MAPFRE
MIDDLESEA

2024 | Annual Report

MAPFRE
MIDDLESEA

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Our **vision** is to be **Your trusted global insurance company,** for you, for everyone, in every country in the world.

We want to be the benchmark that all clients think of when they need an insurance solution to protect themselves and their families, their belongings and also when they are seeking a financial institution to trust with their future.

We are **people who look after people**, and it is our **MISSION** to be **a multinational team** that works to constantly improve services and develop the best possible relationships with our clients, distributors, providers, shareholders and society in general.

This is a commitment to continuous improvement that we fulfill through our **Values** and which helps us to execute our Mission and achieve our **Vision**.

These values are: solvency, understood as financial strength with sustainable results, with international diversification and a consolidated position in different markets; **integrity**, which comes about through ethical action on the part of everyone and a socially responsible focus in all our activities; **vocation for service**, understood as the permanent quest for excellence and the continuous initiative aimed at caring for our client relationships; **innovation for leadership**, the eagerness to continuously succeed and improve, a different way of thinking to see what others have not seen and incorporate these advances in the business, because ongoing innovation is vital in such a global and competitive environment; and conducting our activities with a **committed team** that is fully involved in the MAPFRE project and the constant training of our people and the development of their skills and capacities.

CHAIRMAN'S STATEMENT

Last year I said that I felt an obligation to become more succinct in my report looking into the key messages from the financial year ended 31 December 2024, with the report of the President & Chief Executive Officer which follows and the full Annual Report delving into the details of the operations. As reported last year the adopted International Financial Reporting Standard (IFRS) 17 has now been entrenched in the Group's processes achieving stability in the ongoing reporting.

RESULTS

The Group results comprise of MAPFRE Middlesea p.l.c. ("MAPFRE Middlesea", "MMS" or "Company"), which is principally a General Insurance company (writing mainly Motor, Health, Home, Travel, Hull and others (including a small element of Group Life). MAPFRE Middlesea also has a 50% interest in MAPFRE MSV Life p.l.c. ("MAPFRE MSV Life", "MMSV"), which is a Life and Savings Investment company – the other 50% being owned by our partner Bank of Valletta p.l.c.. Other Group companies include the subsidiary BEE Insurance Management Limited and the associate Middlesea Assist Limited. whose positive results, though not material, contribute to these financial statements.

Both MMS and MMSV have delivered a satisfactory result exceeding set targets delivering to the Group an improved result on the already significant 2023 result. The Group's €24.8 million profit before tax represents a healthy pre-tax return on equity of 14.0% marginally lower than the previous year 14.6% as the Group, particularly MAPFRE MSV Life continued to strengthen its balance sheet to consolidate further their Solvency position for the benefit of policyholders and shareholders alike.

DIVIDENDS

MAPFRE Middlesea is declaring a net dividend of €4.8 million (2023 €4.5 million) out of the net attributable profit after tax of €7.1 million. This translates into a net dividend per share of €0.052174. The dividends received from MAPFRE MSV Life may be seen as low in comparison to its profit (€1.0 million for FY 2023 and none for FY2022 compared to profits after tax of €9.6 million and €2.1 million respectively, of which MAPFRE Middlesea would be entitled to 50%). The retaining of profits by MAPFRE MSV Life maintains a good level of liquidity and solvency which is required for the capital guarantee provided on the with profits investment fund. The funds are retained at MAPFRE MSV Life and form part of the shareholders' funds.

CORPORATE SOCIAL RESPONSIBILITY

In 2024, MAPFRE Malta successfully achieved its CSR goals by partnering with various entities to organize numerous activities, including food and blood donations, environmental initiatives, and contributions to several charitable organizations and NGOs. Among the beneficiaries were Caritas, Hospice, Puttinu Cares, Dar Bjorn, Dar il-Kaptan, and YMCA.

Fundación MAPFRE allocated over €150,000 for projects in Malta, covering areas such as road safety awareness, health campaigns, and social actions. The Foundation also continued its collaboration with Caritas Malta, supporting the Adventure Therapy Cycling Project, which provides therapeutic outdoor activities for adolescents dealing with substance abuse issues. Throughout 2024, Fundación MAPFRE maintained its efforts to promote road safety by educating young adults and the general public. In addition to its ongoing campaign with Malta Public Transport, the Ministry of Education, and the Road Safety Council, Fundación MAPFRE partnered with Doctors for Road Safety (D4RS) to address this critical national issue.

GOVERNANCE

You will read elsewhere in this report that the Board meets regularly and is supported by board committees for Risk and Compliance, Audit, and Remuneration. This allows the board to set strategy, challenge management, and ensure adherence with the highest standards of the group, relevant regulation and best practice.

We maintain an open and transparent relationship with the Malta Financial Services Authority, our regulator, and we strive to be best in class when navigating the welter of regulation which has come our way in recent years. On the near horizon we continue to see various updated or new regulations which will continue to take up resources and effort, and of course add costs to our operation.

DISTRIBUTION

The Group remains committed to maintaining the highest standards of service to its ultimate customers, through its staff, as well as through its Tied Insurance Intermediaries, its agents and brokers.

The MAPFRE Middlesea business model is somewhat different from our competitors, as we rely on 6 agents, over 60 Tied Insurance Intermediaries and Brokers to bring in the bulk of our insurance premium. Only 9% of our business is written directly by us.

It is our business to not only provide cover to the insured, but also to provide the products, correct pricing and technical support to our intermediaries. IT has proved the bug bear of progress and yet again this year I need to report that we have not achieved the goals we have set ourselves, albeit progress has been achieved. We are now at a critical point in the digital transformation of the Company and we look to our distributors to take this final effort with us before we reach the sunny uplands of this transformation in the coming months.

With MAPFRE MSV Life, Bank of Valletta remains by far the single largest producer for the company, for term assurance as well as investment products. The bank has proved to be an excellent partner, as well as shareholder in the group. I cannot emphasise the importance of the Bank to the Malta group, which has in no small way contributed to the results reported here. This is a partnership which has stood the test of time and has delivered results for customers and shareholders alike.

CHAIRMAN'S STATEMENT

DIRECTORS AND SHAREHOLDERS

MAPFRE Middlesea p.l.c. is a listed entity regulated by the Malta Financial Services Authority. It is a subsidiary of MAPFRE Internacional S.A.. Being part of one of the largest insurance companies in the world allows us to access technical know how and expertise which is at the cutting edge of the industry. It has allowed us to develop the business to the latest standards by providing relevant support in all sectors. MAPFRE Internacional S.A. has a shareholding of 55.83% in the Company.

Bank of Valletta p.l.c. is the other major institutional shareholder with 31.08% of the shareholding and is a 50% co-shareholder in MAPFRE MSV Life p.l.c.. The bank has proved to be a steady partner throughout the years, providing not only input and insight at board level and the relationship remains strong. 13.09% of the shareholding in MAPFRE Middlesea is held by the so-called smaller shareholders, of which we have some 3,700.

I have the privilege to work with a dedicated board of professionals who have provided direction and support to the Company's executives. The Board comprised of Eduardo Perez de Lema, CEO International Insurance at MAPFRE S.A., Jose Luis Jimenes, Jose Maria del Pozo, and Etienne Sciberras, who represented the MAPFRE shareholding. Gordon Cordina, who is the chair at Bank of Valletta, and Godfrey Swain were appointed by Bank of Valletta. The smaller shareholders elected Antoinette Caruana and Paul Testaferrata Moroni Viani. I work with a board which has a full range of skills, and intellectual capability to grapple with the tasks before it. To all of them I am very grateful for their contribution and support.

Javier Moreno our CEO at MAPFRE Middlesea has resigned on the 31 December 2024 to take up an important post at MAPFRE S.A. We will still remain in his sphere of influence since he is now in charge of the EMEA region. Javier has spent four years with us and his reforming zeal has put the Company on a firmer footing, better able to face the challenges of the future. Whilst wishing him well in his new post, I can record our thanks for his dedication, and leadership and the tangible results achieved during his tenure. He has been replaced by Etienne Sciberras, who, as you are aware comes from MAPFRE MSV Life where he was CEO. He has done an impressive job of guiding the company through some of its most turbulent days including Covid and the impact of negative interest rates, and the massive market fluctuations we have seen in recent years. He has now been appointed CEO of MAPFRE Middlesea as well as CEO of MAPFRE Malta group.

We also welcome Elvira López de Lara Merida from MAPFRE S.A. who comes with an impressive CV and track record, and will be the new CEO of MAPFRE MSV Life.

To our Chief officers, managers, and all staff who form part of this group of companies, together with the board I salute their hard work without which we would not have achieved, indeed continue to achieve, the desired results.

Signed by Martin Galea (Chairman) on 25 March 2025

PRESIDENT & CHIEF EXECUTIVE OFFICER'S STATEMENT

MAPFRE MIDDLESEA GROUP HIGHLIGHTS

It is with great pleasure that I am writing to you for the first time as President and CEO of MAPFRE Middlesea p.l.c. ("MAPFRE Middlesea", "MMS", "Company"). Before delving into the business and financial performance, I would like to start off by thanking my predecessor Javier Moreno for the sterling work he carried out over the past 4 years. His leadership, commitment and professionalism were instrumental not only for the achievement of the excellent results registered in 2024 but also for the way the MAPFRE Malta Group has continued to develop and grow during globally challenging times.

THE POLITICAL AND ECONOMIC CONTEXT

The global backdrop remains uncertain. Persisting geopolitical headwinds, governments' policy uncertainty and stickier inflation continue to complicate global Central Banks path towards monetary policy normalization. Notwithstanding, global economies continued to show great resiliency, most notably in the US. In Europe, economic growth continues to be anemic and is expected to remain so, at least, in the near term.

Global financial markets remained volatile particularly credit markets. In general, equity markets did well but performance varied across geographies and sectors. US equities outperformed European equities, with the technology sector being the best performing sector. During 2024, the so-called magnificent seven US companies lifted major US indices to new highs as AI promises to transform the world we live in and those companies' better positioned to usher in this new era saw exponential growth in their quoted prices. As an asset class, equity outperformed fixed income.

In Malta, the post COVID -19 pandemic recovery continued. The economy continued to grow and registered the best GDP growth in the EU while inflation has been gradually coming down amid a very tight labour market with unemployment rates in the low single digit. However, inflationary pressures continued in the service industry mainly through second order impacts as increases in wage demand persisted. This sustained positive economic activity continues to spur demand for various insurance products.

GROUP FINANCIAL PERFORMANCE

The total business written has been €309.5 million (2023: €297.0 million). Both MAPFRE Middlesea and MAPFRE MSV Life p.l.c. ("MAPFRE MSV Life", "MMSV") registered year-on-year increases in terms of total business written. MAPFRE Middlesea registered growth in gross premium earned across all its classes of business with the exception of marine cargo.

On the other hand, MAPFRE MSV Life's total business written grew to €205.8 million, representing an increase compared to the previous year end close of €201.3 million. Both single and regular premium business performed better than last year. The single premium segment continued to evidence a good mix between With-Profits and Unit Linked business. On the other hand, regular premium business growth is attributable to both a stronger demand for life protection and long-term regular savings. The strong local economy remains the key driver behind this evolution. As for long term regular savings, pension savings continues to spur demand. MAPFRE MSV Life continues to be a leading player in the pension provision space.

The consolidated MAPFRE Group's result in Malta for the year under review have been excellent with a pre-tax profit of €24.8 million. The reported profitability is marginally above last year reported figure of €24.0 million. This equates to Earnings per share of 13c6 an increase of 10.7% over 2023 corresponding figure.

The Premium written figure for MAPFRE Middlesea including group life reached a total of €103.7 million at the end of 2024, representing an increase of 8.3% over 2023. MMS registered a profit before tax of €10.5 million. This is 6.8% above the 2023 reported profitability.

The insurance service results saw a marginal improvement from previous year, notwithstanding a small deterioration in the net combined ratio which has moved to 86.4% compared to 85.6%. The diversification of our business helped to offset a deterioration in net combined ratio for health and other classes of business through an improved motor combined ratio.

Regarding the long-term business, the challenging financial markets conditions persisted, leading to the continued strong competition for our savings and investments products. These are disclosed in a specific section within this report.

GENERAL BUSINESS

Premium Written in 2024 reached €101.7 million, representing an increase of 9.4% over 2023.

For the first time in our history premium written exceeded the €100million mark. Premium growth was achieved across all the main lines of business.

In our comparison with the rest of the market, we still maintain a clear leadership position with a market share of 31.8% in 2024, which is a slight drop from the 31.9% we had in 2023. We maintain proportionate leadership in most business lines.

Motor, health and property remain the main classes of business written. Together these three lines of business represent over 73% of the gross written premium. Commercial lines have also been very solid throughout the year.

PRESIDENT & CHIEF EXECUTIVE OFFICER'S STATEMENT

GENERAL BUSINESS – CONTINUED

The trust of our clients is reflected in the high policy and client retention levels registered across the various lines of business. Our reputation, build over many years of service is based on trust and respect towards our customers. We continue to earn the trust of our customers through the values we embrace, our customer centric approach, financial soundness, professional workforce, the breadth and depth of our product offering and our wide distribution footprint. This together with other aspects make the MAPFRE Middlesea value proposition unique. This is why MAPFRE Middlesea remains the local insurer of choice for thousands of clients. Our customer base has exceeded 130,000 with more than 270,000 policies in force. However, we are cognizant of the highly competitive market so any business contraction which is not the result of our risk management strategy is timely and closely analyzed and evaluated for possible corrective measures.

Our partners, Brokers, Agents and TIIs have demonstrated once again that a relationship based on mutual trust and commitment is the basis for excellent service to our clients, offering agile and personalised attention. Our agents had an excellent year, showing that this model generates profitable and sustainable growth. The agents network has increased premium by 11.1%, a remarkable figure. I would like to highlight the consistent and excellent performance achieved by Laferla Insurance Agency.

MMS continues to maintain an excellent professional relationship with brokers and the strong figures show this year has been a good one. Considering Commercial lines, reinsurance restrictions and higher costs are generating more complexity as this type of business requires more protection capacity to meet concrete customer´s needs.

Our direct business, consisting of our regional offices and TIIs, has also performed positively. As a Company, we believe this channel has further potential. The measures taken last year together with other ongoing ones, are meant to unlock this potential where we expect to start seeing the first benefits of these measures accruing in the current year.

We firmly believe that to better serve the needs of our customers we need to be as accessible as possible. We are also cognizant that different clients have different preferences on when and how they interact with us. We continue to invest to improve accessibility. While we remain committed towards digitalization, we believe that in person interaction continues to be highly valued by our customers. To this effect, in 2024 we opened two important centers. One is a sales office in San Gwann whereby the direct offices now total four and a modern, state of the art vehicle inspection center in Naxxar. This is yet another tangible manifestation of our commitment to serve our clients in the convenient way.

The overall net Combined Ratio (COR) which is the key performance indicator in our business closed at a positive 86.4% albeit a slight deterioration on the already very positive 85.6% registered a year earlier.

The main contributor to the positive combined ratio was the motor class of business. The performance of the Motor business portfolio significantly impacts the financial performance of our Company. This is not surprising given that motor represents 48.2% of the non-life portfolio. The already very positive evolution registered in 2023 was sustained and improved upon in 2024. The motor portfolio performance was excellent but unlikely to be repeated in the short term. The motor net combined ratio in 2024 was 85.0%, a further improvement on the 90.2% reported in 2023. This was the result of a combination of factors including a disciplined underwriting approach, the tail effect of the price correction initiated in 2023, a reduction in claims and frequency, a relatively contained average claim cost and an unusual low incident of large claims. Particularly the latter left a significant positive impact compared to normal experience. As can be appreciated, some of these factors are not within the company's control. Having said this, a healthy motor portfolio is critical for the sustained profitability of our company. Therefore, we continue investing in data analysis tools that help us to achieve this objective.

On the other hand, the Health business and other classes of business registered a deterioration in the respective net combined ratio compared to the previous year from 87.6% and 72.2% to 89.8% and 87.1% respectively. The health portfolio experienced a higher loss ratio and lower premium compared to a year earlier. Under other classes, we saw general deterioration in the various classes. Of particular mention, Marine hull given that the combined ratio was above 100% following the impact of some large losses.

This highlights the resilience derived from our business model which is based on diversification across various classes of business. This allows us to mitigate negative movements in specific asset classes and hence reducing the volatility in our balance sheet.

FINANCE INCOME

Investment income was €2.6 million an increase over the €2.0 million reported in the previous period. While the return from the investment portfolio was lower than in 2023, the higher dividends from Group companies more than offset this reduction.

CAPITAL MANAGEMENT

A sustainable profitable business enables us to generate internal capital for investment purposes and to finance business growth. A prudent but consistent dividend policy is also key in ensuring adequate capital resources. This together with the investment and risk management policy shape to a great degree the risk profile of the Company.

PRESIDENT & CHIEF EXECUTIVE OFFICER'S STATEMENT

CAPITAL MANAGEMENT – CONTINUED

Within the risk management tool kit, the reinsurance aspect continues to be one of the main levers in maintaining the Company risk profile within the established risk appetite. This means that during normal years we forego a certain level of profitability to ensure we are better protected in case of less frequent but more severe events or what we refer to as catastrophic events. The risk profile and solvency position of an insurance company is measured by the solvency ratio. Once again, the Company continues to maintain a solvency ratio significantly above the regulatory requirements.

LONG TERM BUSINESS

MMSV offers a wide range of protection, savings, investments and retirement solutions addressing the diverse needs of individual clients, companies as well as other organisations.

This business performance is influenced by both internal and external factors. The internal factors are those normally considered within management control. These depend on the business model of the company, its strategy and effective and efficient execution. On the other hand, the external factors include the health of the local economy, the performance of global capital markets and Central banks' monetary policy. These elements influence the demand and purchasing capacity of the consumer, the investors' appetite and sentiment and the competitive landscape.

MAPFRE MSV Life registered a profit before tax of €15.0 million for the year ended 31 December 2024, compared to a profit of €14.6 million registered for the previous year. Profit after tax is at €11.0 million, compared to a €9.6 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 2024, the CSM release represented €10.8 million (2023: €9.8 million).

Total business written for financial year 2024 totalled €205.8 million, an increase of 2.3% over the prior year. Single premium business was marginally better than 2023 as demand for With-profits business improved. On the other hand, regular business continued to perform well with strong demand for life protection business and sustained pension business. The strong local economy performance and the prevailing high levels of liquidity in the economy remain supportive for savings and investment products.

Net claims incurred decreased to €249.0 million through the year compared to a prior year €261.6 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 1.6% to €2,357.2 million by the end of 2024.

Total shareholders' funds at the close of 2024 amounted to €174.3 million (2023: €165.4million), an increase of 5.4% 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 €1.86 billion as at 31 December 2024 (2023: €1.91 billion). The appreciation in asset values and the income generated almost completely offset the impact of the net funds outflow due to maturing policies. 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 investment gain of €81.2 million generating a positive return of 4.3%. The investment return was lower than in 2023, which had amounted to €165.8 million following the steep fall in mainstream asset classes in 2022. While all asset classes, contributed positively to the overall investment return, their performance varied significantly. Equities outperformed fixed income assets, while even with the equity space significant diversion in performance could be observed with US equities outperforming European equities with growth outperforming value stocks.

The investment strategy of the MMSV's With-Profits fund is to hold a diversified range of quality assets, spread across different geographies and currencies to mitigate market and concentration risk. This asset diversification together with the robust investment management process, the expertise of the asset managers engaged, and the Company's track record of investment management continue to be fundamental in managing policyholders' assets in this challenging and ever more volatile investments market environment.

While the demand for With-Profits single premium contracts remained lower when compared to previous years, though mainly in line with this year expectation, sustained demand was registered for Unit Linked single premium products. The launch of two short-term, capital and income guaranteed Unit-Linked products, in the first quarter of 2024, was well received by the retail investors.

PRESIDENT & CHIEF EXECUTIVE OFFICER'S STATEMENT

LONG TERM BUSINESS – CONTINUED

An increase over last year was registered in terms of Life protection business written . This line of business benefitted from a robust mortgage market since locally demand for life protection continues to be strongly correlated with the demand for home loans. Unfortunately, this highlights, that the need to have life protection as a basic element of financial planning remains underappreciated. Promoting the importance of having adequate levels of insurance is also part of our responsibility to build more financially secure and resilient communities.

Regular savings business remains a core component of our business strategy. Through our regular savings products we aim to serve the need of the broader market through long-term, accessible, flexible and efficient solutions. While, pensions savings is seen as a growth area, promoting savings for retirement is also an obligation and responsibility. We want to support our future generations of pensioners in building and maintaining their financial wellbeing and aspirations. While we have continued to see demand for retirement products the level of market penetration remains well below European averages. In this respect the latest government measures announced in the budget are welcome in terms of the pensions developments in the area of voluntary pensions occupational schemes (VOPS).

STATEMENT OF FINANCIAL POSITION

The group's total assets increased by 1.7% and totaled €2.5 billion at year end. As highlighted previously, The MMSV With-Profits fund's Assets Under Management (AUM) at €1.9 billion as at 31 December 2024 represent a significant portion of the total assets. The reduction in associated undertakings reflects the divestment of MMSV's With-Profit fund holding in Tigne Mall plc. On the other hand, the increase in cash and cash equivalent represents the tactical With-Profits fund investment positioning at year end.

On the liabilities side, 98.0% of the balance pertains to Insurance, investment and reinsurance contracts liabilities. MMSV's Insurance contract liabilities decreased as With-profits policy maturities outweighed new fund flows into the With-Profits fund. Investment contract liabilities continued to increase as further unit linked products were issued in the year under review. MMS's insurance contracts liabilities remained practically flat compared to the previous year.

Total equity increased by €12.7 million or 7.4% including the minority with the profit for the year partly mitigated by the dividends paid.

DIVIDEND RECOMMENDATION

The board of directors will be proposing for shareholders' approval the payment of a net dividend of €0.052174 per share. The Company's payout will be 67.4% of this year's profit after tax of the Company.

While the Board of Directors is committed to provide an adequate return to its shareholders on their invested capital, the dividend recommendation makes consideration of the future capital needs of the Company and the need to maintain sufficient capital buffers to be able to withstand any negative market shocks.

OUR PEOPLE

Our people are our biggest asset, and we are committed to retaining our talent by driving our comprehensive people agenda. This year, we have focused on several key areas to support and develop our workforce.

Training and Development: Training has been a cornerstone of our people agenda. We have placed significant emphasis on leveraging group learning resources to enhance the skills and knowledge of our employees. Our investment in a robust leadership program has been pivotal in driving transformation within the organization, preparing our leaders to navigate future challenges effectively.

Health and Well-being: We recognize the importance of our employees' physical and mental health. Throughout the year, we have continued to invest in initiatives that promote well-being, ensuring our people have access to the resources and support they need to thrive both personally and professionally.

Equality and Inclusion: We are proud to have achieved the NCPE Equal Pay Mark and the FHRD HR Quality Mark, reflecting our commitment to equality and inclusion in the workplace. These accolades underscore our dedication to providing a fair and supportive environment for all employees.

Employee Benefits: To further demonstrate our commitment to our people, we have signed a generous collective agreement for the next three years. This agreement ensures that our employees receive the best benefits, reinforcing our position as the employer of choice. By offering competitive compensation and comprehensive benefits, we aim to attract and retain top talent in the industry.

Prioritizing our people, investing in their development, and promoting a healthy, inclusive work environment have been instrumental in driving our success. We remain dedicated to fostering a culture where our employees feel valued, supported, and empowered to achieve their full potential and be the best version of themselves.

PRESIDENT & CHIEF EXECUTIVE OFFICER'S STATEMENT

OUR CONTRIBUTION TO OUR COMMUNITY

We understand that we have a social responsibility towards the society we form part. As a GROUP we are committed to bring about positive change and to support the advancement of our society. During the year, we supported various organizations in their respective mission. Sometimes this support takes the form of financial assistance, to making our premises available to upcoming artists or educational events. We are very proud that through our initiatives we manage to reach many noble causes ranging from philanthropy to arts, culture, education and the environment. However, I would like to make a special mention to the volunteering activities our staff and their families participated in during the year. In 2024, our employees participated in 13 activities. For this I am very grateful and thankful. This is also a reflection of the values we embrace at MAPFRE.

I cannot fail not to mention, Fundación MAPFRE which continues to be actively engaged in Malta. During 2024, Fundación MAPFRE continued its activities on the "Street Smart Campaign" promoting road safety among school children. The primary goal of the campaign is to raise awareness about road safety for all road users, including pedestrians, cyclists, drivers, and passengers, emphasizing the importance of each person's role. The campaign also consisted of workshops for 6th Form students in collaboration with Doctors For Road Safety (D4RS). Additionally, Fundación MAPFRE has also signed a new agreement for the "Logging Off" campaign, addressing internet addiction among school children. The campaign will be conducted in partnership with the Malta Trust Foundation.

As MAPFRE, we strongly believe in a more inclusive, equitable and sustainable world. We believe that we have a responsibility to safeguard the right of future generations to enjoy a world where people are not judged or disadvantaged because of their religious creed, race, sex or sexual orientation. A world where future generations can enjoy a clean, healthy and safe environment. In this regard, we continue to embrace policies which promote these values and goals. Our remuneration policy also includes sustainability objectives. We continue to introduce measures which aim to lower our carbon footprint, promote an inclusive and safe workplace which promotes opportunity based on talent and values. Our workforce is diverse and boasts over twenty different nationalities with an almost equal gender mix. Our senior management benefits from a strong and talented female representation. We are very satisfied with the results we are achieving in terms of carbon footprint emission, gender pay equality and ESG aligned investments.

LOOKING FORWARD

At the end of 2024, we closed the strategic plan for the period 2022-2024. The level of execution of this plan was satisfactory considering also the need to have a flexible and dynamic approach given the challenges and uncertainty which characterized this period.

Looking ahead, we have defined a new strategic plan for the period 2025-2027. This new strategic cycle will build on the foundations laid in prior years. The new plan has four key pillars namely growth and profitability, efficiency and productivity, transformation and culture and sustainability. We believe that by driving this agenda, we will continue to create value to our shareholders, meet the evolving needs of our customers through an enhance customer experience, strength our rewarding business partners relationships and provide great growth opportunities to our talent while contributing to a better, fairer and more inclusive society through our sustainability commitment.

Signed by Etienne Sciberras (President & CEO) on 25 March 2025

BOARD OF DIRECTORS & COMPANY SECRETARY

Martin Galea
Chairman
NED I

Formerly: Managing Director of Joinwell Ltd., President of the Malta Federation of Industries, Vice President of the Malta Chamber of Commerce Enterprise and Industry, Member of the Malta Council of Economic and Social Development, Director of Malta Enterprise, President of Din L- Art Helwa, Member of the Malta Olympic Committee, Editor of the Malta Independent, President of The Malta Rugby Football Union, Chairman of the Malta Winemakers Association, Director of MAPFRE MSV Life plc.

At present: Director of Melita Ltd., Cassar Camilleri Ltd., Tumas Holdings Ltd. and the Blevins Franks Group as well as involvements in other licensed companies.

Antoinette Caruana
NED I

Formerly: Retired from the positions of Company Secretary and Group HR Manager of the Farsons' Group in 2023; also previously held a number of positions in the private sector including the posts of Chief HR Officer of Lufthansa Technik Malta and General Manager HR of the Brandstaetter Group; Chief Executive of Heritage Malta; specialized in human resource management and development and been actively involved in local industrial relations; lectured at the Faculty of Economics, Management and Accountancy, University of Malta; served as Director of the Central Bank of Malta between 2008 and 2013; previously a trustee of the Richmond Foundation and a director of the Foundation for Human Resources Development; Chairperson of the Malta Professional and Vocational Qualifications Awards Council; Director of the Employment and Training Corporation and served as a core member of the Malta-EU Steering & Action Committee.

At present: Currently serves on the Board of Heritage Malta and Heritage Malta Services Ltd.; Director on the Board of the Foundation for the Rehabilitation of Drug Abusers (Caritas Malta) and Hospice Malta; trustee of the Farsons Foundation and serves as employers' representative on the Industrial Tribunal.

Gordon Cordina
NED I

Formerly: Several years' experience of Board and Risk Committees in major financial institutions in Malta, amongst which Bank of Valletta plc and HSBC Bank Malta plc. He served as Manager of the Research Department of the Central Bank of Malta, Director General of the National Statistics Office of Malta, Head of the Economics Department of the University of Malta and Economic Advisor to the Malta Council for Economic and Social Development.

At present: Chairman of Bank of Valletta and also chairing the Bank's Nominations Committee. Chairman of Mapfre MSV Life plc and through the private consultancy firm which he co-founded in 2006, is involved in a number of local and international research projects and consultancy assignments with institutions including the EU Commission, NGO's and private sector entities. Also, a visiting senior lecturer at the University of Malta.

José Luis Jiménez
NED

Formerly: An economist in the Research Department of Caja Madrid, Chief Economist at Skandia Vida, Chief Investment Officer at SkandiaLink in the European and Latin America Division, Head of Asset Allocation at Skandia Investment Group, CEO at March A.M. and Founder and former Chairman of the Group of Boutique Asset Managers (GBAM): an international network of specialized asset managers. Appointed Group Chief Investment Officer at MAPFRE in 2015 until 2024.

At present: Deputy Group Chief Financial Officer and Lecturer in Macroeconomics at the IE Business School.

Eduardo Pérez de Lema
NED

Formerly: HHe holds a Degree in Business Management and Administration (Pontifical University of Salamanca). He joined MAPFRE RE in 1993, starting in the Underwriting area, moving to Retrocession and Risk Management Department. In 2005 he was appointed Assistant General Manager reporting to the General Manager, after 3 years he was appointed as Deputy General Manager and in 2011 he was appointed General Manager reporting directly to MAPFRE Re's CEO. In November 2015 he was appointed CEO and Chairman of the Management Committee of MAPFRE RE. Board Director of MAPFRE España between 2019 and 2023.

At present: CEO of the International Insurance Unit (since January 2024); Board Director of MAPFRE (since January 2024); Member of the Executive Committee of MAPFRE S.A. (since November 2015); Chairman of MAPFRE GLOBAL RISKS (since January 2024); Board Director of MAPFRE INTERNACIONAL (since January 2023); Board Director of MAPFRE Global Risks (since February 2023); Board Director of MAPFRE RE (since March 2013); Trustee of Fundación MAPFRE (since January 2024).

Jose Maria del Pozo
NED

Formerly: He holds a degree in Business Administration from the Complutense University of Madrid and, after working for four years at EY, joined MAPFRE in 1992 and since then has held several senior management positions, mostly in the Finance Area. Until March 2018, he served as CFO at MAPFRE GLOBAL RISKS. Member of the Board of Directors of several MAPFRE GROUP companies and consultant professor for accounting and financial analysis of insurance companies.

At present: CFO for the EMEA Region of the MAPFRE GROUP since April 2018; Director of MAPFRE MSV Life plc.

BOARD OF DIRECTORS & COMPANY SECRETARY

Etienne Sciberras
appointed CEO with effect from 1 January 2025
NED I

Formerly: A Certified Public Accountant, holder of the CFA designation and an Honours Degree in Commerce with a major in Management. With over 20 years' experience in the insurance business occupying various roles including that of Senior Manager with MAPFRE MSV Life plc's Investments Unit and subsequently Chief Risk Officer at MAPFRE Malta. From 1st April 2021 till 31st December 2024 served as Chief Executive Officer of MAPFRE MSV Life plc. Between 2013 and 2024 served as a Director, Remuneration Committee, Audit Committee and Risk and Compliance member on three Maltese listed entities, including MAPFRE Middlesea p.l.c.

At Present: President & Chief Executive Officer of MAPFRE Middlesea p.l.c.

Godfrey Swain
NED I

Formerly: An international executive with thirty years of banking, insurance and financial services experience, last executive role as CEO of Myanmar Citizens Bank (MCB) based in Yangon. Prior to this served as Deputy CEO, Head of Retail Banking and Marketing focused on a growth and modernization mission for Vietnam International Bank (VIB) based in Saigon. Served as a senior Hong Kong and Shanghai Banking Corporation (HSBC) executive for twenty years holding key roles as Managing Director and Country Head of Retail Banking and Wealth Management (RBWM) in Japan, Vietnam and Malta. He was a member of the Hong Kong based Asia Pacific RBWM Regional Management team, founding CEO of HSBC Life Assurance (Malta) and a director on various boards as well as EXCO, ALCO, Risk Management and Governance Committees. A Graduate in business from Monash University, Australia and strategic management at Henley School of Management, UK.

At Present : Non-Executive Director and Chair of the Audit Committee at MAPFRE Middlesea plc, member of the Investment Committee at MAPFRE MSV Life plc, Director, Chair of the ESG Committee and member of the Remuneration Committee at Bank of Valletta plc, Member of the National Council of Din L'Art Helwa and President of the Rotary Club La Vallette Malta.

Paul S. Testaferrata Moroni Viani
NED I

At present: Mainly involved in tourism and investment services, market and sales research, contracting, administration, property construction and development, managing operations, strategic planning and new business development. Director within the Testaferrata Group of Companies.

Javier Moreno
President & CEO, resigned with effect from 1 January 2025

Formerly: Joined the MAPFRE Group in 2000 and developed his professional career with MAPFRE in Spain, assuming different positions mainly in the Health Business Unit, as Chief Claims Officer in MAPFRE CAJA SALUD and Chief Claims Officer for Personal Lines (Health, Personal Accident and Burial Expenses) in MAPFRE ESPAÑA. A member of the Permanent Commission in Unespa (the Spanish Insurance Association) representing MAPFRE for Health Business. In 2015 he was appointed by the Group as Corporate Director leading the global development of Health insurance in the Business & Clients Corporate Area. Prior to joining MAPFRE in Malta he held the position of Corporate Director for Global Life Business Development in the Business & Clients Corporate Area with the responsibility of developing the Life Strategic Initiative globally prior to serving as President & CEO of MAPFRE Middlesea p.l.c.

At present: CEO of MAPFRE EMEA; Director of MAPFRE MSV Life plc;

Daphne Sims Dodebier
Company Secretary

Formerly: Graduated Doctor of Laws in 2004. Formerly Senior Legal Advisor at HSBC Bank Malta p.l.c, Committee Member of the Malta Chamber of Advocates, Director of Trustmoore Corporate Services Ltd.

At present: Joined MAPFRE Middlesea plc in April 2018 as Head of Legal and was appointed Company Secretary on 26 April 2019. Serves as Committee Secretary to the Board Committees of MAPFRE Middlesea plc as well as being Company Secretary of the majority of its subsidiary companies. She was appointed Whistle Blowing Reporting Officer in October 2018, Complaints Officer in November 2018 and promoted to Chief Legal Officer as from January 2019. She is a member of the Malta Chamber of Advocates and an affiliate of the Chartered Governance Institute UK. She also serves as a Committee Member of the Ladies Running Club and Vice-President of the Company Secretary Forum.

NED – Non Executive Director
I - Independent

HEAD OFFICE & AGENCIES

HEAD OFFICE

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MONTALDO INSURANCE AGENCY LTD
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DIRECTORS' REPORT

The Directors present their annual report for the year ended 31 December 2024.

PRINCIPAL ACTIVITIES

The principal activities of the Group consist of the business of insurance. The Group is licensed to carry on general and long-term business. The Group is also authorised to provide insurance management services.

REVIEW OF BUSINESS

THE COMPANY

MAPFRE Middlesea p.l.c. (the 'Company') registered a profit before tax of €10.5 million during the financial year ended 31 December 2024 ("FY 2024") compared to the €9.9 million registered in the previous financial year ("FY 2023") with post-tax profits of €7.1 million, compared to €6.7 million in FY 2023.

Premiums written by the Company reached €103.6 million (2023: €95.7 million), an 8.3% increase over FY2023, with growth in all classes of business but notably in Motor, Health and Property. MAPFRE Middlesea p.l.c. remained the leader of the non-life market although the Company's market share reduced marginally from the previous year following the receipt of provisional market data as the market registered a growth above that of the Company's.

