally backed by unit-linked assets.

The amounts which are undiscounted and payable on demand mainly consist of claims outstanding.

The following table analyses the Company's derivative financial instruments that will be settled on a gross basis. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

3. Management of risk - continued

3.2 Financial risk - continued

(c) Liquidity risk - continued

	2025 €'000	2024 €'000
At 31 December		
Foreign exchange contracts		
- outflow	(358,492)	(211,300)
- inflow	360,701	204,484
	360,701	204,484

At 31 December 2025 and 2024, the above derivatives were due to be settled within three months after year end.

3.3 Capital management

The Company's policy is to maintain a strong capital base to support its business growth plans and comply with all regulatory requirements on an ongoing basis whilst assessing the impact of shareholder returns on its capital employed and safeguarding the Company's ability to continue as a going concern. The Company defines capital as shareholders' equity.

The Company's objectives when managing capital are to:

- comply with the obligations to hold Eligible Own Funds to cover the Solvency Capital Requirement and Minimum Capital Requirement in terms of the Insurance Business Act, 1998, (Chapter 403, Laws of Malta) and the applicable Insurance Rules issued under the Insurance Business Act ('Insurance Rules') by the Malta Financial Services Authority ('MFSA');
- safeguard the Company's ability to continue as a going concern and provide returns for shareholders and benefits for other stakeholders; and
- provide an adequate return to shareholders by pricing insurance contracts commensurate with the level of risk.

The Company is required to hold regulatory capital for its life assurance business in compliance with the Insurance Rules issued by the MFSA. The minimum capital requirements must be maintained at all times throughout the period. The Company monitors the level of their own funds on a regular basis. Any transactions that may potentially affect the Company's own funds and solvency position are immediately reported to the directors and shareholders for resolution.

The Company's Minimum Capital Requirement Absolute Floor stands at €4,000,000 as per paragraph 5.6.4 of Chapter 5 ('Valuation of assets and liabilities, technical provisions, own funds, Solvency Capital Requirement, Minimum Capital Requirement and investment rules') of Part B of the Insurance Rules.

3. Management of risk - continued

3.3 Capital management - continued

Based on management calculations to date, the Company is sufficiently capitalised and was compliant at all times with the regulatory capital requirements as stipulated by the MFSA which are in line with the Solvency II requirements.

3.4 Fair value hierarchy - financial instruments

The table below analyses financial instruments carried at fair value, by valuation method. The fair value measurement hierarchy is defined 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.

This note sets out the split of financial instruments by fair value hierarchy level:

31 December 2025	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Investment assets				
Debt securities	549,048	392,208	-	941,256
Equity securities, units in unit trust and collective investment schemes	911,126	140,589	101,319	1,153,034
Forward foreign exchange contracts and swaps	-	2,209	-	2,209
Investments in associates	-	-	947	947
Total investments at fair value	1,460,174	535,006	102,266	2,097,446
Liabilities				
Investment contract liabilities	-	229,748	-	229,748
Forward foreign exchange contracts and swaps	-	638	-	638
Total liabilities	-	230,386	-	230,386
<hr/>				
31 December 2024	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Investment assets				
Debt securities	567,135	388,077	-	955,212
Equity securities, units in unit trust and collective investment schemes	874,096	121,069	101,480	1,096,645
Investments in associates	-	4,805	988	5,793
Total investments at fair value	1,441,231	513,951	102,468	2,057,650
Liabilities				
Investment contract liabilities	-	179,685	-	179,685
Forward foreign exchange contracts and swaps	-	6,816	-	6,816
Total liabilities	-	186,501	-	186,501

3. Management of risk - continued

3.4 Fair value hierarchy - financial instruments - continued

Fair value measurements classified as Level 1 include government debt securities, units in unit trusts and collective investments schemes and foreign listed equities.

Corporate debt securities are classified as Level 2 in view of their trading characteristics. The financial liabilities for unit-linked contracts were also classified as Level 2. The fair value of these contracts is determined using the current unit values that reflect the fair values of the financial assets (classified as Level 1) linked to the financial liability. Derivative foreign exchange forward contracts have been classified as Level 2. The fair value of these instruments is determined by reference to market observable forward currency rates and interest rates. Domestic equities are classified as Level 2 in view of their trading characteristics.

At 31 December 2025, 4.9% (2024: 5.0%) of the financial assets measured at fair value on a recurring basis were classified as Level 3. They constitute investment in unlisted equities. The Company has €102.3m (2024: €102.5m) financial assets classified as Level 3, the valuation of which has been determined by reference to the latest available net asset values of the underlying investment or the latest transaction price.

The analyses of freehold land and buildings and investment property are included within Notes 13 and 14, respectively.

The following table presents the changes in Level 3 instruments for the year ended 31 December:

31 December 2025	Financial assets at fair value through profit or loss		
	Equity securities €'000	Investments in associated undertakings €'000	Total Assets €'000
Opening balance	101,480	988	102,468
Additions	1,682	-	1,682
Disposals	-	-	-
Total gains (losses) recognised in profit or loss	(1,843)	(41)	(1,884)
Closing balance	101,319	947	102,266
<hr/>			
31 December 2024	Financial assets at fair value through profit or loss		
	Equity securities €'000	Investments in associated undertakings €'000	Total Assets €'000
Opening balance	94,839	1,162	96,001
Additions	5,300	-	5,300
Disposals	(1,749)	-	(1,749)
Total gains (losses) recognised in profit or loss	3,090	(174)	2,916
Closing balance	101,480	988	102,468

3. Management of risk - continued

3.4 Fair value hierarchy - financial instruments - continued

At 31 December 2025 and 2024, the carrying amount of the Company's other financial assets and liabilities approximated their fair values with the exception of financial liabilities emanating from investment contracts with DPF. It is impracticable to determine the fair value of these contracts due to the lack of a reliable basis to measure the future discretionary return that is a material feature of these contracts.

3.5 Carrying amounts of financial instruments

The carrying amounts of the financial assets and liabilities held by the Company are:

31 December 2025	AC €'000	FVTPL		Total €'000
		Designated €'000	Mandatory €'000	
Cash at bank and in hand	34,550	-	-	34,550
Deposits with banks or credit institutions	59,983	-	-	59,983
Debt securities	49,037	941,256	-	990,293
Equity securities and units in unit trusts	-	-	885,787	885,787
Assets held to cover linked liabilities	-	-	-	-
- collective investment schemes	-	-	267,247	267,247
Forward foreign exchange contracts and swaps	-	-	2,209	2,209
Total investment assets and cash and cash equivalents	143,570	941,256	1,155,243	2,240,069
Other receivables	4,731	-	-	4,731
Total financial assets	148,301	941,256	1,155,243	2,244,800
Other payables	12,526	-	-	12,526
Investment contract liabilities	-	229,748	-	229,748
Forward foreign exchange contracts and swaps	-	-	638	638
Total financial liabilities	12,526	229,748	638	242,912

3. Management of risk - continued

3.5 Carrying amounts of financial instruments - continued

31 December 2024	AC €'000	FVTPL		Total €'000
		Designated €'000	Mandatory €'000	
Cash at bank and in hand	67,119	-	-	67,119
Deposits with banks or credit institutions	39,657	-	-	39,657
Debt securities	48,960	955,212	-	1,004,172
Equity securities and units in unit trusts	-	-	875,512	875,512
Assets held to cover linked liabilities - collective investment schemes	-	-	221,133	221,133
Forward foreign exchange contracts and swaps	-	-	-	-
Total investment assets and cash and cash equivalents	155,736	955,212	1,096,645	2,207,593
Other receivables	5,002	-	-	5,002
Total financial assets	160,738	955,212	1,096,645	2,212,595
Other payables	11,295	-	-	11,295
Investment contract liabilities	-	179,685	-	179,685
Forward foreign exchange contracts and swaps	-	-	6,816	6,816
Total financial liabilities	11,295	179,685	6,816	197,796

4. Net investment return and net financial result

An analysis of net investment return and net financial result by product line is presented below:

31 December 2025	Life Risk €'000	Investment contracts with DPF €'000	Investment contracts without DPF €'000	Other €'000	Total €'000
Net investment return					
Interest revenue from financial assets not measured at FVTPL	-	859	-	3,227	4,086
Net gains on FVTPL instruments	204	80,152	7,052	996	88,404
Other investment income	-	461	-	-	461
Net losses from fair value adjustments to investment properties	-	(652)	-	-	(652)
Investment income from investment properties	-	6,026	-	-	6,026
Expenses arising from investment properties	-	(420)	-	-	(420)
Other investment expenses	-	(5,907)	-	(20)	(5,927)
Net credit impairment gains (losses)	-	(9)	-	66	57
	204	80,510	7,052	4,269	92,035
Finance income (expenses) from insurance contracts issued					
Changes in value of underlying assets of contracts measured under VFA	-	(80,510)	-	-	(80,510)
Interest accreted	809	-	-	-	809
Effect of changes in interest rates and other financial assumptions	(2,267)	-	-	-	(2,267)
Effect of changes in FCF at current rates when CSM is unlocked at locked-in rates	(134)	-	-	-	(134)
	(1,592)	(80,510)	-	-	(82,102)
Finance income (expenses) from reinsurance contracts held					
Interest accreted	(498)	-	-	-	(498)
Effect of changes in interest rates and other financial assumptions	2,506	-	-	-	2,506
Effect of changes in FCF at current rates when CSM is unlocked at locked-in rates	55	-	-	-	55
	2,063	-	-	-	2,063
Net change in investment contract liabilities	-	-	(7,052)	-	(7,052)
Net financial result	471	(80,510)	(7,052)	-	(87,091)
Net investment return and net financial result	675	-	-	4,269	4,944

4. Net investment return and net financial result - continued

31 December 2024	Life Risk €'000	Investment contracts with DPF €'000	Investment contracts without DPF €'000	Other €'000	Total €'000
Net investment return					
Interest revenue from financial assets not measured at FVTPL	-	1,153	-	3,932	5,085
Net gains on FVTPL instruments	625	83,210	13,131	1,182	98,148
Other investment income	-	322	-	-	322
Net losses from fair value adjustments to investment properties and revaluation of properties for own use	-	(533)	-	168	(365)
Investment income from investment properties	-	5,980	-	-	5,980
Expenses arising from investment properties	-	(437)	-	-	(437)
Other investment expenses	-	(6,493)	-	(20)	(6,513)
Net credit impairment gains	-	8	-	-	8
	625	83,210	13,131	5,262	102,228
Finance income (expenses) from insurance contracts issued					
Changes in value of underlying assets of contracts measured under VFA	-	(83,210)	-	-	(83,210)
Interest accreted	1,577	-	-	-	1,577
Effect of changes in interest rates and other financial assumptions	(765)	-	-	-	(765)
Effect of changes in FCF at current rates when CSM is unlocked at locked-in rates	24	-	-	-	24
	836	(83,210)	-	-	(82,374)
Finance income (expenses) from reinsurance contracts held					
Interest accreted	(818)	-	-	-	(818)
Effect of changes in interest rates and other financial assumptions	73	-	-	-	73
Effect of changes in FCF at current rates when CSM is unlocked at locked-in rates	48	-	-	-	48
	(697)	-	-	-	(697)
Net change in investment contract liabilities	-	-	(13,131)	-	(13,131)
Net financial result	139	(83,210)	(13,131)	-	(96,202)
Net investment return and net financial result	764	-	-	5,262	6,026

5. Insurance revenue and expenses

An analysis of insurance revenue, insurance service expenses and net expenses from reinsurance contracts held by contract type for 2025 and 2024 is included in the following tables.

31 December 2025	Life Risk €'000	Investment contracts with DPF €'000	Total €'000
Insurance revenue			
Amounts relating to change in the LRC			
- Expected incurred claims and other directly attributable expenses	6,058	18,523	24,581
- Changes in risk adjustment for non-financial risk for the risk expired	1,626	232	1,858
- CSM recognised for the services provided	4,315	8,049	12,364
- Experience adjustments arising from premiums received in the period other than those that relate to future service	(321)	18	(303)
Insurance acquisition cash flows recovery	217	7,268	7,485
	11,895	34,090	45,985
Insurance service expenses			
Incurred claims and other directly attributable expenses	(4,478)	(18,689)	(23,167)
Changes that relate to past service – changes in the FCF relating to the LIC	4	-	4
Insurance acquisition cash flows amortization	(217)	(7,268)	(7,485)
	(4,691)	(25,957)	(30,648)
Net expenses from reinsurance contracts held			
Amounts relating to the changes in the remaining coverage			
- Expected incurred claims and other directly attributable expenses recovery	(1,755)	-	(1,755)
- Change in the risk adjustment for non-financial risk for the risk expired	(322)	-	(322)
- CSM recognised for the services provided	(1,860)	-	(1,860)
- Experience adjustments arising from ceded premiums paid in the period other than those that relate to future service	(85)	-	(85)
Reinsurance expenses	(4,022)	-	(4,022)
Other incurred directly attributable expenses	(569)	-	(569)
Incurred claims recovery	1,342	-	1,342
	(3,249)	-	(3,249)
Total insurance service result	3,955	8,133	12,088

5. Insurance revenue and expenses - continued

31 December 2024	Life Risk €'000	Investment contracts with DPF €'000	Total €'000
Insurance revenue			
Amounts relating to change in the LRC			
- Expected incurred claims and other directly attributable expenses	7,789	21,733	29,522
- Changes in risk adjustment for non-financial risk for the risk expired	1,596	228	1,824
- CSM recognised for the services provided	3,664	7,128	10,792
- Experience adjustments arising from premiums received in the period other than those that relate to future service	170	33	203
Insurance acquisition cash flows recovery	91	4,338	4,429
	13,310	33,460	46,770
Insurance service expenses			
Incurred claims and other directly attributable expenses	(7,259)	(21,845)	(29,104)
Changes that relate to past service – changes in the FCF relating to the LIC	-	-	-
Insurance acquisition cash flows amortization	(91)	(4,338)	(4,429)
	(7,350)	(26,183)	(33,533)
Net expenses from reinsurance contracts held			
Amounts relating to the changes in the remaining coverage			
- Expected incurred claims and other directly attributable expenses recovery	(2,006)	-	(2,006)
- Change in the risk adjustment for non-financial risk for the risk expired	(283)	-	(283)
- CSM recognised for the services provided	(1,651)	-	(1,651)
- Experience adjustments arising from ceded premiums paid in the period other than those that relate to future service	(143)	-	(143)
Reinsurance expenses	(4,083)	-	(4,083)
Other incurred directly attributable expenses	(519)	-	(519)
Incurred claims recovery	1,858	-	1,858
	(2,744)	-	(2,744)
Total insurance service result	3,216	7,277	10,493

6. Profit before tax

Profit before tax is stated after charging:

	2025 €'000	2024 €'000
Employee benefit expense (Note 7)	5,547	5,151
Actuarial valuation fees	525	419
Depreciation/amortisation:		
- intangible assets (Note 12)	3,441	2,854
- property, plant and equipment (Note 13)	406	511
Reimbursement of expenses for back office support services (Note 27)	1,789	1,908
	<hr/>	<hr/>

The financial statements include fees, exclusive of VAT, charged by the Company's auditors for services rendered for the financial years ended 31 December 2025 and 2024 relating to the following:

	2025 €'000	2024 €'000
Annual statutory audit	417	557
Solvency II audit	67	67
	<hr/>	<hr/>
Paid during the year:		
for financial year 2025	208	-
for financial year 2024	265	245
for financial year 2023	-	823

7. Employee benefit expense

	2025 €'000	2024 €'000
Salaries	5,313	4,915
Social security costs	234	236
	<hr/>	<hr/>
	5,547	5,151
	<hr/>	<hr/>

The average number of persons employed during the year was:

	2025	2024
Key management	10	10
Managerial	12	16
Technical	59	54
Administrative	6	7
	<hr/>	<hr/>
Average number of employees	87	87
	<hr/>	<hr/>

8. Income tax expense

	2025 €'000	2024 €'000
Current tax charge	3,882	3,889
Deferred taxation charge (Note 17)	630	143
Income tax expense	<u>4,512</u>	<u>4,032</u>

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

	2025 €'000	2024 €'000
Profit before tax	15,669	14,983
Tax on profit at 35%	5,484	5,244
Tax effect of:		
Final withholding tax on property returns	(785)	(880)
Net impact of maintenance allowance attributable to rental income	(18)	(18)
Other non-temporary differences	(169)	(314)
Income tax expense	<u>4,512</u>	<u>4,032</u>

9. Directors' emoluments

	2025 €'000	2024 €'000
Directors' fees	<u>207</u>	<u>210</u>

10. Earnings per share

Earnings per share is based on the net profit for the year divided by the weighted average number of shares in issue during the year.

	2025	2024
Net profit attributable to shareholders (€'000)	11,157	10,951
Weighted average number of ordinary shares in issue	<u>37,900,000</u>	<u>37,900,000</u>
Earnings per share (€)	<u>29c4</u>	<u>28c9</u>

11. Dividends

A dividend of 13c2 is proposed to be paid in 2026 in respect of 2025, amounting to a total net dividend of €5 million. A dividend of 7c9 in respect of 2024 amounting to a total net dividend of €3 million was paid in 2025 and a dividend of 5c3 in respect of 2023 amounting to a total net dividend of €2 million was paid in 2024.

12. Intangible assets

	Computer software €'000	Deferred policy acquisition costs (i) €'000	Total €'000
At 31 December 2023			
Cost or valuation	34,427	4,424	38,851
Accumulated amortisation and impairment	(14,897)	(3,613)	(18,510)
Net book amount	19,530	811	20,341
Year ended 31 December 2024			
Opening net book amount	19,530	811	20,341
Additions	5,040	1,311	6,351
Derecognition	(2,900)	-	(2,900)
Amortisation charge (Note 6)	(2,734)	(120)	(2,854)
Amortisation released on derecognition	2,900	-	2,900
Closing net book amount	21,836	2,002	23,838
At 31 December 2024			
Cost or valuation	36,567	5,735	42,302
Accumulated amortisation and impairment	(14,731)	(3,733)	(18,464)
Net book amount	21,836	2,002	23,838
Year ended 31 December 2025			
Opening net book amount	21,836	2,002	23,838
Additions	3,360	1,931	5,291
Derecognition	(4,938)	-	(4,938)
Amortisation charge (Note 6)	(3,206)	(235)	(3,441)
Amortisation released on derecognition	4,938	-	4,938
Closing net book amount	21,990	3,698	25,688
At 31 December 2025			
Cost or valuation	34,989	7,666	42,655
Accumulated amortisation and impairment	(12,999)	(3,968)	(16,967)
Net book amount	21,990	3,698	25,688

(i) This intangible asset relates to investment contracts without DPF only.