The insurance service result increased to €12.3 million from €12.2 million of FY 2023, a 1.3% growth. Insurance revenue grew by 7.6% reflecting the growth in premium written. Claims frequency improved in Motor with reported current year occurring average claim cost marginally lower than in the previous year, whilst Health registered a deterioration in loss ratio through increases in both frequency and severity.

The Company's net investment return amounted to €2.6 million compared to the €2.0 million in FY 2023 as a result of a net dividend of €1.0 million received from MAPFRE MSV Life p.l.c. with no comparative in the previous year. Fair value movements on the fair value through profit or loss portfolio though positive were significantly lower than in FY 2023 which had seen the market recovering from the losses incurred in the prior year. Revaluation of investment property held by the Company rendered a marginal loss of €0.2 million against a marginal gain of €0.1 million for 2023.

The Shareholder's Funds of the Company at €84.4 million saw an increase of 3.4% during FY 2024 resulting from the profit for the year exceeding the payment of dividend for FY 2023 and positive investment value movements in equity. Net Asset Value per share as at 31 December 2024 amounted to €0.92.

MAPFRE Middlesea p.l.c.'s solvency position remained strong with net assets remaining adequately above the capital requirements under Solvency II with the cover being reported in the Solvency and Financial Condition Report (SFCR) to be published by the Company later in the year.

MAPFRE MSV LIFE P.L.C.

MAPFRE MSV Life p.l.c. ("MAPFRE MSV Life" and "MMSV") registered a profit before tax of €15.0 million for FY 2024, as compared to the €14.6 million registered for the previous year. Profit after tax is recorded at €11.0 million, compared to a €9.6 million in the previous year.

Total business written for financial year 2024 totaled €205.8 million, an increase of 2.3% over the prior year. While the demand for With-Profits single premium contracts remained lower when compared to previous years, though mainly in line with this year expectation, sustained demand was registered for Unit Linked single premium products. The launch of two short-term, capital and income guaranteed Unit-Linked products, in the first quarter of 2024, was well received by the retail investors.

The MMSV With-Profits fund closed at €1.9 billion as at 31 December 2024 (2023: €1.9 billion) registering a total investment gain of €81.2 million generating a positive return of 4.3%. The investment return was lower than in 2023, which had amounted to €165.8 million following the steep fall in mainstream asset classes in 2022.

Total assets increased by 1.6% to stand at €2,319.72 million by the end of 2024.

Total shareholders' funds at the close of 2024 amounted to €174.3 million (2023: €165.4 million), an increase of 5.4% over the previous year.

DIRECTORS' REPORT

REVIEW OF BUSINESS – CONTINUED

OTHER SUBSIDIARIES

The other subsidiaries within the Group, though not significant to the size of the Group, had a mixed contribution to the results of the year.

During the year BEE Insurance Management Limited ('BEE') and its subsidiary Euro Med Risk Solutions Limited ("EuroMed") which offer Insurance and Non-Insurance management services transferred their third-party clients to another local operator with BEE remaining servicing the Group's insurance entities in the Information Technology sphere. A combined profit of €0.5 million was registered compared to the €0.2 million in the comparative period. EuroMed has surrendered its Corporate Service Provider (CSP) license in January 2025, the first step towards the liquidation of the company.

Church Wharf Properties Limited holds a property within the Regeneration of the Grand Harbour Area. A negligible loss was recorded in the year, compared to a loss of €0.4 million registered at the end of 2023. The directors continue to monitor the evolution of this project which gives a potential future increase in value of this investment.

THE GROUP

The Group registered a profit before tax of €24.8 million in FY 2024 compared to €24.0 million achieved in FY 2023. Profit after tax for FY 2024 closed at €18.0 million as compared to the €15.9 million achieved in FY 2023. Group business written reaching €309.5 million saw an increase of 4.2% against that registered in FY 2023, with both insurance companies remaining leaders in their respective markets.

MAPFRE Middlesea's Group capital and reserves attributable to shareholders at 31 December 2024 amounted to €96.3 million (2023: €88.2 million) on a consolidated basis with a net asset value per share of €1.05 as at 31 December 2024 mainly as the result for the year outweighed the payment of dividend by MAPFRE Middlesea and MAPFRE MSV Life.

A review of the business of the Group for the year ended 31 December 2024 and an indication of future developments are provided in the Chairman's Statement and the President and CEO Statement, which can be found in the front section of this Annual Report.

Whilst as a Group we have an important role to provide our customers with prosperity and peace of mind, we acknowledge that we have a wider commitment to society by also supporting those who are not our customers. Over the years we have developed a Corporate Social Responsibility (CSR) policy framework which encompasses shareholders, the environment, people, communities and customers. Through our CSR programme we cooperate with and assist a number of public and private institutions, NGOs, museums, foundations and associations who share similar goals and values as us.

Sustainability is also very high in our agenda. In line with the MAPFRE Group's Sustainability Plan, the Group is committed to be carbon neutral by the end of 2030. To this effect a number of initiatives are being implemented and more will be formulated as we move towards this important goal. Good progress is also being registered in terms of the environment, social and governance (ESG) dimensions.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's principal risks and uncertainties are further disclosed in Note 4 dealing with management of risk as supplemented by Note 3 relating to the use of accounting estimates and judgements in applying accounting policies, and Note 24 on insurance contract liabilities, reinsurance contract assets and investment contracts liabilities covering assumptions underlying their valuation.

RESULTS AND DIVIDENDS

The consolidated profit or loss account is set out on page 39. A gross dividend in respect of year ended 31 December 2024 of €0.080268 per share amounting to a total dividend of €7,384,615 is to be proposed by the Directors at the forthcoming annual general meeting. This is equivalent to a net dividend of €0.052174 per share amounting to a total net dividend of €4,800,000 (2023: €4,500,000).

DIRECTORS' REPORT

DIRECTORS

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

Martin Galea
Antoinette Caruana
Gordon Cordina
Jose Maria del Pozo
Jose-Luis Jimenez
Eduardo Perez de Lema (appointed from 1 January 2024)
Etienne Sciberras
Godfrey Swain
Paul Testaferrata Moroni Viani

In accordance with the Articles of Association of the Company, all Directors retire from office at the Annual General Meeting and are eligible for re-election or re-appointment. Further information is given in the Statement of Corporate Governance.

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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 Group and 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 Group and 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 the Companies Act, 1995. They are also responsible for safeguarding the assets of the Group and the parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of MAPFRE Middlesea p.l.c. for the year ended 31 December 2024 are included in the Annual Report 2024, which is published in hard-copy printed form and also made available on the Company's website. The Directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

The directors confirm that, to the best of their knowledge:

- the financial statements give a true and fair view of the financial position of the Group and Company as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union on the basis explained in Note 1 to the financial statements; and
- the Annual Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with additional information of the principal risks and uncertainties that the Group and Company face.

INFORMATION PURSUANT TO CAPITAL MARKETS RULE 5.64

The Company has an authorised share capital of €31,500,000 divided into 150,000,000 ordinary shares with a nominal value of €0.21 each. The issued share capital of the Company is €19,320,000 divided into 92,000,000 ordinary shares of €0.21 each. The issued shares of the Company consist of one class of ordinary shares with equal voting rights attached.

DIRECTORS' REPORT

INFORMATION PURSUANT TO CAPITAL MARKETS RULE 5.64 – CONTINUED

The directors confirm that as at 31 December 2024, only MAPFRE Internacional (55.83%) and Bank of Valletta p.l.c. (31.08%) held a shareholding in excess of 5% of the total issued share capital.

Pursuant to the Company's Articles of Association, the appointment of Directors to the Board is reserved exclusively to the Company's shareholders (in line also with general and commonly accepted practice in Malta). Shareholders with 11% or more of the shares in issue are entitled to appoint one director for every 11% holding, whilst the other shareholders are entitled to appoint the remaining Board members at the Annual General Meeting in accordance with the provisions of the Articles of Association. The Chairman shall be appointed by the Board of Directors.

The rules governing the appointment and replacement of the Company's directors are contained in Articles 93 to 102 of the Company's Articles of Association.

The Directors can only issue shares following an extraordinary resolution passed in the General Meeting. This and other powers vested in the Company's Directors are contained in Articles 84 to 90 of the Company's Articles of Association.

The Memorandum and Articles of the Company may be amended by means of an extraordinary resolution of the Company during general meetings.

There are no agreements between the Company and the Directors on the Company's Board or employees providing for compensation on termination or cessation of their office for any reason whatsoever.

It is hereby declared that as at 31 December 2024, information required under Capital Markets Rules 5.64.2, 5.64.4, 5.64.5, 5.64.6, 5.64.7 and 5.64.10 is not applicable to the Company.

GOING CONCERN

The Directors, as required by Capital Markets Rule 5.62 have considered the Group's and Company's operational performance, the statement of financial position as at year end as well as the business plans for the coming year, and declare that they have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, in preparing the financial statements, the Group and Company are in a position to continue operating as a going concern for the foreseeable future.

AUDITORS

The 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.

INFORMATION PURSUANT TO CAPITAL MARKETS RULE 5.70

There were no material contracts in relation to which a Director of the Company was directly or indirectly interested.

INFORMATION PURSUANT TO CAPITAL MARKETS RULE 5.70.2

The Company Secretary is Dr Daphne Sims Dodebier and the registered office is Middle Sea House, Floriana, Malta.

INFORMATION PURSUANT TO CAPITAL MARKETS RULE 5.68

We, the undersigned, declare that to the best of our knowledge, the financial statements prepared in accordance with the requirements of International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and its subsidiaries and that this report includes a fair review of the development and performance of the business and the position of the Company and its subsidiaries, included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Signed on behalf of the Company's Board of Directors on 25 March 2025 by Martin Galea (Chairman) and Godfrey Swain (Director) as per the Directors Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Report and Accounts 2024.

CORPORATE GOVERNANCE STATEMENT

1. INTRODUCTION

In accordance with Rule 5.94 of the Capital Markets Rules, an issuer whose securities are admitted to trading on the Malta Stock Exchange should endeavour to adopt the principles as promulgated within Appendix 5.1 of the Capital Markets Rules entitled *The Code of Principles of Good Corporate Governance* ('the Code'). Moreover, the issuer is obliged to prepare a report disclosing both compliance and non-compliance with the said principles and the Company's auditors are to include a report on the Corporate Governance Statement in the Annual Financial Report of the Company.

Although the Board of Directors ('the Board') of MAPFRE Middlesea plc (the 'Company' or 'MMS') notes that compliance with the said Code is not mandatory, it however acknowledges that the principles are designed to serve as a guide for the Board and the Company's Management in the pursuit of objectives that are in the interests of both the Company and its stakeholders. The Board, therefore, firmly upholds the principles therein contained as guaranteeing the standards of accountability, transparency and integrity inherent to good Corporate governance. The Board continues to strive to adhere to the Code as well as to maintain the highest standards of disclosure both in relation to compliance with the code as well as in relation to explaining the rationale behind the instances of non-compliance.

As shall be evidenced by the information set out in this Statement and that contained in the Remuneration Statement and the Report of the Remuneration Committee to the Shareholders, the Company believes that it has, save as otherwise indicated herein, not only complied with the provisions of the Code throughout the accounting period under review but also acted in accordance with the spirit of the Code. In the Non-Compliance Section, the Board then outlines the limited instances where there has been a departure from, or non-application of, the principles as contained within the Code and the reasons therefore, in accordance with the same Code.

2. COMPLIANCE WITH THE CODE

Principle 1 – The Board

Good business, well done, is a force for good in society. Within this context, the Board's role and responsibility is to lead the Company, to discuss and approve the strategy for long-term sustainable value and to exercise good oversight, challenging the Management and Internal Control Functions where necessary to this end.

As at 31 December 2024 the Board was composed of a non-executive Chairman and eight non-executive Directors. The Directors, appointed in terms of the Memorandum and Articles of Association of the Company, are all competent, trustworthy and solvent individuals and thus fit and proper to direct the business of the Company. The maximum number of Directors pursuant to the Memorandum and Articles of Association is ten. Martin Galea was re-appointed as a non-executive Chairman during the Board meeting held on the 30 April 2024, which followed the Annual General Meeting (AGM) held on the same day.

During the said AGM the two institutional shareholders re-appointed the retiring Directors Gordon Cordina, Martin Galea, Jose-Luis Jimenez, Jose Maria del Pozo, Etienne Sciberras and Godfrey Swain, while the other shareholders re-appointed the retiring Directors Antoinette Caruana and Paul Testaferrata Moroni Viani during the election for directors. Eduardo Perez de Lema was newly appointed by the shareholder MAPFRE Internacional S.A. in order to bring the total number of Directors to nine.

All of the Directors of the Company are approved by the Regulator further to a detailed Personal Questionnaire process as being fit and proper to direct the business of the Company and are deemed to conduct themselves with honesty, competence and integrity. Both on an individual level and collectively, the Members of the Board possess the necessary skills and experience to make effective contribution to the leadership and decision-making processes of the Company as reflected within the Company's strategy and policies. Moreover, the Board exercises prudent and effective controls in order to achieve both short and long-term sustainability of the business and assesses the compatibility of the MAPFRE Group policies with local legal and regulatory requirements, adapting them where appropriate.

Effective boards ensure that the Company operates with a clear sense of purpose and collective vision and the Board liaises closely with the President and Chief Executive Officer ('CEO') of the Company in a consistent and continuing manner in order to ensure that the Board receives timely and complete information in relation to the business and performance of the Company. This enables the Board to maintain effective oversight of the decision making process and to exercise the aforementioned controls. Javier Moreno, appointed CEO on the 31 March 2021, continued to hold the position of CEO throughout 2024 although submitting his resignation as at 31 December 2024 in order to take up new responsibilities within the MAPFRE Group. His successor as from 1 January 2025 is the current Director Etienne Sciberras.

CORPORATE GOVERNANCE STATEMENT

2. COMPLIANCE WITH THE CODE - CONTINUED

Principle 1 – The Board - continued

As was customary in previous years, at the Board Meeting held subsequent to the AGM, the Board delegated specific responsibilities to a number of Board Committees, namely the Audit Committee, the Risk and Compliance Committee, the Investments Committee and the Remuneration Committee, each of which operated under their respective formal terms of reference as approved by the Board.

Further detail in relation to the Committees and the responsibilities of the Board is provided under Principles 4 and 5 of this Statement.

Principle 2 – Chairman and CEO

The positions of Chairman and CEO were held by different individuals throughout 2024 with a clear demarcation between the leading of the Board by the former and the CEO's management of the business of the Company, despite the strong cooperation between the two.

The Chairman is independent and is responsible for the overall effectiveness of the Board, promoting open debate and facilitating constructive discussion. Through the Office of the Company Secretary, the Chairman sets the Board agenda and ensures that all the Board's decisions are supported by comprehensive and timely information. The Chairman also ensures that the Board discusses the pertinent issues with adequate depth, that the opinions of all the Directors are taken into account and encourages active engagement by all the members of the Board to constructively challenge Management where necessary and generally promote the effective functioning of the Board.

The CEO, on the other hand, is charged with the leadership of the Management team with the main role and responsibility of managing the Company's business in line with its Strategy and informing and making recommendations to the Board. Within this context, 2024 was the third and final year of the Company's three-year Strategic Plan as developed by Management, discussed with the Chairman and approved by the Board. A new three-year Strategic Plan then started to be formulated in Q4 2024 for the period 2025 to 2027. This was extensively discussed during a Board Briefing meeting held in October 2024, as detailed further below.

Within the parameters of the Board-approved Strategy, the CEO develops and drives performance and leads the decisions on all matters affecting the operations, technical performance and stakeholders of the business save for those matters specifically reserved to the Board or its' delegated Committees. The Company also has Technical Committees composed of senior members of the relative technical areas that hold regular meetings and a Management Committee, bringing together the Chief Officers within MMS under the Chairmanship of the CEO on a monthly basis.

The positions of the Chairman of the Board and CEO are distinguished accordingly within the Terms of Reference of the Board of Directors and in practice, there is also a clear division of responsibility between the former who oversees the Board and the latter's responsibility in managing the daily business of the Company. Thus the positions remain completely independent from one another to avoid concentration of authority and power within a single individual, to differentiate leadership from the running of the business and to maintain clear lines of accountability and responsibility.

Principle 3 – Composition of the Board

The Board considers and history has shown, that the number of Members as stipulated in the Memorandum and Articles of the Company are appropriate relative to the size of the Company and its operations.

The combined and varied knowledge, experience and skills of the Board members, including a broad knowledge of the business of the Company and awareness of statutory and regulatory requirements, provide a balance of competences, as required, and add value both to the functioning of the Board and to the direction given to the Company. In this regard the Company remains committed to non-discrimination, not least in its Boardroom, promoting a diverse and inclusive culture where Directors' views are heard, concerns are attended to and the environment does not tolerate bias, discrimination or harassment of any kind.

CORPORATE GOVERNANCE STATEMENT

2. COMPLIANCE WITH THE CODE - CONTINUED

Principle 3 – Composition of the Board - continued

The Company's Articles of Association determine the composition of the Board. The appointment of Directors to the Board is accordingly reserved exclusively to the Company's shareholders, except in so far as an appointment may be made to fill a casual vacancy. All Directors, as well as some key officials, are required to fulfil the fit and proper regime prescribed by the Malta Financial Services Authority ('MFSA') in line with standard regulatory due diligence procedures. Moreover, all Directors are required to apply the necessary time and attention to their duties and limit the number of directorships held in other companies, thereby also ensuring the proper performance of their functions.

In 2024 the Board was composed exclusively of non-executive Directors, of which eight were male and one was female. Although not a Director of MMS, the CEO is invited to attend Board meetings with a view to ensuring a full understanding and appreciation of the Company's policies and strategy and to provide direct input as may be required for the Board's deliberations. In addition, certain members of Senior Management are invited to report to the Board as and when required, thereby securing effective information flows as well as fostering a culture of continuous dialogue between the Board and the Company's Management.

As at the date of this review, the Board consists of five independent Directors (including the Chairman) and four non independent Directors (as indicated on page 20 of the Annual Report) as defined by the Code.

In determining the independence or otherwise of its Directors, the Board considers, amongst others, the principles relating to independence of directors contained in the Code, the Company's own policies, as well as general principles of good corporate governance.

In relation to Code Provision 3.2.5 specifically the Code requires that the Board states its reasons if it determines that a director is independent notwithstanding *inter alia* if the director: "*has served on the board for more than twelve consecutive years*".

It is noted in this regard that Paul Testaferrata Moroni Viani (as from April 2022) has served on the Board for a period of more than twelve consecutive years. The Company however, retains that Paul Testaferrata Moroni Viani has sufficient experience and maturity to remain independent of character and objective in his judgment at all times notwithstanding the lapse of the recommended twelve years. Similarly, the Board Chairman Martin Galea (as from his re-appointment in April 2024) has also served on the Company's Board for a period of more than twelve years but the Company is of the opinion that his knowledge and experience of the business remain invaluable while further transition at this stage, given the appointment of new CEOs for both the Company and its main subsidiary as from 1 January 2025, would not be of benefit to any of the stakeholders. Martin Galea is moreover highly competent and astute and will undoubtedly remain entirely unbiased in his judgement despite his service over the years, continuing to act in accordance with the highest principles of governance.

In terms of Code provision 3.4 each non-executive director has moreover submitted his / her confirmation in writing that he / she undertakes:

i. to maintain in all circumstances his independence of analysis, decision and action;
ii. not to seek or accept any unreasonable advantages that could be considered as compromising his / her independence; and
iii. to clearly express his / her opposition in the event that he /she finds that a decision of the Board may harm the Company.

Principle 4 – The Responsibilities of the Board

The Board acknowledges its statutory mandate to establish and maintain corporate governance practices that provide clear lines of accountability and responsibility to support effective decision-making and to monitor the implementation thereof. The Board fulfils this mandate and discharges its responsibilities through the execution of the four basic principles of corporate governance namely, accountability, monitoring, strategy formulation and policy development.

The Board continually and consistently reviews all the different aspects of the Company within the parameters of the relevant laws, regulations and codes of best practice. It seeks to ensure adherence to high ethical standards whilst taking into account all stakeholders' interests, maintaining an effective dialogue with all stakeholders, monitoring the application of management policies and motivating Company Management.

CORPORATE GOVERNANCE STATEMENT

2. COMPLIANCE WITH THE CODE - CONTINUED

Principle 5 – Board Meetings

The Board of Directors sets and supervises the strategy and the policies of the Company, both of which are discussed on a regular basis, and the Board's agenda as well as its' business are managed in such a way so as to ensure effective supervision of the Company's operations in accordance therewith.

The Board meets as often as required to discharge its duties effectively but no less than five times a year. As aforementioned, specific members of the Management team are invited to attend Board meetings from time to time, to update and provide the Directors with a direct report relative to the items on the agenda. A detailed review of the Company's Management Accounts and Key Performance Indicators (as promulgated by the MAPFRE Group in line with industry norms) is carried out at every Board Meeting and the background information on various subjects provided, particularly those requiring the approval of the Board. An update is also provided at every Board Meeting in terms of the various Company projects and accomplishments by Area, as well as on regulatory and other relevant events amongst others.

Apart from setting the strategy and collectively promoting the success of the Company, the Board is actively involved in monitoring progress against the set Budget and Strategy and in approving material or significant transactions.

The Chairman in conjunction with the Company Secretary ensures that all relevant issues are on the Board agenda and supported by relevant and complete information. The agenda for each meeting seeks to strike a balance between long-term strategic objectives and shorter term performance matters.

Notices of the dates of forthcoming Board meetings are circulated well in advance of the relative meetings and meeting packs containing all relevant information, including the minutes of the previous Board Meeting, are circulated to the Directors ahead of each meeting by the Company Secretary. In issuing these communications, regard is had to the timing in order to be sure to allow sufficient opportunity for the Directors to review the information and prepare for the next Board or Committee meeting as scheduled within the annual meeting calendar.

Minutes are taken of each and every Board meeting faithfully recording attendance, matters discussed, action points and resolutions. These minutes are subsequently made available to all Directors for review, prior to sign off by the Chairman.

Decisions of the Board are taken by majority of those present subject to the Chairman's casting vote as may be necessary.

During financial year 2024, the Board of Directors of the Company held seven Board Meetings which were attended as per below.

Martin Galea (Chairman) (NED, I)	7
Antoinette Caruana (NED, I)	6
Gordon Cordina (NED, I)	5
Jose Maria del Pozo (NED)	6
Jose-Luis Jimenez (NED)	3
Eduardo Perez de Lema (NED - appointed as from 1 January 2024)*	6
Etienne Sciberras (NED)	7
Godrey Swain (NED, I)	6
Paul Testaferrata Moroni Viani (NED, I)	6

NED – Non-executive Director
I – Independent
* With regulatory approval as from 4 June 2024

The MMS CEO attended all the Board meetings by invitation.

Moreover, during 2024 a Board Briefing was also held in order to provide the Directors with more detailed information on the subject matter identified as well as to allow opportunity for deeper discussions of pertinent issues. The focal point of the Directors' Briefing in October was to carry out an in-depth review of the developments in the Strategic projects over the three-year plan culminating in 2024 and to discuss the first draft of the new Strategic Plan for the period 2025 to 2027 including the relative Budget requirements.

CORPORATE GOVERNANCE STATEMENT

2. COMPLIANCE WITH THE CODE - CONTINUED

Principle 6 – Information and Professional Development

Although no Induction Briefing was delivered in 2024 as the only Director newly appointed to the Company's Board had been an employee of the MAPFRE Group since 1993 and a Board Director of MAPFRE Espana since 2019 and thus familiar with the strategy and operations of the MAPFRE Group in Malta, this was an exception to the general rule. In all other cases where a new Director is appointed a formal and structured induction programme consisting in a series of presentations and meetings with members of the Management team of the Company is conducted to enable new incumbents to familiarise themselves with the Company's strategy, risk appetite and operations. New Directors also receive a MAPFRE Corporate comprehensive guide that includes, amongst others, Directors' duties and responsibilities.

During 2024 the members of the Company's Board continued to benefit from the MAPFRE Group structured Board training and development programme including a full on-line training schedule available for subscription covering twelve sections with a range of topics ranging from Operational to Technical and Risk to AML matters. The key objective of the programme is to contribute to the continued professional development of the Directors and the Board's collective awareness of corporate governance, solvency, insurance finance, strategy and operations.

Moreover, Directors are at liberty to take independent professional advice on any matter at the Company's expense where they deem it necessary in order to better discharge their duties as Directors and have open access to the advice and services of the Office of the Company Secretary and that of all other Chief Officers. The Company Secretary remains mindful at all times of the responsibility of ensuring adherence to Company policies, Board procedures as well as the facilitation of continual and consistent information flow within the Board and its Committees.

The CEO is appointed by and enjoys the full confidence of the Board and ensures that systems are in place to cater for, amongst others, consistent and continuous support and monitoring of Management, development and training of employees and Directors, as well as succession planning, as required by the provisions of principle 6.4 of Appendix 5.1 of the Capital Markets Rules. The CEO, although responsible for the recruitment and selection of Senior Management, consults with and acts on the advice of the Remuneration Committee and the Board generally relative to appointments and succession for Senior Management. Training (both internal and external) of management and employees is prioritised and is implemented through the Human Resources Department. Several training sessions, both online and live, were also held on various topics during the course of 2024 including on Cyber Security, Inclusion, Mental Health and Environmental, Social and Governance (ESG) Awareness.

Indeed during 2024 the Company ran an intense and specialised training initiative for the CEO, Chief Officers and Heads in conjunction with external specialists referred to as the Transformational Leadership Programme. The Programme represented a significant investment in the leadership team intended to boost collaboration, competence and encourage positive transformation across the Management team with initiatives including individual and team coaching sessions commencing in Q4 2023 and set to run over a period of eighteen months.

Principle 7 – Evaluation of the Board's Performance

During the year under review, the Board once again undertook an evaluation of its own performance, the Chairman's performance and that of its Committees. The evaluation was not conducted externally, but rather, the evaluation exercise was conducted through a Board Effectiveness Questionnaire prepared by the Compliance Function in cooperation with the Company Secretary and the Chairman. The outcome of the exercise was summarised into a Report based on the replies of each individual Director that was then submitted to the Chairman before being circulated amongst all Board members. The Report was then discussed during an informal meeting amongst the Directors and the Company Secretary and an action plan developed and committed to address gaps identified.

No requirement for material changes in the governance structure or processes resulted from this evaluation exercise, however, the emerging action points and recommendations were implemented within 2024 as co-ordinated by the Company Secretary and overseen by the Chairman.

Principle 8 – Committees

The activities of the Board and of the Company's Senior Management team are additionally supported by the Company's Board Committees structured in such a way so as to assist in the guiding and monitoring of particular business processes and specific governance issues. The said Board Committees are the Audit Committee, the Risk and Compliance Committee, the Investments Committee and the Remuneration Committee.

The Terms of Reference of all the Board Committees have been set out and approved by the Board of Directors and by the MFSA.

CORPORATE GOVERNANCE STATEMENT

2. COMPLIANCE WITH THE CODE - CONTINUED

Principle 8 – Committees - continued

AUDIT COMMITTEE

The Audit Committee's terms of reference are modelled on the recommendations of statutory directives, the Capital Markets Rules and the principles of Corporate Governance, whilst also reflecting the provisions of the relevant MAPFRE Group principles. The responsibilities of the Audit Committee include the following:

- monitoring of the financial reporting process
- monitoring of the independence and effectiveness of the Company's internal control, internal audit and risk management systems
- monitoring of the audit of the annual and consolidated accounts
- maintenance of communication on such matters between the Board, management, the external Auditors and the internal Auditors
- making of recommendations to the Board in relation to the appointment of the external Auditor and the approval of the remuneration and terms of engagement of the external Auditor following appointment by the Shareholders in general meeting
- monitoring and reviewing of the external Auditor's independence and in particular the provision of additional services
- development and implementation of a policy on the engagement of the external Auditor to supply non-audit services
- reviewing of actuarial reports
- management of financial risks
- analysis and endorsement of the Annual Internal Audit Plan
- arm's length nature of related party transactions and
- oversight over the statutory audit process including the setting of the relative fees in discussion with the external auditors in accordance with the provisions of the Statutory Regulations governing statutory audits of public interest entities within the European Union.

The Committee generally protects the interests of the stakeholders and the shareholders in particular and assists Directors in ensuring the accuracy of the Company's financial results and reporting. It ensures that the Company's accounting and finance function are robust and transparent, advises the Board on financial reporting in terms of both the financial statements and announcements relative to performance and also has oversight of the Internal Audit Function to ensure adequate resources, independence and follow up on any pertinent audit recommendations.

In regard to the latter, Internal Audit is an independent appraisal function established to examine and evaluate the activities of the Company and its subsidiaries. The Internal Auditor reports to the Audit Committee and attends its meetings. The Internal Auditor is charged by the Audit Committee with the conducting of business process risk-based audits aimed at assessing the adequacy of controls and business process efficiency. The Internal Audit Area also liaises closely with the MAPFRE Group Internal Audit Area to this end.

The Audit Committee moreover ensures co-operation between the internal and external auditors of the Company.

Furthermore, although no such instances arose within 2024, the Audit Committee also reviews related party transactions, considering their nature and materiality and approves them if it deems fit, as well as overseeing the implementation of the Company's Whistleblower Policy.

The composition of the Company's Audit Committee is regulated by the Capital Markets Rules and the Malta Financial Services Authority is kept informed as to any changes in its composition. In terms of Capital Markets Rule 5.117.3, Jose Maria del Pozo and Martin Galea are the members of the Audit Committee with the necessary qualifications, experience and knowledge to render them competent in accounting and auditing. Jose Maria del Pozo having held the position of Chief Financial Officer of the MAPFRE Group since 2018 and a consultant professor for accounting and financial analysis, while Martin Galea is qualified in accounting and audit with years of experience in company management.

Godfrey Swain was appointed re-appointed for a second term as Chairman of the Audit Committee by the Board of Directors in accordance with Capital Markets Rule 5.117.4 as of 30 April 2024. Of the four Directors making up the Audit Committee, three are considered Independent Directors in accordance with the criteria set out in Capital Markets Rule 5.119.

2. COMPLIANCE WITH THE CODE - CONTINUED

Principle 8 – Committees - continued

AUDIT COMMITTEE - CONTINUED

The Audit Committee held seven meetings during 2024. In accordance with Capital Markets Rule 5.117.2, three out of four members are considered independent in line with the criteria set out in Capital Markets Rule 5.119. These are Godfrey Swain, Antoinette Caruana and Martin Galea. The Audit Committee members and relative attendance at meetings is listed below.

Godfrey Swain (Chairman)	7
Antoinette Caruana	6
Martin Galea	7
Jose Maria del Pozo	6

In accordance with Capital Markets Rule 5.118, the Board considers the four Audit Committee members as having the required competence individually and jointly as a Committee, due to their professional background and experience in the financial sector, as well as in other sectors, including the insurance sector, at both national and international level.

The CEO, the Chief Financial Officer and the Internal Auditor, amongst other members of Management, attend the Audit Committee meetings by invitation. The Whistleblower Reporting Officer reports to the Audit Committee as and when required. The external auditors are invited to attend meetings of the Audit Committee and are entitled to convene a meeting of the Committee if they consider that it is necessary. The Company Secretary also acts as Secretary to the Audit Committee.

The Chairperson of the Audit Committee reports to the Board at every Board meeting providing a summary of the salient matters discussed at Committee level thus ensuring transparency and fostering communication and continuity between the said Board Committee and the other members of the Board.

RISK AND COMPLIANCE COMMITTEE

The Board has responsibility for the Company's overall approach to strategic decision making and effective risk management (financial and non-financial including reputational). Thus the Board exercises oversight of risk and how it is managed with appropriate accountability to stakeholders.

The Risk and Compliance Committee has a two-fold function: it assists the Board in overseeing the Company's compliance with the obligations imposed by legislation, codes, rules and regulations, relevant to the Company and its business; and it maintains oversight for review and proper implementation of the Company's Risk policies and assessing and advising the Board on high-level risk-related matters, including the different types of Risk which the Company and its subsidiaries may be exposed to from both a financial and non-financial perspective.

To this end the Committee ensures that the Company's strategy and risk appetite are aligned and monitors the stress testing framework, governance and internal control structures. Furthermore, the Committee approves the annual plan for the Compliance Function and is updated at every meeting on progress in relation to the said plan and other matters referring to regulatory compliance risk including the relationship with the Company's Regulator.

The Money Laundering Reporting Officer, the Complaints Officer and the Anti-Fraud Officer report directly to this Committee. The Money Laundering Reporting Officer and the Compliance Officer of the subsidiary companies Bee Insurance Management Ltd. and EuroMed Risk Solutions Ltd. also report to this Committee at every meeting.

The Risk and Compliance Committee held six meetings during 2024. The Committee, as re-elected during the Board Meeting held after the AGM on 30 April 2024, comprised the following members and their relative attendance at the meetings held were as detailed:

Martin Galea (Chairman)	6
Diane Bugeja	5
Jose Maria del Pozo	3
Etienne Sciberras	6

CORPORATE GOVERNANCE STATEMENT

2. COMPLIANCE WITH THE CODE - CONTINUED

Principle 8 – Committees - continued

RISK AND COMPLIANCE COMMITTEE - CONTINUED

The CEO, the Chief Financial Officer, the Chief Compliance Officer and the Chief Risk Officer, amongst others as may be required, attend the Committee meetings by invitation. The Company Secretary also acts as Secretary to the Committee.

The Chairperson of the Risk and Compliance Committee reports to the Board at every Board meeting providing a summary of the salient matters discussed at Committee level thus ensuring transparency and fostering communication and continuity between the said Board Committee and the other members of the Board.

INVESTMENT COMMITTEE

The Investment Committee is a joint Committee composed of Directors of the Company and Directors of its subsidiary MAPFRE MSV Life p.l.c.. The Investment Committee oversees the investment activities of the Company and its subsidiaries, executes its policies and guidelines, scrutinises and approves material transactions and monitors results.

Although the Investment Committee meets on a monthly basis the business of the Company was discussed at three meetings during 2024. The Committee members and relative attendance to meetings is listed below.

Simon Azzopardi	3
Romeo Cutajar (Chairman)	3
Jose-Luis Jimenez	-
Jose Maria del Pozo	1
Javier Moreno	3
Patrick Spiteri Swain	2
Godfrey Swain	1
Paul Testaferrata Moroni Viani	3

The CEO of the subsidiary MAPFRE MSV Life p.l.c., the Chief Financial Officer both of the Company and of its subsidiary MAPFRE MSV Life p.l.c., the MAPFRE Regional Chief Financial Officer, amongst others as may be required, attend the Committee meetings by invitation. The Company Secretary of the subsidiary MAPFRE MSV Life p.l.c. acts as Secretary to the Committee.

REMUNERATION COMMITTEE

The Board of Directors approves the remuneration of Directors and Chief Officers on the recommendation of the Remuneration Committee. The maximum aggregate directors' emoluments are established and approved by the shareholders during General Meetings as and when required.

Further detail on the various aspects of how the Company remunerates its employees, the workings of this Committee and information relative to its' meetings in 2024 are considered in the Remuneration Statement and Report to the Shareholders.

The Remuneration Committee held five meetings during the period under review and the attendance was as follows:

Antoinette Caruana (Chairperson)	5
Gordon Cordina	5
Martin Galea	5

The CEO for MAPFRE Middlesea p.l.c., the CEO for MAPFRE MSV Life p.l.c., the Chief Officer, Human Resources for MAPFRE Middlesea p.l.c., amongst others as may be required, attend the Remuneration Committee meetings by invitation. The Company Secretary also acts as Secretary to the Committee.

The 2024 Annual Report includes a separate Remuneration Statement in terms of Code Provisions 8.A.3 and 8.A.4 and Remuneration Report in terms of Code Provision 12.26K.

CORPORATE GOVERNANCE STATEMENT

2. COMPLIANCE WITH THE CODE - CONTINUED

Principle 9 – Relations with Shareholders and with the Market

The Company recognises the importance of maintaining a dialogue with its shareholders and of keeping the market informed to ensure that its strategies, as well as performance, are not merely transparent but also understood. The Board is of the view that during the period under review the Company has communicated effectively with the market through a number of company announcements and press releases.

The Company also communicates with its shareholders through the Company's Annual General Meeting ('AGM') concerning which further detail is provided under the section entitled General Meetings. The Chairman ensures that all relevant individuals including the Chairpersons of the Board Committees are present at the AGM to answer any questions as may arise.

Apart from the AGM, the Company communicates with its shareholders through the Annual Report, as available for review and downloading from the Company's website. The Company's website (https://www.mapfre.com.mt) also contains information about the Company and its business, including the six-monthly financial statements and all issued company announcements together with a section entirely dedicated to investor relations for the benefit of all Shareholders and the general public.

Furthermore, the Chairman ensures that constant and consistent communication is maintained with all stakeholders including the shareholders to discuss matters of significant importance or to address particular issues or concerns. To this end, the Chairman and CEO maintain open dialogue with the major shareholders and the Chairman, CEO and Company Secretary hold an annual meeting with representatives of the Malta Association of Small Shareholders to discuss various matters in the interests of the minority shareholders.

Individual shareholders can raise matters relating to their shareholding and the business of the Company at any time throughout the year via the Office of the Company Secretary, a facility which is well availed of and functions very well in practice. Shareholders are also given the opportunity to ask questions at the AGM or submit written questions in advance and the Company recognises their statutory right to request the convening of an extraordinary general meeting in accordance with Article 52 of the Articles of Association of the Company and Article 129 of the Companies Act (Cap. 386 of the Laws of Malta).

Principle 10 – Institutional Shareholders

The Company's Institutional shareholders keep the market updated on issues related to their respective companies through company announcements and press releases and their web site. During the year under review, the Company issued various press releases related to the controlling shareholder, namely MAPFRE S.A, in connection with the latter's operations abroad. The other institutional shareholder, namely Bank of Valletta plc, is a listed company on the Malta Stock Exchange and consequently a steady flow of information is maintained as aforementioned. In addition, the six monthly and annual results include a section on the insurance interests of institutional shareholders.

Principle 11 – Conflicts of Interest

The Directors are strongly aware of their responsibility to act in the interest of the Company and its stakeholders including its shareholders at all times, irrespective of whom appointed them to the Board, and of their obligation to avoid conflicts of interest. During the period under review, the Board maintained its practice that in the event of a real or potential conflict of interest arising in respect of a Director in connection with any transaction or other matter, the interest is to be declared and the individual concerned shall refrain from taking part in proceedings or decisions relating to the matter. The Board minutes evidence such declarations as and they arise.

In accordance with the MAPFRE Corporate Governance Policy and the Policy for Managing Conflicts of Interest, a Director is to avoid situations in which he could have a conflict of interest, whether direct or indirect, actual or potential, with the interest of the Company and shall ensure that personal interests of any nature do not take precedence over the interests of the Company and its stakeholders.

CORPORATE GOVERNANCE STATEMENT

2. COMPLIANCE WITH THE CODE - CONTINUED

Principle 11 – Conflicts of Interest - continued

The Company also has an Internal Code of Conduct Relating to Listed Securities addressed to all directors and selected officers of the Company and its Subsidiary undertakings. The aim behind this Code is to ensure compliance with the Prevention of Market Abuse Regulatory Framework as well as the recommendations and principles contained in the Capital Markets Rules. The Company keeps a record of all advance notices received in connection with permitted dealings by directors and selected officers and acknowledgements of such advance notices. The Company reminds all Directors and senior officers of their obligation to conform to the Code on an annual basis.

As required by principle 11.3 of Appendix 5.1 of the Capital Markets Rules a Directors' beneficial interest in the share capital of the Company as at 31 December 2024 has been declared by Paul Testaferrata Moroni Viani stemming from his indirect shareholding in the Company's shares through his shareholding in family businesses.

Principle 12 – Corporate Social Responsibility

During 2024, MAPFRE Malta once again met its CSR objectives collaborating with a number of different entities to organize several activities, ranging from food and blood donations, environmental activities and donations to various charitable organisations and NGOs. Caritas, Hospice, Puttinu Cares, Dar Bjorn, Dar il-Kaptan and YMCA were some of the beneficiaries of these donations to mention a few.

As per previous years, Fundación MAPFRE allocated over €150,000 for projects in Malta in various areas including road safety awareness, health campaigns and social actions. Moreover, the Foundation has collaborated with Caritas Malta, supporting an Adventure Therapy Cycling Project in order to provide therapeutic outdoor activities for adolescents dealing with substance abuse issues. Throughout 2024, Fundación MAPFRE also continued in their efforts to generate awareness towards road safety measures by contributing to the education of young adults and the public in general in this regards. Besides its ongoing campaign in collaboration with Malta Public Transport, Ministry of Education and the Road Safety Council, Fundación MAPFRE teamed-up with Doctors for Road Safety (D4RS), who share the same concerns on this important immediate national issue.

MAPFRE Malta also joined the fight against breast cancer with a variety of awareness-raising activities through their #ThinkPink campaign, as well as by collaborating with the Action for Breast Cancer Foundation as per previous years.

3. NON-COMPLIANCE WITH THE CODE

Principle 3 – Composition of the Board

The Code recommends that the Board of Directors be composed of executive and non-executive Directors, including independent non-executives. The Company's Board, as explained in Section 2 – Principle 3 of this Statement, is composed exclusively of non-executive Directors. The appointment of Directors to the Board is a matter reserved exclusively to the Company shareholders (except in the case of the filling of a casual vacancy) and each Director retires from office at the AGM. Therefore, the composition of the Board of Directors is determined by the shareholders during the AGM. Moreover the CEO of the Company attends and reports during all meetings of the Board and various Senior Managers attend by invitation to report on salient matters thereby ensuring a constant and effective flow of information between the Company's Management and Board of Directors.

Principle 4 – The Responsibilities of the Board

Code Provision 4.2.7 recommends: "*the development of a succession policy for the future composition of the Board of Directors and particularly the executive component thereof, for which the Chairman should hold key responsibility*".

Regard being had to the non-executive role of the Company's Directors and in view of the facts explained above, particularly that the appointment of Directors is a matter reserved exclusively to the Company's shareholders and that every director retires from office at the Annual General Meeting, the Company has not felt the necessity to date to formalise a succession policy for the Board of Directors. That said, the Company and its Board remain mindful of the recommendation and this view would potentially be re-visited in the event of a change in Board composition or other circumstances.

Insofar as the management of the Company, the Human Resources Area maintains a succession plan for the key executives which plan is monitored and discussed by the Remuneration Committee as aforementioned.

CORPORATE GOVERNANCE STATEMENT

3. NON-COMPLIANCE WITH THE CODE - CONTINUED

Principle 7 – Evaluation of the Board's Performance

Code Provision 7.1 recommends: "*the Board should appoint a committee chaired by a non-executive Director in order to carry out a performance evaluation of its role*".

As explained above the Board has not appointed a specific committee to carry out a performance evaluation but has rather opted to have an annual performance evaluation exercise carried out under the auspices of the internal Compliance Area through the compilation of a Board Effectiveness Questionnaire by each individual Director.

The questionnaire is particularly robust and is structured into eight sections with a total of 63 statements covering several aspects of Board membership including the understanding of the workings of the Board and its Committees, the Company's products and services, distribution channels, strategy and risk, as well as governance, training requirements, subsidiaries and contingent liabilities. Directors are also invited to elaborate further on any of the statements at the end of the questionnaire.

An objective and independent report as to the overall outcome of the findings is then drawn up by the Compliance Area and shared with the Chairman to co-ordinate further individual or group discussion with the Directors based on the replies. In 2024 a group discussion of the final report was facilitated by a specific off-site meeting presided over by the Chairman and recommendations were noted for implementation by the Company Secretary.

For these reasons the process is deemed to be comprehensive and sufficient to meet the intended aims.

Principle 8B – Nomination Committee

Pursuant to the Company's Articles of Association and as aforementioned the appointment of Directors to the Board is reserved exclusively to the Company's shareholders, in line with the general commercial practice in Malta. Shareholders holding 11% or more of the issued shares are entitled to appoint one director for every 11% holding, whilst the other shareholders are entitled to appoint the remaining Board members at the Annual General Meeting in accordance with the provisions of the Articles of Association.

Thus the Company considers that the procedure is already sufficiently defined and the requirements of transparency are also well-met without the need for the establishment of a formal Nomination Committee.

Principle 9 – Relations with Shareholders and with the Market

Code Provision 9.3 recommends the Company having a mechanism in place to resolve conflicts between minority shareholders and controlling shareholders.

The Board is mindful of its duty to act in the interest of all stakeholders, independent of whom appoints them and the balance between the interests of all shareholders is of paramount consideration at all times. To this end the Board seeks to make available a fair, balanced and understandable assessment of the Company's position and prospects, publish all relevant information on its web site and ensures there are channels to receive feedback from stakeholders including shareholders.

To this end, although the Company does not have a specific mechanism in place there is open dialogue between Management and all the non-Executive Directors of the Company. The Company also ensures a good relationship with the Malta Association for Small Shareholders maintaining an open-door policy with them, as well as with any individual shareholders who may be interested in making direct submissions to the Company, through the Office of the Company Secretary.

In light of this, and as the Company is mindful of the protection granted to minority shareholders in terms of the Companies Act (Cap. 386 of the Laws of Malta) by which it would necessarily be bound to abide, the Company is of the opinion that no formal procedures to resolve conflict between minority and controlling shareholders are necessary at this stage.

CORPORATE GOVERNANCE STATEMENT

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

This information is being provided in terms of Capital Markets Rule 5.97.4.

While authority to manage the daily business of the Company is delegated to the CEO within the limits set by the Board, the Board is ultimately responsible for the Company's internal control systems and for ensuring their effectiveness. Such systems are designed to manage, rather than eliminate, the risks associated with achieving business objectives and can only provide reasonable (as opposed to absolute) assurance against material misstatement or loss.

The Company manages its internal risk through the 'three lines of defence' approach, ensuring achievement of commercial aims while continuing to meet all legal and regulator requirements. These then feed into the Board through the Audit Committee and the Risk and Compliance Committee in order for the Board to maintain oversight of the processes and procedures ensuring the effectiveness of the systems of internal control.

The key features of the Company's systems of internal control are as follows:

Organisation - The Company has clear reporting lines from the Boards of Directors of subsidiary and associated companies. The MMS Chairman is also kept informed as to the operations of the subsidiary companies either by sitting directly on the respective Boards or through the other Company Directors and Senior Management who sit on the Company and subsidiary boards, Management and Operational Committees.

Risk Identification - The respective Management of each of the Group companies is responsible for the identification and evaluation of key risks applicable to their areas of business. The Board reviews its Risk Management policies and strategies and oversees their implementation to ensure that identified key risks are properly assessed and managed. The risk based nature of the Solvency II regime requires the company to have an effective risk management system in place to identify, measure, manage, monitor and report on the main risks which could impact the entity. This process is embodied in the annual ORSA (Own Risk and Solvency Assessment) process. Expert judgements, stress testing and sensitivity analysis are important elements in the Company's risk identification framework embedded in the ORSA process. The ORSA report is submitted to the competent Authority on an annual basis after approval of the Risk and Compliance Committee and ultimately of the Board of Directors.

Reporting - Functional, operating and financial reporting standards are applicable to all entities of the Group. Systems and procedures are in place to identify, control and report on the major risks. The Board receives periodic management information giving comprehensive analysis of financial and business performance including variances against budgets.

GENERAL MEETINGS

This information is being provided in terms of Capital Markets Rule 5.97.6.

The General Meeting is the Company's most supreme decision-making organ and its functions are governed by, and conducted in accordance with, the Company's Articles of Association. The General Meeting is called with not less than twenty-one days' notice in writing. In addition to any matters which are deemed to constitute 'special business', the annual general meeting deals with matters of a recurring nature namely, the declaration of a dividend, the consideration of the accounts, statement of financial position and reports of the directors and auditors, the election of directors, the appointment of the auditors and theauthorisation of the directors to set their remuneration. The Memorandum and Articles of the Company may be amended by means of an extraordinary resolution (as defined in the Articles) of the Company during general meetings.

The Board of Directors is responsible for developing the agenda for the AGM and sending it to the shareholders.

CORPORATE GOVERNANCE STATEMENT

GENERAL MEETINGS - CONTINUED

Shareholders' rights can be exercised in accordance with the Articles of the Company, the Companies Act and the Capital Markets Rules. Accordingly, all shareholders registered in the Shareholders' Register on the Record Date as defined in the Capital Markets Rules, have the right to attend, participate and vote in the general meeting. A shareholder or shareholders holding not less than 5% of the nominal value of all the shares entitled to vote at the General Meeting may request the Company to include items on the agenda of a General Meeting and / or table draft resolutions for items included in the agenda of a general meeting. Such requests are to be received by the Company at least forty-six days before the date set for the relative General Meeting.

A shareholder who cannot participate in the General Meeting can appoint a proxy by written or electronic notification to the Company. Every shareholder represented in person or by proxy is entitled to ask questions which are pertinent and related to items on the agenda of the General Meeting and to have such questions answered by the Directors or such persons as the Directors may delegate for that purpose.

In 2024 the Company held its AGM on 30 April to enable active participation by all those having an interest in doing so and to allow the shareholders proper opportunity to engage with the Company Directors and members of Management.

Signed by Martin Galea (Chairman) and Antoinette Caruana (Director) on the 25 March 2025.

REMUNERATION STATEMENT AND REPORT OF THE REMUNERATION COMMITTEE TO THE SHAREHOLDERS

1. TERMS OF REFERENCE AND MEMBERSHIP

In accordance with Section 8A of The Code of Principles of Good Corporate Governance (Appendix 5.1 of the Capital Markets Rules under Chapter 5 on Continuing Obligations), the Remuneration Committee ('the Committee') of MAPFRE Middlesea p.l.c. ('MMS' or 'the Company') hereby submits its Remuneration Statement and Report to the shareholders of MMS.

The Committee's main task, in accordance with its Terms of Reference, is to ensure that the MMS Remuneration Policy is implemented and to propose appropriate remuneration packages for Directors and Chief Officers in accordance therewith. The Remuneration Committee also monitors the level and structure of the remuneration packages for Directors and Chief Officers based on the information presented by Management from time to time.

As at 1 January 2024, the Committee Members were Antoinette Caruana (Chairperson), Martin Galea and Gordon Cordina. These individuals stood for re-election as Directors at the Company's Annual General Meeting ("AGM") held on the 30 April 2024 and, at the Board meeting held directly after the AGM, the said individuals were again appointed as members of the Remuneration Committee. Antoinette Caruana was once again appointed Chairperson.

All the Committee Members are non-Executive Directors of MMS with no personal financial interest as recommended by Code provision 8.A.1. The MMS President & Chief Executive Officer ("CEO"), Javier Moreno, the MAPFRE MSV Life p.l.c (MMSV) Chief Executive Officer, Etienne Sciberras and other members of senior management, including Ines Silva in her capacity as Chief Officer Human Resources for both companies, were invited to attend the Committee meetings held throughout the year as and when required. The Company Secretary, Dr Daphne Sims Dodebier, acted as the Secretary to the Committee.

Code provision 8.A.1 recommends that an independent non-Executive Director (NED) chair the Committee and indeed Antoinette Caruana is an independent NED. Nonetheless, the Committee takes decisions by the unanimous agreement of its Members further to open and transparent discussions.

2. MEETINGS

The Remuneration Committee held five meetings during the period under review and the attendance was as follows:

Member	Attended
Antoinette Caruana (Chairperson)	5
Gordon Cordina	5
Martin Galea	5

The Committee determined and/or discussed the following matters:

- Senior Management Appointments:
- HR Reports;
- Proposed Performance Bonus Pay-Out for FY2023 & Salary increase for 2024;
- 2024 *Management by Objectives* Variable remuneration framework;
- Collective Agreement Amendments;
- Implementation of the Transformational Leadership Programme;
- Succession Planning;
- Outcome of the eNPS 2024 Survey;
- Remuneration Statement for the Annual Report

REMUNERATION STATEMENT AND REPORT OF THE REMUNERATION COMMITTEE TO THE SHAREHOLDERS

3. REMUNERATION STATEMENT

a. Remuneration Policy - Senior Management

The MMS Remuneration (also sometimes referred to as Compensation) Policy framework is set by the Board of Directors acting through the Remuneration Committee. It is based on the guidelines and principles contained within the MAPFRE Group Compensation Policy which was most recently approved by the majority of shareholders during the MAPFRE Middlesea p.l.c Annual General Meeting held on 28 April 2023.

The Committee reviews and approves the individual remuneration arrangements for Senior Management, namely, the CEO, the Chief Financial Officer, the Company Secretary, the Chief Officers and the Internal Auditor.

The Committee has access to both internal and independent external advice on remuneration matters as and when required.

The Committee deems the current Senior Management remuneration packages to be in line with the local market equivalents and holds them to be fair, reasonable and commensurate to the responsibilities involved. The Committee also believes that the remuneration packages are such as to enable the Company to attract, retain and motivate employees having the appropriate skills and qualities to ensure the proper management of the organisation.

There have been no significant changes to the Company's Remuneration Policy for Senior Management during the financial year under review. The Pension Scheme implemented in the second half of Financial Year 2022 continues with good take up from employees.

As previously explained, the Pension Scheme is voluntary and intended to provide employees with an opportunity to build up their retirement savings during their employment. All employees of the Company, including Senior Management, but excluding Directors, are eligible to be enrolled in the Pension Scheme, provided that they have been in employment with the Company for at least two years. Those employees who opt to participate in the Pension Scheme, determine their own monthly contribution between the minimum and maximum amounts established by the Pension Scheme's Terms and Conditions. In return, the Company then makes contributions into the accounts of these employees who would have opted to participate in the Pension Scheme and contributes twice the amount contributed by the employee subject to a maximum based on duration of service, which is also established in the Pension Scheme's Terms and Conditions. Please refer to Note 11 in the Financial Statements for further information with regard to the contribution made by the Company for Financial Year 2024 relative to the said Scheme.

The performance appraisal system underpinning the Company's remuneration structure as implemented in 2013 and the performance bonus scheme implemented in 2014 also continued to apply in 2024, with the latter being reviewed and further enhanced as necessary on an annual basis.

The said performance bonus scheme is still based on the achievement of Group, Company and Departmental objectives and was further enhanced in 2019 to give some weight to the adherence to Corporate Values. In Financial Year 2020 the performance appraisal system was upgraded to a new tool which allows for the generation of 360 degree feedback between peers and internal clients and continuous communication between employees and their direct managers throughout the year making the performance evaluation a lot more holistic.

The terms and conditions of employment for Senior Management are set out in their respective contracts of employment. In principle, these contracts do not contain provisions for termination payments or other amounts linked to early termination nor have there been any cases of early termination in practice. Share options, pension benefits and profit sharing are not part of the MMS Remuneration Policy for Senior Management. Indeed Senior Management, is not entitled to any compensation of a variable nature except the performance bonuses set out hereunder.

REMUNERATION STATEMENT AND REPORT OF THE REMUNERATION COMMITTEE TO THE SHAREHOLDERS

3. REMUNERATION STATEMENT - CONTINUED

a. Remuneration Policy - Senior Management - continued

The MMS CEO is eligible for an annual bonus entitlement calculated with reference to the attainment of pre-established objectives and targets as recommended by the Remuneration Committee and approved by the Board of Directors.

Insofar as the performance bonus for Senior Management as aforementioned, this is calculated in accordance with the percentage achievement of the Group and Departmental objectives referred to above. The performance bonus is inter alia approved by the Remuneration Committee and determined in accordance with the performance appraisal process. No supplementary pension or other pension benefits are payable to Senior Management. Additionally, in 2022, a right of clawback was introduced in the Remuneration Policy for Key Staff where, if the relevant Variable Remuneration attains one of two quantitative criteria, 30% of the applicable Variable Remuneration would be deferred over three years to provide for the potential of such clawback.

Both in the case of the MMS CEO and for Senior Management, the Remuneration Committee is of the view that the proportion of fixed remuneration to performance bonus is also reasonable and appropriate.

Non-cash benefits to which Senior Management are entitled include the use of a company car and health insurance. The death-in-service benefit also forms part of the non-cash benefits and the same terms are applicable to all other Company employees.

Total emoluments received by Senior Management during Financial Year 2024 are deemed to be of a commercially sensitive nature and are thus not being disclosed in this Report in line with Code Provision 8.A.6.

b. Remuneration Policy – Directors

As at 31 December 2024, the Board of Directors of MAPFRE Middlesea p.l.c. was composed of nine non-Executive directors. Three Directors, namely Eduardo Perez de Lema, Jose-Luis Jimenez and Jose Maria del Pozo, did not receive a fee in accordance with the established policy of the MAPFRE Group with which they are employed and which appointed them. Etienne Sciberras also did not receive a fee since during Financial Year 2024 he occupied the position of Chief Executive Officer of MAPFRE MSV Life p.l.c. (a subsidiary of MMS).

Based on the recommendations of the Committee, the current Directors' fees, for each Director as applicable, and as approved by the Board are as follows:

Directors' Fees including Board Committees as applicable	
Chairman	€60,000 per annum (2023: €60,000)
Other Directors (per Director)	€40,000 per annum (2023: €40,000)
Audit Committee Fees	
Chairman	€7,000 per annum (2023: €7,000)
Member (per member)	€5,000 per annum (2023: €5,000)
Subsidiary Fees	
Chairman	€7,000 per annum (2023: €7,000)
Member (per member)	€5,000 per annum (2023: €5,000)

None of the Company's Directors had any service contracts with either the Company or any of its subsidiaries as at the end of the Financial Year.

Directors' emoluments are established to reflect the responsibility and time committed by Directors to the affairs of the Company, including the Board Committees of which a Director may be a member save for the Audit Committee that is additionally remunerated as detailed above. None of the Directors, in their capacity as Director of the Company and/or Committee members, are entitled to profit sharing, share options, pension benefits, participation in the Employee Pension Scheme or any other remuneration.

REMUNERATION STATEMENT AND REPORT OF THE REMUNERATION COMMITTEE TO THE SHAREHOLDERS

3. REMUNERATION STATEMENT - CONTINUED

c. Code Provision 8.A.5

Directors' Emoluments 2024

Fixed Remuneration	**Variable Remuneration**	**Share Options**	**Others**
€249,753	None	None	None

Fees payable to directors in respect of 2024 amounted in total to €249,753 (2023: €264,083).

The emoluments of Senior Management are not being disclosed in line with Code Provision 8.A.6 since these are deemed to be of a commercially sensitive nature. This decision will continue to be reviewed on an annual basis.

d. Code Provision 12.26K

In addition to the information provided above and with reference to Appendix 12.1 of the Capital Markets Rules it is noted that the maximum annual aggregate emoluments that may be paid to the Directors are approved by the shareholders in the General Meeting in terms of Article 81 of the Company's Articles of Association. This amount was established by the Board of Directors after consultation with the MAPFRE Group and based on the guidelines as set forth in the Compensation Policy relative to the fixing of compensation for the non-Executive members of the governance bodies having regard to the Company's financial situation, profitability and sustainability. The maximum annual aggregate amount was then confirmed in the total sum of €350,000 per annum at the forty-second Annual General Meeting held on the 30 April 2024, which has remained consistent since 2018.

The amount paid to each Director by the Company for attendance at meetings of the Board or of the Board Committees, when due as explained above, is not tied to the Company's performance or other performance criteria but is a pre-determined, fixed annual amount as indicated below:

Director	**2024 Fees €**	**2023 Fees €**	**Percentage Annual Change of Remuneration %**			
			2023-2024	2022-2023	2021-2022	2020-2021
Martin Galea (NED & Board Chairman)	65,000	65,000	0.00	-10.55	4.81	1.96
Antoinette Caruana (NED)	45,003	45,000	0.00	0.00	4.65	0.00
Gordon Cordina (NED)[1]	50,000	52,333	-12.28	0.00	n/a	n/a
Jose Maria del Pozo (NED)	nil	nil	n/a	n/a	n/a	n/a
Eduardo Perez de Lema (NED) from 1 January 2024	nil	nil	n/a	n/a	n/a	n/a
Jose Luis Jimenez (NED)	nil	nil	n/a	n/a	n/a	n/a
Etienne Sciberras (NED from 29 April 2022)[2]	nil	nil	n/a	n/a	n/a	n/a
Godfrey Swain (NED)	49,750	48,417	2.88	n/a	n/a	n/a
Paul Testaferata Moroni Viani (NED)	40,000	40,000	0.00	0.00	0.00	(6.98)
Total	**249,753**	**250,750**				

[1] *The amount includes €50,000 paid to Dr Gordon Cordina as Chairman of the subsidiary Board.*

[2] *Total emoluments for 2024 paid to Mr Etienne Scbiberras as CEO of MAPFRE MSV Life amounted to €381,492 (2023: €239,530). This amount includes €60,959 being the value of 70% of the MAPFRE S.A. shares entitlement that were delivered on the 20 March 2025 the value of which was determined by the closing price on 19 March 2025 of €2.898. The amount does not include the value of 9,015 shares in MAPFRE S.A. whose value will only be determined when such shares will be delivered over the coming three years.*

* *Percentage annual change of remuneration were based on annualised remuneration for the years being compared, as applicable, to allow for a meaningful comparison.*

REMUNERATION STATEMENT AND REPORT OF THE REMUNERATION COMMITTEE TO THE SHAREHOLDERS

3. REMUNERATION STATEMENT - CONTINUED

d. Code Provision 12.26K - continued

Remuneration paid to Directors as shown in the above table are all fixed in nature and thus the ratio of fixed and variable remuneration was 100%-0% for both years being reported. The changes in the total remuneration of Non-Executive Directors is to be considered with the information included in the table, further down in this report, showing a comparison between the percentage annual change of remuneration of CEO against company performance metrics and percentage annual change of the Company's employees' average remuneration employed on a full-time basis equivalent.

None of the Directors and Members of the Board Committees held any service contracts with the Company or any of its subsidiary undertakings and no Director is entitled to share options, profit sharing, pension benefits or any other type of emoluments save for the provision of cover under a Group Life scheme. It is also confirmed that no other fees were payable or paid to any of the Directors or Committee Members during the financial year under review.

By reference to Capital Markets Rule 12.2A no other person is deemed to be in charge of the operations or the activities of the Company, and thus fall within the definition of director, beyond the members of the Board and the Chief Executive Officer.

In this respect and relative to Appendix 12.1 the total emoluments paid by the Company to the Chief Executive Officer in office during Financial Year 2024 were as follows:

	Financial Year			
President & CEO, Javier Moreno Gonzalez	2024	2023	2022	2021
	€	€	€	€
Fixed Salary	201,474	191,880	184,500	135,000
Defined pension contribution	63,553	58,601	41,985	30,375
Other fringe benefits	105,831	102,551	106,644	84,262
Total Fixed remuneration	370,858	353,032	333,129	249,637
Variable remuneration				
In cash *	244,350	135,674	116,320	97,817
In MAPFRE S.A. shares ((31,556)**	91,449	—	—	—
Total variable remuneration	335,799	135,674	116,320	97,817
Total remuneration	706,657	488,706	449,449	347,454
Fixed Variable Proportion	52%-48%	72%-28%	74%-26%	72%-28%

* *The amounts are 70% paid immediately after the respective financial year with the remaining 30% being settled in three equal installments in the following three years.*

** *The amount is for the 70% of the shares entitlement that were delivered on the 20 March 2025 the value of which was determined by the closing price on 19 March 2025 of €2.898. The value of the remaining 30% (13,524 shares in MAPFRE S.A.) will be determined based on the share price when such shares will be delivered over the coming three years.*

In respect of Variable Remuneration, deferred or otherwise, paid or pending payment, a partial or total reduction is possible if particular circumstances arise including in the event of a restatement of annual accounts other than resulting from a change in legislation and in the event of fraud. No such occurrence took place in 2024.

REMUNERATION STATEMENT AND REPORT OF THE REMUNERATION COMMITTEE TO THE SHAREHOLDERS

3. REMUNERATION STATEMENT - CONTINUED

d. Code Provision 12.26K - continued

Variable remuneration for the CEO is based on Global, Regional and Country results together with Country premium written targets, with the highest weighting given to the Country results and premiums respectively. The main objective of the Group is profitable Growth and the targets are aligned with such objectives. As part of a Global Group it is expected that as a Country we contribute towards the profitability of both the Region and the Global Group results and accordingly part of the variable remuneration is attached to the achievement of the higher Group results. The achievement percentage follows a set scale going from complete non-achievement, to pro-rata if not fully achieved, to accelerated achievement if targets are exceeded. These scales are in line with the Remuneration Policy and approved accordingly by the Remuneration Committee.

In terms of the requirements within Appendix 12.1 of the Capital Markets Rules, the following table presents the annual change of remuneration of the CEO, of the Company's performance, and of average remuneration on a full-time equivalent basis of the Company's employees over the four most recent financial years:

Performance indicators	% Difference FY2024-FY2023	% Difference FY2023-FY2022	% Difference FY2022-FY2021	% Difference FY2021-FY2020
Company's profit after tax	6.45%*	59.86%	45.30%	(36.64)%
Company's gross premium written	8.27%	9.88%	8.75%	6.64%
Remuneration of Company's President & CEO	44.60%**	8.73%	(2.98)%	1.90%
Company's employees' average remuneration on full time equivalent	6.98%	1.34%	3.39%	6.44%
Group's employees' average remuneration on full time equivalent	4.29%	2.90%	3.01%	5.54%

* *The increase arose mainly from a €1.00 million net dividend received from MAPFRE MSV Life p.l.c. in 2024 with no comparative. Technical results, were generally in line with those of 2023..*

** *The increase arose mainly from 2the variable component of the remuneration of the CEO following the achievement of MAPFRE S.A. long-term targets for the period 2022-2024 becoming payable at the end of 2024. The amount excludes payment by way of 13,524 MAPFRE S.A. shares that can only be determined when the shares are delivered over the coming three years..*

In terms of the requirements within Appendix 12.1 (f) there has been no deviation from the procedure for the implementation of the remuneration policy as defined in Chapter 12 of the Capital Markets Rules.

As required by provision 12.26N of the Capital Markets Rules the Company's auditors have verified that the information that needs to be included in the Remuneration Report as per Chapter 12 and Appendix 12.1 of the Capital Markets Rules, has been included.

Signed by Antoinette Caruana (Director and Remuneration Committee Member) on 25 March 2025

KPMG

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MAPFRE MIDDLESEA P.L.C.

1. REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of MAPFRE Middlesea p.l.c (the "Company") and of the Group of which the Company is the parent, which comprise the statements of financial position as at 31 December 2024, 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 and of the Group as at 31 December 2024, and of their financial performance and their 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") and, additionally, specifically in relation to those of the Group, with the requirements of Article 4 of Regulation (EC) 1606/2002 on the application of international accounting standards (the "Regulation").

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 and the Group in accordance with the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), 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.

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 year (selected from those communicated to the audit committee), and include a description of the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We summarise below the key audit matters, together with our response by way of the audit procedures we performed to address those matters in our audit, and key observations arising with respect to such risks of material misstatement.

Estimates of the liability for incurred claims ("LIC") with respect to short-term contracts

Accounting policy note 2.10 to the financial statements and notes 3 and 24 for further disclosures

<u>LIC for short-term contracts (€37,710 thousand) within 'Insurance Contract Liabilities'</u>

The liability for incurred claims is measured as the total of the expected fulfilment cash flows relating to insurance events that occurred by the financial reporting date, which comprise estimates of future cash flows, adjusted to reflect the time value of money and a risk adjustment for non-financial risks. We have considered the estimate of future cash flows as a key audit matter in view of the significant assumptions that drive the estimate, being the subjectivity surrounding: the determination of the development factors for the estimates of future cash flows derived using actuarial claims projection; and the claims handlers' judgement for specific claims reserves which exceed a certain quantum.

KPMG

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MAPFRE MIDDLESEA P.L.C.

1. REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS - CONTINUED

KEY AUDIT MATTERS - CONTINUED

Estimates of the liability for incurred claims ("LIC") with respect to short-term contracts - continued

Due to the degree of such inherent estimation uncertainty underlying the estimate of future cash flows, the amounts recognised in the statement of financial position may be different to those eventually settled. Those differences may be material.

Our response

Our procedures include:

- With respect to the actuarial claims projected, we used our own actuarial specialist to develop an independent expectation using actuarial standard techniques, as well as industry knowledge and experience, and;
- In relation to the specific claims reserves which exceed a certain quantum, we evaluated the judgements made by the claims handlers based on the information available to the Company at the financial reporting date.

Key observation

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

Measurement of assets and liabilities for remaining coverage ("ARC" and "LRC") for insurance contracts and reinsurance contracts held in relation to long-term contracts carried out by the main subsidiary of the Group, MAPFRE MSV Life p.l.c. (MMSV)

Accounting policy note 2.10 to the financial statements and notes 3 and 24 for further disclosures

ARC and LRC for long-term contracts within the 'Insurance contract assets' (€7,080 thousand), 'Insurance contract liabilities' (€1,954,478 thousand) and 'Reinsurer's contract liabilities' (€17,073 thousand)

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

MMSV 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 MMSV will recognise 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 recognised as profit in the future. Those differences may be material.

KPMG

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MAPFRE MIDDLESEA P.L.C.

1. REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS - CONTINUED

KEY AUDIT MATTERS - CONTINUED

Measurement of assets and liabilities for remaining coverage ("ARC" and "LRC") for insurance contracts and reinsurance contracts held in relation to business carried out by the main subsidiary of the group MAPFRE MSV Life p.l.c. (MMSV) - 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 MMSV'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 MMSV'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:
- 'Chairman's Statement';
- 'President & Chief Executive Officer's Statement';
- 'Directors' Report';
- 'Corporate Governance Statement; and
- 'Remuneration Statement and Report of the Remuneration Committee to the Shareholders',

but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and, other than in the case of the directors' report on which we report separately below in our 'Opinion on the Directors' Report', we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 additionally, specifically in relation to those of the Group, with the requirements of Article 4 of the Regulation. The directors are also responsible 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.

In preparing the financial statements, the directors are responsible for assessing the Company's and the Group'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 and/or the Group or to cease operations, or have no realistic alternative but to do so.

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

KPMG

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MAPFRE MIDDLESEA P.L.C.

1. REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS - CONTINUED

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.
- 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 and the Group'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 and the Group's ability to continue as a going concern. If we conclude that a material uncertainwty 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 and/or the Group 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

KPMG

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MAPFRE MIDDLESEA P.L.C.

1. REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS - CONTINUED

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS -CONTINUED

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.

2. 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 and other applicable legal requirements, and are to include a statement that the Company is a going concern with supporting assumptions or qualifications as necessary, as required by Rule 5.62 of the Capital Markets Rules issued by the Malta Financial Services Authority (the "Capital Market Rules").

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;
- 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.

Pursuant to Rule 5.62 of the Capital Markets Rules, we are required to review the directors' statement in relation to going concern.

In such regards:

- in our opinion, the Directors' Report has been prepared in accordance with the applicable legal requirements;
- we have not identified material misstatements in the Directors' Report; and
- we have nothing to report in relation to the statement on going concern.

3. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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 year thereafter. The period of total uninterrupted engagement is ten 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.

KPMG

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MAPFRE MIDDLESEA P.L.C.

3. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS - CONTINUED

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.

Report on compliance of the Annual Report with the requirements of the Commission Delegated Regulation (EU) 2018/815 supplementing Directive 2004/109/EC (the "European Single Electronic Format Regulatory Technical Standard" or "ESEF Regulation"), by reference to Capital Markets Rule 5.55.6 issued by the Malta Financial Services Authority

We have undertaken a reasonable assurance engagement in accordance with the requirements of Directive 6 issued by the Accountancy Board in terms of the Accountancy Profession Act, 1979 (Chapter 281, Laws of Malta), the *Accountancy Profession (European Single Electronic Format)* Assurance Directive, on the Annual Report for the year ended 31 December 2024, prepared in a single electronic reporting format.