13. Property, plant and equipment

	Freehold land and buildings €'000	Leasehold improvements €'000	Furniture, fittings & equipment €'000	Motor Vehicles €'000	Total €'000
At 31 December 2023					
Cost	11,547	550	5,347	128	17,572
Accumulated depreciation	(141)	(550)	(4,415)	(65)	(5,171)
Net book amount	11,406	-	932	63	12,401
Year ended 31 December 2024					
Opening net book amount	11,406	-	932	63	12,401
Additions	72	-	335	-	407
Disposals	-	(550)	-	-	(550)
Revaluation gain (loss) (Note 4)	168	-	-	-	168
Additions to right-of-use assets (Note 25)	-	-	-	48	48
Derecognition of right-of-use assets (Note 25)	-	-	-	(39)	(39)
Depreciation charge (Note 6)	(80)	-	(406)	(25)	(511)
Depreciation released on derecognition of right-of-use assets (Note 25)	-	-	-	39	39
Depreciation released on disposals/derecognition	-	550	-	-	550
Closing net book amount	11,566	-	861	86	12,513
At 31 December 2024					
Cost	11,787	-	5,682	137	17,606
Accumulated depreciation	(221)	-	(4,821)	(51)	(5,093)
Net book amount	11,566	-	861	86	12,513
Year ended 31 December 2025					
Opening net book amount	11,566	-	861	86	12,513
Additions	18	-	222	30	270
Additions to right-of-use-assets (Note 25)	-	-	-	32	32
Derecognition of right-of-use assets (Note 25)	-	-	-	(24)	(24)
Depreciation charge (Note 6)	(80)	-	(304)	(22)	(406)
Depreciation released on derecognition of right-of-use assets (Note 25)	-	-	-	24	24
Depreciation released on disposals/derecognition	-	-	-	-	-
Closing net book amount	11,504	-	779	126	12,409
At 31 December 2025					
Cost	11,805	-	5,904	175	17,884
Accumulated depreciation	(301)	-	(5,125)	(49)	(5,475)
Net book amount	11,504	-	779	126	12,409

13. Property, plant and equipment - continued

The Company's Land and buildings are shown at fair value (level 3).

A valuation of land and buildings was carried out by external qualified valuers in 2024. The fair value movements were debited to profit or loss. 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 €12.9 million (2024: €12.9 million).

(a) Valuation processes

Periodically, the Company engages qualified valuers to determine the fair value of the Company's land and buildings. As at 31 December 2024, the fair value of the land and buildings has been determined by PwC Malta. No valuation has been performed in 2025.

Whenever a valuation is carried out the finance department:

- verifies all major inputs to the valuation report prepared by the qualified valuer;
- assesses property valuation movements when compared to the prior valuation report; and
- holds discussions with the qualified valuer.

(b) Valuation techniques

The fair value of the Company's land and buildings, with a total carrying amount of €11.5 million (2024: €11.6 million), was determined by using the following valuation technique, as well as the significant unobservable inputs used. These inputs include:

Valuation technique	Significant unobservable inputs on the latest valuation	Inter-relationship between key unobservable inputs and fair value measurement
<p><i>Discounted cash flows:</i> The valuation model considers the present value of net cash flows generated from the property, taking into account the expected rental growth rate, void periods and costs not paid for by the tenants. The expected net cash flows are discounted using the risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary), lease terms, property risk premium and inflation.</p>	<ul style="list-style-type: none"> - Capitalisation rate varying between 6.2% & 6.3%. - The valuation provides for a void factor of 2.5% on rental income. - A benchmark lease market rate was applied once current lease terms expired. - Expected market rental growth rate of 2% in line with the implied inflation rate IRR (Internal Rate of Return). 	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> - The risk-adjusted discount rate were lower/(higher); - Void factor were lower/(higher); - The market rate were higher/(lower); and - Expected market rental growth were higher/(lower).

13. Property, plant and equipment - continued

(b) Valuation techniques - continued

Although the property is currently being used by the Company as its head office, for the purpose of the valuation, it was assumed that the property's highest and best use would be rental to a third party, assuming same use. Although the market approach was considered, its applicability is limited, due to the illiquidity of the commercial property market in Malta and therefore, the limited number of transactions available. Moreover, it is inherently difficult to find transactions including office blocks that are directly comparable to the property.

14. Investment property

	Level 3 €'000
At 31 December 2023	
Cost	61,670
Accumulated fair value gains	31,174
Net book amount	92,844
Year ended 31 December 2024	
Opening net book amount	92,844
Additions	816
Disposals	-
Net fair value losses	(533)
Closing net book amount	93,127
At 31 December 2024	
Cost	62,486
Accumulated fair value gains	30,641
Net book amount	93,127
Year ended 31 December 2025	
Opening net book amount	93,127
Additions	1,294
Disposals	-
Net fair value losses	(652)
Closing net book amount	93,769
At 31 December 2025	
Cost	63,780
Accumulated fair value gains	29,989
Net book amount	93,769

14. Investment property - continued

(a) Fair value of investment property

The fair value movements were charged to profit or loss and are presented within 'Net investment return' (Note 4).

The Company's investment property, comprising mainly office buildings, have been determined to fall within level 3 of the fair value hierarchy. The different levels in the fair value hierarchy have been defined in Note 3.4.

The Company's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between levels during the year.

(b) Valuation processes

On an annual basis, the Company engages external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued to determine the fair value of the Company's investment property. As at 31 December 2025 and 2024, the fair values of the land and buildings have been determined by PwC Malta.

At each financial year end the investments department:

- verifies all major inputs to the valuation report prepared by the qualified valuer;
- assesses property valuation movements when compared to the prior year valuation report; and
- holds discussions with the qualified valuer.

The valuation techniques used for investment properties were the discounted cash flow valuation and comparative methods so as to provide accuracy and consistency in arriving at a fair value that reflects a price that would be reasonably expected to be received in an orderly transaction between market participants at the measurement date.

(c) Valuation technique - Discounted cash flow method

The fair value of the Company's investment properties determined on the basis of the discounted cash flow method amounted to €92.6 million in 2025 (2024: €92.4 million). The following table shows the valuation technique, as well as the significant unobservable inputs used.

14. Investment property - continued

(c) Valuation technique - Discounted cash flow method - continued

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
<p><i>Discounted cash flows:</i> The valuation model considers the present value of net cash flows generated from the property, taking into account the expected rental growth rate, void periods and costs not paid for by the tenants. The expected net cash flows are discounted using the risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary), lease terms, property risk premium and inflation.</p>	<ul style="list-style-type: none"> - Risk-adjusted discount rate varying between 6.3% & 8.5% (2024: 6.3% & 8.3%). - A void factor varying between 1.0% & 5.5% on rental income (2024: 1.0% & 5.0%). - Lease market rate was applied once current lease terms expired. - Expected market rental growth rate of 2.0% in line with the general inflation rate (2024: 2.0%). - Construction costs for undeveloped airspace and re-developable land varying between €676/sqm and €1,658/sqm (2024: €673/sqm and €1,621/sqm) 	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> - The risk-adjusted discount rate were lower (higher); - Void factor were lower/(higher) - The market rate were higher/(lower); - Expected market rental growth were higher/(lower); and - Constructions costs were lower/(higher).

(d) Valuation technique - Comparative method

The fair value of the Company's investment properties determined on the basis of the comparative method amounted to €1.2 million in 2025 (2024: €0.7 million). The comparative method is based on an expected sales value per square metre based on an average/ median of values derived from observable market transactions for comparable properties.

The below sensitivity considers the impact of changes in discount rates and market rates on the investment properties values.