Responsibilities of the directors for compliance with the requirements of the ESEF Regulation

As required by Capital Markets Rule 5.56A, the directors are responsible for the preparation of the Annual Report in XHTML format, including the relevant mark-ups, in accordance with the requirements of the ESEF Regulation.

In addition, the directors are responsible for such internal control as they determine is necessary to enable the preparation of the Annual Report that is in compliance with the requirements of the ESEF Regulation.

Auditors' responsibilities to report on compliance with the requirements of the ESEF Regulation

Our responsibility is to obtain reasonable assurance about whether the Annual Report in XHTML format, including the relevant mark-ups, comply in all material respects with the ESEF Regulation based on the evidence we have obtained. As part of our work, we obtain an understanding of the Company's controls relevant to the preparation of the Annual Report in compliance with the said requirements, but not for the purpose of expressing an opinion on the effectiveness of the controls in place.

In discharging that responsibility, we:

- obtain an understanding of the entity's financial reporting process, including the preparation of the Annual Report, in accordance with the requirements of the ESEF Regulation;
- perform validations to determine whether the Annual Report has been prepared in accordance with the requirements of the technical specifications of the ESEF Regulation; and
- examine the information in the Annual Report to determine whether all the required mark-ups therein have been applied and whether, in all material respects, they are in accordance with the requirements of the ESEF Regulation.

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

Conclusion

In our opinion, the Annual Report for the year ended 31 December 2024 has been prepared, in all material respects, in accordance with the requirements of the ESEF Regulation, by reference to Capital Markets Rule 5.55.6..

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

KPMG **25 March 2025**
Registered Auditors

KPMG

INDEPENDENT ASSURANCE REPORT TO THE SHAREHOLDERS OF MAPFRE MIDDLESEA P.L.C.

Report required by Capital Markets Rules 5.98 and 12.26N issued by the Malta Financial Services Authority (the "MFSA")

We were engaged by the Directors of MAPFRE Middlesea p.l.c.(the "Company") to report on the disclosures of specific elements in the Corporate Governance Statement and the Remuneration Report (the "Disclosures") as at 31 December 2024, in the form of an independent reasonable assurance conclusion, as to whether they are, in all material respects, in compliance with the corporate governance regulations and information to be provided in the Remuneration Report set out in the Capital Markets Rules issued by the MFSA (the "Capital Market Rules"). More specifically, we are required to report on the Disclosures in the form of an independent reasonable assurance conclusion about whether:

a in light of our knowledge and understanding of the Company and its environment obtained in the course of the statutory audit, we have identified material misstatements with respect to the information referred to in Capital Markets Rules 5.97.4 (dealing with the Company's internal control and risk management systems in relation to the financial reporting process) and 5.97.5 (where a takeover bid applies). Where material misstatements are identified in relation to those requirements, we shall, in addition to our conclusion, provide an indication of the nature of such misstatements;

b the Disclosures include the other information required by Capital Markets Rule 5.97, insofar as it is applicable to the Company; and

c the Disclosures include the information required by Appendix 12.1, 'Information to be provided in the Remuneration Report', to Chapter 12 of the Capital Markets Rules (as applicable).

Responsibilities of the Directors

The Directors are responsible for preparing and presenting the Disclosures that are free from material misstatement in accordance with the requirements of the Capital Market Rules and for the information contained therein.

This responsibility includes designing, implementing and maintaining internal control as they determine is necessary to enable the preparation and presentation of the Disclosures that are free from misstatement, whether due to fraud or error.

The Directors are also responsible for preventing and detecting fraud and for identifying and ensuring that the Company complies with laws and regulations applicable to its activities. The Directors are responsible for ensuring that personnel involved in the preparation and presentation of the Disclosures are properly trained, systems are properly updated and that any changes in reporting relevant to the Disclosures encompass all significant business units.

Our Responsibilities

Our responsibility is to examine the Disclosures prepared by the Company and to report thereon in the form of an independent reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* ("ISAE 3000") issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the Disclosures are properly prepared and presented, in all material respects, in accordance with the requirements set out in the relevant Capital Markets Rules.

The firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our assurance engagement 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), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. The IESBA Code is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

INDEPENDENT ASSURANCE REPORT TO THE SHAREHOLDERS OF MAPFRE MIDDLESEA P.L.C.

Our Responsibilities - continued

The procedures selected and our determination of the nature, timing and extent of those procedures, will depend on our judgment, including the assessment of the risks of material misstatement of the preparation and presentation of the Disclosures whether due to fraud or error.

In making those risk assessments, we have considered internal control relevant to the preparation and presentation of the Disclosures in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Company's internal control over the preparation and presentation of the Disclosures. Reasonable assurance is less than absolute assurance.

We are not required to, and we do not, consider whether the Directors' statements on internal control and risk management systems cover all the risks and controls in relation to the financial reporting process or form an opinion on the effectiveness of the Company's corporate governance procedures or its risks and control procedures, nor on the ability of the Company to continue in operational existence. Our opinion in relation to the disclosures pursuant to Capital Markets Rules 5.97.4 and 5.97.5 (as appropriate) is based solely on our knowledge and understanding of the Company and its environment obtained in forming our opinion on the audit of the financial statements.

As part of this engagement, we have not performed any procedures by way of audit, review or verification of the Disclosures nor of the underlying records or other sources from which the Disclosures were extracted.

Other Information

We also read the other information included in the Annual Report that contains the Disclosures, and our report thereon, in order to identify material inconsistencies, if any, with the Disclosures. We have nothing to report in this regard.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

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

In our opinion:

a. in light of our knowledge and understanding of the Company and its environment obtained in the course of the statutory audit, we have not identified material misstatements with respect to the information requirements referred to in Capital Markets Rules 5.97.4 and 5.97.5;
b the Disclosures include the other information required by Capital Markets Rule 5.97; and,
c the Disclosures include the information required by Appendix 12.1 to Chapter 12 of the Capital Markets Rules.

The Principal authorised to sign on behalf of KPMG on the work resulting in this assurance report is Claude Ellul.

KPMG
Registered Auditors

25 March 2025

STATEMENT OF PROFIT OR LOSS

		Year ended 31 December			
		Group		Company	
		2024	2023	**2024**	2023
	Notes	**€'000**	€'000	**€'000**	€'000
Insurance revenue	7	**146,692**	140,580	**99,922**	92,869
Insurance service expenses	7	**(112,029)**	(91,444)	**(78,496)**	(68,455)
Net expenses from reinsurance contracts held	7	**(11,840)**	(15,844)	**(9,096)**	(12,247)
Insurance service result	7	**22,823**	33,292	**12,330**	12,167
Interest revenue calculated using the effective interest method		**5,440**	5,222	**355**	221
Other investment revenue		**98,141**	176,758	**2,245**	1,742
Net credit impairment gains/(losses)		**9**	(22)	**1**	—
Net investment return	8	**103,590**	181,958	**2,601**	1,963
Net change in investment contract liabilities	8	**(13,131)**	(8,194)	**—**	—
Finance expense from insurance contracts issued	8	**(83,192)**	(176,871)	**(818)**	(1,320)
Finance (expense)/income from reinsurance contracts held	8	**(515)**	(2,227)	**182**	486
Net financial result		**(96,838)**	(187,292)	**(636)**	(834)
Net insurance and investment results		**29,575**	27,958	**14,295**	13,296
Other income	9	**1,282**	1,903	**—**	—
Other operating expenses		**(6,053)**	(5,842)	**(3,764)**	(3,432)
Profit before tax		**24,804**	24,019	**10,531**	9,864
Tax expense	12	**(6,810)**	(8,076)	**(3,412)**	(3,176)
Profit for the year		**17,994**	15,943	**7,119**	6,688
Attributable to:					
- owners of the Company		**12,519**	11,309	**7,119**	6,688
- non-controlling interests		**5,475**	4,634	**—**	—
		17,994	15,943	**7,119**	6,688

The Notes on pages 52 to 171 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			
		Group		Company	
		2024	2023	**2024**	2023
	Notes	**€'000**	€'000	**€'000**	€'000
Profit for the financial year		**17,994**	15,943	**7,119**	6,688
Other comprehensive income:					
Items that are or may be reclassified subsequently to profit or loss					
Net gains on investments in debt securities measured at FVOCI	29	**163**	273	**159**	287
Debt securities measured at FVOCI reclassified to profit or loss on disposal	29	**—**	14	**—**	14
Items that will not be reclassified to profit or loss					
Re-measurement actuarial (loss)/gain on provision for other liabilities and charges		**(5)**	(68)	**(5)**	(68)
Total other comprehensive income, net of tax		**158**	219	**154**	233
Total comprehensive income for the year		**18,152**	16,162	**7,273**	6,921
Attributable to:					
- owners of the Company		**12,677**	11,528		
- non-controlling interests		**5,475**	4,634		
Total comprehensive income for the year		**18,152**	16,162		

Items disclosed in the statement above are disclosed net of tax.

The Notes on pages 52 to 171 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

		Group		Company	
		As at 31 December		As at 31 December	
		2024	2023	**2024**	2023
	Notes	**€'000**	€'000	**€'000**	€'000
ASSETS					
Intangible assets	16	**34,411**	30,732	**10,573**	10,391
Property, plant and equipment	18	**17,115**	17,183	**4,063**	4,209
Right-of-use assets	17	**1,702**	1,601	**1,616**	1,509
Investment properties	19	**105,806**	105,619	**13,712**	13,809
Investment in associated undertakings	21	**5,226**	23,923	**399**	403
Investment in subsidiary undertakings	20	**—**	—	**77,214**	77,214
Other investments	22	**2,159,560**	2,136,313	**19,086**	16,290
Deferred income tax asset	23	**2,532**	2,118	**1,248**	1,260
Insurance contract assets	24	**7,080**	8,945	**—**	—
Reinsurance contract assets	24	**11,815**	13,359	**11,815**	13,359
Trade and other receivables	26	**24,457**	25,490	**19,693**	21,189
Current income tax receivable		**2,290**	7	**—**	—
Cash and cash equivalents	27	**81,899**	47,975	**13,908**	10,780
Total assets		**2,453,893**	2,413,265	**173,327**	170,413
EQUITY					
Capital and reserves attributable to owners of the Company					
Share capital	28	**19,320**	19,320	**19,320**	19,320
Share premium account		**688**	688	**688**	688
Other reserves	29	**800**	637	**34,712**	34,553
Retained earnings		**75,538**	67,524	**29,722**	27,108
		96,346	88,169	**84,442**	81,669
Non-Controlling interest		**87,169**	82,694	**—**	—
Total equity		**183,515**	170,863	**84,442**	81,669
LIABILITIES					
Deferred income tax liabilities	23	**14,340**	14,079	**2,565**	2,447
Provisions for other liabilities and charges	30	**889**	923	**889**	923
Insurance contract liabilities	24	**2,027,446**	2,063,844	**72,968**	72,467
Investment contract liabilties	25	**179,685**	123,253	**—**	—
Reinsurance contract liabilities	24	**17,073**	15,493	**—**	—
Derivative financial instruments	22	**6,816**	—	**—**	—
Lease liabilities	17	**1,790**	1,661	**1,694**	1,575
Other payables	31	**19,899**	19,349	**9,134**	9,314
Current income tax liabilities		**2,440**	3,800	**1,635**	2,018
Total liabilities		**2,270,378**	2,242,402	**88,885**	88,744
Total equity and liabilities		**2,453,893**	2,413,265	**173,327**	170,413

The Notes are an integral part of these financial statements.

These financial statements on pages 44 to 171 were approved by the Board of Directors and authorised for issue on 25 March 2025 and signed on its behalf by Martin Galea (Chairman) and Godfrey Swain (Director) as per the Directors' Declaration on ESEF Annual Financial report submitted in conjunction with the Annual Report 2024.

STATEMENT OF CHANGES IN EQUITY

Group		Attributable to owners of the Company						
	Notes	Share capital €'000	Share premium account €'000	Other reserves €'000	Retained earnings €'000	Total €'000	Non-controlling interests €'000	Total equity €'000
Balance as at 1 January 2023		19,320	688	350	59,783	80,141	78,060	158,201
Comprehensive income								
Profit for the year		—	—	—	11,309	11,309	4,634	15,943
Other comprehensive income:								
Net change in fair value of debt securities measured at FVOCI	29	—	—	273	—	273	—	273
FVOCI investments - reclassified to profit or loss	29	—	—	14	—	14	—	14
Re-measurement actuarial loss on provision for other liabilities and charges		—	—	—	(68)	(68)	—	(68)
Total other comprehensive income, net of tax		—	—	287	(68)	219	—	219
Total comprehensive income		—	—	287	11,241	11,528	4,634	16,162
Transactions with owners								
Dividends for 2022	15	—	—	—	(3,500)	(3,500)	—	(3,500)
Total transactions with owners		—	—	—	(3,500)	(3,500)	—	(3,500)
Balance as at 31 December 2023		**19,320**	**688**	**637**	**67,524**	**88,169**	**82,694**	**170,863**

STATEMENT OF CHANGES IN EQUITY

Group continued

	Notes	Share capital €'000	Share premium account €'000	Other reserves €'000	Retained earnings €'000	Total €'000	Non-controlling interests €'000	Total equity €'000
		Attributable to owners of the Company						
Balance as at 1 January 2024		19,320	688	637	67,524	88,169	82,694	170,863
Comprehensive income								
Profit for the year		—	—	—	12,519	12,519	5,475	17,994
Other comprehensive income:								
Net change in fair value of debt securities measured at FVOCI	29	—	—	163	—	163	—	163
Re-measurement actuarial loss on provision for other liabilities and charges		—	—	—	(5)	(5)	—	(5)
Total other comprehensive income, net of tax		—	—	163	(5)	158	—	158
Total comprehensive income		—	—	163	12,514	12,677	5,475	18,152
Transactions with owners								
Dividends for 2023	15	—	—	—	(4,500)	(4,500)	(1,000)	(5,500)
Total transactions with owners		—	—	—	(4,500)	(4,500)	(1,000)	(5,500)
Balance as at 31 December 2024		**19,320**	**688**	**800**	**75,538**	**96,346**	**87,169**	**183,515**

The Notes on pages 52 to 171 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

Company

	Notes	Share capital €'000	Share premium account €'000	Other reserves €'000	Retained earnings €'000	Total €'000
Balance as at 1 January 2023		19,320	688	34,252	23,988	78,248
Comprehensive income						
Profit for the financial year		—	—	—	6,688	6,688
Other comprehensive income:						
Net change in fair value of debt securities measured at FVOCI	29	—	—	287	—	287
FVOCI investments - reclassified to profit or loss		—	—	14	—	14
Re-measurement actuarial loss on provision for other liabilities and charges		—	—	—	(68)	(68)
Total other comprehensive income, net of tax		—	—	301	(68)	233
Total comprehensive income		—	—	301	6,620	6,921
Transactions with owners						
Dividends for 2022		—	—	—	(3,500)	(3,500)
Total transactions with owners of the Company		—	—	—	(3,500)	(3,500)
Balance as at 31 December 2023		**19,320**	**688**	**34,553**	**27,108**	**81,669**

STATEMENT OF CHANGES IN EQUITY

Company continued

	Notes	Share capital €'000	Share premium account €'000	Other reserves €'000	Retained earnings €'000	Total €'000
Balance as at 1 January 2024		19,320	688	34,553	27,108	81,669
Comprehensive income						
Profit for the financial year		—	—	—	7,119	7,119
Other comprehensive income:						
Net change in fair value of debt securities measured at FVOCI	29	—	—	159	—	159
Re-measurement actuarial loss on provision for other liabilities and charges		—	—	—	(5)	(5)
Total other comprehensive income, net of tax		—	—	159	(5)	154
Total comprehensive income		—	—	159	7,114	7,273
Transactions with owners						
Dividend for 2023	15	—	—	—	(4,500)	(4,500)
Total transactions with owners of the Company		—	—	—	(4,500)	(4,500)
Balance as at 31 December 2024		**19,320**	**688**	**34,712**	**29,722**	**84,442**

The Notes on pages 52 to 171 are an integral part of these financial statements.

STATEMENT OF CASH FLOW

		Year ended 31 December			
		Group		Company	
	Notes	**2024 €'000**	2023 €'000	**2024 €'000**	2023 €'000
Cash flows from operating activities					
Cash (used in)/generated from operations	32	**(47,789)**	(75,143)	**14,949**	10,779
Dividends received		**18,328**	12,131	**1,502**	229
Interest received		**28,384**	20,805	**198**	205
Income tax paid		**(10,671)**	(44,892)	**(3,669)**	(1,653)
Net cash (used in)/generated from operating activities		**(11,748)**	(87,099)	**12,980**	9,560
Cash flows from investing activities					
Sale of associated undertaking		**20,800**	—	**—**	—
Purchase of investment property	19	**(934)**	(1,614)	**(100)**	(344)
Disposal of investment property		**1**	—	**1**	—
Purchase of financial investments		**(1,444,839)**	(1,767,486)	**(6,180)**	(3,531)
Disposal of financial investments		**1,485,885**	1,778,156	**3,910**	381
Purchase of property, plant, and equipment and intangible assets		**(9,741)**	(7,768)	**(2,983)**	(2,916)
Net cash generated from/(used in) investing activities		**51,172**	1,288	**(5,352)**	(6,410)
Cash flows from financing activities					
Dividends paid to owners of the Company	15	**(4,500)**	(3,500)	**(4,500)**	(3,500)
Dividends paid to minority interests		**(1,000)**	—	**—**	—
Cash used in from financing activities		**(5,500)**	(3,500)	**(4,500)**	(3,500)
Net movement in cash and cash equivalents		**33,924**	(89,311)	**3,128**	(350)
Movement in cash and cash equivalents					
Cash and cash equivalents at beginning of year		**47,975**	137,286	**10,780**	11,130
Cash and cash equivalents at end of year	27	**81,899**	47,975	**13,908**	10,780

The Notes on pages 52 to 171 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The financial statements of MAPFRE Middlesea p.l.c. are prepared in accordance with International Financial Reporting Standards as adopted for use in the European Union and the Companies Act, 1995. The financial statements of the Group to which the Company is parent are prepared in accordance with Article 4 of Regulation (EC) 1606/2002 on the application of international accounting standards (the "Regulation") which requires that, for each financial period starting on or after 1 January 2005, companies governed by the law of an EU Member State shall prepare their consolidated financial statements in conformity with IFRS as adopted by the EU if, at their reporting date, their securities are admitted to trading on a regulated market of any EU Member State. The Regulation prevails over the provisions of the Companies Act, 1995 to the extent that the said provisions of the Companies Act, 1995 are incompatible with the provisions of the Regulation. Both sets of financial statements as referred to in the Annual Report relate to both those of the Company and the Group and have also been prepared in accordance with the Insurance Business Act, 1998.

The financial statements are prepared under the historical cost convention as modified by the revaluation of property, investment property, financial assets and financial liabilities (including derivatives) at fair value through profit or loss (FVTPL), or at fair value through other comprehensive income (FVOCI). Investment in associated undertaking is measured using equity method, that is, cost plus or minus net income or loss of associate.

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 Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

The statement of financial position is organised in increasing order of liquidity, with additional disclosures on the maturity analysis of the Group's assets and liabilities provided within the Notes to the financial statements. All amounts in the Notes are shown in thousands of euro, rounded to the nearest thousand, unless otherwise stated.

Amendments to published standards effective in 2024

In 2024, the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group'accounting period beginning on 1 January 2024. 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 Group's accounting policies.

Standards, interpretations 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 on or after 1 January 2025. However, the Group 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 Group's financial statements in the period of initial application.

2. ACCOUNTING POLICIES

The material accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 CONSOLIDATION

(a) Subsidiary undertakings

The consolidated financial statements incorporate the assets, liabilities and results of the Company and its subsidiary undertakings drawn up to 31 December each year. Subsidiary undertakings are those companies over which the Group has control, either by way of majority shareholding, through contractual agreements with the other vote holders of the investee or rights arising from other contractual agreements, giving it the power to govern the financial and operating policies of the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

NOTES TO THE FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES - CONTINUED

2.1 CONSOLIDATION - CONTINUED

(a) Subsidiary undertakings - continued

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of financial position and the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A list of the Group's subsidiaries is set out in Note 20.

(b) Associated undertakings

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. Except for investment-linked insurance funds, interests in associated undertakings are accounted for by the equity method of accounting and are initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of profit or loss of the investee after the date of acquisition.

The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition. Equity accounting involves recognising in the profit or loss the share of the associated undertaking's post-acquisition profits or losses. The interest in the associated undertaking is carried in the statement of financial position at an amount that reflects the share of the net assets of the associated undertaking. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Intra-group gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Intra-group losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies for associated undertakings are changed where necessary to ensure consistency with the policies adopted by the Group. A list of the Group's associated undertakings is set out in Note 21.

Interests in associated undertakings that are allocated to the insurance fund are designated as financial assets at fair value through profit or loss. They are accounted for in accordance with the recognition and measurement principles described in Note 2.9.

NOTES TO THE FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES - CONTINUED

2.2 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive management which implements the strategic decisions taken by the Board. In identifying the Group's business segments, the chief operating decision-maker has considered the different categories of insurance classes of business.

2.3 FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

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

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 the profit or loss acount.All other foreign exchange gains and losses are presented in the profit or loss account within 'Other investment revenue'.

Translation differences on non-monetary items, mainly arising on equities held at fair value through profit or loss, are reported as part of 'Other investment revenue'.

2.4 INTANGIBLE ASSETS

(a) Computer software

Acquired computer software licences are measured at cost less any accumulated amortization and any accumulated impairment losses. Acquired computer software licenses 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.

2.5 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 re-valued 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.

2. ACCOUNTING POLICIES - CONTINUED

2.5 PROPERTY, PLANT AND EQUIPMENT - CONTINUED

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 Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the profit or loss account during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income as other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against other comprehensive income as other reserves directly in equity; all other decreases are charged to the profit or loss account. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the profit or loss account and depreciation based on the asset's original cost is transferred from 'other reserves' 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
Motor vehicles	5 years
Furniture, fittings, and equipment	3 - 10 years

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

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 (accounting policy 2.16).

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the profit or loss account. When revalued assets are sold, the amounts included in other reserves relating to the assets are transferred to retained earnings.

2.6 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 Group or Company respectively. Investment property is initially measured at cost and subsequently 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 Group uses alternative valuation methods such as discounted cash flow projections or recent prices in less active markets. These valuations are reviewed annually by a 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 the profit or loss account.

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.

2.7 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

In the Company's financial statements, investments in subsidiary undertakings are accounted for by the cost method of accounting less impairment.

Provisions are recorded where, in the opinion of the directors, at the end of a reporting period, there is an impairment in value. Where there has been an impairment in the value of an investment, it is recognised as an expense in the period in which the impairment is identified or has occurred. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the profit or loss account.

2. ACCOUNTING POLICIES - CONTINUED

2.7 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS - CONTINUED

The dividend income from such investments is included in the profit or loss account in the accounting year in which the Company's rights to receive payment of any dividend is established.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit or loss account and included within 'Other investment revenue'.

2.8 INVESTMENTS IN ASSOCIATED UNDERTAKINGS

In the Company's financial statements, investments in associated undertakings are accounted using the equity method. They are initially recognised at cost which includes transaction costs. Subsequent to initial recognition the carrying amount is increased or decreased to recognise the investor's share of profit or loss. Distributions received from an investee reduce the carrying amount of the investment. The changes in the investee's proportionate interest arising from changes in the investee's other comprehensive income, such as those arising from revaluation of property, plant and equipment and from exchange translation differences are recognised in the other comprehensive income.

2.9 FINANCIAL INSTRUMENTS

(a) Summary of measurement categories

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

	Classification	Reason
Cash and cash equivalents	Amortised Cost	SPPI, hold to collect business model
Other investments	FVTPL	Trading or portfolio managed at FV
Other investments	FVOCI	SPPI, hold to collect and sell business model
Other investments	Amortised Cost	SPPI, hold to collect business model
Trade and other receivables	Amortised Cost	SPPI, hold to collect business model
Other payables	Amortised Cost	Not managed at FV
Investment contract liabilities	FVTPL	Managed at FV

The Group does not apply hedge accounting.

(b) Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group 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 Group commits to purchase or sell the asset).

At initial recognition, the Group 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 ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI.

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

a. 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.

2. ACCOUNTING POLICIES - CONTINUED

2.9 FINANCIAL INSTRUMENTS - CONTINUED

(b) Initial recognition and measurement - continued

b. 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.

(c) Amortised cost and effective interest rate

Amortised cost (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 Group 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.

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

2.9.1 FINANCIAL ASSETS

(a) Business model

The business model reflects how the Group manages assets in order to generate cash flows. That is, it reflects whether the Group'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 Group 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 Group assesses whether the financial instruments' cash flows represent SPPI (the SPPI test). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement (that is, interest includes only consideration or 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES - CONTINUED

2.9.1 FINANCIAL ASSETS - CONTINUED

(c) Debt instruments - continued

The classification and subsequent measurement of debt instruments depend on:
- the Group's business model for managing the asset; and
- the cash flow characteristics of the asset (represented by SPPI).

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

a. **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 the profit or loss under interest revenue calculated using the effective interest method.

b. **FVOCI:** Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI, and that are not designated at FVTPL, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's AC, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other investment revenue/losses. Interest revenue from these financial assets is included in interest revenue calculated using the effective interest method..

c. **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 consolidated statement of profit or loss within other investment revenue/losses in the period in which it arises.

The Group 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 Group subsequently measures all equity investments at FVTPL. Gains and losses on equity investments at FVTPL are included in the line 'Other investment revenue/losses' in the consolidated statement of profit or loss.

(e) Cash and cash equivalents

Cash and cash equivalents include cash balances and financial instruments with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. Cash and cash equivalents are carried in the statement of financial position at AC net of ECL.

(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 or closing price as appropriate. 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 Group 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.

NOTES TO THE FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES - CONTINUED

2.9.1 FINANCIAL ASSETS - CONTINUED

(g) Impairment

(i) Debt instruments and cash and cash equivalents

The Group assesses the ECL associated with its debt instruments measured at AC and debt instrument assets carried at FVOCI. The Group recognises a loss allowance for such losses at each reporting date. The measurement of the ECL reflects:

a. an unbiased evaluation of a range of possible outcomes and their probabilities of occurrence;

b. discounting for the time value of money; and

c. 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 Group calculates the ECL at an instrument level, using three main components:
– a probability of default ('PD'),
– a loss given default ('LGD'),
– and the exposure at default ('EAD').

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 Group 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.

(ii) Trade receivables

For trade receivables, the Company applies the simplified approach required by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The Company considers trade receivables in default when contractual payments are past their credit terms of 90 days to be in default.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the probability of insolvency or significant financial difficulties of the debtor.

(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 Group transfers substantially all of the risks and rewards of ownership; or (ii) the Group neither transfers nor retains substantially all of the risks and rewards of ownership and the Group has not retained control.

2. ACCOUNTING POLICIES - CONTINUED

2.9.1 FINANCIAL ASSETS - CONTINUED

(h) Derecognition - continued

The Group 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 Group:

a. has no obligation to make payments unless it collects equivalent amounts from the assets;

b. is prohibited from selling or pledging the assets; and

c. has an obligation to remit any cash that it collects from the assets without material delay

(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 Group 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.

2.9.2 FINANCIAL LIABILITIES

(a) Classification and subsequent measurement

Financial liabilities are classified and subsequently measured at AC, except for derivatives and investment contacts without DPF, hich 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 Group 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 Group'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 Group'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 are presented in the statement of 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). The Group 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.

NOTES TO THE FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES - CONTINUED

2.9.2 FINANCIAL ASSETS - CONTINUED

(c) Modification

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

(d) 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.

2.10 INSURANCE AND INVESTMENT CONTRACTS ISSUED AND REINSURANCE CONTRACTS HELD

The Group issues contracts that transfer insurance risk or financial risk or both.

(a) Definition and classification

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

Type of contract	Contracts issued	Within scope of IFRS 17	Meas-urement model	Description of benefit
Short-term insurance contracts	Insurance contracts - Non-Life and Group Life contracts	Yes	PAA	Pure insurance contracts carrying significant insurance risk where the obligation of the Group towards the insured is the payment for loss incurred if the insured event occurs whilst the policy is in force.
Long-term insurance contracts - Life risk	Insurance contracts - Term assurance including term riders	Yes	General Measure-ment Model ('GMM')	Pure insurance contracts carrying significant insurance risk where the obligation of the Group towards the insured is the payment of a death benefit, if the death occurs whilst the policy is in force.
Long-term insurance contracts - 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.
Direct participating contracts	With-profits (Investment contracts with DPF)	Yes	Variable Fee Approach ('VFA')	Investment contracts with DPF where the obligation of the Group 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 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'.

NOTES TO THE FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES - CONTINUED

2.10 INSURANCE AND INVESTMENT CONTRACTS ISSUED AND REINSURANCE CONTRACTS HELD - CONTINUED

(a) Definition and classification - continued

Insurance contracts are contracts under which the Group 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 Group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that at least 5% more than the benefits payable (on a present value basis) if the sum insured event did not occur. The Group accounts for these contracts under IFRS 17.

The Group also issues term riders which represent an add-on to a basic policy that provides additional benefits to policy holders (at additional cost). They can be purchased by a policy holder concurrently to a basic policy or at a subsequent date, i.e. a date after the inception of the basic policy. The addition of a term rider triggers medical underwriting at the point in time the rider is added, giving the Group the ability to reprice the policy at that point in time. The Group 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 Group 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 Group's deiscetion), 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 Group; and
- that are based on realised and/or unrealised investment returns on specified pools of underlying assets held by the Group.

The Group 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 (investment without DPF) 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.

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 basis for the determination of the amounts on which the additional discretionary benefits are based (the DPF eligible surplus), and within which the Group 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 Group accounts for these contracts under IFRS 17, as it alos issues insurance contracts.

The Group 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 Group assessed the criteria at the product level. The assessment is carried out based on the Group's expectations at inception, and is not reassessed subsequently, unless the product is modified.

2. ACCOUNTING POLICIES - CONTINUED

2.10 INSURANCE AND INVESTMENT CONTRACTS ISSUED AND REINSURANCE CONTRACTS HELD - CONTINUED

(a) Definition and classification - continued

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 Group's share of the fair value of the underlying items less the fulfilment cash flows ('FCF') that do not vary based on the returns on underlying items. Therefore, on an average probability-weighted basis, the Group 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.

In the normal course of business, the Group 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.

For short-term insurance contracts, the Group uses the PAA simplified method to measure groups of contracts. All short-term insurance contracts originated by the Group, are without direct participation features.

All references to insurance contracts in these consolidated 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 Group manages insurance contracts issued by product type, where each product type includes contracts which are subject to similar risks and are managed together. The Group 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, a Group 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 Group'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. ACCOUNTING POLICIES - CONTINUED

2.10 INSURANCE AND INVESTMENT CONTRACTS ISSUED AND REINSURANCE CONTRACTS HELD - CONTINUED

(b) Unit of account - continued

Given that the Group's with-profits fund has all mutualisation features described above, the Group has chosen to apply the option to avoid allocating policies to annual cohorts 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 Group has a number of reinsurance portfolios. 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 Group is usually in a net cost position. The Group has determined that the reinsurance contracts held will be grouped by calendar or underwriting year (annual cohorts) depending whether they are loss occurring or risk attaching under the category 'all remaining contracts' which includes reinsurance contracts held with an initial net cost but with a possibility of a future net gain.

Transition approaches that were applied by the Group on adoption of IFRS 17 with respect to contracts aggregation requirements are included in Note 6.

Before the Group 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 Group applies IFRS 17 to all remaining components of the contract. The Group does not have any contracts that require further separation (except for term riders – refer to note 2.10(a). The Group also does not have any contracts that require combination.

(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 Group determines that a group of contracts becomes onerous.

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

Reinsurance contracts held are recognised from the later of the following:
- the beginning of the coverage period of the group; and
- the initial recognition of any underlying insurance contract;

Unless the Group entered into the reinsurance contract held at or before the date when an onerous group of underlying contracts is recognised prior to the beginning of the coverage period of the group of reinsurance contracts held, in which case the reinsurance contract held is recognised at the same time as the group of underlying insurance contracts is recognised.

Only contracts that individually meet the recognition criteria by the end of the reporting period are included in the 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.

NOTES TO THE FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES - CONTINUED

2.10 INSURANCE AND INVESTMENT CONTRACTS ISSUED AND REINSURANCE CONTRACTS HELD - CONTINUED

(c) Recognition, modification and derecognition - continued

Modification and derecognition

An insurance contract is derecognised when it is extinguished (that is, when the obligation specified in the insurance 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.
When an insurance contract is derecognised from within a group of insurance contracts, the Group:

– 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.

On the other hand, when an insurance contract accounted for under the PAA is derecognised, adjustments to the future cash flows to remove related rights and obligations to account for the effect of the derecognition result in the following amounts being charged immediately to profit or loss:

a. if the contract is extinguished, any net difference between the derecognised part of the Liability for Remaining Coverage (LRC) of the original contract and any other cash flows arising from extinguishment.
b. if the contract is transferred to the third party, any net difference between the derecognised part of the LRC of the original contract and the premium charged by the third party; or
c. if the original contract is modified resulting in its derecognition, any net difference between the derecognised part of the LRC and the hypothetical premium that the entity would have charged if it had entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification.

(d) Measurement

Fulfillment cash flows

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

Estimates of future cash flows:

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

An explicit risk adjustment for non-financial risk is estimated separately from the other estimates for Assets for Remaining Coverages ('ARC') and Liability for Remaining Coverage ('LRC'). For contracts measured under the PAA, unless the contracts are onerous, the explicit risk adjustment for non-financial risk is only estimated for the measurement of the Liability for Incurred Claims ('LIC').

NOTES TO THE FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES - CONTINUED

2.10 INSURANCE AND INVESTMENT CONTRACTS ISSUED AND REINSURANCE CONTRACTS HELD - CONTINUED

(d) *Measurement* - continued

Fulfillment 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 cash 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 the Group's 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 Group estimates certain FCF at the portfolio level or higher and then allocates such estimates to groups of contracts.

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

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

A substantive obligation lasts until:

a) the Group has the practical ability to reassess the risks of a particular policyholder, and hence, can set a price to fully reflect those risks; or

b) both of the following criteria are satisfied:

   i. the Group has a practical ability to reassess the risks of the portfolio of insurance contracts, as a result of which it can set a price to fully reflect those risks; and
   ii. 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.

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

For contracts issued under the PAA, riders, representing add-on provisions to a basic insurance policy that provide additional benefits to the policyholder at additional cost, that are issued together with the main insurance contracts, form part of a single insurance contract with all the cash flows within its boundary.

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

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

2. ACCOUNTING POLICIES - CONTINUED

2.10 INSURANCE AND INVESTMENT CONTRACTS ISSUED AND REINSURANCE CONTRACTS HELD - CONTINUED

(d) Measurement - continued

Contract boundary - continued

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

The Group's quota share, surplus and facultative reinsurance contracts have an annual term and cover underlying contracts issued within the term on a risk-attaching basis. Meaning that they cover policies ceded for the entire duration of the contract, even if this duration exceeds that of the reinsurance contract itself. The Group treats such reinsurance contracts as a series of annual contracts that cover underlying business issued within a year. Estimates of future cash flows arising from all underlying contracts issued and expected to be issued within the reinsurance contracts' one-year boundary are included in the measurement of the reinsurance contracts.

The excess of loss contracts held provide coverage for claims incurred during an accident year. Thus, all cash flows arising from claims incurred and expected to be incurred in the accident year are included in the measurement of the reinsurance contracts held. Some of these contracts include mandatory reinstatement reinsurance premiums, which are included within the respective reinsurance contracts' boundaries.

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 Group 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 Group 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 or expected to be in a portfolio.

The Group 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 Group requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Group fulfils insurance contracts.

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

Methods and assumptions used to determine the risk adjustment for non-financial risks are discussed in Note 24.

NOTES TO THE FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES - CONTINUED

2.10 INSURANCE AND INVESTMENT CONTRACTS ISSUED AND REINSURANCE CONTRACTS HELD - CONTINUED

(d) Measurement - continued

Contracts not measured under the PAA

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 Group 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 Group.

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 Group recognises the net cost immediately in profit or loss.

For reinsurance contracts held, the CSM represents a deferred gain or loss that the Group 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.

i. Changes in fulfilment cash flows

The FCF are updated by the Group 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. ACCOUNTING POLICIES - CONTINUED

2.10 INSURANCE AND INVESTMENT CONTRACTS ISSUED AND REINSURANCE CONTRACTS HELD - CONTINUED

(d) Measurement - continued

Contracts not measured under the PAA - continued

Subsequent measurement - continued

i. 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 such as insurance acquisition cash flows and premium-based taxes;
b. changes in estimates of the present value of future cash flows in the LRC, except those described in the following paragraph;
c. differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period; 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 Group 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 Group then adjusts any CSM for changes in the amount of the Group's share of the fair value of the underlying items, which relate to future services, as explained below.

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

– changes in the amount of the Group'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, such as insurance acquisition cash flows and premium-based taxes;
    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.

2. ACCOUNTING POLICIES - CONTINUED

2.10 INSURANCE AND INVESTMENT CONTRACTS ISSUED AND REINSURANCE CONTRACTS HELD - CONTINUED

(d) Measurement - continued

Contracts not measured under the PAA - continued

Subsequent measurement - continued

i. Changes in fulfilment cash flows - continued

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, such as insurance acquisition cash flows and premium-based taxes; and
  - experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

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

ii 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 Group 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.

iii. 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 Group uses the discount curves at the middle of each quarter during the year. MMSV will be assuming equal weighting per quarter given the stability of new business written.

iv. 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.

2. ACCOUNTING POLICIES - CONTINUED

2.10 INSURANCE AND INVESTMENT CONTRACTS ISSUED AND REINSURANCE CONTRACTS HELD - CONTINUED

(d) Measurement - continued

Contracts not measured under the PAA - continued

Subsequent measurement - continued

v. 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 Group expects these amounts to include an investment return that is achieved by the Group by performing investment activities to generate that investment return.

For contracts issued, the Group 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;

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 Group 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 Group 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.

NOTES TO THE FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES - CONTINUED

2.10 INSURANCE AND INVESTMENT CONTRACTS ISSUED AND REINSURANCE CONTRACTS HELD - CONTINUED

(d) Measurement - continued

Contracts measured under the PAA

The Group uses the PAA for measuring contracts with a coverage period of one year or less. In addition to the contracts with coverage of less than one year, the PAA can be used for measurement of groups of contracts where the entity reasonably expects that such a simplification would produce a measurement of the LRC that would not differ materially from the one that would be produced by applying the GMM.

For insurance contracts issued, insurance acquisition cash flows allocated to a group are deferred and recognised over the coverage period of contracts in a group.

For insurance contracts issued, on initial recognition, the Group measures the LRC at the amount of premiums received, less any acquisition cash flows paid.

For reinsurance contracts held, on initial recognition, the Group measures the remaining coverage at the amount of ceding premiums paid.

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

a. the LRC; and
b. the LIC, comprising the FCF related to past service allocated to the group at the reporting date.

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

a. the remaining coverage; and
b. the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:

a. increased for premiums received in the period;
b. decreased for insurance acquisition cash flows paid in the period;
c. decreased for the amounts of expected premium receipts recognised as insurance revenue for the services provided in the period; and
d. increased for the amortisation of insurance acquisition cash flows in the period recognised as insurance service expenses.

For reinsurance contracts held, at each of the subsequent reporting dates, the remaining coverage is:

a. increased for ceding premiums paid in the period;
b. decreased for the expected amounts of ceding premiums, net of reinsurance commissions, recognised as reinsurance expenses for the services received in the period.

The Group does not adjust the LRC for insurance contracts issued and the remaining coverage for reinsurance contracts held for the effect of the time value of money, because insurance premiums are due within the coverage period of contracts, which is one year or less.

For contracts measured under the PAA, the LIC is measured similarly to the LIC's measurement under the GMM. Future cash flows are adjusted for the time value of money, since insurance contracts issued by the Group and measured under the PAA may have a settlement period of over one year.

If facts and circumstances indicate that a group of insurance contracts measured under the PAA is onerous on initial recognition or becomes onerous subsequently, the Group increases the carrying amount of the LRC by the loss component which is determined by the percentage of onerosity as a function of the LRC for the remaining period. Subsequently, the loss component is remeasured at each reporting date as the change in the percentage of onerosity as a function of the LRC for the remaining period. Movements in the loss component are recorded in the insurance service expenses.

2. ACCOUNTING POLICIES - CONTINUED

2.10 INSURANCE AND INVESTMENT CONTRACTS ISSUED AND REINSURANCE CONTRACTS HELD - CONTINUED

(d) Measurement - continued

Contracts measured under the PAA - continued

Onerosity of a group of insurance contracts does not automatically indicate that a reinsurance contract held, protecting such onerous underlying group of contracts will result in a net gain at initial recognition. However, for reinsurance contract held for which there is a net gain at initial recognition or becomes so subsequently, the carrying amount of the asset for remaining coverage (ARC) for reinsurance contracts held measured under the PAA is increased by the amount of loss-recovery component. The loss-recovery component is calculated by multiplying the percentage of onerosity as a function of reinsurance ARC for the remaining period. Movements in the loss-recovery component are recorded in the net reinsurance expenses.

The Company does not have any reinsurance contracts held measured under the PAA with underlying contracts measured under the GMM.

(e) Amounts recognized in profit or loss

Insurance revenue

As the Group 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 Group expects to be entitled to in exchange for those services.

For contracts not measured under the PAA, 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:
     - amounts allocated to the loss component;
     - 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); and
     - changes that relate to future coverage (which adjust the CSM); and
  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.

For groups of insurance contracts measured under the PAA, the Group recognises insurance revenue based on the passage of time over the coverage period of a group of contracts.

2. ACCOUNTING POLICIES - CONTINUED

2.10 INSURANCE AND INVESTMENT CONTRACTS ISSUED AND REINSURANCE CONTRACTS HELD - CONTINUED

(d) *Measurement* - continued

Contracts measured under the PAA - continued

Insurance service expense

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;
d. changes that relate to past service – changes in the FCF relating to the LIC; and
e. onerous contract losses or reversals of those losses.

For contracts measured under the PAA, amortisation of insurance acquisition cash flows is based on the passage of time.

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

Net income (expenses) from reinsurance contracts held

The Group 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 Group expects to pay in exchange for those services.

For contracts not measured under PAA, 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.

For groups of reinsurance contracts held measured under the PAA, the Group recognises reinsurance expenses based on the passage of time over the coverage period of a group of contracts.

Ceding commissions that are not contingent on claims of the underlying contracts issued reduce ceding premiums and are accounted for as part of reinsurance expenses. Ceding commissions that are contingent on claims of the underlying contracts issued reduce incurred claims recovery.

NOTES TO THE FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES - CONTINUED

2.10 INSURANCE AND INVESTMENT CONTRACTS ISSUED AND REINSURANCE CONTRACTS HELD - CONTINUED

(d) *Measurement* - continued

Contracts measured under the PAA - continued

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:
a. the effect of the time value of money and changes in the time value of money; and
b. the effect of financial risk and changes in financial risk.

For contracts measured under the PAA, the main amounts within insurance finance income or expenses are:
a. interest accreted on the LIC; and
b. the effect of changes in interest rates and other financial assumptions.

The Group disaggregates changes in the risk adjustment for non-financial risk between insurance service result and insurance finance income or expenses.

For contracts measured under the GMM, the main amounts within insurance finance income or expenses are:
a. interest accreted on the FCF and the CSM; and
b 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 Group has opted to include all its insurance finance income and expenses in profit or loss for all of its insurance contracts. The Group does not issue insurance contracts that generate cash flows in a foreign currency.

2.11 CURRENT AND DEFERRED INCOME TAX

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provision where appropriate.

Deferred income 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. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and reflect uncertainty relating 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 only to the extent that future taxable profit or taxable capital gains will be available such that realisation of the related tax benefit is probable.

NOTES TO THE FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES - CONTINUED

2.11 CURRENT AND DEFERRED INCOME TAX - CONTINUED

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the Group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 balance on a net basis.

Deferred tax related to fair value re-measurements charged or credited directly in other comprehensive income or to equity, is also credited or charged directly to equity and subsequently recognised in the profit or loss account together with the deferred gain or loss.

2.12 PROVISIONS FOR PENSION OBLIGATIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

A defined benefit plan defines an amount of pension that an employee will receive on retirement. In the Group's case, this amount is dependent upon an employee's final compensation upon retirement.

The liability recognised in the statement of financial position is the present value of the defined benefit obligation at the end of the reporting period. The present value of a defined benefit obligation is determined by discounting the estimated future cash outflows using interest rate yields of government or high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in assumptions are charged or credited to other comprehensive income in the period in which they arise.

2.13 REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities. The Group 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 as described below.

Rendering of services

Insurance revenue recognition is described in Note 2.10 dealing with insurance contracts and investment contracts with DPF.

Revenue arising from the issue of investment contracts without DPF and other related services offered by the Group, 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 Group 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 Group recognises these fees on a straight-line basis over the estimated life of the contract.

2. ACCOUNTING POLICIES - CONTINUED

2.13 REVENUE RECOGNITION - CONTINUED

Rendering of services - continued

The Group 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 Group 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.

2.14 INVESTMENT RETURN

Investment return includes dividend income, 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, rental income receivable, share of associated undertaking's result, and other fair value movements of investment properties, and is net of other investment expenses.

(a) Dividend income

Dividend income from subsidiary and associated undertakings is recognised in the profit or loss account as part of investment income when the right to receive payment is established.

(b) Net fair value gains/(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.

(c) Interest income

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

(d) Investment income from investment properties

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

2.15 LEASES

At inception of a contract, the Group 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. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

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

2. ACCOUNTING POLICIES - CONTINUED

2.15 LEASES - CONTINUED

(a) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income' – Note 9.

(b) As a lessee

A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. As described later in this note there are recognition exemptions for short-term leases and leases of low-value items.

The Group 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 and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset of the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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 Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by using interest rate curves by country and termination dates, coordinated in a centralized manner, in which the interest rate calculation is obtained by adding the differential related to the asset's nature. Interest rate curves are reviewed twice a year.

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

- fixed payments (including payments which are essentially fixed), minus any incentive to lease to be paid;
- the price for exercising a purchase option which the lessee is reasonably certain to exercise; and
- payments for early cancellation.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured 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. ACCOUNTING POLICIES - CONTINUED

2.15 LEASES - CONTINUED

(b) As a lessee - continued

The Group presents right-of-use asset that do not meet the definition of investment property in 'Right-of-use assets'.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

A lease modification is defined as a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease. A lease modification includes adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term.

A lease modification is accounted for in one of two ways;
- It is treated as a separate lease; or
- It is not treated as a separate lease.

A modification will only be treated as a separate lease if it involves the addition of one or more underlying assets at a price that is commensurate with the standalone price of the increase in scope. All other modifications are not treated as a separate lease.

2.16 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).

2.17 OFFSETTING

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when, and only when the Group 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.

2.18 DIVIDEND DISTRIBUTION

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.

2.19 SHARE CAPITAL

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds net of tax.

NOTES TO THE FINANCIAL STATEMENTS

3. USE OF ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes, which also include information about assumptions and uncertainties at 31 December 2024 that have a significant risk of resulting in a material adjustment in the carrying amounts of assets and liabilities in the next financial year.

(a) Long-term contracts - 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 24.6 to the financial statements.

(b) Short-term insurance contracts under PAA - liability for incurred claims

Liability of incurred claims (LIC) of short-term business insurance contracts, measured under the PAA, comprise of the estimates of future cash flows. The estimates of future cash flows is derived using a standard actuarial claims projection technique, the Chain Ladder method, other than for non-motor large losses. The key assumptions underlying this technique is that past claims development experience can be used to project future claims development.

Claims reserves which exceed a certain quantum (large losses), particularly those involving fatalities and/or serious bodily injuries, are initially reserved at the case-by-case reserve estimate. The measurement of claim payments due by the Group involves the assessment of future settlements and is therefore dependent on assumptions around determining such reserves based on, among others, legal precedent and current trends in compensation awards. Specifically for Motor large losses, the Chain Ladder Method is subsequently used to project the ultimate cost of these claims.

More detail on the key assumptions used in determining the LIC in respect of short-term insurance contracts under PAA are described in Note 24 (a) to the financial statements.

(c) Consolidation of entities in which the Group holds less than majority of voting rights

The Group considers that it controls MAPFRE MSV Life p.l.c. ('MMSV') even though it does not own more than 50% of the voting rights. This is because strategic, operating and financing policies of MMSV are directed by means of shareholders' agreement which provides MAPFRE Middlesea p.l.c. with the right to select, appoint and remove the key management personnel of MMSV and approve its business plan and capital expenditure.

For all the financial years up to 31 December 2010, MMSV was considered to be an associate and was accounted for using the equity method. Following the shareholders' agreement, on 29 July 2011, MAPFRE Middlesea p.l.c. acquired control over MMSV based on the factors explained in this note and started consolidating MMSV as from that date.

NOTES TO THE FINANCIAL STATEMENTS

4. MANAGEMENT OF RISK

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

The following table describes the composition of the underlying items for long-term contracts with direct participation features:

	2024 €'000	2023 €'000
Cash at bank and in hand	**21,490**	8,910
Deposits with banks and credit institutions	**9,108**	—
Debt securities	**955,212**	844,145
Equity securities and units in unit trusts	**823,008**	926,282
Assets held to cover linked liabilities - collective investment schemes	**36,330**	31,762
Investments in associated undertakings	**5,793**	24,508
Investment property	**93,127**	92,844
Foward foreign exchange contracts and swaps	**—**	1,970
Total investment assets and cash and cash equivalents	**1,944,068**	1,930,421
Insurance contract liabilities	**(1,948,078)**	(1,984,889)
Foward foreign exchange contracts and swaps	**(6,816)**	—

4.1 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 Group faces under its insurance contracts is that the actual claims and benefit payments are significantly different to the amounts included within insurance/reinsurance contract liabilities and assets. This could occur because the frequency or severity of claims and benefits are greater or lower than estimated. Insurance events are fortuitous and the actual number and amount of claims and benefits may vary from year to year from the estimate established using statistical and actuarial techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability of 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 Group manages this risk through adequate reinsurance arrangements and proactive claims handling.

The Group has developed its insurance 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 potential 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.

NOTES TO THE FINANCIAL STATEMENTS

4. MANAGEMENT OF RISK - CONTINUED

4.1 INSURANCE RISK - CONTINUED

Key risks arising from insurance contracts issued:

Contract	Key risks	Risk mitigation
Short-term contracts	Insurance risk – frequency and severity of claims	Underwriting strategy, adequate reinsurance arrangements and proactive claim handling
Life risk - 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 Group is largely exposed to insurance risk in one geographical area, Malta and in one currency, the Euro.

(a) Short-term business insurance contracts

Frequency and severity of claims

The terms and conditions of the contracts set out the bases for the determination of the Group's liability should the insured event occur. The risks underwritten include motor (including third party liability), health, fire and other damage to property, other classes and group life. Details of insurance revenue as well as insurance service expenses analysed by segment are provided in the "Segment information" (Note 7).

The frequency and severity of claims can be affected by several factors. The following are considered by the Group to be the most significant:

- The increasing levels of court awards in cases where damages are suffered as a result of injuries, the divergence of awards that is dependent on the territory of the claim and the jurisdiction of the court, the effect of inflation due to the prolonged period typically required to settle such cases; and

- The risk of a single event that can extensively affect a multiple of individual risks to which the Group is exposed.

The Group manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The underwriting strategy ensures that the risks underwritten are well diversified in terms of type and amount of risk. The Group follows strict underwriting guidelines and sets limits on the overall retention of risk that it carries. Any risk in excess of this limit is either reinsured under a facultative cover note or is declined. Underwriting limits are in place to enforce appropriate risk selection criteria. In certain circumstances, certain exclusions to risks are included within these guidelines. For example, the Group does not insure US risks unless they are incidental. The Group can impose deductibles to help manage its costs. It also uses its experience and expertise to mitigate the risk of fraudulent claims. Insurance contracts also entitle the Group to pursue third parties for payment of some or all of the costs (i.e. subrogation). A significant portion of the Group's business is underwritten through an agency distribution network. Underwriting authority limits are set for individual agencies or branches, and any contracts through which the Group is committed to cover risks in excess of these authority limits require head office approval.

NOTES TO THE FINANCIAL STATEMENTS

4. MANAGEMENT OF RISK - CONTINUED

4.1 INSURANCE RISK - CONTINUED

(a) Short-term business insurance contracts - continued

The Group has reinsurance protection in place for all classes of business. The type of reinsurance cover, and the level of retention, is based on the Group's internal risk management assessment which takes into account the risk being covered, the sums assured and the geographical location of the risk. The Board approves each reinsurance programme on an annual basis. The reinsurance arrangements include a mix of proportional, facultative and non-proportional covers, which limit the liability of the Group to any one individual claim or event. Generally, the Group's policy is to place reinsurance with listed multinational reinsurance companies whose credit rating is not less than BBB. No rating limitation shall apply to treaty placements with MAPFRE Re or any MAPFRE Group company designated to write any or all of the MAPFRE Group Reinsurance treaties. At 31 December 2024, MAPFRE Re's rating stood at A. The Board monitors the security rating of MAPFRE on a periodic basis.

The Group has specialised claims units dealing with the mitigation of risks surrounding known claims. These units investigate and adjust claims as appropriate. Claims are individually reviewed regularly, and are adjusted to reflect the latest information on the underlying facts, current law, jurisdiction, contractual terms and conditions and other factors. The Group actively manages and pursues early settlement of claims to reduce its exposure to unpredictable developments. Authority limits are set for the settlement of claims through the individual agents. Any claims incurred above these limits are referred to head office for handling. In addition, all claims involving bodily injury are referred to head office irrespective of their amount.

Concentration of insurance risk

Up until 31 December 2024, 100% of the Group's business was written in Malta (2023: 100%). The portfolio is diversified in terms of type of business written, with motor business comprising 47% (2023: 46%) and health comprising 17% (2023: 17%) and fire and other property damage 19% (2023: 18%) of the total portfolio (including short-term Group Life business). The remaining 17% (2023: 19%) of premium revenue is generated across a spread of classes including marine, income protection, general liability, travel and short-term group life. Further information on insurance revenue, and insurance service expenses by insurance business class is provided in Note 7 to these financial statements.

Sources of uncertainty in the estimation of future claim developments and payments

Claims on contracts are accounted for on a claims-occurrence basis. The Group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. Certain classes of business, most notably those exposed to liability, can take several years to develop and are therefore subject to a greater degree of uncertainty than other classes of business which are typically settled in a shorter period of time.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing the liability for incurred claims, it is possible that the final outcome will prove to be different from the original liability established.

In calculating the estimated cost of unpaid claims, the Group considers the results of estimation techniques that are based partly on known information at year-end and partly on statistical analysis of historical experience.

Further details on the process of estimation is provided in Note 24.2 which also presents the development of the estimate of future cash flows for claims incurred in a given year.

NOTES TO THE FINANCIAL STATEMENTS

4. MANAGEMENT OF RISK - CONTINUED

4.1 INSURANCE RISK - CONTINUED

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 5% upwards and downwards change in the ultimate loss amount while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions might be correlated.

31 December 2024	**Impact on profit before income tax**		**Impact on equity**	
	Gross	**Net**	**Gross**	**Net**
	€'000	**€'000**	**€'000**	**€'000**
Non-life				
Ultimate loss – 5% increase	(385)	(334)	(250)	(217)
Ultimate loss – 5% decrease	385	334	250	217

31 December 2023	**Impact on profit before income tax**		**Impact on equity**	
	Gross	**Net**	**Gross**	**Net**
	€000	**€000**	**€000**	**€000**
Non-life				
Ultimate loss – 5% increase	(427)	(379)	(278)	(246)
Ultimate loss – 5% decrease	427	379	278	246

(b) Long term business insurance contracts

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.

At present these risks do not vary significantly in relation to the location of the risk insured by the Group. 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 Group 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 Group's underwriting procedures with premiums varied to reflect the health condition and life expectancy of the applicants.

The Group 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 Group's internal risk management assessment, which takes account of the nature of the risk covered and the sum assured. The reinsurance programme is approved by the Board of Directors ("the Board") annually. The reinsurance arrangements in place include a mix of quota share, facultative, excess of loss and catastrophe protection, which limits the liability of the Group to any one individual life or event. The Group's reinsurance is placed with listed multinational reinsurance companies whose rating is not less than A.

The mortality assumptions applied are disclosed in Note 24.

4. MANAGEMENT OF RISK - CONTINUED

4.1 INSURANCE RISK - CONTINUED

(b) Long term business insurance contracts - continued

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.

Unit-linked and with-profit policies issued, 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 24

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 24.

Market Risk

This risk is covered in Note 4.2 (a) below. The investment assets return and discount rate assumptions are disclosed in Note 24.

NOTES TO THE FINANCIAL STATEMENTS

4. MANAGEMENT OF RISK - CONTINUED

4.1 INSURANCE RISK - CONTINUED

(b) Long term business insurance contracts - continued

Sensitivity analysis to underwriting risk variables

The following tables present information on how reasonably possible changes in assumptions made by the Group 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.

31 December 2024	Impact on CSM		Impact on profit before income tax		Impact on equity	
	Gross	Net	Gross	Net	Gross	Net
	€'000	€'000	€'000	€'000	€'000	€'000
Life Risk (Net)						
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
Investment contracts with DPF						
Mortality rate – 10% increase	(311)	(311)	—	—	—	—
Mortality rate – 10% decrease	311	311	0.1	—	—	—
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

NOTES TO THE FINANCIAL STATEMENTS

4. MANAGEMENT OF RISK - CONTINUED

4.1 INSURANCE RISK - CONTINUED

(b) Long term business insurance contracts - continued

Sensitivity analysis to underwriting risk variables - continued

31 December 2023	Impact on CSM		Impact on profit before income tax		Impact on equity	
	Gross	Net	Gross	Net	Gross	Net
	€'000	€'000	€'000	€'000	€'000	€'000
Life Risk (Net)						
Mortality rate – 10% increase	(4,155)	(1,852)	(59)	(15)	(39)	(10)
Mortality rate – 10% decrease	4,155	1,854	57	14	37	9
Lapse rates – 10% increase	(1,775)	(288)	192	124	125	80
Lapse rates – 10% decrease	1,775	288	(192)	(124)	(125)	(80)
Expenses – 10% increase	(1,566)	(1,812)	(48)	(57)	31	(37)
Expenses – 10% decrease	1,566	1,812	48	57	(31)	37
Investment contracts with DPF						
Mortality rate – 10% increase	(391)	(391)	3	3	2	2
Mortality rate – 10% decrease	391	391	(3)	(3)	(2)	(2)
Lapse rates – 10% increase	123	123	93	93	60	60
Lapse rates – 10% decrease	(178)	(178)	(89)	(89)	(58)	(58)
Expenses – 10% increase	(1,179)	(1,179)	(71)	(71)	(46)	(46)
Expenses – 10% decrease	1,179	1,179	71	71	46	46

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

4. MANAGEMENT OF RISK - CONTINUED

4.2 FINANCIAL RISK

The Group is exposed to financial risks through its financial assets, financial liabilities and insurance contract assets and liabilities and reinsurance contracts assets and 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 for the Group 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 Group primarily faces due to the nature of its assets and liabilities are interest rate risk and equity price risk.

The Group has developed its Asset/Liability management framework to further 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 respective Investment Committees review and approve 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 at Group level 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 Group'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 Group does not guarantee a positive fixed rate of return to its long-term contract 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.

The bonus philosophy considers historic and current rates of return generated by the Group's investment portfolio as well as the Group'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 Group, 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 Group. 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 Group, 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 Group reserves the right to increase the level of the surrender charge and, if necessary, to apply a Market Value Reduction ('MVR'). A MVR is a deduction which the Group 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 Group may decide to apply a MVR.

NOTES TO THE FINANCIAL STATEMENTS

4. MANAGEMENT OF RISK - CONTINUED

4.2 FINANCIAL RISK - CONTINUED

(a) *Market risk* - continued

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

The MVR serves to protect the interests of remaining investors and the Group, who would otherwise have to subsidise the amount paid on surrendering contracts. The Group 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.

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

The Group 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 Group 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 Group to cash flow interest risk. Assets/liabilities issued at fixed rates generally expose the Group to fair value interest rate risk. Group 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 Group's key management personnel. Note 22 incorporates maturity information with respect to the Group's investments.

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

	Group		Company	
	2024	2023	**2024**	2023
	€'000	€'000	**€'000**	€'000
Assets at floating interest rates	**93,884**	70,570	**—**	—
Assets at fixed interest rates	**1,290,280**	1,306,182	**18,773**	15,804
	1,384,164	1,376,752	**18,773**	15,804

Reconciled to the notes to the financial statements as follows:

	Group		Company	
	2024	2023	**2024**	2023
	€'000	€'000	**€'000**	€'000
Debt securities (Note 22)	**1,020,445**	937,669	**16,273**	13,804
Deposits with banks and credit institutions (Note 22)	**39,657**	75,977	**—**	—
A component of equity securities and units in unit trusts	**321,387**	360,935	**—**	—
Interest bearing cash and cash equivalents	**2,675**	2,171	**2,500**	2,000
	1,384,164	1,376,752	**18,773**	15,804

NOTES TO THE FINANCIAL STATEMENTS

4. MANAGEMENT OF RISK - CONTINUED

4.2 FINANCIAL RISK - CONTINUED

(a) *Market risk* - continued

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

	Group		Company	
	2024	2023	**2024**	2023
	€'000	€'000	**€'000**	€'000
Insurance and reinsurance contracts				
Liabilities	**(1,920,554)**	(1,969,216)	**(37,710)**	(40,446)
Assets	**19,783**	22,024	**9,203**	10,734
	(1,900,771)	(1,947,192)	**(28,507)**	(29,712)

Interest rate risk in relation to hybrid contracts, amounting to €35.2 million (2023: €30.6 million) has been excluded as the directors consider the exposure to be insignificant.

In managing its portfolio, the Group 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 at 31 December is shown below:

	Group	
	2024	2023
	€'000	€'000
Long positions		
- Federal Republic of Germany	**65,488**	23,146
- United States Government	**17,884**	25,155
	83,372	48,301
Short positions		
- Federal Republic of Germany	**78,096**	90,016
- United States Government	**18,601**	18,352
	96,697	108,368

Up to the reporting date, the Group did not have any hedging policy with respect to interest rate risk other than as described in note 2.9.

Sensitivity analysis – interest rate risk

An analysis of the Group'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 sensitivity analysis and the main parameters and assumptions underlying the information provided is found in Note 4.1.

4. MANAGEMENT OF RISK - CONTINUED

4.2 FINANCIAL RISK - CONTINUED

(a) Market risk - continued

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

Group

	CSM		Profit or loss before tax		Equity	
	Increase €'000	Decrease €'000	Increase €'000	Decrease €'000	Increase €'000	Decrease €'000
31 December 2024						
Insurance and reinsurance contracts (net)	406	(449)	183	(284)	119	(185)
Investment contracts with DPF	6,483	(19,019)	552	(1,714)	359	(1,114)
Other investments	—	—	—	—	(301)	281
	6,889	(19,468)	735	(1,998)	177	(1,018)
31 December 2023						
Insurance and reinsurance contracts (net)	370	(408)	(40)	(104)	(26)	(68)
Investment contracts with DPF	11,131	(27,317)	952	(2,363)	618	(1,536)
Other investments	—	—	—	—	(289)	268
	11,501	(27,725)	912	(2,467)	303	(1,336)

Company

	Profit or loss before tax		Equity	
	Increase €'000	Decrease €'000	Increase €'000	Decrease €'000
31 December 2024				
Insurance and reinsurance contracts (net)	554	(517)	360	(336)
Other investments	—	—	(301)	281
	554	(517)	59	(55)
31 December 2023				
Insurance and reinsurance contracts (net)	362	(372)	235	(242)
Other investments	—	—	(289)	268
	362	(372)	(54)	26

(ii) Equity price risks

The Group'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 Group's investments are spread geographically in a diverse number of different countries. The Group has active Investment Committees that have established a set of investment guidelines that are also approved by the Board of Directors. Investments over prescribed limits are directly approved by the respective Boards. 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 Group 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 Group's overall market positions on a regular basis. Reports are prepared at portfolio, legal entity and asset and liability class level that are circulated to the Group's relevant key management personnel. These are also reviewed by the respective Investment Committees and Boards.

NOTES TO THE FINANCIAL STATEMENTS

4. MANAGEMENT OF RISK - CONTINUED

4.2 FINANCIAL RISK - CONTINUED

(a) Market risk - continued

(ii) Equity price risks - continued

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

	Group		Company	
	2024	2023	**2024**	2023
	€'000	€'000	**€'000**	€'000
Assets subject to equity price risk	**561,742**	622,434	**2,813**	2,486
The above includes:				
Component of investments in associated undertakings (Note 21)*	**4,805**	23,212	**—**	—
A component of equity securities and units in unit trusts	**556,937**	599,222	**2,813**	2,486
	561,742	622,434	**2,813**	2,486

*Investments in associates (Note 21) amounting to €0.4 million (2023:€0.4 million) for the Group and €0.4 million (2023: €0.4 million) for the Company have been excluded from equity price risk since they are accounted for under the equity method.

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 4.2 (a) (i).

The sensitivity for equity price risk illustrates how changes in the fair value of equity securities (excluding investments in associated undertakings) 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 Group'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 the main parameters and assumptions underlying the information provided is found in Note 4.1

Group

	CSM	**Profit or loss before tax**	**Equity**
	€'000	**€'000**	**€'000**
31 December 2024			
Investment contracts with DPF	(3,580)	(381)	(248)
Other investments	—	(281)	(241)
	(3,580)	(662)	(489)
31 December 2023			
Investment contracts with DPF	(3,869)	(353)	(229)
Other investments	—	(249)	(211)
	(3,869)	(602)	(440)

4. MANAGEMENT OF RISK - CONTINUED

4.2 FINANCIAL RISK - CONTINUED

(a) Market risk - continued

(ii) Equity price risks - continued

Company

	Profit or loss before tax €'000	Equity €'000
31 December 2024		
Other investments	(281)	(241)
31 December 2023		
Other investments	(249)	(211)

(iii) Currency risk

The Group's and Company's liabilities are substantially denominated in euro. The Group's exposure to foreign currency risk arises primarily both equity and debt securities denominated in major foreign currencies. The Group 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. At 31 December 2024 foreign currency exposure amounted to €187.49 million (2023: €223.98 million).

The table below summarises the Group's exposure to foreign currencies other than euro.

Group

31 December 2024	Net exposure before hedging €'000	Notional amount of currency derivatives €'000	Net exposure after hedging €'000
Currency of exposure:			
USD	307,311	178,616	128,695
CHF	15,318	—	15,318
GBP	12,142	6,121	6,021
SEK	7,337	—	7,337
DKK	8,318	951	7,367
HKD	1,987	—	1,987
Others	20,521	(239)	20,760
	372,934	185,449	187,485

NOTES TO THE FINANCIAL STATEMENTS

4. MANAGEMENT OF RISK - CONTINUED

4.2 FINANCIAL RISK - CONTINUED

(a) Market risk - continued

(iii) Currency risk - continued

Group

31 December 2023	Net exposure before hedging €'000	Notional amount of currency derivatives €'000	Net exposure after hedging €'000
Currency of exposure:			
USD	255,326	101,730	153,596
CHF	18,203	—	18,203
GBP	10,236	805	9,431
SEK	37,777	24,421	13,356
DKK	13,166	30	13,136
HKD	3,456	—	3,456
Others	12,786	(15)	12,801
	350,950	126,971	223,979

Within the table above, €185.8 million of the unhedged exposure relates to equity investments (2023: €190.9 million). Due to an increasingly globalised economy, the Group'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 4.2(a)(ii)). Any residual currency exposure relating to non-equity investments is not considered to be significant.

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

Company

31 December 2024	Net exposure before hedging €'000	Notional amount of currency derivatives €'000	Net exposure after hedging €'000
Currency of exposure:			
USD	34	—	34
GBP	29	—	29
Other	16	—	16
	79	—	79

4. MANAGEMENT OF RISK - CONTINUED

4.2 FINANCIAL RISK - CONTINUED

(a) *Market risk* - continued

(iii) *Currency risk* - continued

Company

31 December 2023	Net exposure before hedging €'000	Notional amount of currency derivatives €'000	Net exposure after hedging €'000
Currency of exposure:			
USD	(155)	—	(155)
GBP	(33)	—	(33)
Others	2	—	2
	(186)	—	(186)

The Company's foreign exposure relates to foreign operations now in run-off.

(b) *Credit risk*

Credit risk is the risk of decreases in value when counterparties are not capable of fulfilling their obligations or when a change in their credit status takes place. The Group 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 Group is exposed to credit risk are:

- Investments and cash and cash equivalents
- Reinsurance contract assets
- Amounts due from insurance intermediaries
- Counterparty risk with respect to forward foreign exchange contracts

The Group 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 Insurance Regulations. The investment strategy of the Group considers the credit standing of the counterparty and control structures are in place to assess and monitor these risk thresholds.

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

The Group'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 Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group 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, thereby ensuring the continuous financial strength of the reinsurer. At the same time that the Board approves the overall reinsurance protection of the Group, it ensures that the reinsurers' credit rating (either Standard & Poor's or equivalent) is within the parameters set by it.

4. MANAGEMENT OF RISK - CONTINUED

4.2 FINANCIAL RISK - CONTINUED

(b) Credit risk - continued

The Group is exposed to contract holders and intermediaries for insurance revenue. Credit agreements are in place in all cases where credit is granted, and in the case of certain larger risks, premium payment warranties are in place. This limits the liability of the Group towards the insured or any third party if the premium remains unsettled after the credit period granted and allows the Group to cancel the policy ab initio, if considered necessary. Records are kept of the payment history for significant contract holders and intermediaries with whom regular business is conducted. Credit is not granted to contract holders whose payment history is not satisfactory. Credit risk with respect to debtors is further limited due to the large number of customers comprising the Group's debtor base.

The exposure to individual counterparties is also managed by other mechanisms, such as the right to offset where counterparties are both debtors and creditors of the Group. Management information reported to the Group includes details of provisions for impairment on receivables and subsequent write-offs. The Company performs risk-based reviews to assess the degree of compliance with the Group's procedures on credit and take action accordingly. In the case of MMSV, it is not normal for credit to be extended to insurance policyholders due to the nature of their business, unless automatic policy loans are advanced up to the surrender value of the contract.

The Group 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:

	Group		Company	
	2024	2023	**2024**	2023
	€'000	€'000	**€'000**	€'000
Debt securities	**1,020,445**	937,669	**16,273**	13,804
Deposits with banks and credit institutions	**39,657**	75,977	**—**	—
Forward foreign exchange contracts and swaps	**—**	1,970	**—**	—
A component of reinsurance contract assets	**8,084**	9,701	**8,084**	9,701
Trade and other receivables (excluding prepayments)	**22,039**	22,362	**18,788**	19,645
Cash and cash equivalents	**81,899**	47,975	**13,908**	10,780
Total	**1,172,124**	1,095,654	**57,053**	53,930

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

4. MANAGEMENT OF RISK - CONTINUED

4.2 FINANCIAL RISK - CONTINUED

(b) Credit risk - continued

These component of reinsurance contract assets exposed to credit risk is analysed in the table below using Standard & Poor's rating (or equivalent).

	Group and Company	
	2024	2023
	€'000	€'000
AA	**122**	385
A	**7,446**	9,293
Below BBB or not rated	**516**	23
	8,084	9,701

These assets other than the reinsurance contract assets are analysed in the table below using Standard & Poor's rating (or equivalent).