(e) Sensitivity analysis

		2025 €	2024 €
Discount rates	0.5%	(7.3 million)	(7.7 million)
	-0.5%	6.8 million	7.3 million
Market rates	5%	4.7 million	4.9 million
	-5%	(4.7 million)	(5.0 million)

15. Investments in associated undertakings

	€'000
At 31 December 2023	
Cost	14,960
Accumulated net fair value gains	9,548
Net book amount	24,508
Year ended 31 December 2024	
Opening net book amount	24,508
Disposals	(17,900)
Net fair value losses	(815)
Closing net book amount	5,793
At 31 December 2024	
Cost	4,959
Accumulated net fair value gains	834
Net book amount	5,793
Year ended 31 December 2025	
Opening net book amount	5,793
Disposals	(4,805)
Net fair value losses	(41)
Closing net book amount	947
At 31 December 2025	
Cost	1,296
Accumulated net fair value losses	(349)
Net book amount	947

The associates at 31 December are shown below:

Associated undertakings	Registered Office	Class of shares held	Percentage of shares held	
			2025	2024
Church Wharf Properties Limited	Middle Sea House Floriana, FRN 1442, Malta	Ordinary shares	50%	50%
Plaza Centres p.l.c.	The Plaza Commercial Centre Bisazza Street Sliema, Malta	Ordinary shares	0%	31.42%

16. Other investments

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

	2025 €'000	2024 €'000
Fair value through profit or loss	2,096,499	2,051,857
Amortised cost	109,020	88,617
	2,205,519	2,140,474

(a) Investments at fair value through profit or loss

Analysed by type of investment as follows:

	2025 €'000	2024 €'000
Equity securities and units in unit trusts	885,787	875,512
Debt securities	941,256	955,212
Assets held to cover linked liabilities - collective investment schemes	267,247	221,133
Forward foreign exchange contracts and swaps	2,209	-
	2,096,499	2,051,857

At 31 December 2025, the Company had €30.3m financial commitments in respect of uncalled capital (2024: €31.9m).

Equity securities and collective investments schemes are considered to be substantially non-current assets in nature. The maturity of fixed income debt securities is detailed below:

	2025 €'000	2024 €'000
Within one year	42,032	19,239
Between 1 and 2 years	48,869	66,756
Between 2 and 5 years	310,217	246,539
Over 5 years	540,138	622,678
	941,256	955,212

16. Other investments - continued

(a) Investments at fair value through profit or loss - continued

The movements for the year are summarised as follows:

	€'000
At 31 December 2023	
Cost	1,846,613
Accumulated net fair value gains	122,629
	1,969,242
Net book amount	1,969,242
Year ended 31 December 2024	
Opening net book amount	1,969,242
Movement in accrued interest receivable	1,603
Additions	1,384,348
Disposals	(1,355,184)
Net fair value gains	45,032
	2,045,041
Closing net book amount	2,045,041
At 31 December 2024	
Cost	1,908,187
Accumulated net fair value gains	136,854
	2,045,041
Net book amount	2,045,041
Year ended 31 December 2025	
Opening net book amount	2,045,041
Movement in accrued interest receivable	(29)
Additions	861,560
Disposals	(841,850)
Net fair value gains	31,139
	2,095,861
Closing net book amount	2,095,861
At 31 December 2025	
Cost	1,947,815
Accumulated net fair value gains	148,046
	2,095,861
Net book amount	2,095,861

Derivative financial liabilities amounting to €0.6m (2024: €6.8m), included in the table above, are classified within liabilities in the statement of financial position.

16. Other investments - continued

(b) Amortised cost

	2025 €'000	2024 €'000
Deposits with banks or credit institutions	59,983	39,657
Debt securities	49,037	48,960
	109,020	88,617

The movements for the year are summarised as follows:

	2025 €'000	2024 €'000
Opening net book amount	88,617	150,781
Interest income earned	3,940	4,892
Interest income collected	(4,317)	(5,854)
Additions	60,000	54,311
Redemptions and disposals	(39,276)	(115,521)
ECL	56	8
	109,020	88,617

Maturity of investments at amortised cost:

	2025 €'000	2024 €'000
Within 3 months	-	-
Within 1 year but exceeding 3 months	-	-
Between 1 and 5 years	100,852	80,442
Over 5 years	8,168	8,175
	109,020	88,617

The above investments earn interest as follows:

	2025 €'000	2024 €'000
At fixed rates	109,020	88,617

17. Deferred tax

	2025 €'000	2024 €'000
Balance at 1 January	(11,545)	(11,402)
Movement during the year:		
Profit or loss (Note 8)	(630)	(143)
Balance at 31 December (net)	(12,175)	(11,545)

Deferred income taxes are calculated on all temporary differences using a principal tax rate of 35% (2024: 35%) with the exception of investment property and freehold and other property, for which deferred income taxes are calculated using a principal tax rate of 8% or 10% of the carrying amount (2024: 8% or 10%).

The analysis of deferred tax assets/(liabilities) is as follows:

	2025 €'000	2024 €'000
Tax effect of temporary differences attributable to:		
Investment property	(9,165)	(9,102)
Property, plant and equipment	(5,557)	(5,118)
ECL	31	51
Unabsorbed tax losses and capital allowances	2,516	2,624
Balance at 31 December (net)	(12,175)	(11,545)

Movements in the amounts disclosed in the table above are recognised in profit or loss.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off a current tax asset against a tax liability. The above amounts, determined after appropriate offsetting, are shown in the statement of financial position as follows:

	2025 €'000	2024 €'000
Deferred tax asset	-	-
Deferred tax liability	(12,175)	(11,545)
Balance at 31 December (net)	(12,175)	(11,545)

The Company's deferred tax liability was established on the basis of tax rates that were substantively enacted as at the financial year end.

18. Other receivables

	2025 €'000	2024 €'000
Accrued interest and rent	431	712
Other prepayments and accrued income	4,300	4,290
	4,731	5,002

All of the above receivables are current on payment terms.

19. Cash and cash equivalents

For the purposes of the cash flow statements, the year-end cash and cash equivalents comprise the following:

	2025 €'000	2024 €'000
Cash at bank and in hand	34,550	67,119

As at 31 December 2025, an amount of €1.69m (2024: €6.17m) included within deposits with banks or credit institutions was held in a margin account as collateral against exchange traded futures.

20. Share capital

	2025 No. of shares '000	2025 €'000	2024 No. of shares '000	2024 €'000
Authorised				
Balance at 1 January	48,000	120,000	48,000	120,000
Increase in Ordinary shares of €2.50 each	-	-	-	-
Balance at 31 December	48,000	120,000	48,000	120,000
Issued and fully paid				
Balance at 1 January	37,900	94,750	37,900	94,750
Increase in Ordinary shares of €2.50 each	-	-	-	-
Balance at 31 December	37,900	94,750	37,900	94,750

21. Insurance contract assets, insurance contract liabilities and reinsurance contract liabilities

21.1 Amounts presented on the statement of financial position

An analysis of the amounts presented on the statement of financial position for insurance contract assets, insurance contract liabilities and reinsurance contract liabilities is shown in the table below:

As at 31 December 2025	Life Risk €'000	Investment contracts with DPF €'000	Total €'000
Insurance contract assets	4,484	-	4,484
Insurance contract liabilities	57	1,928,847	1,928,904
Reinsurance contract liabilities	15,225	-	15,225
<hr/>			
As at 31 December 2024	Life Risk €'000	Investment contracts with DPF €'000	Total €'000
Insurance contract assets	7,080	-	7,080
Insurance contract liabilities	6,400	1,948,078	1,954,478
Reinsurance contract liabilities	17,073	-	17,073
<hr/>			

The Company does not have onerous contracts. Accordingly, the Company's insurance contract assets and insurance contract liabilities do not have loss components and similarly the reinsurance contract liabilities do not have a loss-recovery component.

The above assets and liabilities are substantially non-current in nature.

21. Insurance contract assets, insurance contract liabilities and reinsurance contract liabilities - continued

21.2 Long-term insurance contracts – Life risk

Reconciliation of the LRC (ARC) and the LIC

The following tables present reconciliations from the opening to the closing balances of the LRC (ARC) and LIC excluding any insurance acquisition cash flows assets and other pre-recognition cash flows.

	2025		
	LRC (ARC) €'000	LIC €'000	Total €'000
Insurance contract assets at 1 January	(9,978)	2,898	(7,080)
Insurance contract liabilities at 1 January	6,329	71	6,400
Insurance revenue	(11,895)	-	(11,895)
Insurance service expenses			
Incurred claims and other directly attributable expenses	12	4,466	4,478
Changes that relate to past service – changes in The FCF relating to the LIC	-	(4)	(4)
Insurance acquisition cash flows amortization	217	-	217
	229	4,462	4,691
Insurance service result	(11,666)	4,462	(7,204)
Finance (income) expenses from insurance contracts issued	1,592	-	1,592
Total amounts recognised in profit or loss	(10,074)	4,462	(5,612)
Investment components	(677)	677	-
Transfer to the other items in the statement of financial position (Note 22)	(6,023)	-	(6,023)
Cash flows			
Premium received	16,059	-	16,059
Claims and other directly attributable expenses	-	(6,045)	(6,045)
Insurance acquisition cash flows	(2,126)	-	(2,126)
	13,933	(6,045)	7,888
Insurance contract assets as at 31 December	(6,490)	2,006	(4,484)
Insurance contract liabilities as at 31 December	-	57	57

21. Insurance contract assets, insurance contract liabilities and reinsurance contract liabilities - continued

21.2 Long-term insurance contracts – Life risk - continued

Reconciliation of the LRC (ARC) and the LIC - continued

	2024		
	LRC (ARC) €'000	LIC €'000	Total €'000
Insurance contract assets at 1 January	(10,686)	1,741	(8,945)
Insurance contract liabilities at 1 January	6,441	47	6,488
Insurance revenue	(13,310)	-	(13,310)
Insurance service expenses			
Incurring claims and other directly attributable expenses	-	7,259	7,259
Insurance acquisition cash flows amortization	91	-	91
	91	7,259	7,350
Insurance service result	(13,219)	7,259	(5,960)
Finance income from insurance contracts issued	(836)	-	(836)
Total amounts recognised in profit or loss	(14,055)	7,259	(6,796)
Investment components	(934)	934	-
Cash flows			
Premium received	16,076	-	16,076
Claims and other directly attributable expenses	-	(7,012)	(7,012)
Insurance acquisition cash flows	(491)	-	(491)
	15,585	(7,012)	8,573
Insurance contract assets at 31 December	(9,978)	2,898	(7,080)
Insurance contract liabilities at 31 December	6,329	71	6,400