	Group		Company	
	2024	2023	**2024**	2023
	€'000	€'000	**€'000**	€'000
AAA	**84,353**	109,154	**4,085**	1,383
AA	**232,871**	188,328	**2,522**	2,824
A	**440,982**	412,833	**7,690**	7,764
BBB	**317,688**	248,171	**13,013**	8,790
Below BBB or not rated	**88,146**	127,467	**21,659**	23,467
	1,164,040	1,085,953	**48,969**	44,228

Debt securities, receivables and cash and cash equivalents that are not rated are primarily held with highly reputable financial institutions.

The Group does not hold any collateral as security to its credit risk.

NOTES TO THE FINANCIAL STATEMENTS

4. MANAGEMENT OF RISK - CONTINUED

4.2 FINANCIAL RISK - CONTINUED

(b) Credit risk - continued

Financial assets that are past due but not impaired

The following other assets are classified as past due but not impaired:

	Group and Company	
	2024	2023
	€'000	€'000
Within credit terms	**10,737**	10,501
Not more than three months	**3,821**	4,100
Within three to twelve months	**1,875**	2,442
Over twelve months	**1,063**	762
	17,496	17,805

IFRS 7 defines a financial asset as being past due when the counterparty has failed to make a payment when contractually due. It goes further to stipulate that full disclosure must be made of all balances due from this particular counterparty, including those, which are still within credit terms and therefore not contractually due.

The overall exposure of the Group and Company in terms of IFRS 7 is €17.5 million (2023: €17.8 million), of which €10.7 million (2023: €10.5 million) is not contractually due. It is the view of the directors that no impairment charge is necessary, due to the following reasons:

1. Settlements after year-end.
2. In cases where the amount has not been settled, agreement for settlement has been reached or is being negotiated.

Trade receivables at 31 December 2024 did not comprise any amounts (2023: nil) whose terms had been renegotiated from the original terms and which were classified as fully performing.

Financial assets that are impaired

Within trade receivables are the following receivables that are classified as impaired against which a provision for impairment has been provided as per Note 26:

	Group and Company	
	2024	2023
	€'000	€'000
Over twelve months (Note 26)	**717**	535

A decision to impair an asset is based on the following information that comes to the attention of the Group:

- Significant financial difficulty of the debtor.
- It becoming probable that the debtor will enter bankruptcy or other financial reorganisation.
- A breach of contract, such as protracted default in payments
- The debtor has been referred to the in-house legal office.

NOTES TO THE FINANCIAL STATEMENTS

4. MANAGEMENT OF RISK - CONTINUED

4.2 FINANCIAL RISK - CONTINUED

(c) Liquidity risk

The Group is exposed to daily calls on its available cash resources mainly from claims and benefits arising from insurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Group manages its funds in such a manner as to ensure an adequate portion of available funds to meet such calls. With respect to life insurance contracts this is principally managed through limits set by the Board of MMSV on the minimum proportion of maturity funds available to meet such calls. Furthermore, the Group 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 or settlement of Group's liabilities. The expected cash flows do not consider the impact of early surrenders on life insurance contracts.

		Group expected cash flows (€ millions) 2024						
	Payable on demand	0-1 yr	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	>5yrs	Total
	Undiscounted	Discounted	Discounted	Discounted	Discounted	Discounted	Discounted	Discounted
Insurance contract assets - Life insurance contracts	4.0	(9.0)	(8.0)	(7.0)	(6.0)	(5.0)	(25.0)	(56.0)
Insurance contract liabilities - Life insurance contracts	56.0	175.0	163.0	133.0	152.0	171.0	984.0	1,834.0
Reinsurance contract liabilities	6.0	3.0	2.0	2.0	2.0	2.0	20.0	37.0
Insurance contract liabilities - liabilities for incurredclaims short- term contracts under PAA	—	18.2	6.3	3.4	2.9	2.2	3.8	36.8
Lease liabilities	—	0.4	0.3	0.3	0.2	0.2	0.4	1.8
Other payables	18.2	—	—	—	—	—	—	18.2

		Group expected cash flows (€ millions) 2023						
	Payable on demand	0-1 yr	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	>5yrs	Total
	Undiscounted	Discounted	Discounted	Discounted	Discounted	Discounted	Discounted	Discounted
Insurance contract assets - Life insurance contracts	2.0	(8.0)	(7.0)	(6.0)	(5.0)	(4.0)	(26.0)	(56.0)
Insurance contract liabilities - Life insurance contracts	50.0	199.0	169.0	156.0	124.0	145.0	1,039.0	1,882.0
Reinsurance contract liabilities	5.0	2.0	2.0	2.0	2.0	2.0	19.0	34.0
Insurance contract liabilities - liabilities for incurred claims short-term contracts under PAA	—	27.8	5.3	1.2	3.1	0.6	1.4	39.4
Lease liabilities	—	0.4	0.4	0.3	0.3	0.2	0.4	2.0
Other payables	18.0	—	—	—	—	—	—	18.0

Expected cash flows on unit linked liabilities, presented under investment contract liabilities amounting to €179.7 million (2023: €123.3 million) and as part of insurance contract liabilities €39.2 million (2023: €34.8 million), 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 long-term contracts claims outstanding.

4. MANAGEMENT OF RISK - CONTINUED

4.2 FINANCIAL RISK - CONTINUED

(c) Liquidity risk - continued

	Company expected cash flows (€ millions) 2024							
	Payable on demand	0-1 yr	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	>5yrs	Total
	Undiscounted	Discounted	Discounted	Discounted	Discounted	Discounted	Discounted	Discounted
Insurance contract liabilities – liabilities for incurred claims short-term contracts under PAA	—	18.2	6.3	3.4	2.9	2.2	3.8	36.8
Lease liabilities	—	0.3	0.3	0.3	0.2	0.2	0.4	1.7
Other payables	9.1	—	—	—	—	—	—	9.1

	Company expected cash flows (€ millions) 2023							
	Payable on demand	0-1 yr	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	>5yrs	Total
	Undiscounted	Discounted	Discounted	Discounted	Discounted	Discounted	Discounted	Discounted
Insurance contract liabilities – liabilities for incurred claims short-term contracts under PAA	—	27.8	5.3	1.2	3.1	0.6	1.4	39.4
Lease liabilities	—	0.4	0.4	0.3	0.3	0.2	0.4	2.0
Other payables	9.3	—	—	—	—	—	—	9.3

The table below analyses the Group'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.

	Group	
	2024	2023
	€'000	€'000
At 31 December		
Foreign exchange contracts		
- outflow	**(211,300)**	(140,177)
- inflow	**204,484**	142,147

At 31 December 2024 and 2023, the above derivatives were due to be settled within three months after year end.

4.3 FAIR VALUES

The following table presents the assets measured in the statement of financial position at fair value by level of the following fair value measurement hierarchy at 31 December 2024:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

4. MANAGEMENT OF RISK - CONTINUED

4.3 FAIR VALUES - CONTINUED

The following tables present the assets and liabilities measured at fair value at 31 December 2024.

Group

	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Assets				
Financial assets at fair value through profit or loss				
- Equity securities, units in unit trusts and collective investment schemes	874,858	123,120	101,480	1,099,458
- Debt securities	567,135	388,077	—	955,212
Debt securities at FVOCI	8,946	7,327	—	16,273
Investment in associated undertakings	—	4,805	—	4,805
Total assets	**1,450,939**	**523,329**	**101,480**	**2,075,748**
Liabilities				
Investment contract liabilities	—	179,685	—	179,685
Forward foreign exchange contracts and swaps	—	6,816	—	6,816
Total liabilities	**—**	**186,501**	**—**	**186,501**

Company

	Level 1 €'000	Level 2 €'000	Total €'000
Assets			
Financial assets at fair value through profit or loss			
- Equity securities, units in unit trusts and collective investment schemes	762	2,051	2,813
Debt securities at FVOCI	8,946	7,327	16,273
Total assets	**9,708**	**9,378**	**19,086**

4. MANAGEMENT OF RISK - CONTINUED

4.3 FAIR VALUES - CONTINUED

The following tables present the assets measured at fair value at 31 December 2023.

Group

	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Assets				
Financial assets at fair value through profit or loss				
- Equity securities, units in unit trusts and collective investment schemes	934,308	91,550	94,839	1,120,697
- Debt securities	532,525	316,536	—	849,061
Debt securities at FVOCI	7,204	6,600	—	13,804
Forward foreign exchange contracts and swaps	—	1,970	—	1,970
Investment in associated undertakings	—	23,346	—	23,346
Total assets	**1,474,037**	**440,002**	**94,839**	**2,008,878**
Liabilities				
Investment contract liabilities	—	123,253	—	123,253
Total liabilities	**—**	**123,253**	—	**123,253**

Company

	Level 1 €'000	Level 2 €'000	Total €'000
Assets			
Financial assets at fair value through profit or loss			
- Equity securities, units in unit trusts and collective investment schemes	667	1,819	2,486
- Debt securities	—	—	—
Debt securities at FVOCI	7,204	6,600	13,804
Total assets	**7,871**	**8,419**	**16,290**

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 2024, 4.9% (2023:4.7%) of the financial assets measured at fair value on a recurring basis were classified as Level 3. They constitute investment in unlisted equities. The Group has €101.5 million (2023:€94.8 million) 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 analysis of freehold land and buildings and investment property are included within Note 18 and Note 19 respectively.

NOTES TO THE FINANCIAL STATEMENTS

4. MANAGEMENT OF RISK - CONTINUED

4.3 FAIR VALUES - CONTINUED

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

Group	2023
	Equity securities €'000
Opening balance	61,609
Additions	30,252
Total gains recognised in profit or loss	2,978
Closing balance	**94,839**

Group	2024
	Equity securities €'000
Opening balance	94,839
Additions	5,300
Disposals	(1,749)
Total gains recognised in profit or loss	3,090
Closing balance	**101,480**

At 31 December 2024 and 2023, the carrying amount of the Group's and Company's other financial assets and liabilities approximated their fair values.

5. CAPITAL MANAGEMENT

The Group'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 Group's and individual companies ability to continue as a going concern. The Group defines capital as shareholders' equity.

The Group'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');
- provide for the capital requirements of the companies within the Group;
- safeguard the Group's and individual component companies' ability to continue as a going concern and provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance contracts commensurate with the level of risk.

5. CAPITAL MANAGEMENT - CONTINUED

The individual insurance Group companies are required to hold regulatory capital for their non-life and 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 individual Group companies monitor the level of their own funds on a regular basis. Any transactions that may potentially affect the individual company's own funds and solvency position are immediately reported to their respective directors and shareholders for resolution.

The Company's Minimum Capital Requirement Absolute Floor stands at €8,000,000 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.

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. All other companies within the Group were also compliant with the respective minimum regulatory requirements throughout the financial period as per management calculations to date.

6. AMOUNTS DETERMINED ON TRANSITION TO IFRS 17

Transition approach

At 1 January 2022, the Group 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 Group applied judgement in determining the transition amounts and the pretransition FCF and experience were not considered under this approach.

Applying the fair value approach, the Group 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.

NOTES TO THE FINANCIAL STATEMENTS

6. AMOUNTS DETERMINED ON TRANSITION TO IFRS 17 - CONTINUED

Analysis by transition approach - insurance revenue and contractual service margin

For insurance contracts issued by the Group 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 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)
	(13,310)	(33,460)	(46,770)
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
	33,551	77,608	111,159

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)
	(14,024)

6. AMOUNTS DETERMINED ON TRANSITION TO IFRS 17 - CONTINUED

Analysis by transition approach - insurance revenue and contractual service margin - continued

31 December 2023	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	(12,905)	(3,241)	(16,146)
Contracts measured under the fair value approach at transition	(138)	(31,427)	(31,565)
	(13,043)	(34,668)	(47,711)
CSM			
New contracts and contracts measured under the full retrospective approach at transition	24,909	8,770	33,679
Contracts measured under the fair value approach at transition	7,285	62,957	70,242
	32,194	71,727	103,921

31 December 2023	Life Risk €'000
Reinsurance contracts held	
CSM	
New contracts and contracts measured under the full retrospective approach at transition	(8,806)
Contracts measured under the fair value approach at transition	(4,157)
	(12,963)

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 2024	Insurance contracts issued			Reinsurance contracts held	
	Life Risk €'000	Investment contracts with DPF €'000	Total CSM for insurance contracts issued €'000	Life Risk €'000	Total CSM for reinsurance contracts held €'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**

6. AMOUNTS DETERMINED ON TRANSITION TO IFRS 17 - CONTINUED

Expected recognition of the contractual service margin - continued

As at 31 December 2023	Insurance contracts issued			Reinsurance contracts held	
	Life Risk €'000	Investment contracts with DPF €'000	Total CSM for insurance contracts issued €'000	Life Risk €'000	Total CSM for reinsurance contracts held €'000
1	(3,418)	(6,027)	(9,445)	1,421	1,421
2	(3,144)	(5,560)	(8,704)	1,302	1,302
3	(2,888)	(5,120)	(8,008)	1,193	1,193
4	(2,645)	(4,704)	(7,349)	1,089	1,089
5	(2,424)	(4,374)	(6,798)	994	994
6 – 10	(9,400)	(15,485)	(24,885)	3,823	3,823
> 10	(13,994)	(30,457)	(44,451)	5,394	5,394
Total	**(37,913)**	**(71,727)**	**(109,640)**	**15,216**	**15,216**

7. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Executive Management team that are used to make strategic decisions.

The segment results for the years ended 31 December 2024 and 2023 are indicated below.

(i) *Insurance revenue and insurance service result*

Short-term insurance contracts under PAA

Group and Company At 31 December 2024	Motor €'000	Fire and other damage to property €'000	Health €'000	Other classes €'000	Group Life €'000	Total €'000
Insurance revenue	47,166	18,531	17,037	15,220	1,968	99,922
Insurance service expenses	(38,405)	(10,918)	(15,198)	(12,628)	(1,347)	(78,496)
Net expenses from reinsurance contracts held	(1,467)	(6,441)	(96)	(1,002)	(90)	(9,096)
Insurance service result	7,294	1,172	1,743	1,590	531	12,330

Group and Company At 31 December 2023	Motor €'000	Fire and other damage to property €'000	Health €'000	Other classes €'000	Group Life €'000	Total €'000
Insurance revenue	42,997	16,830	15,808	14,522	2,712	92,869
Insurance service expenses	(35,577)	(10,255)	(14,012)	(6,578)	(2,033)	(68,455)
Net expenses from reinsurance contracts held	(2,742)	(5,721)	143	(3,913)	(14)	(12,247)
Insurance service result	4,678	854	1,939	4,031	665	12,167

NOTES TO THE FINANCIAL STATEMENTS

7. SEGMENT INFORMATION - CONTINUED

(i) Insurance revenue and insurance service result - continued

Long-term and linked long-term business

In the opinion of the directors, the subsidiary MAPFRE MSV Life p.l.c. primarily operates in a single business segment being that of long-term and linked long-term insurance business.

An analysis of insurance revenue, insurance service expenses and net expenses from reinsurance contracts held by contract type for 2024 and 2023 is included in the following tables.

2024	**Life Risk**	**Investment contracts with DPF**	**Total**
	€'000	**€'000**	**€'000**
Insurance revenue			
Contracts not measured under PAA			
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)
Insurance acquisition cash flows amortization	(91)	(4,338)	(4,429)
	(7,350)	**(26,183)**	**(33,533)**
Net income (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**

NOTES TO THE FINANCIAL STATEMENTS

7. SEGMENT INFORMATION - CONTINUED

(i) *Insurance revenue and insurance service result* - continued

Long-term and linked long-term business - continued

2023	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	7,945	24,576	32,521
- Changes in risk adjustment for non-financial risk for the risk expired	1,397	140	1,537
- CSM recognised for the services provided	3,589	6,178	9,767
- Experience adjustments – arising from premiums received in the period other than those that relate to future service	61	18	79
Insurance acquisition cash flows recovery	51	3,756	3,807
	13,043	**34,668**	**47,711**
Insurance service expenses			
Incurred claims and other directly attributable expenses	(5,471)	13,711)	(19,182)
Insurance acquisition cash flows amortization approach at transition	(51)	(3,756)	(3,807)
	(5,522)	**(17,467)**	**(22,989)**
Net income (expenses) from reinsurance contracts held			
Amounts relating to the changes in the remaining coverage			
- Expected incurred claims and other directly attributable expenses recovery	(2,309)	—	(2,309)
- Change in the risk adjustment for non-financial risk for the risk expired	(242)	—	(242)
- CSM recognised for the services provided	(1,516)	—	(1,516)
- Experience adjustments – arising from ceded premiums paid in the period other than those that relate to future service	(122)	—	(122)
Reinsurance expenses	(4,189)	—	(4,189)
Other incurred directly attributable expenses	(382)	—	(382)
Incurred claims recovery	974	—	974
	(3,597)	**—**	**(3,597)**
Total insurance service result	**3,924**	**17,201**	**21,125**

100% (2023: 100%) of consolidated insurance revenue emanate from contracts concluded in or from Malta. All premiums emanate from external customers and there is no business transacted between segments other than as disclosed in Note 35.

8. INVESTMENT RETURN

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

31 December 2024	Group						Company
	Life Risk	Investment contracts with DPF	Investment contracts without DPF	Short-Term contracts measured under the PAA	Other	Total	Short-Term contracts measured under the
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Net investment income/(expenses)							
Share of profit of other associated undertaking, net of tax	—	—	—	—	105	105	—
Dividend income from group companies	—	—	—	—	—	—	1,323
Interest revenue from financial assets not measured at FVTPL	—	1,153	—	355	3,932	5,440	355
Interest expenses from financial assets not measured at FVTPL	—	—	—	(27)	—	(27)	(27)
Net gains on FVTPL instruments	625	83,210	13,131	445	1,179	98,590	445
Other investment income	—	322	—	2	—	324	2
Net (losses)/gains from fair value adjustments to investment properties	—	(533)	—	(196)	150	(579)	(196)
Investment income from investment properties	—	5,980	—	821	—	6,801	821
Expenses arising from investment properties	—	(437)	—	(15)	—	(452)	(15)
Other investment expenses	—	(6,493)	—	(31)	(20)	(6,544)	(31)
Net credit impairment losses	—	8	—	1	—	9	1
Interest on lease liabilities	—	—	—	(77)	—	(77)	(77)
Net investment income	**625**	**83,210**	**13,131**	**1,278**	**5,346**	**103,590**	**2,601**
Finance income/(expenses) from insurance contracts issued	—	(83,210)	—	—	—	(83,210)	—
Changes in value of underlying assets of contracts measured under VFA	1,577	—	—	—	—	1,577	—
Interest accreted							
Effect of changes in interest rates and other financial assumptions	(765)	—	—	(818)	—	(1,583)	(818)
Effect of changes in FCF at current rates when CSM is unlocked at locked-in rates	24	—	—	—	—	24	—
Finance expense from insurance contracts issued	**836**	**(83,210)**	—	**(818)**	—	**(83,192)**	**(818)**
Finance income/(expenses) from reinsurance contracts held							
Interest accreted	(818)	—	—	—	—	(818)	—
Effect of changes in interest rates and other financial assumptions	73	—	—	182	—	225	182
Effect of changes in FCF at current rates when CSM is unlocked at locked-in rates	48	—	—	—	—	48	—
Finance income/(expense)from reinsurance contracts held	**(697)**	**—**	**—**	**182**	**—**	**(515)**	**182**
Net change in investment contract liabilities	**—**	**—**	**(13,131)**	**—**	**—**	**(13,131)**	**—**
Net investment return and net financial result	**764**	**—**	**—**	**642**	**5,346**	**6,752**	**1,965**

NOTES TO THE FINANCIAL STATEMENTS

8. INVESTMENT RETURN - CONTINUED

31 December 2023	Group						Company
	Life Risk	Investment contracts with DPF	Investment contracts without DPF	Short-Term contracts measured under the	Other	Total	Short-Term contracts measured under the
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Net investment income/(expenses)							
Share of profit of other associated undertaking, net of tax	—	—	—	—	110	110	—
Dividend income from group companies	—	—	—	—	—	—	147
Interest revenue from financial assets not measured at FVTPL	—	1,257	—	221	3,744	5,222	221
Interest expenses from financial assets not measured at FVTPL	—	—	—	(32)	—	(32)	(32)
Net gains on FVTPL instruments	500	170,178	8,194	812	714	180,398	812
Other investment income	—	425	—	9	—	434	9
Net (losses)/gains from fair value adjustments to investment properties	—	(3,925)	—	61	(409)	(4,273)	61
Investment income from investment properties	—	5,698	—	817	—	6,515	817
Expenses arising from investment properties	—	(368)	—	—	—	(368)	—
Other investment expenses	—	(5,927)	—	(23)	(27)	(5,977)	(23)
Net credit impairment losses	—	(37)	—	—	15	(22)	—
Interest on lease liabilities	—	—	—	(49)	—	(49)	(49)
Net investment income	**500**	**167,301**	**8,194**	**1,816**	**4,147**	**181,958**	**1,963**
Finance income/(expenses) from insurance contracts issued							
Changes in value of underlying assets of contracts measured under VFA	—	(178,200)	—	—	—	(178,200)	—
Interest accreted	1,542	—	—	—	—	1,542	—
Effect of changes in interest rates and other financial assumptions	2,871	—	—	(1,320)	—	1,551	(1,320)
Effect of changes in FCF at current rates when CSM is unlocked at locked-in rates	(1,764)	—	—	—	—	(1,764)	—
Finance expense from insurance contracts issued	**2,649**	**(178,200)**	—	**(1,320)**	—	**(176,871)**	**(1,320)**
Finance i(expenses)/ income from reinsurance contracts held							
Interest accreted	(752)	—	—	—	—	(752)	—
Effect of changes in interest rates and other financial assumptions	(2,680)	—	—	486	—	(2,194)	486
Effect of changes in FCF at current rates when CSM is unlocked at locked-in rates	719	—	—	—	—	719	—
Finance (expense)/income from reinsurance contracts held	**(2,713)**	**—**	**—**	**486**	**—**	**(2,227)**	**486**
Net change in investment contract liabilities	**—**	**—**	**(8,194)**	**—**	**—**	**(8,194)**	**—**
Net investment return and net financial result	**436**	**(10,899)**	**—**	**982**	**4,147**	**(5,334)**	**1,129**

NOTES TO THE FINANCIAL STATEMENTS

9. OTHER INCOME

	Group 2024 €'000	Group 2023 €'000
Investment management fees	**786**	1,222
Management fees	**125**	644
Other income	**371**	37
	1,282	1,903

10. PROFIT BEFORE TAX

The profit before tax is stated after charging:

	Group 2024 €'000	Group 2023 €'000	Company 2024 €'000	Company 2023 €'000
Employee compensation (Note 11)	**16,579**	15,218	**9,238**	8,295
Depreciation/amortisation:				
- intangible assets (Note 16)	**5,080**	4,549	**2,226**	2,147
- property, plant and equipment (Note 18)	**1,125**	1,079	**626**	616
Impairment of receivables	**10**	61	**10**	61
Increase in provision for impairment on receivables (Note 26)	**182**	41	**182**	41

The financial statements include fees, exclusive of VAT, charged by the Company's auditors for services rendered during the financial years ended 31 December 2024 and 2023, relating to entities that are included in the consolidation amounting to:

	Group 2024 €'000	Group 2023 €'000	Company 2024 €'000	Company 2023 €'000
Annual statutory audit	**911**	741	**336**	320
IFRS 17 Transition Audit	**—**	810	**—**	300
Solvency II audit	**118**	113	**51**	49
Paid during the year:				
for financial year 2024	**413**	—	**168**	—
for financial year 2023	**1,497**	—	**674**	—
for financial year 2022	**—**	160	**—**	—
for financial year 2021	**—**	410	**—**	181

NOTES TO THE FINANCIAL STATEMENTS

11. EMPLOYEE COMPENSATION

	Group		Company	
	2024	2023	**2024**	2023
	€'000	€'000	**€'000**	€'000
Salaries	**15,587**	14,332	**8,677**	7,799
Social security costs	**790**	726	**457**	420
Contributions to Employee Voluntary Occupational Pension Scheme	**202**	160	**104**	76
	16,579	15,218	**9,238**	8,295

The average number of persons employed during the year was:

	Group		Company	
	2024	2023	**2024**	2023
	No.	No.	**No.**	No.
Key management personnel	**26**	27	**14**	14
Managerial	**41**	34	**25**	20
Technical	**229**	232	**141**	142
Administrative	**18**	15	**11**	9
	314	308	**191**	185

12. INCOME TAX EXPENSE

	Group		Company	
	2024	2023	**2024**	2023
	€'000	€'000	**€'000**	€'000
Current tax expense	**6,967**	6,061	**3,286**	3,588
Deferred tax expense (Note 23)	**(157)**	2,015	**126**	(412)
Income tax expense	**6,810**	8,076	**3,412**	3,176

NOTES TO THE FINANCIAL STATEMENTS

12. INCOME TAX EXPENSE - CONTINUED

The tax on the Group's and Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	Group		Company	
	2024	2023	**2024**	2023
	€'000	€'000	**€'000**	€'000
Profit before tax	**24,804**	24,019	**10,531**	9,864
Tax at 35%	**8,681**	8,407	**3,686**	3,452
Adjusted for tax effect of:				
Net exempt income and disallowed expenses	**(826)**	(410)	**(111)**	(118)
Property withholding tax at 8% or 10%	**(815)**	321	**59**	20
Other	**(230)**	(242)	**(222)**	(178)
Income tax expense	**6,810**	8,076	**3,412**	3,176

13. DIRECTORS' EMOLUMENTS

	Group		Company	
	2024	2023	**2024**	2023
	€'000	€'000	**€'000**	€'000
Directors' fees	**250**	264	**187**	170

Group Directors' fees include fees payable to the Company's directors both from the Company and from other Group Companies where applicable.

14. EARNINGS PER SHARE

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

	Group	
	2024	2023
	€'000	€'000
Profit attributable to owners of the Company	**12,519**	11,309
Number of ordinary shares in issue (Note 28)	**92,000**	92,000
Basic and diluted earnings per share attributable to owners of the Company (€)	**0.136**	0.123

15. DIVIDENDS

A final gross dividend in respect of year ended 31 December 2024 of €0.080268 (2023: €0.073057) per share amounting to a total dividend of €7,384,615 (2023: €6,721,231) is to be proposed by the directors at the forthcoming annual general meeting. This is equivalent to a net dividend of €0.052174 (2023: €0.048913) per share amounting to a total net dividend of €4,800,000 (2023: €4,500,000).

16. INTANGIBLE ASSETS

Group	Computer software	Deferred acquisition costs (i)	Total (ii)
	€'000	€'000	€'000
At 1 January 2023			
Cost or valuation	51,749	3,874	55,623
Accumulated amortisation and impairment	(23,908)	(3,566)	(27,474)
Net book amount	**27,841**	**308**	**28,149**
Year ended 31 December 2023			
Opening net book amount	27,841	308	28,149
Additions	6,581	551	7,132
Amortisation charge	(4,502)	(47)	(4,549)
Closing net book amount	**29,920**	**812**	**30,732**
At 31 December 2023			
Cost or valuation	58,330	4,425	62,755
Accumulated amortisation and impairment	(28,410)	(3,613)	(32,023)
Net book amount	**29,920**	**812**	**30,732**
Year ended 31 December 2024			
Opening net book amount	29,920	812	30,732
Additions	7,448	1,311	8,759
Disposal	(2,906)	—	(2,906)
Amortisation charge	(4,960)	(120)	(5,080)
Amortisation released on derecognition	2,906	—	2,906
Closing net book amount	**32,408**	**2,003**	**34,411**
At 31 December 2024			
Cost or valuation	62,872	5,736	68,608
Accumulated amortisation and impairment	(30,464)	(3,733)	(34,197)
Net book amount	**32,408**	**2,003**	**34,411**

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

NOTES TO THE FINANCIAL STATEMENTS

16. INTANGIBLE ASSETS - CONTINUED

Company

	Computer software €'000
At 1 January 2023	
Cost	21,032
Accumulated amortisation	(11,065)
Net book amount	**9,967**
Year ended 31 December 2023	
Opening net book amount	9,967
Additions	2,571
Amortisation charge	(2,147)
Closing net book amount	**10,391**
At 31 December 2023	
Cost	23,603
Accumulated amortisation	(13,212)
Net book amount	**10,391**
Year ended 31 December 2024	
Opening net book amount	10,391
Additions	2,408
Disposal	(6)
Amortisation charge	(2,226)
Amortisation released on disposal	6
Closing net book amount	**10,573**
At 31 December 2024	
Cost	26,005
Accumulated amortisation	(15,432)
Net book amount	**10,573**

No amortisation (2023: nil) is included in acquisition costs and €2.2 million (2023: €2.2 million) is included in administrative expenses.

Computer software mainly represents amounts capitalised relating to the development of the Group and Company's IT system by related companies forming part of the MAPFRE S.A. Group.

17. LEASES

(a) Leases as the lessee

The Group leases property and motor vehicles. Property leases generally run for a period of five to seven years without the option to renew, whilst motor vehicle leases typically run for a period of seven years. Lease payments are subsequently renegotiated to reflect market rates.

NOTES TO THE FINANCIAL STATEMENTS

17. LEASES - CONTINUED

(a) Leases as the lessee - continued

i. Right-of-use assets

Right-of-use assets related to leased motor vehicles and properties that do not meet the definition of investment property are presented as a separate line item on the face of the Statement of Financial Position.

2023	Group		
	Property	Motor vehicles	Total
	€'000	€'000	€'000
Balance on 1 January	992	469	1,461
Additions	437	40	477
Derecognition of right-of-use assets	—	(29)	(29)
Depreciation charge for the year	(219)	(118)	(337)
Depreciation released on derecognition	—	29	29
Balance on 31 December	1,210	391	1,601

2024	Group		
	Property	Motor vehicles	Total
	€'000	€'000	€'000
Balance on 1 January	1,210	391	1,601
Additions	346	179	525
Derecognition of right-of-use assets	—	(65)	(65)
Depreciation charge for the year	(271)	(128)	(399)
Depreciation released on derecognition	—	39	39
Gain on derecognition	—	1	1
Balance on 31 December	1,285	417	1,702

2023	Company		
	Property	Motor vehicles	Total
	€'000	€'000	€'000
Balance on 1 January	992	386	1,378
Additions	437	—	437
Depreciation charge for the year	(219)	(87)	(306)
Balance on 31 December	1,210	299	1,509

NOTES TO THE FINANCIAL STATEMENTS

17. LEASES - CONTINUED

(a) Leases as the lessee - continued

i. Right-of-use assets - continued

2024	Company		
	Property	Motor vehicles	Total
	€'000	€'000	€'000
Balance on 1 January	1,210	299	1,509
Additions	346	131	477
Depreciation charge for the year	(271)	(99)	(370)
Balance on 31 December	1,285	331	1,616

ii. Amounts recognised in profit or loss

2023	Group		
	Property	Motor vehicles	Total
	€'000	€'000	€'000
Depreciation of right-of-use assets	219	118	337
Interest expense on lease liabilities	30	24	54

2024	Group		
	Property	Motor vehicles	Total
	€'000	€'000	€'000
Depreciation of right-of-use assets	271	128	399
Interest expense on lease liabilities	58	27	85

2023	Company		
	Property	Motor vehicles	Total
	€'000	€'000	€'000
Depreciation of right-of-use assets	219	87	306
Interest expense on lease liabilities	30	19	49

17. LEASES - CONTINUED

(a) Leases as the lessee - continued

ii. Amounts recognised in profit or loss - continued

2024	Company		
	Property	Motor vehicles	Total
	€'000	€'000	€'000
Depreciation of right-of-use assets	271	99	370
Interest expense on lease liabilities	58	19	77

(b) Leases as the lessor

The Group and the Company lease out certain property. Note 19 sets out information about investment property. The Group has classified these leases as operating leases because they do not transfer substantially all the risks and rewards incidental to the ownership of the assets.

The following table sets out a maturity analysis of lease payments receivable, showing the undiscounted lease payments to be received after the reporting date.

Operating leases	Group		Company	
	2024	2023	**2024**	2023
	€'000	€'000	**€'000**	€'000
Less than one year	**5,655**	5,815	**666**	660
One to two years	**3,068**	4,079	**545**	445
Two to three years	**2,027**	2,000	**138**	386
Three to four years	**1,393**	1,401	**4**	38
Four to five years	**900**	1,052	**—**	—
More than five years	**2,457**	3,113	**—**	—
Total	**15,500**	17,460	**1,353**	1,529

NOTES TO THE FINANCIAL STATEMENTS

18. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and buildings	Leasehold improvements	Furniture, fittings and equipment	Total
	€'000	€'000	€'000	€'000
At 1 January 2023				
Cost	13,900	4,223	9,142	27,265
Accumulated depreciation	(253)	(2,390)	(6,996)	(9,639)
Closing net book amount	**13,647**	**1,833**	**2,146**	**17,626**
Year ended 31 December 2023				
Opening net book amount	13,647	1,833	2,146	17,626
Additions	170	158	308	636
Depreciation charge	(104)	(230)	(745)	(1,079)
Closing net book amount	13,713	1,761	1,709	17,183
At 31 December 2023				
Cost	14,070	4,381	9,450	27,901
Accumulated depreciation	(357)	(2,620)	(7,741)	(10,718)
Net book amount	**13,713**	**1,761**	**1,709**	**17,183**
Year ended 31 December 2024				
Opening net book amount	13,713	1,761	1,709	17,183
Additions	72	276	634	982
Disposals	—	(1,153)	(922)	(2,075)
Revaluation gain to profit or loss	168	—	—	168
Depreciation charge	(104)	(319)	(702)	(1,125)
Depreciation released on disposal	0	1,063	919	1,982
Closing net book amount	13,849	1,628	1,638	17,115
At 31 December 2024				
Cost	14,310	3,504	9,162	26,976
Accumulated depreciation	(461)	(1,876)	(7,524)	(9,861)
Net book amount	**13,849**	**1,628**	**1,638**	**17,115**

NOTES TO THE FINANCIAL STATEMENTS

18. PROPERTY, PLANT AND EQUIPMENT - CONTINUED

Company	Freehold land and buildings €'000	Leasehold improvements €'000	Furniture, fittings and equipment €'000	Total €'000
At 1 January 2023				
Cost	1,734	3,635	3,735	9,104
Accumulated depreciation	(32)	(1,809)	(2,783)	(4,624)
Net book amount	**1,702**	**1,826**	**952**	**4,480**
Year ended 31 December 2023				
Opening net book amount	1,702	1,826	952	4,480
Additions	—	158	187	345
Depreciation Charge	(17)	(228)	(371)	(616)
Closing net book amount	1,685	1,756	768	4,209
At 31 December 2023				
Cost	1,734	3,793	3,922	9,449
Accumulated depreciation	(49)	(2,037)	(3,154)	(5,240)
Net book amount	**1,685**	**1,756**	**768**	**4,209**
Year ended 31 December 2024				
Opening net book amount	1,685	1,756	768	4,209
Additions	—	276	299	575
Disposal	0	(603)	(854)	(1,457)
Depreciation charge	(17)	(317)	(292)	(626)
Amortisation released on disposal	—	512	850	1,362
Closing net book amount	1,668	1,624	771	4,063
At 31 December 2024				
Cost or valuation	1,734	3,466	3,367	8,567
Accumulated depreciation	(66)	(1,842)	(2,596)	(4,504)
Net book amount	**1,668**	**1,624**	**771**	**4,063**

Freehold land and buildings transferred from investment property are transferred at the fair value at the point of transfer and are subsequently depreciated. Transfers to investment property are made at the depreciated value at the point of transfer. If the fair value of the freehold land and buildings is significantly different as compared to its carrying amount then a revaluation adjustment is recorded.

Depreciation charge has been included in administrative expenses.

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

NOTES TO THE FINANCIAL STATEMENTS

18. PROPERTY, PLANT AND EQUIPMENT - CONTINUED

A valuation of land and buildings was carried out by external qualified valuers during 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 for the Group is €13.7 million (2023: €13.7 million) and for the Company €0.8 million (2023: €0.8 million).

Valuation processes

Periodically, the Group engages qualified valuers to determine the fair value of the Group's land and buildings. As at 31 December 2024, the fair value of the land and buildings of the subsidiary was determined by PwC Malta. No valuation was performed in 2022 and 2023 on the land and building of the subsidiary. The Company's land and buildings were revalued by PwC Malta in 2024 with no significant change to the carrying amount.

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.

Valuation techniques

The fair value of the Group's and the Company's land and buildings, with a total carrying amount of €13.9 million and €1.7 million respectively (2023: €13.7 million and €1.7 million respectively), was determined by capitalizing future net income streams based on significant unobservable inputs. These inputs include:

Valuation technique	**Significant unobservable inputs**	**Inter-relationship between key unobservable inputs and fair value measurement**
Discounted cash flows: The valuation model considers the present value of net cash flows potentially 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.	– Risk-adjusted discount rate varying between 6.2% and 6.6% (2023: 6.2% and 7.9%) – The valuation provides for a void factor varying between 2.5% and 5.5% (2023: 2.5% and 4.5%) on rental income. – A benchmark lease market rate was applied once current lease terms expired. – Expected market rental growth rate of 2.0% (2023: 2.0%) in line with the implied inflation rate IRR (Internal Rate of Return).	The estimated fair value would increase/(decrease) if: – 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).

Although the properties are currently being used by MMS as its Floriana Regional Office and MMSV 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.

19. INVESTMENT PROPERTY

	Group €'000	Company €'000
At 1 January 2023		
Cost	66,412	7,541
Accumulated fair value gains	41,866	5,863
Net book amount	**108,278**	**13,404**
Year ended 31 December 2023		
Opening net book amount	108,278	13,404
Additions	1,614	344
Net fair value (losses)/gains	(4,273)	61
Net book amount	**105,619**	**13,809**
At 31 December 2023		
Cost	68,026	7,885
Accumulated fair value gains	37,593	5,924
Net book amount	**105,619**	**13,809**
Year ended 31 December 2024		
Opening net book amount	105,619	13,809
Additions	934	100
Net fair value losses	(746)	(196)
Disposals	(1)	(1)
Net book amount	**105,806**	**13,712**
At 31 December 2024		
Cost	68,959	7,984
Accumulated fair value gains	36,847	5,728
Net book amount	**105,806**	**13,712**

Transfers to or from property, plant & equipment and disposals are inclusive of accumulated fair value gains at the point of transfer.

Fair value of investment property

A valuation of the Group's and Company's investment property was performed by external qualified valuers to determine the fair value of the land and buildings as at 31 December 2024 and 2023. The fair value movements were credited to profit or loss and are presented within 'investment return' (Note 8).

The Group's and the Company's investment property, comprising mainly office buildings, have been determined to fall within level 3 of the fair valuation hierarchy. The different levels in the fair value hierarchy have been defined in Note 4.3.

The Group's and 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.

19. INVESTMENT PROPERTY - CONTINUED

Valuation processes

On an annual basis, the Group and Company engage 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 land and buildings. As at 31 December 2024 and 2023, the fair values of the land and buildings have been determined by PwC Malta and DHI Periti.

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, market approach, comparative transaction method and income capitalisation method 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.

Valuation technique - Discounted cash flow

The following tables shows the valuation technique used in measuring the fair value of investment property using the discounted cash flow technique, as well as the significant unobservable inputs used. These inputs include:

Group

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flows: 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.	– Risk-adjusted discount rate varying between 6.3% and 8.3% (2023: 7.0% and 8.6%). – A void factor varying between 1.0% to 5.5% (2023: 1.0% and 5.0%) on rental income. – Lease market rate was applied once current lease terms expired. – Expected market rental growth rate of 2.0% (2023: 2.0%) in line with the general inflation rate – Construction costs for undeveloped airspace and re-developable land varying between €673/sqm and €1,621/sqm (2023: €671/sqm and €1,592/sqm)	The estimated fair value would increase/(decrease) if: – 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). – Constructions costs were lower/ (higher).

19. INVESTMENT PROPERTY - CONTINUED

Valuation technique - Discounted cash flow - continued

Company

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
*Discounted cash flows:*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.	– Risk-adjusted discount rate varying between 6.6% and 7.6% (2023: 7.9% and 8.4%). – A void factor of 5.5% (2023: 4.5%) on rental income. – Lease market rate was applied once current lease terms expired. – Expected market rental growth rate of 2.0% (2023: 2.0%) in line with general inflation rate.	The estimated fair value would increase/(decrease) if: – 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).

The fair value of investment property determined by external, qualified property valuers on the basis of the discounted cash flow method amounted to €101.8 million (2023: €101.2 million) for the Group and €12.8 million (2023: €12.5 million) for the Company.

No transfer were made to or from Investment Property during 2023 and 2024.

Valuation technique – Market approach

One property held by the Group situated within the Grand Harbour Local Plan has been valued using the Market Approach.

The property is valued with reference to parameters for comparable properties in terms of either actual prices from recent transactions or advertised prices for properties currently available for sale. Through the Market Approach, the property is valued in its existing state.

NOTES TO THE FINANCIAL STATEMENTS

19. INVESTMENT PROPERTY - CONTINUED

Valuation technique – Market approach - continued

Market Value Technique

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Market value : The valuation model comprises: The estimation of an average sales rate based on information obtained from either actual prices of recent transactions or advertised prices for properties currently available for sale.	– Average sales rate of €1,105/sqm (2023: €1,355/sqm) – Reduction in average sales rate of 70% (2023: 70%) to allow for potential negotiation in rates between what is being advertised to what is actually contracted.	The estimated fair value would increase/(decrease) if: – The average sale rate were higher/(lower); – The reduction in average sales rate were higher/(lower);

The fair value of investment property determined by external, qualified property valuers on the basis of market approach method amounted to €2.3 million for the Group in 2024 (2023:€2.3 million).

Valuation technique - Comparative transactions method

The fair value of the Group's investment properties determined on the basis of the market comparison method amounted to €0.7 million in 2024 and 2023. 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.

Valuation technique - Income Capitalisation Method

The valuation for all other investment property with a total carrying amount of €0.9 million (2023: €1.3 million) for the Group and Company, was determined by capitalising future net income streams based on significant unobservable inputs. These inputs include:

Future rental cash inflows	based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties;
Capitalisation rates	based on actual location, size and quality of the properties and taking into account market data at the valuation date.

19. INVESTMENT PROPERTY - CONTINUED

Valuation technique - Income Capitalisation Method - continued

Information about fair value measurements using significant unobservable inputs (level 3)

Group & Company

Description	Fair value at 31 December 2024 €	Valuation technique	Significant unobservable Inputs: Rental value €	Significant unobservable Inputs: Capitalisation rate %
Office buildings	0.94m	Capitalisation of future net income streams	0.04m	5.00

Group & Company

Description	Fair value at 31 December 2023 €	Valuation technique	Significant unobservable Inputs: Rental value €	Significant unobservable Inputs: Capitalisation rate %
Office buildings	1.34m	Capitalisation of future net income streams	0.05m	3.50-5.00

For each valuation for which rental value and capitalisation rate have been determined to be the significant unobservable inputs, the higher the rental value and the lower the capitalisation rate, the higher the fair value. Conversely, the lower the rental value and the higher the capitalisation rate, the lower the fair value.

In the absence of future rental cash inflows, fair value is based on active market prices, adjusted, if necessary for any difference in the nature, location or condition of the specific asset.

19. INVESTMENT PROPERTY - CONTINUED

Sensitivity analysis

Sensitivity analysis was carried out to assess the impact of changing the risk-adjusted discount rate (0.5 percentage point increase/decrease), or the market rental rate growth (5.0 percentage point increase/decrease) in the case of the discounted cash flow, residual method and market approach (5.0 percentage point increase/decrease), and the capitalisation rate for the income capitalisation method. The tables below show the changes in the valuation arising from such changes:

Group

	2024 -0.5% € million	**2024 +0.5% € million**	2023 -0.5% € million	2023 +0.5% € million
Discount rates	**8.4**	**(8.7)**	8.3	(7.3)

	2024 -5% € million	**2024 +5% € million**	2023 -5% € million	2023 +5% € million
Market rates	**(5.7)**	**5.5**	(5.4)	5.3

Company

	2024 -0.5% € million	**2024 +0.5% € million**	2023 -0.5% € million	2023 +0.5% € million
Discount rates	**1.0**	**(1.0)**	0.9	(0.9)

	2024 -5% € million	**2024 +5% € million**	2023 -5% € million	2023 +5% € million
Market rates	**(0.7)**	**0.5**	(0.6)	0.5

The impact on profit or loss would be a maximum increase of €8.4 million (2023: €8.3 million) or a maximum decrease of €8.7 million (2023: €7.3 million) for the Group and a maximum increase of €1.0 million (2023: €0.9 million) or a maximum decrease of €1.0 million (2023: €0.9 million) for the Company.

NOTES TO THE FINANCIAL STATEMENTS

20. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

	Company €'000
Year ended 31 December 2023	
Opening net book amount	77,214
Closing net book amount	**77,214**
Year ended 31 December 2024	
Opening net book amount	77,214
Closing net book amount	**77,214**

The subsidiary undertakings at 31 December are shown below:

Subsidiary undertakings	Registered office	Class of shares held	Percentage of shares held 2024	2023
Euro Globe Holdings Limited (Struck off - Effective 06-03-2025)	Middle Sea House Floriana FRN1442 Malta	Ordinary shares	100%	100%
Euromed Risk Solutions Limited	4th Floor Development House St. Anne Str Floriana FRN9010 Malta	Ordinary shares	100%	100%
Bee Insurance Management Limited	4th Floor Development House St. Anne Str Floriana FRN9010 Malta	Ordinary shares	100%	100%
MAPFRE MSV Life p.l.c.	The Mall Triq Il-Mall Floriana FRN1470 Malta	Ordinary shares	50%	50%
Church Wharf Properties Limited	Middle Sea House Floriana FRN1442 Malta	Ordinary shares	75%	75%

20. INVESTMENT IN SUBSIDIARY UNDERTAKINGS - CONTINUED

The Group's aggregated assets and liabilities and the results of its subsidiary undertakings that have non-controlling interest, before elimination entries, are as follows:

2024	% Held by non-controlling interests	Assets	Liabilities	Revenues	Profit before tax	Net cash
		€'000	€'000	€'000	€'000	€'000
MAPFRE MSV Life p.l.c.	50%	2,357,236	2,182,904	205,847	14,983	31,053
Church Wharf Properties Limited	25%	2,301	368	—	(43)	—

2023	% Held by non-controlling interests	Assets	Liabilities	Revenues	Profit before tax	Net cash flows
		€'000	€'000	€'000	€'000	€'000
MAPFRE MSV Life p.l.c. (consolidated results) restated	50%	2,319,702	2,154,321	201,271	14,572	(88,713)
Church Wharf Properties Limited	25%	2,301	325	—	(400)	—

The amount of dividends that can be distributed in cash by MAPFRE MSV Life p.l.c. is restricted by the solvency requirements imposed by the MFSA Regulations.

During 2011, the Company acquired control of MAPFRE MSV Life p.l.c. following a shareholders' agreement. MAPFRE MSV Life p.l.c. had previously been accounted for as an associated undertaking.

As a result of this business combination, Church Wharf Properties Limited, which was previously classified as an associated undertaking, also became a subsidiary in view of the fact that the remaining interest in this company is held by MAPFRE MSV Life p.l.c.

NOTES TO THE FINANCIAL STATEMENTS

21. INVESTMENT IN ASSOCIATED UNDERTAKINGS

	Group €'000	Company €'000
At 1 January 2023		
Cost	14,480	294
Accumulated share of associated undertaking's equity	95	95
Accumulated fair value movements	8,452	—
Net book amount	23,027	389
Year ended 31 December 2023		
Opening net book amount	23,027	389
Share of associated undertaking's movement in equity	14	14
Fair value movement	882	—
Closing net book amount	23,923	403
At 31 December 2023		
Cost	14,480	294
Accumulated share of associated undertaking's equity	109	109
Accumulated fair value movements	9,334	—
Net book amount	**23,923**	**403**
Year ended 31 December 2024		
Opening net book amount	23,923	403
Disposals	(17,900)	—
Share of associated undertaking's movement in equity	(4)	—
Fair value movement	(793)	(4)
Closing net book amount	5,226	399
At 31 December 2024		
Cost	4,480	294
Accumulated share of associated undertaking's equity	105	105
Accumulated fair value movements	641	—
Net book amount	**5,226**	**399**

NOTES TO THE FINANCIAL STATEMENTS

21. INVESTMENT IN ASSOCIATED UNDERTAKINGS - CONTINUED

The Group's aggregated assets and liabilities and the share of the results of its associated undertaking, which is unlisted is as follows:

2024	**Registered office**	**Assets €'000**	**Liabilities €'000**	**Revenues €'000**	**Profit €'000**	**% of shares held**
Middlesea Assist Limited	4th Floor Development House St. Anne Street Floriana FRN9010 Malta	1,507	520	3,208	309	49%

2023	**Registered office**	**Assets €'000**	**Liabilities €'000**	**Revenues €'000**	**Profit €'000**	**% of shares held**
Middlesea Assist Limited	4th Floor Development House St. Anne Street Floriana Malta	1,423	600	3,063	224	49%

In addition to the associated undertakings above, MAPFRE MSV Life p.l.c. also held the following investments in associated undertakings:

Associated undertakings	**Registered office**	**Class of shares held**	**Percentage of shares held**			
			MSV		**Group**	
			2024	2023	**2024**	2023
Plaza Centres p.l.c.	The Plaza Commercial Centre Bisazza Street Sliema SLM1640 Sliema	Ordinary shares	**31.42%**	31.42%	**31.42%**	31.42%
Tigne Mall p.l.c.	Management Suite The Point Shopping Mall Pjazza Tigne Point Sliema TP01 Malta	Ordinary shares	**35.46%**	35.46%	**0.00%**	35.46%

Plaza Centres p.l.c. and Tigne Mall p.l.c. are listed on the Malta Stock Exchange and their share price as at 31 December 2024 was €0.60 and €1.00 respectively (31 December 2023: €0.68 and €0.90 respectively).

22. OTHER INVESTMENTS

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

	Group		Company	
	2024	2023	**2024**	2023
	€'000	€'000	**€'000**	€'000
Fair value through profit or loss	**2,054,670**	1,971,728	**2,813**	2,486
Fair Value Through OCI	**16,273**	13,804	**16,273**	13,804
Amortised Cost	**88,617**	150,781	**—**	—
	2,159,560	2,136,313	**19,086**	16,290

(a) Investments at fair value through profit or loss

Analysed by type of investment as follows:

	Group		Company	
	2024	2023	**2024**	2023
	€'000	€'000	**€'000**	€'000
Equity securities, and units in unit trusts	**878,325**	960,157	**2,813**	2,486
Debt securities	**955,212**	849,061	**—**	—
Assets held to cover linked liabilities – collective investment schemes	**221,133**	160,540	**—**	—
Forward foreign exchange contracts	**—**	1,970	**—**	—
Total investments at fair value through profit or loss	**2,054,670**	1,971,728	**2,813**	2,486

At 31 December 2024, the Group had €31.9 million financial commitments in respect of uncalled capital (2023: €35.8 million).

Equity securities and collective investment schemes are considered to be substantially non-current assets in nature.

22. OTHER INVESTMENTS - CONTINUED

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

The movements for the year are summarised as follows:

	Group Fair value through profit & loss €'000	Company Fair value through profit & loss €'000
Year ended 31 December 2023		
Opening net book amount	1,856,701	1,756
Additions	1,499,134	—
Disposals	(1,514,034)	—
Net fair value gains (excluding net realised gains)	122,094	730
Movement in accrued interest receivable	1,879	—
Accrued interest on initial application of IFRS 9	5,954	—
Closing net book amount	1,971,728	2,486
Year ended 31 December 2024		
Opening net book amount	1,971,728	2,486
Additions	1,384,408	61
Disposals	(1,355,184)	—
Net fair value gains (excluding net realised gains)	45,299	266
Movement in accrued interest receivable	1,603	—
Closing net book amount	**2,047,854**	**2,813**

Derivative financial liabilities amounting to €6.8 million (2023: €nil), included in the table above, are classified within liabilities in the statement of financial position.

The maturity of fixed income debt securities is summarised below:

	Group	
	2024 €'000	2023 €'000
Within one year	**19,239**	25,650
Between 1 and 2 years	**66,756**	50,064
Between 2 and 5 years	**246,539**	238,481
Over 5 years	**622,678**	534,866
Closing net book amount	**955,212**	849,061

22. OTHER INVESTMENTS - CONTINUED

(b) Fair value through OCI

	Group and Company	
	2024	2023
	€'000	€'000
Listed debt securities	**16,273**	13,804

The movement for the year is summarised as follows:

Listed debt securities	Group and Company	
	2024	2023
	€'000	€'000
Year ended 31 December		
Opening net book amount	**13,804**	10,341
Additions	**6,120**	3,530
Disposals	**(3,909)**	(379)
Net fair value gains	**258**	312
Closing net book amount	**16,273**	13,804

	Group and Company	
	2024	2023
	€'000	€'000
Within one year	**6,347**	3,847
Between 1 and 2 years	**4,272**	4,668
Between 2 and 5 years	**4,312**	2,772
Over 5 years	**1,342**	2,517
	16,273	13,804

The movement for the year are summarised as follows:

Rating of fixed income debt securities	Group and Company	
	2024	2023
	€'000	€'000
AAA	**4,047**	1,366
AA	**2,517**	2,821
A	**5,032**	5,541
BBB	**4,677**	4,076
BB or lower	**—**	—
	16,273	13,804

NOTES TO THE FINANCIAL STATEMENTS

22. OTHER INVESTMENTS - CONTINUED

(c) Amortised cost

Analysed by type of investment as follows:

	Group 2024 €'000	2023 €'000
Deposits with banks or credit institutions	**39,657**	75,977
Debt securities	**48,960**	74,804
	88,617	150,781

The movements for the year are summarised as follows:

	Group 2024 €'000	2023 €'000
Opening net book amount	**150,781**	116,988
Interest income earned	**4,892**	4,818
Interest income collected	**(5,854)**	(3,032)
Additions	**54,311**	264,821
Redemptions and disposals	**(115,521)**	(232,792)
ECL	**8**	(22)
Closing net book amount	**88,617**	150,781

Maturity of investments at amortised cost:

	Group 2024 €'000	2023 €'000
Within 3 months	—	61,159
Within 1 year but exceeding 3 months	—	10,009
Between 1 and 5 years	**80,442**	71,431
Over 5 years	**8,175**	8,182
	88,617	150,781

The above investments earn interest as follows:

	Group 2024 €'000	2023 €'000
At fixed rates	**88,617**	150,781

NOTES TO THE FINANCIAL STATEMENTS

23. DEFERRED INCOME TAX

	Group		Company	
	2024	2023	**2024**	2023
	€'000	€'000	**€'000**	€'000
Balance at 1 January	**11,961**	10,038	**1,187**	1,644
Initial application of IFRS 9	**—**	(66)	**—**	(19)
Movements during the year:				
Profit or loss account (Note 12)	**(157)**	2,015	**126**	(412)
Other comprehensive income	**4**	(26)	**4**	(26)
Balance at 31 December – net	**11,808**	11,961	**1,317**	1,187

Deferred income taxes are calculated on all temporary differences using a principal tax rate of 35% (2023: 35%) with the exception of investment property and freehold and other property, for which deferred income taxes may be calculated using a principal tax rate of 8% or 10% of the carrying amount (2023: 8% or 10%), if appropriate. The analysis of deferred tax (assets)/liabilities is as follows:

	Group		Company	
	2024	2023	**2024**	2023
	€'000	€'000	**€'000**	€'000
Temporary differences on property, plant and equipment	**6,358**	5,627	**1,240**	1,127
Temporary differences attributable to investment property, unrealised capital losses and fair value adjustments on financial assets	**10,523**	10,455	**1,191**	1,182
Temporary differences attributable to unabsorbed tax losses and allowances carried forward	**(4,840)**	(3,878)	**(933)**	(933)
Temporary differences attributable to other provisions	**(233)**	(243)	**(181)**	(189)
Balance at 31 December – net	**11,808**	11,961	**1,317**	1,187

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

	Group		Company	
	2024	2023	**2024**	2023
	€'000	€'000	**€'000**	€'000
Deferred tax asset	**(2,532)**	(2,118)	**(1,248)**	(1,260)
Deferred tax liability	**14,340**	14,079	**2,565**	2,447
	11,808	11,961	**1,317**	1,187

The deferred income tax assets and liabilities are, principally, recoverable after more than 12 months.

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

NOTES TO THE FINANCIAL STATEMENTS

23. DEFERRED INCOME TAX - CONTINUED

The Group and Company have unutilised capital gains of €18.7 million (2023: €23.2 million), which give rise to a deferred tax asset of €6.5 million (2023: €8.1 million) that has not been recognised in these financial statements. The Group also has unutilised trading losses of €0.7 million (2023: €2.5 million) giving rise to a deferred tax asset of €0.2 million (2023: €0.9 million) which has not been recognised in these financial statements.

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

24. INSURANCE CONTRACT ASSETS, INSURANCE CONTRACT LIABILITIES, REINSURANCE CONTRACT ASSETS AND REINSURANCE CONTRACT LIABILITIES

24.1 COMPOSITION OF STATEMENT OF FINANCIAL POSITION

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

Group

	Life Risk €'000	Investment contracts with DPF €'000	Total long-term business €'000	Short-term Under PAA €'000	Total €'000
As at 31 December 2024					
Insurance contract assets	**7,080**	**—**	**7,080**	**—**	**7,080**
Insurance contract liabilities	**6,400**	**1,948,078**	**1,954,478**	**72,968**	**2,027,446**
Reinsurance contract assets	**—**	**—**	**—**	**11,815**	**11,815**
Reinsurance contract liabilities	**17,073**	**—**	**17,073**	**—**	**17,073**

Group

	Life Risk €'000	Investment contracts with DPF €'000	Total long-term business €'000	Short-term Under PAA €'000	Total €'000
As at 31 December 2023					
Insurance contract assets	8,945	—	8,945	—	8,945
Insurance contract liabilities	6,488	1,984,889	1,991,377	72,467	2,063,844
Reinsurance contract assets	—	—	—	13,359	13,359
Reinsurance contract liabilities	15,493	—	15,493	—	15,493

Company

	2023 €'000	2022 €'000
Insurance contract liabilities	**72,968**	72,467
Reinsurance contract assets	**11,815**	13,359

Insurance liabilities and reinsurance assets in relation to short-term insurance contracts are classified as current liabilities, in that, liability for incurred claims represent events that happened and which would normally be settled within the normal operating cycle. The timing of payment can be dependent on factors, like court cases, that could defer such payment to beyond a year from the reporting date. Insurance and investment contract liabilities in relation to long-term contracts are substantially non-current.

NOTES TO THE FINANCIAL STATEMENTS

24. INSURANCE CONTRACT ASSETS, INSURANCE CONTRACT LIABILITIES, REINSURANCE CONTRACT ASSETS AND REINSURANCE CONTRACT LIABILITIES - CONTINUED

24.2 SHORT-TERM INSURANCE CONTRACTS UNDER PAA

Reconciliation of the liability for remaining coverage and the liability for incurred claims

The following tables present reconciliations from the opening to the closing balances of the liability for remaining coverage (LRC) and liability for incurred claims (LIC).

Group and Company	2024				
	LRC		LIC		
	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risk	Total
	€'000	€'000	€'000	€'000	€'000
Insurance contract liability at 1 January	**32,021**	**—**	**39,436**	**1,010**	**72,467**
Insurance revenue	(99,922)	—	—	—	(99,922)
Insurance service expenses					
Incurred claims and other directly attributable expenses	—	—	48,602	325	48,927
Changes that relate to past service - changes in FCF relating to the LIC	—	—	1,260	(438)	822
Losses on onerous contracts and reversals of those losses	—	186	—	—	186
Insurance acquisition cash flows amortisation	28,562	—	—	—	28,562
Insurance service expenses	28,562	186	49,862	(113)	78,497
Insurance service result	(71,360)	186	49,862	(113)	(21,425)
Finance expenses from insurance contracts issued	—	—	797	21	818
Total amount recognised in profit or loss	**(71,360)**	**186**	**50,659**	**(92)**	**(20,607)**
Cash flows					
Premiums received	103,808	—	—	—	103,808
Claims and other directly attributable expenses paid	—	—	(53,303)	—	(53,303)
Insurance acquisition cash flows	(29,397)	—	—	—	(29,397)
Total cash flows	**74,411**	**—**	**(53,303)**	**—**	**21,108**
Insurance contract liabilities at 31 December	**35,072**	**186**	**36,792**	**918**	**72,968**
Insurance contract liabilities at 31 December	**35,258**		**37,710**		**72,968**

NOTES TO THE FINANCIAL STATEMENTS

24. INSURANCE CONTRACT ASSETS, INSURANCE CONTRACT LIABILITIES, REINSURANCE CONTRACT ASSETS AND REINSURANCE CONTRACT LIABILITIES - CONTINUED

24.2 SHORT-TERM INSURANCE CONTRACTS UNDER PAA - CONTINUED

Reconciliation of the liability for remaining coverage and the liability for incurred claims - continued

Group and Company	2023				
	LRC		LIC		
	Excluding loss component €'000	Loss component €'000	Present value of future cash flows €'000	Risk adjustment for non-financial risk €'000	Total €'000
Insurance contract liabilities at 1 January	**29,789**	**402**	**51,374**	**1,399**	**82,964**
Insurance revenue	(92,869)	—	—	—	(92,869)
Insurance service expenses					
Incurred claims and other directly attributable expenses	—	—	50,008	445	50,453
Changes that relate to past service - changes in FCF relating to the LIC	—	—	(8,121)	(869)	(8,990)
Losses on onerous contracts and reversals of those losses	—	(402)	—	—	(402)
Insurance acquisition cash flows amortisation	27,394	—	—	—	27,394
Insurance service expenses	27,394	(402)	41,887	(424)	68,455
Insurance service result	(65,475)	(402)	41,887	(424)	(24,414)
Finance expenses from insurance contracts issued	—	—	1,285	35	1,320
Total amount recognised in profit or loss	**(65,475)**	**(402)**	**43,172**	**(389)**	**(23,094)**
Cash flows					
Premiums received	95,723	—	—	—	95,723
Claims and other directly attributable expenses paid	—	—	(55,110)	—	(55,110)
Insurance acquisition cash flows	(28,016)	—	—	—	(28,016)
Total cash flows	**67,707**	**—**	**(55,110)**	**—**	**12,597**
Insurance contract liabilities at 31 December	**32,021**	**—**	**39,436**	**1,010**	**72,467**
Insurance contract liabilities at 31 December	**32,021**		**40,446**		**72,467**

NOTES TO THE FINANCIAL STATEMENTS

24. INSURANCE CONTRACT ASSETS, INSURANCE CONTRACT LIABILITIES, REINSURANCE CONTRACT ASSETS AND REINSURANCE CONTRACT LIABILITIES - CONTINUED

24.2 SHORT-TERM INSURANCE CONTRACTS UNDER PAA - CONTINUED

Reconciliation of the asset for remaining coverage and the asset for incurred claims

The following tables present reconciliations from the opening to the closing balances of the asset for remaining coverage (ARC) and asset for incurred claims (AIC).

Group and Company	2024			
	ARC	AIC		
	Remaining coverage excluding loss component €'000	Present value of future cash flows €'000	Risk adjustment for non-financial risk €'000	Total €'000
Reinsurance contract assets at 1 January	**2,625**	**10,467**	**267**	**13,359**
Net income/(expense) from reinsurance contracts held				
Reinsurance expenses	(12,763)	—	—	(12,763)
Incurred claims recovery	—	3,739	56	3,795
Changes that relate to past service - changes in FCF relating to the AIC	—	23	(120)	(97)
Effect of changes in the risk of reinsurers' non-performance	—	(30)	—	(30)
Net expense from reinsurance contracts held	(12,763)	3,732	(64)	(9,095)
Finance income from reinsurance contracts held	—	176	5	181
Total amount recognised in profit or loss	**(12,763)**	**3,908**	**(59)**	**(8,914)**
Cash flows				
Premiums paid net of ceding commissions and other directly attributable expenses paid	12,750	—	—	12,750
Recoveries from reinsurance	—	(5,380)	—	(5,380)
Total cash flows	12,750	(5,380)	—	7,370
Reinsurance contract assets at 31 December	**2,612**	**8,995**	**208**	**11,815**

NOTES TO THE FINANCIAL STATEMENTS

24. INSURANCE CONTRACT ASSETS, INSURANCE CONTRACT LIABILITIES, REINSURANCE CONTRACT ASSETS AND REINSURANCE CONTRACT LIABILITIES - CONTINUED

24.2 SHORT-TERM INSURANCE CONTRACTS UNDER PAA - CONTINUED

Reconciliation of the asset for remaining coverage and the asset for incurred claims - continued

Group and Company	**2023**			
	ARC	**AIC**		
	Remaining coverage excluding loss component	**Present value of future cash flows**	**Risk adjustment for non-financial risk**	**Total**
	€'000	**€'000**	**€'000**	**€'000**
Reinsurance contract assets at 1 January	**1,250**	**21,683**	**657**	**23,590**
Net income/(expense) from reinsurance contracts held				
Reinsurance expenses	(11,326)	—	—	(11,326)
Incurred claims recovery	—	4,635	127	4,762
Changes that relate to past service - changes in FCF relating to the AIC	—	(5,202)	(532)	(5,734)
Effect of changes in the risk of reinsurers' non-performance	—	51	—	51
Net expense from reinsurance contracts held	(11,326)	(516)	(405)	(12,247)
Finance income from reinsurance contracts held	—	471	15	486
Total amount recognised in profit or loss	**(11,326)**	**(45)**	**(390)**	**(11,761)**
Cash flows				
Premiums paid net of ceding commissions and other directly attributable expenses paid	12,701	—	—	12,701
Recoveries from reinsurance	—	(11,171)	—	(11,171)
Total cash flows	12,701	(11,171)	—	1,530
Reinsurance contract assets at 31 December	**2,625**	**10,467**	**267**	**13,359**

Short-term insurance contracts – liability for incurred claims

The gross claims reported are net of expected recoveries from salvage and subrogation.

The liability for incurred claims are largely based on claims incurred data. A Chain Ladder approach using the Development Factor Method has been used projecting separately each portfolio of contracts. In choosing the development factors, outliers that would unrealistically favourably or adversely impact the estimation of the ultimate cost are excluded. Large losses within each portfolio other than for Motor have not been projected given the small and infrequent number of such claims over time and have been taken at the case reserve. In the case of Motor, large losses, in the main involving fatalities or serious bodily injury, are projected separately from attritional claims given their severity and different development patterns.

The development tables in this note give an indication of the time it takes to settle certain claims. This is attributable to certain classes of business taking several years to develop and is also due to the length of time it takes for the respective cases to be resolved in court.

24. INSURANCE CONTRACT ASSETS, INSURANCE CONTRACT LIABILITIES, REINSURANCE CONTRACT ASSETS AND REINSURANCE CONTRACT LIABILITIES - CONTINUED

24.2 SHORT-TERM INSURANCE CONTRACTS UNDER PAA - CONTINUED

Short-term insurance contracts – liabilities for incurred claims - continued

The top half of the tables below illustrates how the Company's estimate of the ultimate total undiscounted claims cost for each accident year has changed at successive year-ends on a gross and net basis. The bottom half of the table reconciles the cumulative claims to the amount appearing in the statement of financial position on a gross and net basis. The accident-year basis is the most appropriate for the general business written by the Company.

The Group provides separately information on the gross and net basis the claims development for the current reporting period and nine years prior to it. The diagonals for financial years 2021 till 2024 show the undiscounted projected ultimate claims incurred inclusive of claims related expenses as restated upon implementation of IFRS 17. The directors have considered that this does not detract the user from adequate information as to how the claims have evolved from the particular accident year to the current reporting period.

Insurance contracts under the PAA – gross liability for incurred claims

Group and Company

Accident year	**2015 €'000**	**2016 €'000**	**2017 €'000**	**2018 €'000**	**2019 €'000**	**2020 €'000**	**2021 €'000**	**2022 €'000**	**2023 €'000**	**2024 €'000**	**Total €'000**
Estimate of the ultimate claim cost undiscounted,											
- at end of accident year	26,677	34,704	38,545	43,006	43,700	32,634	37,770	42,727	44,496	43,317	
- one year later	26,748	35,127	39,334	44,264	47,172	32,240	37,618	41,788	44,452		
- two years later	27,591	33,780	39,377	44,724	47,326	32,727	35,321	43,365			
- three years later	27,946	33,211	39,741	45,831	49,511	32,333	35,384				
- four years later	27,665	33,159	38,328	46,109	48,483	32,465					
- five years later	27,605	33,045	38,099	46,392	48,291						
- six years later	27,908	32,750	37,715	46,843							
- seven years later	27,789	31,792	37,756								
- eight years later	25,413	31,799									
- nine years later	25,395										
Current estimates of cumulative claims	25,395	31,799	37,756	46,843	48,291	32,465	35,384	43,365	44,452	43,317	389,067
Cumulative payments to date	(25,098)	(31,554)	(36,788)	(43,267)	(46,430)	(30,869)	(33,395)	(38,349)	(38,657)	(28,442)	(352,849)
Cumulative claims liabilities – accident years from 2015 to 2024	297	245	968	3,576	1,861	1,596	1,989	5,016	5,795	14,875	36,218
Claims liabilities – prior accident years											2,022
Claims liabilities – Group Life											226
Effect of discounting											(1,674)
Liability for incurred claims for the contracts originated											36,792

NOTES TO THE FINANCIAL STATEMENTS

24. INSURANCE CONTRACT LIABILITIES, REINSURANCE CONTRACT ASSETS AND INVESTMENT CONTRACT LIABILITIES - CONTINUED

24.2 SHORT-TERM INSURANCE CONTRACTS UNDER PAA MODEL - CONTINUED

Insurance contracts net of reinsurance contracts assets under the PAA – net liability for incurred claims

Group and Company

Accident year	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**Total**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Estimate of the ultimate claim cost undiscounted,											
- at end of accident year	23,216	30,079	33,106	33,539	33,848	28,126	34,463	39,334	40,287	40,049	
- one year later	23,350	30,320	33,951	33,645	35,714	27,881	34,094	38,818	39,942		
- two years later	22,442	29,171	33,638	33,846	36,367	28,372	32,035	40,309			
- three years later	22,786	28,863	33,325	32,704	37,032	28,358	32,087				
- four years later	22,551	29,038	32,961	32,524	36,587	28,499					
- five years later	22,489	28,994	32,732	33,182	36,591						
- six years later	22,596	28,746	32,680	33,222							
- seven years later	22,707	28,382	32,624								
- eight years later	22,420	28,391									
- nine years later	22,328										
Current estimates of cumulative claims	22,328	28,391	32,624	33,222	36,591	28,499	32,087	40,309	39,942	40,049	334,042
Cumulative payments to date	(22,207)	(28,208)	(32,039)	(32,908)	(35,881)	(26,959)	(30,311)	(35,543)	(34,879)	(27,520)	(306,455)
Liability recognised in statements of financial position	121	183	585	314	710	1,540	1,776	4,766	5,063	12,529	27,587
Liability in respect of prior years											1,202
Liability in respect of life risk claims											226
Discounting element											(1,218)
Total reserve included in the statements of the financial position											27,797

NOTES TO THE FINANCIAL STATEMENTS

24. INSURANCE CONTRACT LIABILITIES, REINSURANCE CONTRACT ASSETS AND INVESTMENT CONTRACT LIABILITIES - CONTINUED

24.2 SHORT-TERM INSURANCE CONTRACTS UNDER PAA - CONTINUED

(a) Assumptions

Discount rates

The bottom-up approach was adopted by the Group in determining a suitable discount rate. Under this approach, the discount rate is determined as the risk-free yield. Given the short-term nature of its insurance contracts liabilities and liquidity of cash flows, the Group has selected the risk-free rates as published by EIOPA as appropriate for the nature of its liabilities taking a zero illiquidity premium.