21. Insurance contract assets, insurance contract liabilities and reinsurance contract liabilities - continued

21.2 Long-term insurance contracts – Life risk - continued

Reconciliation of the measurement components of insurance contract balances

	2025			
	Present value of future cash flows €'000	Risk adjustment for non-financial risk €'000	CSM €'000	Total €'000
Insurance contract assets as at 1 January	(56,173)	15,542	33,551	(7,080)
Insurance contract liabilities as at 1 January	6,400	-	-	6,400
Changes that relate to current service				
CSM recognised for the services provided	-	-	(4,315)	(4,315)
Change in the risk adjustment for non-financial risk for risk expired	-	(1,626)	-	(1,626)
Experience adjustment relating to insurance service expenses	(1,259)	-	-	(1,259)
	(1,259)	(1,626)	(4,315)	(7,200)
Changes that relate to future service				
Changes in estimates that adjust the CSM	(5,174)	(53)	5,227	-
Contracts initially recognised in the period	(6,447)	1,974	4,473	-
	(11,621)	1,921	9,700	-
Changes that relate to past service				
Insurance service result	(4)	-	-	(4)
	(12,884)	295	5,385	(7,204)
Finance (income) expenses from insurance contracts issued	991	-	601	1,592
Total amounts recognised in profit or loss	(11,893)	295	5,986	(5,612)
Cash flows				
Premium received	16,059	-	-	16,059
Claims and other directly attributable expenses paid	(6,045)	-	-	(6,045)
Insurance acquisition cash flows	(2,126)	-	-	(2,126)
	7,888	-	-	7,888
Transfer to other items in the Statement of Financial Position	(6,023)	-	-	(6,023)
Insurance contract assets as at 31 December	(59,858)	15,837	39,537	(4,484)
Insurance contract liabilities as at 31 December	57	-	-	57

21. Insurance contract assets, insurance contract liabilities and reinsurance contract liabilities - continued

21.2 Long-term insurance contracts – Life risk - continued

Reconciliation of the measurement components of insurance contract balances - continued

	2024			
	Present value of future cash flows €'000	Risk adjustment for non-financial risk €'000	CSM €'000	Total €'000
Insurance contract assets as at 1 January	(56,044)	14,905	32,194	(8,945)
Insurance contract liabilities as at 1 January	6,488	-	-	6,488
Changes that relate to current service				
CSM recognised for the services provided	-	-	(3,664)	(3,664)
Change in the risk adjustment for non-financial risk for risk expired	-	(1,596)	-	(1,596)
Experience adjustment relating to insurance service expenses	(700)	-	-	(700)
	(700)	(1,596)	(3,664)	(5,960)
Changes that relate to future service				
Changes in estimates that adjust the CSM	(1,810)	450	1,360	-
Contracts initially recognised in the period	(4,940)	1,783	3,157	-
	(6,750)	2,233	4,517	-
Insurance service result	(7,450)	637	853	(5,960)
Finance (income)/expenses from insurance contracts issued	(1,340)	-	504	(836)
Total amounts recognised in profit or loss	(8,790)	637	1,357	(6,796)
Cash flows				
Premium received	16,076	-	-	16,076
Claims and other directly attributable expenses paid	(7,012)	-	-	(7,012)
Insurance acquisition cash flows	(491)	-	-	(491)
	8,573	-	-	8,573
Insurance contract assets as at 31 December	(56,173)	15,542	33,551	(7,080)
Insurance contract liabilities as at 31 December	6,400	-	-	6,400

21. Insurance contract assets, insurance contract liabilities and reinsurance contract liabilities - continued

21.2 Long-term insurance contracts – Life risk - continued

Impact of contracts recognised in the year

	2025 €'000	2024 €'000
Estimates of present value of future cash outflows		
- Insurance acquisition cash flows	2,440	520
- Claims and other directly attributable expense	7,615	8,793
	10,055	9,313
Estimates of the present value of future cash inflows	(16,502)	(14,253)
Risk adjustment for non-financial risk adjustment	1,974	1,783
CSM	4,473	3,157
	-	-
Increase in insurance contract liabilities from contracts recognised in the period	-	-

21. Insurance contract assets, insurance contract liabilities and reinsurance contract liabilities - continued

21.3 Life risk – Reinsurance contracts held

Reconciliation of the remaining coverage and incurred claims

	Remaining coverage €'000	2025 Incurred Claims €'000	Total €'000	Remaining coverage €'000	2024 Incurred Claims €'000	Total €'000
Reinsurance contract liabilities as at 1 January	21,788	(4,715)	17,073	19,171	(3,678)	15,493
Net expenses from reinsurance contracts held						
Reinsurance expenses	4,022	-	4,022	4,083	-	4,083
Other directly attributable expenses	-	569	569	-	519	519
Incurred claims recovery	-	(1,342)	(1,342)	-	(1,858)	(1,858)
	4,022	(773)	3,249	4,083	(1,339)	2,744
Finance expenses (income) from reinsurance contracts held	(2,063)	-	(2,063)	697	-	697
Total amounts recognised in profit or loss	1,959	(773)	1,186	4,780	(1,339)	3,441
Cash flows						
Premium paid net of ceding commission and other directly attributable expenses paid	(4,091)	(569)	(4,660)	(2,163)	(519)	(2,682)
Recoveries from reinsurance	-	1,626	1,626	-	821	821
Total cash flows	(4,091)	1,057	(3,034)	(2,163)	302	(1,861)
Reinsurance contract liabilities as at 31 December	19,656	(4,431)	15,225	21,788	(4,715)	17,073

21. Insurance contract assets, insurance contract liabilities and reinsurance contract liabilities - continued

21.3 Life risk – Reinsurance contracts held - continued

Reconciliation of the measurement components of reinsurance contract balances

	Present value of future cash flows €'000	2025 Risk adjustment for non-financial risk €'000	CSM €'000	Total €'000
Reinsurance contract liability at 1 January	36,762	(5,665)	(14,024)	17,073
Changes that relate to current service				
CSM recognised for the services received	-	-	1,860	1,860
Change in the risk adjustment for non-financial risk for risk expired	-	322	-	322
Experience adjustment relating to incurred claims and other directly attributable expenses recovery	1,067	-	-	1,067
	1,067	322	1,860	3,249
Changes that relate to future service				
Changes in estimates that adjust the CSM	2,339	71	(2,410)	-
Contracts initially recognised in the period	1,206	(345)	(861)	-
Experience adjustments arising from ceded premiums paid in the period that relate to future service	-	-	-	-
	3,545	(274)	(3,271)	-
Finance expenses (income) from reinsurance contracts held	(1,842)	-	(221)	(2,063)
Total amounts recognised in profit or loss	2,770	48	(1,632)	1,186
Cash flows				
Premium paid net of ceding commission and other directly attributable expenses paid	(4,660)	-	-	(4,660)
Recoveries from insurance	1,626	-	-	1,626
Total cash flows	(3,034)	-	-	(3,034)
Reinsurance contract liabilities at 31 December	36,498	(5,617)	(15,656)	15,225

21. Insurance contract assets, insurance contract liabilities and reinsurance contract liabilities - continued

21.3 Life risk – Reinsurance contracts held - continued

Reconciliation of the measurement components of reinsurance contract balances - continued

	Present value of future cash flows €'000	2024 Risk adjustment for non-financial risk €'000	CSM €'000	Total €'000
Reinsurance contract liability at 1 January	34,081	(5,626)	(12,962)	15,493
Changes that relate to current service				
CSM recognised for the services received	-	-	1,651	1,651
Change in the risk adjustment for non-financial risk for risk expired	-	283	-	283
Experience adjustment relating to incurred claims and other directly attributable expenses recovery and reinsurance premium	810	-	-	810
	810	283	1,651	2,744
Changes that relate to future service				
Changes in estimates that adjust the CSM	2,276	(36)	(2,240)	-
Contracts initially recognised in the period	587	(286)	(301)	-
Experience adjustments arising from ceded premiums paid in the period that relate to future service	-	-	-	-
	2,863	(322)	(2,541)	-
Finance expenses (income) from reinsurance contracts held	869	-	(172)	697
Total amounts recognised in profit or loss	4,542	(39)	(1,062)	3,441
Cash flows				
Premium paid net of ceding commission and other directly attributable expenses paid	(2,682)	-	-	(2,682)
Recoveries from insurance	821	-	-	821
Total cash flows	(1,861)	-	-	(1,861)
Reinsurance contract liabilities at 31 December	36,762	(5,665)	(14,024)	17,073

21. Insurance contract assets, insurance contract liabilities and reinsurance contract liabilities - continued

21.3 Life risk – Reinsurance contracts held - continued

Impact of contracts recognised in the year

	2025 €'000	2024 €'000
Estimates of the present value of future cash inflows	(3,669)	(3,632)
Estimates of the present value of future cash outflows	4,875	4,219
Risk adjustment for non-financial risk	(345)	(286)
CSM	(861)	(301)
Increase in reinsurance contract assets from contracts recognised in the period	-	-

21. Insurance contract assets, insurance contract liabilities and reinsurance contract liabilities - continued

21.4 Investment contracts with DPF

Reconciliation of the LRC and the LIC

	2025			2024		
	LRC €'000	LIC €'000	Total €'000	LRC €'000	LIC €'000	Total €'000
Insurance contract liabilities as at 1 January	1,894,037	54,041	1,948,078	1,935,970	48,919	1,984,889
Insurance revenue	(34,090)	-	(34,090)	(33,460)	-	(33,460)
Insurance service expenses						
Incurred claims and other directly attributable expenses	-	18,689	18,689	-	21,845	21,845
Changes that relate to past service – changes in the FCF relating to the LIC	-	-	-	-	-	-
Insurance acquisition cash flows amortisation	7,268	-	7,268	4,338	-	4,338
	7,268	18,689	25,957	4,338	21,845	26,183
Insurance service result	(26,822)	18,689	(8,133)	(29,122)	21,845	(7,277)
Finance expenses (income) from insurance contracts issued	80,510	-	80,510	83,210	-	83,210
Total amounts recognised in profit or loss	53,688	18,689	72,377	54,088	21,845	75,933
Investment components	(211,796)	211,796	-	(233,487)	233,487	-
Cash flows						
Premium received	150,150	-	150,150	142,452	-	142,452
Claims and other directly attributable expenses	-	(235,249)	(235,249)	-	(250,210)	(250,210)
Insurance acquisition cash flows	(6,902)	-	(6,902)	(4,240)	-	(4,240)
(Decrease) Increase in policy loans	393	-	393	(746)	-	(746)
	143,641	(235,249)	(91,608)	137,466	(250,210)	(112,744)
Insurance contract liabilities as at 31 December	1,879,570	49,277	1,928,847	1,894,037	54,041	1,948,078

21. Insurance contract assets, insurance contract liabilities and reinsurance contract liabilities - continued

21.4 Investment contracts with DPF - continued

Reconciliation of the measurement components of contract balances

	Present value of future cash flows €'000	2025 Risk adjustment for non- financial risk €'000	CSM €'000	Total €'000
Insurance contract liabilities at 1 January	1,866,991	3,479	77,608	1,948,078
Changes that relate to current service				
CSM recognised for the services provided	-	-	(8,049)	(8,049)
Change in the risk adjustment for non-financial risk for risk expired	-	(232)	-	(232)
Experience adjustment relating to insurance service expenses	148	-	-	148
	148	(232)	(8,049)	(8,133)
Changes that relate to future service				
Changes in estimates that adjust the CSM	(5,201)	(804)	6,005	-
Contracts initially recognised in the period	(5,647)	189	5,458	-
Experience adjustments arising from premiums received in the period that relate to future service	(241)	-	241	-
	(11,089)	(615)	11,704	-
Insurance service result	(10,941)	(847)	3,655	(8,133)
Finance expenses from insurance contracts issued	80,510	-	-	80,510
Total amounts recognised in profit or loss	69,569	(847)	3,655	72,377
Cash flows				
Premium received	150,150	-	-	150,150
Claims and other directly attributable expenses paid	(235,249)	-	-	(235,249)
Insurance acquisition cash flows	(6,902)	-	-	(6,902)
Decrease in policy loans	393	-	-	393
Total cash flows	(91,608)	-	-	(91,608)
Insurance contract liabilities at 31 December	1,844,952	2,632	81,263	1,928,847

21. Insurance contract assets, insurance contract liabilities and reinsurance contract liabilities - continued

21.4 Investment contracts with DPF - continued

Reconciliation of the measurement components of contract balances - continued

	Present value of future cash flows €'000	2024 Risk adjustment for non- financial risk €'000	CSM €'000	Total €'000
Insurance contract liabilities at 1 January	1,910,347	2,815	71,727	1,984,889
Changes that relate to current service				
CSM recognised for the services provided	-	-	(7,128)	(7,128)
Change in the risk adjustment for non-financial risk for risk expired	-	(228)	-	(228)
Experience adjustment relating to insurance service expenses	79	-	-	79
	79	(228)	(7,128)	(7,277)
Changes that relate to future service				
Changes in estimates that adjust the CSM	(8,215)	669	7,546	-
Contracts initially recognised in the period	(3,095)	223	2,872	-
Experience adjustments arising from premiums received in the period that relate to future service	(2,591)	-	2,591	-
	(13,901)	892	13,009	-
Insurance service result	(13,822)	664	5,881	(7,277)
Finance expenses from insurance contracts issued	83,210	-	-	83,210
Total amounts recognised in profit or loss	69,388	664	5,881	75,933
Cash flows				
Premium received	142,452	-	-	142,452
Claims and other directly attributable expenses paid	(250,210)	-	-	(250,210)
Insurance acquisition cash flows	(4,240)	-	-	(4,240)
Increase in policy loans	(746)	-	-	(746)
Total cash flows	(112,744)	-	-	(112,744)
Insurance contract liabilities at 31 December	1,866,991	3,479	77,608	1,948,078

21. Insurance contract assets, insurance contract liabilities and reinsurance contract liabilities - continued

21.4 Investment contracts with DPF - continued

Impact of contracts recognised in the year

Investment contracts with DPF	2025	2024
	€'000	€'000
Estimates of present value of future cash outflows		
- Insurance acquisition cash flows	6,421	4,014
- Claims and other directly attributable expense	144,181	149,277
	150,602	153,291
Estimates of the present value of future cash inflows	(156,249)	(156,386)
Risk adjustment for non-financial risk adjustment	189	223
CSM	5,458	2,872
Increase in insurance contract liabilities from contracts recognised in the period	-	-

21.5 Long-term contracts – inputs, assumptions and estimation techniques

In applying IFRS 17 measurement requirements, the below inputs, assumptions and estimation techniques were used.

(a) Estimation techniques

Best estimate of future cash flows

The best estimate liability is the present value of expected future cash flows, discounted using a yield curve (i.e. interest rates at different maturities at a given point in time). The estimates of these future cash flows are based on probability-weighted expected future cash flows. The Company estimates which cash flows are expected and the probability that they will occur as at the measurement date. The projections allow for all expected decrements and policyholder actions, including lapses. Future premiums are taken into account up to the contract boundary. Allowance for future expenses take into account both overheads and directly attributable expenses, and future expense inflation. The cash flow projections is performed on a policy-by-policy basis.

Investment contracts with DPF liabilities include the cost of financial guarantees and options. A market consistent stochastic valuation is used to calculate these costs. Representative model pointing is used in these stochastic runs. For such contracts, discretionary benefits are allowed for separately in the technical provisions. The calculations reflect a pre-defined set of realistic management actions and policyholder behaviour. The best estimate liability does not include the value of shareholder transfers.

For unit-linked business, the unit and non-unit components are unbundled for the purposes of determining the best estimate liability.

21. Insurance contract assets, insurance contract liabilities and reinsurance contract liabilities - continued

21.5 Long-term contracts – inputs, assumptions and estimation techniques - continued

(a) Estimation techniques - continued

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that is required for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk as the insurance contract is fulfilled. Because the risk adjustment represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favourable and unfavourable outcomes in a way that reflects the Company's degree of risk aversion. The Company estimates an adjustment for non-financial risk separately from all other estimates. The Company considers separately the effect of reinsurance in the risk adjustment for non-financial risk of the underlying insurance contracts. The risk adjustment applied by the Company only includes mortality risk, lapse risk, and expenses risk and catastrophic risk.

The risk adjustment was calculated at the issuing entity level and then allocated down to each group of contracts in accordance with their risk profiles. The value at risk ('VaR') method was used to derive the overall risk adjustment for non-financial risk, whereby the maximum loss that a portfolio can experience within a one year time horizon at a confidence level of 85 percent is determined. This technique discounts future cash flows of the best estimate liabilities under different possible scenarios to produce a risk distribution. The risk adjustment is taken to be equal to the VaR with that confidence interval less the value of the best estimate of the discounted cash flows.

(b) Assumptions

All assumptions are best estimate, with no prudential margins. The Company takes into account all relevant available data, both internal and external, when arriving at assumptions that best reflect the characteristics of the underlying insurance portfolio.

In calculating estimates of fulfilment cash flows, the Company uses information about past events, current conditions and forecasts of future conditions. The Company's estimate of future cash flows is the mean of a range of scenarios that reflect the full range of possible outcomes. Each scenario specifies the amount, timing and probability of cash flows.

Assumptions used to develop estimates about future cash flows are reassessed at each reporting date and adjusted where required.