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:

	2024 No. of years			2023 No. of years		
	1	**5**	**10**	1	5	10
Short term insurance contracts issued and reinsurance contracts held	**2.2%**	**2.1%**	**2.3%**	3.4%	2.3%	2.4%

Risk adjustment for non-financial risk

Non-financial risk adjustment valuation reflects the compensation that the Group needs to manage uncertainty regarding the amount and timing of future cash outflows, which arise from non-financial risks from fulfilling insurance contract obligations. Underwriting risks as well as other non-financial risks like portfolio expenses and lapses are taken into consideration when determining this.

The non-financial risk adjustment has been estimated using a confidence-interval-based approach, using Value at Risk (VaR) metrics for the probability distribution of the current value of future cash flows, in line with Solvency II capital requirements, and calibrating the target percentile confidence interval to 65 percentile. The Group estimates an adjustment for non-financial risk separately from all other estimates.

Estimates of future cash flows to fulfil insurance contracts

LIC of short-term business insurance contracts, measured under the PAA, comprise of the estimates of future cash flows. The estimates of future cash flows is derived using a standard actuarial claims projection technique, the Chain Ladder method, other than for non-motor large losses. The key assumptions underlying this technique is that past claims development experience can be used to project future claims development.

Claims reserves which exceed a certain quantum (large losses), particularly those involving fatalities and/or serious bodily injuries, are initially reserved at the case-by-case reserve estimate. The measurement of claim payments due by the Group involves the assessment of future settlements and is therefore dependent on assumptions around determining such reserves based on, among others, legal precedent and current trends in compensation awards. Specifically for Motor large losses, the Chain Ladder Method is subsequently used to project the ultimate cost of these claims.

(b) Sensitivity analysis

The directors have considered the sensitivity of the key variables underlying the liability for short-term contracts. The most sensitive assumptions are the development factors and discount rate changes. Development factors can be impacted by claims inflation, increase in claims frequency and severity. Sensitivity analysis for insurance risk has been disclosed in Note 4. Sensitivity analysis for interest rate risk has also been disclosed in Note 4.

24. INSURANCE CONTRACT LIABILITIES, REINSURANCE CONTRACT ASSETS AND INVESTMENT CONTRACT LIABILITIES - CONTINUED

24.3 LONG-TERM INSURANCE CONTRACTS - LIFE RISK

Reconciliation of the asset or liability for remaining coverage and the liability for incurred claims

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.

Group	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			
Incurred claims and other directly attributable expenses	—	7,259	7,259
Insurance acquisition cash flows amortization	91	—	91
Insurance service expenses	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 comprehensive income	**(14,055)**	**7,259**	**(6,796)**
Investment components	**(934)**	**934**	**—**
Cash flows			
Premium received	16,076	—	16,076
Claims and other directly attributable profit or loss	—	(7,012)	(7,012)
Insurance acquisition cash flows	(491)	—	(491)
Total cash flows	**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**

24. INSURANCE CONTRACT LIABILITIES, REINSURANCE CONTRACT ASSETS AND INVESTMENT CONTRACT LIABILITIES - CONTINUED

24.3 LONG-TERM INSURANCE CONTRACTS - LIFE RISK - CONTINUED

Reconciliation of the asset or liability for remaining coverage and the liability for incurred claims - continued

Group	2023		
	LRC (ARC) €'000	LIC €'000	Total €'000
Insurance contract assets at 1 January	(9,423)	1,023	(8,400)
Insurance contract liabilities at 1 January	6,281	76	6,357
Insurance revenue	(13,043)	—	(13,043)
Insurance service expenses			
Incurred claims and other directly attributable expenses	—	5,471	5,471
Insurance acquisition cash flows amortization	51	—	51
Insurance service expenses	51	5,471	5,522
Insurance service result	(12,992)	5,471	(7,521)
Finance income from insurance contracts issued	(2,648)	—	(2,648)
Total amounts recognised in profit or loss	(15,640)	5,471	(10,169)
Investment components	(575)	575	—
Cash flows			
Premium received	15,510	—	15,510
Claims and other directly attributable expenses	—	(5,357)	(5,357)
Insurance acquisition cash flows	(398)	—	(398)
Total cash flows	15,112	(5,357)	9,755
Insurance contract assets at 31 December	(10,686)	1,741	(8,945)
Insurance contract liabilities at 31 December	6,441	47	6,488

NOTES TO THE FINANCIAL STATEMENTS

24. INSURANCE CONTRACT LIABILITIES, REINSURANCE CONTRACT ASSETS AND INVESTMENT CONTRACT LIABILITIES - CONTINUED

24.3 LONG-TERM INSURANCE CONTRACTS - LIFE RISK - CONTINUED

Reconciliation of the measurement components of insurance contract balances

Group	2024			
	Present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
	€'000	€'000	€'000	€'000
Insurance contract assets at 1 January	(56,044)	14,905	32,194	(8,945)
Insurance contract liabilities 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	(1)
Contracts initially recognised in the period	(4,940)	1,783	3,157	—
	(6,750)	2,233	4,517	(1)
Insurance service result	(7,450)	637	853	(5,960)
Finance (income)/expense 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)
Total cash flows	8,573	—	—	8,573
Insurance contract assets at 31 December	(56,173)	15,542	33,551	(7,080)
Insurance contract liabilities at 31 December	6,400	—	—	6,400

NOTES TO THE FINANCIAL STATEMENTS

24. INSURANCE CONTRACT LIABILITIES, REINSURANCE CONTRACT ASSETS AND INVESTMENT CONTRACT LIABILITIES - CONTINUED

24.3 LONG-TERM INSURANCE CONTRACTS - LIFE RISK - CONTINUED

Reconciliation of the measurement components of insurance contract balances - continued

Group	2023			
	Present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
	€'000	€'000	€'000	€'000
Insurance contract assets at 1 January	(46,144)	13,269	24,475	(8,400)
Insurance contract liabilities at 1 January	6,357	—	—	6,357
Changes that relate to current service				
CSM recognised for the services provided	—	—	(3,589)	(3,589)
Change in the risk adjustment for non-financial risk for risk expired	—	(1,397)	—	(1,397)
Experience adjustment relating to insurance service expenses	(2,535)	—	—	(2,535)
	(2,535)	(1,397)	(3,589)	(7,521)
Changes that relate to future service				
Changes in estimates that adjust the CSM	(11,341)	1,872	9,469	—
Contracts initially recognised in the period	(2,695)	1,161	1,534	—
	(14,036)	3,033	11,003	—
Insurance service result	(16,571)	1,636	7,414	(7,521)
Finance (income)/expense from insurance contracts issued	2,953	—	305	(2,648)
Total amounts recognised in profit or loss	(19,524)	1,636	7,719	(10,169)
Cash flows				
Premium received	15,510	—	—	15,510
Claims and other directly attributable expenses paid	(5,357)	—	—	(5,357)
Insurance acquisition cash flows	(398)	—	—	(398)
Total cash flows	9,755	—	—	9,755
Insurance contract assets at 31 December	(56,044)	14,905	32,194	(8,945)
Insurance contract liabilities at 31 December	6,488	—	—	6,488

NOTES TO THE FINANCIAL STATEMENTS

24. INSURANCE CONTRACT LIABILITIES, REINSURANCE CONTRACT ASSETS AND INVESTMENT CONTRACT LIABILITIES - CONTINUED

24.3 LONG-TERM INSURANCE CONTRACTS - LIFE RISK - CONTINUED

Impact of contracts recognised in the year

Group	**2024 Non-onerous contracts originated €'000**	2023 Non-onerous contracts originated €'000
Estimates of present value of future cash outflows		
- Insurance acquisition cash flows	**520**	383
- Claims and other directly attributable expense	**8,793**	7,088
	9,313	7,471
Estimates of the present value of future cash inflows	**(14,253)**	(10,166)
Risk adjustment for non-financial risk adjustment	**1,783**	1,161
CSM	**3,157**	1,534
Increase in insurance contract liabilities from contracts recognised in the period	—	—

24. INSURANCE CONTRACT LIABILITIES, REINSURANCE CONTRACT ASSETS AND INVESTMENT CONTRACT LIABILITIES - CONTINUED

24.4 LIFE RISK - REINSURANCE CONTRACTS HELD

Reconciliation of the remaining coverage and incurred claims

Group	2024			2023		
	Remaining coverage €'000	Incurred Claims €'000	Total €'000	Remaining coverage €'000	Incurred Claims €'000	Total €'000
Reinsurance contract liabilities at 1 January	**19,171**	**(3,678)**	**15,493**	14,239	(3,489)	10,750
Net expenses from reinsurance contracts held						
Reinsurance expenses	**4,083**	**—**	**4,083**	4,189	—	4,189
Other directly attributable expenses	**—**	**519**	**519**	—	382	382
Incurred claims recovery	**—**	**(1,858)**	**(1,858)**	—	(974)	(974)
Net expenses/(income) from reinsurance contracts held	**4,083**	**(1,339)**	**2,744**	4,189	(592)	3,597
Finance expenses from reinsurance contracts held	**697**	**—**	**697**	2,713	—	2,713
Total amounts recognised in profit or loss	**4,780**	**(1,339)**	**3,441**	6,902	(592)	6,310
Cash flows						
Premium paid net of ceding commission and other directly attributable expenses paid	**(2,163)**	**(519)**	**(2,682)**	(1,970)	(382)	(2,352)
Recoveries from reinsurance	**—**	**821**	**821**	—	785	785
Total cash flows	**(2,163)**	**302**	**(1,861)**	(1,970)	403	(1,567)
Reinsurance contract liabilities at 31 December	**21,788**	**(4,715)**	**17,073**	19,171	(3,678)	15,493

NOTES TO THE FINANCIAL STATEMENTS

24. INSURANCE CONTRACT LIABILITIES, REINSURANCE CONTRACT ASSETS AND INVESTMENT CONTRACT LIABILITIES - CONTINUED

24.4 LIFE RISK - REINSURANCE CONTRACTS HELD - CONTINUED

Reconciliation of the measurement components of reinsurance contract balances

Group	2024			
	Present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
	€'000	€'000	€'000	€'000
Reinsurance contract liabilities 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)	—
	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

NOTES TO THE FINANCIAL STATEMENTS

24. INSURANCE CONTRACT LIABILITIES, REINSURANCE CONTRACT ASSETS AND INVESTMENT CONTRACT LIABILITIES - CONTINUED

24.4 LIFE RISK - REINSURANCE CONTRACTS HELD - CONTINUED

Reconciliation of the measurement components of reinsurance contract balances - continued

Group	2023			
	Present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
	€'000	€'000	€'000	€'000
Reinsurance contract liabilities at 1 January	25,404	(4,800)	(9,854)	10,750
Changes that relate to current service				
CSM recognised for the services received	—	—	1,516	1,516
Change in the risk adjustment for non- financial risk for risk expired	—	242	—	242
Experience adjustment – relating to incurred claims and other directly attributable expenses recovery and reinsurance premium	1,839	—	—	1,839
	1,839	242	1,516	3,597
Changes that relate to future service				
Changes in estimates that adjust the CSM	5,186	(841)	(4,345)	—
Contracts initially recognised in the period	400	(227)	(173)	—
	5,586	(1,068)	(4,518)	—
Finance expenses/(income) from reinsurance contracts held	2,819	—	(106)	2,713
Total amounts recognised in profit or loss	10,244	(826)	(3,108)	6,310
Cash flows				
Premium paid net of ceding commission and other directly attributable expenses paid	(2,352)	—	—	(2,352)
Recoveries from insurance	785	—	—	785
Total cash flows	(1,567)	—	—	(1,567)
Reinsurance contract liabilities at 31 December	34,081	(5,625)	(12,962)	15,493

NOTES TO THE FINANCIAL STATEMENTS

24. INSURANCE CONTRACT LIABILITIES, REINSURANCE CONTRACT ASSETS AND INVESTMENT CONTRACT LIABILITIES - CONTINUED

24.4 LIFE RISK - REINSURANCE CONTRACTS HELD - CONTINUED

Impact of contracts recognised in the year

Group	**2024**	2023
	Contracts originated not in a net gain €'000	Contracts originated in a net gain €'000
Estimates of the present value of future cash inflows	**(3,632)**	(2,860)
Estimates of the present value of future cash outflows	**4,219**	3,260
Risk adjustment for non-financial risk	**(286)**	(227)
CSM	**(301)**	(173)
Increase in reinsurance contract assets from contracts recognised in the period	—	—

NOTES TO THE FINANCIAL STATEMENTS

24.5 INVESTMENT CONTRACTS WITH DPF

Reconciliation of the liability for remaining coverage and the liability for incurred claims

Group	2024			2023		
	LRC Excluding Loss Component	**LIC**	**Total**	LRC Excluding Loss Component	LIC	Total
	€'000	**€'000**	**€'000**	€'000	€'000	€'000
Insurance contract liabilities at 1 January	**1,935,970**	**48,919**	**1,984,889**	1,914,851	46,601	1,961,452
Insurance revenue	**(33,460)**	**—**	**(33,460)**	(34,668)	—	(34,668)
Insurance service expenses						
Incurred claims and other directly attributable expenses	**—**	**21,845**	**21,845**	—	13,711	13,711
Insurance acquisition cash flows amortization	**4,338**	**—**	**4,338**	3,756	—	3,756
Insurance service expenses	**4,338**	**21,845**	**26,183**	3,756	13,711	17,467
Insurance service result	**(29,122)**	**21,845**	**(7,277)**	(30,912)	13,711	(17,201)
Finance expenses from insurance contracts issued	**83,210**	**—**	**83,210**	178,200	—	178,200
Total amounts recognised in profit or loss	**54,088**	**21,845**	**75,933**	147,288	13,711	160,999
Investment components	**(233,487)**	**233,487**	**—**	(255,819)	255,819	—
Cash flows						
Premium received	**142,452**	**—**	**142,452**	135,175	—	135,175
Claims and other directly attributable expenses	**—**	**(250,210)**	**(250,210)**	—	(267,212)	(267,212)
Insurance acquisition cash flows	**(4,240)**	**—**	**(4,240)**	(3,721)	—	(3,721)
increase in policy loans	**(746)**	**—**	**(746)**	(1,804)	—	(1,804)
Total cash flows	**137,466**	**(250,210)**	**(112,744)**	129,650	(267,212)	(137,562)
Insurance contract liabilities at 31 December	**1,894,037**	**54,041**	**1,948,078**	1,935,970	48,919	1,984,889

NOTES TO THE FINANCIAL STATEMENTS

24. INSURANCE CONTRACT LIABILITIES, REINSURANCE CONTRACT ASSETS AND INVESTMENT CONTRACT LIABILITIES - CONTINUED

24.5 INVESTMENT CONTRACTS WITH DPF - CONTINUED

Reconciliation of the measurement components of contract balances

Group	2024			
	Present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
	€'000	€'000	€'000	€'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

24. INSURANCE CONTRACT LIABILITIES, REINSURANCE CONTRACT ASSETS AND INVESTMENT CONTRACT LIABILITIES - CONTINUED

24.5 INVESTMENT CONTRACTS WITH DPF - CONTINUED

Reconciliation of the measurement components of contract balances - continued

Group	2023			
	Present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
	€'000	€'000	€'000	€'000
Insurance contract liabilities at 1 January	1,904,544	2,199	54,709	1,961,452
Changes that relate to current service				
CSM recognised for the services provided	—	—	(6,178)	(6,178)
Change in the risk adjustment for non- financial risk for risk expired	—	(140)	—	(140)
Experience adjustment relating to insurance service expenses	(10,883)	—	—	(10,883)
	(10,883)	(140)	(6,178)	(17,201)
Changes that relate to future service				
Changes in estimates that adjust the CSM	(18,202)	612	17,590	—
Contracts initially recognised in the period	(2,489)	144	2,345	—
Experience adjustments - arising from premiums received in the period that relate to future service	(3,261)	—	3,261	—
	(23,952)	756	23,196	—
Insurance service result	(34,835)	616	17,018	(17,201)
Finance expense from insurance contracts issued	178,200	—	—	178,200
Total amounts recognised in profit or loss	143,365	616	17,018	160,999
Cash flows				
Premium received	135,175	—	—	135,175
Claims and other directly attributable expenses paid	(267,212)	—	—	(267,212)
Insurance acquisition cash flows	(3,721)	—	—	(3,721)
Increase in policy loans	(1,804)	—	—	(1,804)
Total cash flows	(137,562)	—	—	(137,562)
Insurance contract liabilities at 31 December	1,910,347	2,815	71,727	1,984,889

24. INSURANCE CONTRACT LIABILITIES, REINSURANCE CONTRACT ASSETS AND INVESTMENT CONTRACT LIABILITIES - CONTINUED

24.5 INVESTMENT CONTRACTS WITH DPF - CONTINUED

Impact of contracts recognised in the year

Group	**2024**	2023
Investment contract with DPF	**Non-onerous contracts originated €'000**	Non-onerous contracts originated €'000
Estimates of present value of future cash outflows		
- Insurance acquisition cash flows	**4,014**	4,001
- Claims and other directly attributable expense	**149,277**	144,823
	153,291	148,824
Estimates of the present value of future cash inflows	**(156,386)**	(151,313)
Risk adjustment for non-financial risk adjustment	**223**	144
CSM	**2,872**	2,345
Increase in insurance contract liabilities from contracts recognised in the period	**—**	—

24.6 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 Group 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 investment contract liabilities. 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.

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 Group's degree of risk aversion. The Group estimates an adjustment for non-financial risk separately from all other estimates. The Group 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 Group only includes mortality risk, lapse risk, and expenses risk and catastrophic risk.

24. INSURANCE CONTRACT LIABILITIES, REINSURANCE CONTRACT ASSETS AND INVESTMENT CONTRACT LIABILITIES - CONTINUED

24.6 LONG TERM CONTRACTS - INPUTS, ASSUMPTIONS AND ESTIMATION TECHNIQUES - CONTINUED

(a) Estimation techniques - continued

Risk adjustment for non-financial risk - continued

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 Group 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 Group uses information about past events, current conditions and forecasts of future conditions. The Group'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.

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 4.2(a).

Discount rates

The bottom-up approach was adopted by the Group 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 Group evaluates the illiquidity premium on a yearly basis.

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

NOTES TO THE FINANCIAL STATEMENTS

24. INSURANCE CONTRACT LIABILITIES, REINSURANCE CONTRACT ASSETS AND INVESTMENT CONTRACT LIABILITIES - CONTINUED

24.6 PARTICIPATING CONTRACTS - CONTINUED

(b) Assumptions - continued

Discount rates - continued

On the other hand, the Group'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 4.2(a).

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:

	2024 No. of years		2023 No. of years	
Product	**5**	**10**	5	10
Life risk (issued and reinsurance held)	**2.3%**	**2.4%**	2.4%	2.5%
Investment contracts with DPF	**2.1%**	**2.3%**	2.3%	2.4%

Policy acquisition and maintenance expenses

The Group 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 Group 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 Group'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.

	2024 €	2023 €
Life risk	**48.5**	41.7
Investment contracts with DPF	**76.5 - 102.3**	50.7 - 86.6

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 Group 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 4.1.

24. INSURANCE CONTRACT LIABILITIES, REINSURANCE CONTRACT ASSETS AND INVESTMENT CONTRACT LIABILITIES - CONTINUED

24.6 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 Group makes reference to the following standard mortality table. This UK mortality table is based on male assured lives of combined smoker status

	2024	2023
Life risk	**44% TMC00**	44% AMC00
Investment contracts with DPF	**48% AMC00**	50% AMC00

The Group fits its own experience as a percentage of the TMC00 and AMC00 (2023: AMC00) mortality table and uses this as a basis for its mortality assumption.

For a sensitivity analysis, refer to Note 4.1.

Lapse rates

The Group derives assumptions about lapse and surrender rates based on the Group's own experience. Historical lapse and surrender rates are derived from the Group's policy administration data. An analysis is then performed of the Group's historical rates in comparison to the assumptions previously used. Statistical methods are used to derive adjustments to reflect the Group'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 Group 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 2024.

	2024	2023
Life Risk	**3.0% - 7.0%**	3.0% - 7.0%
Investment contracts with DPF	**0.5% - 6.0%**	0.5% - 7.0%

For a sensitivity analysis, refer to note 4.1.

NOTES TO THE FINANCIAL STATEMENTS

25. INVESTMENT CONTRACT LIABILITIES

Balances due from group undertakings, associated undertaking and other receivables are unsecured and non-interest bearing.

	2024 €'000	2023 €'000
Opening balance – 1 January	**123,253**	69,054
Contributions received	**47,684**	50,266
Benefits paid	**(4,308)**	(3,582)
Investment return from underlying assets	**13,131**	8,194
Asset management fees charged	**(75)**	(679)
Closing balance – 31 December	**179,685**	123,253

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.

26. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2024 €'000	2023 €'000	2024 €'000	2023 €'000
Receivables from intermediaries	**18,313**	19,410	**18,313**	19,410
Other prepayments and receivables:				
- prepayments and other receivables	**5,269**	5,635	**905**	1,544
- accrued interest and rent	**1,161**	758	**342**	179
- receivables from subsidiary undertakings	**—**	48	**624**	532
- receivables from associated undertaking	**226**	59	**226**	59
- other debtors	**205**	115	**—**	—
Provision for impairment of receivables	**(717)**	(535)	**(717)**	(535)
	24,457	25,490	**19,693**	21,189
Current portion	**24,457**	25,490	**19,693**	21,189

Balances due from subsidiary undertakings, associated undertaking and other receivables are unsecured and non-interest bearing.

26. TRADE AND OTHER RECEIVABLES - CONTINUED

Movements in the provision for impairment of receivables are as follows:

	Group and Company	
	2024	2023
	€'000	€'000
Balance as at 1 January	**535**	440
Adjustment on initial application of IFRS 9 for impairment losses	**—**	54
Increase in provision for impairment	**182**	41
Balance as at 31 December	**717**	535

27. CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, the year-end cash and cash equivalents comprise the following:

	Group		Company	
	2024	2023	**2024**	2023
	€'000	€'000	**€'000**	€'000
Cash at bank and in hand	**79,399**	45,975	**11,408**	8,780
T-Bills	**2,500**	2,000	**2,500**	2,000
	81,899	47,975	**13,908**	10,780

As at 31 December 2024 an amount of €6.2 million (2023: €2.8 million) within deposits with banks or credit institutions, was held in a margin account as collateral against exchange traded futures.

28. SHARE CAPITAL

	Group and Company	
	2024	2023
	€'000	€'000
Authorised		
150 million ordinary shares of €0.21 each	**31,500**	31,500
Issued and fully paid		
92 million ordinary shares of €0.21 each	**19,320**	19,320

NOTES TO THE FINANCIAL STATEMENTS

29. OTHER RESERVES

Group

	Freehold land and buildings €'000	FVOCI investments €'000	Total €'000
Balance at 1 January 2023	856	(506)	350
Fair value movements -gross	—	284	284
Fair value movements -tax	—	(11)	(11)
FVOCI investment - reclassified to profit or loss	—	14	14
Balance at 31 December 2023	**856**	**(219)**	**637**
Balance at 1 January 2024	856	(219)	637
Fair value movements -gross	—	170	170
Fair value movements -tax	—	(7)	(7)
Balance at 31 December 2023	**856**	**(56)**	**800**

The above reserves are not distributable reserves.

Company

	Investment in subsidiary undertaking €'000	Investment in associated undertaking €'000	FVOCI investments €'000	Total €'000
Balance at 1 January 2023	34,663	95	(506)	34,252
Fair value movements -gross	—	—	284	284
Fair value movements -tax	—	—	(11)	(11)
FVOCI investment -reclassified to profit or loss	—	—	14	14
Other	—	14	—	14
Balance at 31 December 2023	**34,663**	**109**	**(219)**	**34,553**
Balance at 1 January 2024	34,663	109	(219)	34,553
Fair value movements -gross	—	—	170	170
Fair value movements -tax	—	—	(7)	(7)
Other	—	(4)	—	(4)
Balance at 31 December 2024	**34,663**	**105**	**(56)**	**34,712**

The above reserves are not distributable reserves.

30. PROVISION FOR OTHER LIABILITIES AND CHARGES

The Group and Company operate a defined benefit plan in favour of a former Executive Chairman. The pension plan defines an amount of pension benefit that he receives on retirement. The liability recognised in the statement of financial position is the present value of the obligation determined by discounting estimated future cash outflows.

The following table shows the changes in the present value of the pension obligation and amounts shown in the profit or loss and other comprehensive income:

	Group and Company	
	2024	2023
	€'000	€'000
At 1 January	**923**	854
Interest expense - profit or loss	**27**	32
Settlements	**(69)**	(67)
Re-measurements actuarial loss - other comprehensive income	**8**	104
Balance at 31 December	**889**	923

The following payments as expected in the future years:

	Group and Company	
	2024	2023
	€'000	€'000
Within one year	**67**	66
After more than one year	**822**	857
	889	923

The significant assumptions used in determining the pension obligation are shown below:

	Group and Company	
	2024	2023
Mortality	**AMC00**	AMC00
Discount rate	**3.1%**	3.1%
Inflation rate	**2.4%**	2.4%

A quantitative analysis of the impact on the pension obligation for the significant assumptions is shown below:

	Group and Company	
	2024	2023
	€'000	€'000
Discount Rate - 1% point increase	**(64)**	(69)
Discount Rate - 1% point decrease	**73**	79
Inflation Rate - 1% point increase	**67**	73
Inflation Rate - 1% point decrease	**(61)**	(66)

31. OTHER PAYABLES

	Group		Company	
	2024	2023	**2024**	2023
	€'000	€'000	**€'000**	€'000
Creditors arising out of insurance operations	**211**	260	**211**	260
Amount owed to associated undertakings	**236**	242	**236**	242
Amount owed to subsidiary undertakings	**—**	—	**1,177**	999
Social security and other tax payables	**4,364**	5,293	**1,761**	1,765
Accruals and other payables	**12,020**	11,760	**5,609**	6,008
Deferred income	**1,352**	1,366	**140**	40
Other creditors	**1,716**	428	**—**	—
	19,899	19,349	**9,134**	9,314
Current	**19,644**	19,094	**9,134**	9,314
Non-current	**255**	255	**—**	—
	19,899	19,349	**9,134**	9,314

Balances due to subsidiary undertakings and associated undertaking are unsecured and non-interest bearing.

Deferred income for the Group 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.

NOTES TO THE FINANCIAL STATEMENTS

32. CASH GENERATED FROM OPERATIONS

Reconciliation of profit before tax to cash (used in)/ generated from operations:

	Group		Company	
	2024	2023	**2024**	2023
	€'000	€'000	**€'000**	€'000
Profit before tax	**24,804**	24,019	**10,531**	9,864
Adjustments for:				
Depreciation (Note 18)	**1,125**	1,079	**626**	616
Adjustment on initial application of IFRS 9 for impairment losses	**—**	(55)	**—**	(55)
Increase in provision for impairment of receivables (Note 26)	**182**	41	**182**	41
Settlement of provision for liabilities and charges (Note 30)	**(69)**	(67)	**(69)**	(67)
Amortisation (Note 16)	**5,080**	4,549	**2,226**	2,147
Depreciation of right-of-use assets	**411**	334	**370**	306
Lease payments against lease liabilities	**(463)**	(398)	**(434)**	(359)
Investment return adjustments	**(106,057)**	(185,695)	**(1,826)**	(1,160)
Loss on sale of property, plant and equipment	**92**	—	**93**	—
Property revaluation	**(168)**	—	**—**	—
Movements in:				
Trade and other receivables	**1,151**	(2,410)	**1,385**	(2,303)
Insurance and reinsurance contracts	**(31,407)**	27,497	**2,046**	(267)
Investment contract liabilities	**56,432**	54,199	**—**	—
Other payables	**1,098**	1,764	**(181)**	2,016
Cash (used in)/generated from operations	**(47,789)**	(75,143)	**14,949**	10,779

33. COMMITMENTS

Capital commitments

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

	Group		Company	
	2024	2023	**2024**	2023
	€'000	€'000	**€'000**	€'000
Authorised and not contracted for				
- property, plant and equipment	**1,222**	629	**638**	—
- intangible assets	**2,657**	4,485	**714**	528
- investment property	**320**	853	**170**	—
	4,199	5,967	**1,522**	528

33. COMMITMENTS - CONTINUED

	Group		Company	
	2024	2023	**2024**	2023
	€'000	€'000	**€'000**	€'000
Authorised and contracted for				
- property, plant and equipment	**359**	182	**269**	140
- intangible assets	**2,864**	3,273	**2,053**	2,340
- investment property	**2,256**	1,219	**—**	50
- other investments	**31,935**	35,835	**—**	—
	37,414	40,509	**2,322**	2,530

Operating lease commitments – where a Group company is a lessor

The Group and the Company lease out certain premises under operating leases. The future minimum lease payments receivable under non-cancellable operating leases are disclosed in Note 17.

Rental income from operating leases recognised in profit or loss during the year is disclosed in Note 8..

34. CONTINGENCIES

The Group and Company have given guarantees to third parties amounting to €0.1 million (2023: €4,600) not arising under contracts of insurance.

35. RELATED PARTY TRANSACTIONS

In the normal course of business, the Group enters into various transactions with related parties. Related parties are defined as those that have an ability to control or exercise significant influence over the other party in making financial and operational decisions. These include directors, key management personnel and shareholders, and their close family members, who hold a substantial amount of the votes able to cast at general meetings. Parent undertaking refers to MAPFRE S.A. and/or companies owned by MAPFRE S.A.. Bank of Valletta p.l.c. is a related undertaking in light of its shareholding in the Company and in MAPFRE MSV Life p.l.c.. Subsidiary undertakings and associated undertakings refer to the companies listed in Notes 20 and 21 respectively.

NOTES TO THE FINANCIAL STATEMENTS

35. RELATED PARTY TRANSACTIONS - CONTINUED

Relevant particulars of related party transactions are as follows:

Group

	2024 €'000	2023 €'000
Sales of insurance contracts and other services		
Transactions with a parent undertaking:		
- Commission received	**5,266**	5,328
- Claims recoverable	**5,705**	12,377
Transactions with related undertaking:		
- Trailer fees receivable	**1**	1
- Sale of insurance contracts	**246**	1,086
- Dividends received and interest income	**1,611**	637
- Rental income on investment property	**255**	248
Transactions with associated undertaking:		
- Sale of insurance contracts	**31**	20
- Dividends received	**170**	147
- Rental income on investment property	**44**	44
- Reimbursement of expenses for back office support services	**23**	19
Purchases of products and services		
Transactions with a parent undertaking:		
- Reinsurance premium ceded	**19,522**	17,997
- Staff development training & Fringe Benefits	**2**	4
- Expat staff benefits and services	**97**	105
- Computer maintenance, Group IT shared services	**1,440**	1,920
- Capitalisation of software development	**1**	9
- Other back office support services	**720**	647
- Investment management services	**27**	20
- Commission payable	**96**	82
Transactions with other related undertaking:		
- Acquisition costs payable	**3,449**	2,638
- Bank charges	**223**	207
- Investment management services	**45**	49
- Claims paid	**556**	148
Transactions with associates undertaking:		
- Road side assistance and other back office support services	**2,819**	2,856
- Claims paid	**8**	4

NOTES TO THE FINANCIAL STATEMENTS

35. RELATED PARTY TRANSACTIONS - CONTINUED

Company

	2024 €'000	2023 €'000
Sales of insurance contracts and other services		
Transactions with a parent undertaking:		
- Commissions received	**5,266**	5,328
- Claims recoverable	**4,550**	11,075
Transactions with related undertaking:		
- Sale of insurance contracts	**246**	1,086
- Dividends received and interest income	**91**	26
- Trailer fees receivable	**1**	1
Transactions with subsidiary undertaking:		
- Sale of insurance contracts	**352**	190
- Dividends received	**1,154**	—
- Rental income on investment property	**29**	52
- Rental income from sub-letting of shared premises	**44**	32
- Reimbursement of expenses for back office support services	**1,226**	1,013
Transactions with associated undertaking:		
- Sale of insurance contracts	**31**	20
- Dividends received	**170**	147
- Rental income on investment property	**44**	44
- Reimbursement of expenses for back office support services	**23**	19
Purchases of products and services		
Transactions with a parent undertaking:		
- Reinsurance premium ceded	**17,217**	15,860
- Staff development training & fringe benefits	**2**	4
- Expat staff benefits and services	**97**	105
- Computer maintenance, Group IT shared services	**605**	824
- Capitalisation of software development	**1**	9
- Other back office support services	**519**	458
- Investment management services	**27**	20
Transactions with other related parties:		
- Bank charges	**126**	111
- Bank interest payable	**—**	—
- Claims paid	**556**	148
Transactions with subsidiaries:		
- Reimbursement of expenses for back office support services	**2,348**	2,490
- Claims paid	**4**	135
- Employer's contribution to defined contribution work pension scheme	**104**	76
Transactions with associates:		
- Road side assistance and other back office support services	**2,819**	2,856
- Claims paid	**8**	4

35. RELATED PARTY TRANSACTIONS - CONTINUED

Key management personnel during 2024 and 2023 comprised the President & Chief Executive Officer, Chief Executive Officers, General Manager, Chief Financial Officer, Chief Officers and Chief Underwriters. Total remuneration paid by the Group to key management personnel amounted to €3.9 million (Company: €2.0 million). Corresponding figures for 2023 were €3.6 million paid by the Group and €1.8 million paid by the Company.

Year-end balances arising from the above transactions:

	Group		Company	
	2024	2023	**2024**	2023
	€'000	€'000	**€'000**	€'000
Financial assets at amortised cost				
- Related undertaking	**144**	244	**144**	244
- Parent undertaking	**159**	128	**159**	128
Financial liabilities at amortised cost				
- Parent undertaking	**693**	738	**495**	337
- Related undertaking	**353**	160	**—**	—
Amounts owed to				
- Associated undertaking	**236**	245	**236**	245
- Subsidiary undertaking	**—**	—	**1,014**	1,011
Amounts owed by				
- Associated undertaking	**226**	59	**226**	59
- Subsidiary undertaking	**—**	—	**447**	545
- Parent undertaking	**—**	—	**—**	—
Accruals - Parent undertaking	**325**	378	**216**	268
Reinsurance contract assets				
- Parent undertaking	**16,858**	17,867	**16,057**	17,183
- Related undertaking	**188**	476	**188**	476
- Subsidiary undertaking	**—**	—	**5**	—
- Associated undertaking	**3**	10	**3**	10
Investment in related undertakings	**17,064**	14,088	**969**	800
Cash and cash equivalents with related undertakings	**55,879**	31,085	**8,795**	4,828

All balances above have arisen in the course of the Group's and Company's normal operations. Balances due from/to subsidiary and associated undertakings are unsecured and non-interest bearing.

36. STATUTORY INFORMATION

MAPFRE Middlesea p.l.c. is a public limited company and is incorporated in Malta.

The Group is 55.83% owned by MAPFRE Internacional S.A. (the "immediate parent"), a company registered in Spain, the registered office of which is situated at Carretera de Pozuelo 52, Majadahonda 28222, Madrid, Spain.

The Group's ultimate parent is Fundación MAPFRE, the registered office of which is situated at Paseo de Recoletos 23, 28004, Madrid, Spain.

The Group's results are consolidated at MAPFRE S.A. level of which Fundación MAPFRE is the parent and MAPFRE Internacional S.A. is the subsidiary. MAPFRE S.A. is a company the registered office of which is situated at Carretera de Pozuelo 52, Majadahonda 28222, Madrid, Spain.

NOTES

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MAPFRE Middlesea p.l.c. (C-5553) is authorised by the Malta Financial Services Authority (MFSA) to carry on both Long Term and General Business under the Insurance Business Act, Cap 403 of the Laws of Malta.