21. Insurance contract assets, insurance contract liabilities and reinsurance contract liabilities - continued

21.5 Long-term contracts – inputs, assumptions and estimation techniques - continued

(b) Assumptions - continued

Investment assets returns

For with-profits contracts, assumptions about future underlying investment returns are made. Due to the measurement models applied and the nature of the products, particularly the determination of the discount rates used to discount future estimates of cash flows that vary with returns on underlying items, assumptions about future underlying investment returns do not impact contract measurement significantly. There are limited financial guarantees in these products. The liabilities associated with these guarantees are measured using a market-consistent stochastic model. The interest rate guarantee embedded in investment contracts with DPF was measured using stochastic modelling, because the guarantee does not move symmetrically with different interest rate scenarios. The guarantee was measured using a full range of scenarios representing possible future risk-free interest rate environments published by European Insurance and Occupational Pensions Authority ('EIOPA'). Stochastic investment returns reflect the volatility of the underlying assets.

For a sensitivity analysis, refer to Note 3.2 (a).

Discount rates

The bottom-up approach was adopted by the Company in determining a suitable discount rate. This approach was used to derive the discount rate for the cash flows that do not vary based on the returns on underlying items in the investment contracts with DPF.

Under this approach, the discount rate is determined as the risk-free yield, adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an 'illiquidity premium'). The risk-free rates used were as published by EIOPA and the Company evaluates the illiquidity premium on a yearly basis.

Management uses judgement to assess liquidity characteristics of the liability cash flows. The Company's insurance contracts do not have a cash surrender value and hence, its liabilities can be considered as illiquid which allows the Company to reflect the illiquidity characteristics of these products via the illiquidity premium. The Company decided to use a reference portfolio as an appropriate proxy for the term liabilities.

On the other hand, the Company's investment contracts with DPF have surrender value and therefore, liabilities can be considered highly liquid. Thus, these are discounted using the risk-free rates without applying any illiquidity adjustment. Cash flows varying based on underlying items are discounted using a discount rate that reflects the volatility of the underlying assets.

For a sensitivity analysis, refer to Note 3.2 (a).

21. Insurance contract assets, insurance contract liabilities and reinsurance contract liabilities - continued

21.5 Long-term contracts – inputs, assumptions and estimation techniques - continued

(b) Assumptions - continued

The yield curves used to discount the estimates of future cash flows that do not vary based on the returns of the underlying items are as follows:

	2025		2024	
	No. of years		No. of years	
	5	10	5	10
Life risk (issued and reinsurance held)	2.7%	3.4%	2.3%	2.4%
Investment contracts with DPF	2.5%	2.9%	2.1%	2.3%

Policy acquisition and maintenance expenses

The Company projects estimates of future expenses relating to fulfilment of contracts within the scope of IFRS 17 using current expense levels adjusted for inflation, non-recurring expenses and new budgeted expenses that the Company is expected to incur in the future. Expenses comprise expenses directly attributable to the groups of contracts, including an allocation of fixed and variable overheads.

The short-term expense inflation assumption is based on forecasts issued by the Central Bank of Malta, adjusted for the Company's own experience. The long-term expense inflation assumption is based on the Central Bank of Malta long-term inflation target. Expense inflation is considered to be a non-financial risk.

Where estimates of indirect expenses-related cash flows are determined at the portfolio level or higher, they are allocated to groups of contracts on a systematic basis, such as number of policies in force. A renewal per policy maintenance expense including claims is derived for all portfolios.

	2025 €	2024 €
Life Risk	48.0	48.5
Investment contracts with DPF	105.2 – 109.0	76.5 – 102.3

Acquisition cash flows are typically allocated to the groups of contracts from which they arise or to which they relate. This includes an allocation of acquisition cash flows among existing new business. An acquisition expense per new business policy is derived for all portfolios.

The Company provides investment-return services for the investment contracts with DPF to manage assets in policyholder accounts and investment-related services for the contracts measured under the VFA. An investment expense per asset under management is derived.

For a sensitivity analysis, refer to Note 3.1.

21. Insurance contract assets, insurance contract liabilities and reinsurance contract liabilities - continued

21.5 Long-term contracts – inputs, assumptions and estimation techniques - continued

(b) Assumptions - continued

Mortality rates

Mortality experience is reviewed annually and assumptions are set separately for term and investment contracts with DPF having regard to past experience, events not in data and future expected mortality trends. The Company makes reference to the following standard mortality table. This UK mortality table is based on male assured lives of combined smoker status.

	2025	2024
Life Risk	44% TMC00	44% TMC00
Investment contracts with DPF	48% AMC00	48% AMC00

The Company fits its own experience as a percentage of the TMC00 and AMC00 (2024: TMC00 and AMC00) mortality table and uses this as a basis for its mortality assumption.

For a sensitivity analysis, refer to Note 3.1.

Lapse rates

The Company derives assumptions about lapse and surrender rates based on the Company's own experience. Historical lapse and surrender rates are derived from the Company's policy administration data. An analysis is then performed of the Company's historical rates in comparison to the assumptions previously used. Statistical methods are used to derive adjustments to reflect the Company's own experience and any trends in the data, to arrive at the probability-weighted expected lapse and surrender rates. Analysis is performed and assumptions are set by major product lines.

For investment contracts with DPF, the Company incorporates dynamic lapsing. For these products lapse experience also vary by market conditions and outlook.

The following assumptions about lapse and surrender rates were used. Methods used to derive these assumptions have not changed in 2025.

	2025	2024
Life Risk	3.0% - 7.0%	3.0% - 7.0%
Investment contracts with DPF	0.5% - 5.5%	0.5% - 6.0%

For a sensitivity analysis, refer to note 3.1.

21. Insurance contract assets, insurance contract liabilities and reinsurance contract liabilities - continued

21.6 Amounts determined on transition to IFRS 17

Transition approach

At 1 January 2022, the Company applied the following approaches to identify and measure certain groups of contracts on transition to IFRS 17.

Year of issue of contracts	Transition approach
After 2016 – term business including reinsurance	Full retrospective approach
Before 2016 – term business including reinsurance	Fair value approach
All with-profits and unit-linked business	Fair value approach

The transition approach was determined at the level of a group of insurance contracts and affected the approach to calculating the CSM on initial adoption of IFRS 17.

The Company applied judgement in determining the transition amounts and the pre-transition FCF and experience were not considered under this approach.

Applying the fair value approach, the Company determined the CSM to be the difference between the fair value of a group of insurance contracts, measured in accordance with IFRS 13 'Fair Value Measurement' and its FCF at the transition date.

The fair value of an insurance liability is the price that a market participant would be willing to pay to assume the obligation and the remaining risks of the in-force contracts as at the transition date. A present value technique was used to value groups of contracts.

In estimating the fair value of groups of insurance contracts, the following considerations were applied:

- only future cash flows within the boundaries of the insurance contracts were included in the fair value estimation, excluding future renewals and new business that would be outside the contract boundary of the contracts under IFRS 17;
- assumptions about expected future cash flows and risk allowances, including operational risk were adjusted for the market participant's view, as required by IFRS 13;
- profit margins were included to reflect what a market participant would require for accepting obligations under insurance contracts, beyond the risk adjustment for non-financial risk; and
- diversification between market risk and life risk. Although market risk is considered as a hedgeable risk, it was assumed that a buyer will be able to capture this diversification from its other own modules.

21. Insurance contract assets, insurance contract liabilities and reinsurance contract liabilities - continued

21.6 Amounts determined on transition to IFRS 17 - continued

Fair value approach - continued

Analysis by transition approach - insurance revenue and contractual service margin

For insurance contracts issued by the Company and reinsurance contracts held, an analysis of insurance revenue for insurance contracts issued and the CSM by transition method is included in the following tables.

31 December 2025	Life Risk €'000	Investment contracts with DPF €'000	Total €'000
Insurance contracts issued			
Insurance revenue			
New contracts and contracts measured under the full retrospective approach at transition	(11,832)	(5,302)	(17,134)
Contracts measured under the fair value approach at transition	(63)	(28,788)	(28,851)
	(11,895)	(34,090)	(45,985)
CSM			
New contracts and contracts measured under the full retrospective approach at transition	32,945	17,191	50,136
Contracts measured under the fair value approach at transition	6,592	64,072	70,664
	39,537	81,263	120,800

31 December 2025	Life Risk €'000
Reinsurance contracts held	
CSM	
New contracts and contracts measured under the full retrospective approach at transition	(11,472)
Contracts measured under the fair value approach at transition	(4,184)
	(15,656)

21. Insurance contract assets, insurance contract liabilities and reinsurance contract liabilities - continued

21.6 Amounts determined on transition to IFRS 17 - continued

31 December 2024	Life Risk €'000	Investment contracts with DPF €'000	Total €'000
Insurance contracts issued			
Insurance revenue			
New contracts and contracts measured under the full retrospective approach at transition	(13,182)	(4,116)	(17,298)
Contracts measured under the fair value approach at transition	(128)	(29,344)	(29,472)
	<u>(13,310)</u>	<u>(33,460)</u>	<u>(46,770)</u>
CSM			
New contracts and contracts measured under the full retrospective approach at transition	27,337	12,012	39,349
Contracts measured under the fair value approach at transition	6,214	65,596	71,810
	<u>33,551</u>	<u>77,608</u>	<u>111,159</u>

31 December 2024	Life Risk €'000
Reinsurance contracts held	
CSM	
New contracts and contracts measured under the full retrospective approach at transition	(9,957)
Contracts measured under the fair value approach at transition	(4,067)
	<u>(14,024)</u>

21. Insurance contract assets, insurance contract liabilities and reinsurance contract liabilities - continued

21.6 Amounts determined on transition to IFRS 17 - continued

Expected recognition of the contractual service margin

An analysis of the expected recognition of the CSM remaining at the end of the reporting period in profit or loss is provided in the following table:

As at 31 December 2025	Life Risk	Investment contracts with DPF	Total CSM for insurance contracts issued	Life Risk	Total CSM for reinsurance contracts held
	€'000	€'000	€'000	€'000	€'000
1	(4,208)	(7,978)	(12,186)	1,752	1,752
2	(3,899)	(7,314)	(11,213)	1,613	1,613
3	(3,604)	(6,786)	(10,390)	1,482	1,482
4	(3,327)	(6,144)	(9,471)	1,361	1,361
5	(3,068)	(5,385)	(8,453)	1,250	1,250
6 – 10	(11,942)	(17,624)	(29,566)	4,813	4,813
> 10	(16,736)	(30,032)	(46,768)	6,438	6,438
Total	(46,784)	(81,263)	(128,047)	18,709	18,709

As at 31 December 2024	Life Risk	Investment contracts with DPF	Total CSM for insurance contracts issued	Life Risk	Total CSM for reinsurance contracts held
	€'000	€'000	€'000	€'000	€'000
1	(3,576)	(7,025)	(10,601)	1,555	1,555
2	(3,313)	(6,454)	(9,767)	1,433	1,433
3	(3,054)	(5,904)	(8,958)	1,313	1,313
4	(2,811)	(5,466)	(8,277)	1,202	1,202
5	(2,586)	(4,943)	(7,529)	1,100	1,100
6 – 10	(10,071)	(16,401)	(26,472)	4,226	4,226
> 10	(14,637)	(31,415)	(46,052)	5,753	5,753
Total	(40,048)	(77,608)	(117,656)	16,582	16,582

22. Investment contract liabilities

The table shows a reconciliation of the opening to closing balance for the investment contract liabilities.

	2025 €'000	2024 €'000
Opening balance – 1 January	179,685	123,253
Contributions received	43,350	47,684
Benefits paid	(5,684)	(4,308)
Investment return from underlying assets	7,052	13,131
Transfer from the other items in the Statement of Financial Position (Note 21)	6,023	-
Asset management fees charged	(678)	(75)
Closing balance – 31 December	229,748	179,685

In the above reconciliation, the investment return from the underlying assets represents changes in the fair value of the investment contract liabilities due to changes in market conditions. Asset management fees charged in the profit or loss also includes trailer fees.

The above liabilities are substantially non-current in nature.

23. Other payables

	2025 €'000	2024 €'000
Amount owed to immediate parent company and other related parties (Note 27)	495	794
Indirect taxation	3,153	2,598
Other creditors	2,464	1,798
Accruals	6,414	6,105
Deferred income	1,444	1,212
	13,970	12,507
Current	13,715	12,252
Non-current	255	255
	13,970	12,507

Deferred income includes front-end fees received from holders of investment contracts without DPF as a prepayment for asset management and related services and rental income received in advance. These amounts are non-refundable and are released to income as the services are rendered.

24. Note to the cash flow statements

Reconciliation of profit before tax to cash used in operations:

	2025 €'000	2024 €'000
Profit before tax	15,669	14,983
Adjusted for:		
Amortisation (Note 12)	3,441	2,854
Depreciation (Note 13)	406	511
Expected credit loss (Note 16)	(56)	(8)
Property revaluation (Note 13)	-	(168)
Investment return	(84,121)	(105,438)
Movement in:		
Insurance and reinsurance contract assets/liabilities	(24,826)	(33,453)
Investment contract liabilities	50,063	56,432
Other receivables and accrued interest	290	350
Other payables	1,431	1,432
Cash used in operations	(37,703)	(62,505)

25. Leases

The Company leases motor vehicles which run for different periods. Lease payments are subsequently renegotiated to reflect market rates.

Information about leases for which the Company is a lessee is presented below:

(i) Right-of-use assets

Right-of-use assets related to leased motor vehicles are presented as Property, plant and equipment.

	2025 €'000	2024 €'000
Balance on 1 January	86	63
Additions (Note 13)	32	48
Derecognitions (Note 13)	(24)	(39)
Depreciation charge (Note 13)	(22)	(25)
Depreciation released upon derecognition (Note 13)	24	39
Balance on 31 December	96	86

(ii) Amounts recognised in profit or loss

	2025 €'000	2024 €'000
Depreciation of right-of-use assets (Note 13)	22	25
Interest expense on lease liabilities	5	7
	27	32

25. Leases - continued

(iii) Amounts recognised in statement of cash flows

	2025 €'000	2024 €'000
Total cash outflows for leases	26	31

26. Commitments

Capital commitments

Commitments for capital expenditure not provided for in these financial statements are as follows:

	2025 €'000	2024 €'000
Authorised and contracted:		
- property, plant and equipment	119	90
- investment property	1,778	2,256
- intangible assets	1,401	811
- other investments	30,252	31,935
	33,550	35,092
Authorised but not yet contracted:		
- property, plant and equipment	479	584
- investment property	220	150
- intangible assets	1,556	1,943
	2,255	2,677

Operating lease commitments - where the Company is the lessor

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2025 €'000	2024 €'000
Not later than 1 year	5,029	4,989
Later than 1 year and not later than 5 years	10,364	6,701
Later than 5 years	5,533	2,457
	20,926	14,147

27. Related party transactions

In the normal course of business, the Company enters into various transactions with related parties.

On 31 July 2011, MAPFRE Middlesea p.l.c. obtained *de facto* control over the Company without acquiring a further interest in the acquiree. Control was acquired by virtue of a shareholders' agreement following the change in shareholding in MAPFRE Middlesea p.l.c. during the year, which resulted in MAPFRE Internacional S.A. (the "intermediate parent") acquiring a controlling interest in MAPFRE Middlesea p.l.c.. From this date, MAPFRE MSV Life p.l.c. was classified as a subsidiary of MAPFRE Middlesea p.l.c..

Transactions with related parties during the year include, amongst others, transactions with MAPFRE Middlesea p.l.c. (the "immediate parent"), MAPFRE Middlesea p.l.c. group companies, MAPFRE group companies and Bank of Valletta p.l.c. Group (together referred to as "other related parties"). Bank of Valletta p.l.c. is a related party in light of its shareholding in the Company.

Relevant particulars of related party transactions are as follows:

(a) Sale of insurance contracts and other services

	2025 €'000	2024 €'000
Transactions with immediate parent undertaking:		
Premium income	124	104
Transactions with other related parties:		
Commission income	16	96
Movement in claims recoverable	851	1,155
Trailer fee income	-	-
Rental income on investment property	261	255
Other rental income	43	43
Premium income	21	21

27. Related party transactions - continued

(b) Purchase of products and services

	2025 €'000	2024 €'000
Transactions with the immediate parent undertaking:		
Purchase of insurance cover and other services	243	212
Claims excess (recovered)	78	(5)
Reimbursement of expenses for back office support services (Note 6)	539	504
Transactions with other related parties:		
Reinsurance premium ceded	1,967	2,306
Commission payable	-	-
Staff development training	11	-
Computer maintenance	1,159	835
Capitalisation of software	197	295
Reimbursement of expenses for back office support services (Note 6)	1,250	1,404
Acquisition costs	3,606	3,449
Bank charges	84	97
Net investment return	2,075	1,475

Year-end balances arising from the above and other transactions are presented below:

	2025 €'000	2024 €'000
Accrued income from other related parties	-	-
Accrued expenses due to related parties	(14)	(17)
Reinsurer's share of claims outstanding	567	801
Accruals and deferred income	(323)	(45)
Creditors arising out of direct insurance operations – other related parties	(758)	(614)
Amounts due to immediate parent company (Note 23)	(544)	(479)
Amounts from (due to) other related parties (Note 23)	49	(315)
Investments in securities issued by other related parties	19,455	16,096
Deposits held with other related parties	24,463	46,297

The investments in associated undertakings are disclosed in Note 15.

27. Related party transactions - continued

All the amounts receivable or payable are unsecured, interest free and generally settled in cash.

Total salary remuneration paid by the Company to key management personnel during the year amount to €1.70m (2024: €1.54m).

28. Statutory information

MAPFRE MSV Life p.l.c. is a public limited liability company and is incorporated in Malta.

MAPFRE Middlesea p.l.c. (the “immediate parent”) is a company registered in Malta, the registered office of which is Middle Sea House, Floriana, FRN 1442, Malta.

The Company’s results are consolidated at MAPFRE Middlesea p.l.c. which are ultimately consolidated at MAPFRE S.A., of which Fundación MAPFRE is the parent. MAPFRE S.A. is a company, the registered office of which is situated at Carretera de Pozuelo 52, Majadahonda 28222, Madrid, Spain. The consolidated Annual Report and Financial Statements are available in the respective companies’ websites.