HSBC Life Assurance (Malta) Ltd

Annual Report

2023

Company Registration Number: C 18814

HSBC Life Assurance (Malta) Ltd

HSBC Life Assurance (Malta) Ltd

Directors' Report

For the Year Ended 31 December 2023

The directors present their report together with the audited financial statements of HSBC Life Assurance (Malta) Ltd ("the Company") for the year ended 31 December 2023.

Board of directors

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

Geoffrey Fichte (Chairman) appointed on 1 May af2023
Muriel Rutland
Eric Emoré
Maria Louisa sive Marisa Attard
Joanne Aquilina
Charlotte Cilia
Philip John Blackmore
Simon Vaughan Johnson (Chairman) resigned from Director and Chairman on 30 April 2023

Principal activities

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

Business review

In 2023, the Company has continued to focus on its core business of serving customers' protection needs, and in supporting them to plan for their future and their retirement.

On 1 January 2023 the Group adopted IFRS 17 'Insurance Contracts' and as required by the standard applied the requirements retrospectively with comparatives restated from the transition date, 1 January 2022. The restated comparative financial statements were prepared on the basis of the Material accounting policies set out in Note 3 to the financial statements. IFRS 17 provides the first internationally consistent basis for financial reporting for insurance contracts. Relative to previous reporting, the standard has significantly higher technical, modelling and operational complexity. The HSBC Group established a multi-year programme to oversee the implementation activities by bringing together actuarial, finance, IT and operational teams across multiple entities and locations.

IFRS 17 is not expected to change the economics of the insurance business or the level of profits expected to be earned over the coverage period of the group of insurance contracts. Under IFRS 17 there is no present value of in-force business ('PVIF') asset recognised. Instead, the measurement of the insurance contract liability is based on groups of insurance contracts and includes fulfilment cash flows ('FCFs'), as well as the contractual service margin ('CSM'), which represents the unearned profit. IFRS 17 introduces new measurement models namely; the General Measurement Model (GMM) for protection products and the Variable Fee Approach ('VFA') for investment insurance products. Further information about these measurement models is provided in Note 3.

The impact of transitioning to IFRS 17 on the financial statements was a reduction to total equity of €22.5m as at 1 January 2022.

The Company reported profit before tax of €6.2m for 2023 compared to the prior year restated profit of €3.9m (€4.8m IFRS 4). Under IFRS 17, profit recognition occurs over the life of an individual insurance contract as opposed to IFRS 4 where profit is recognised immediately. The insurance service result amounts to €5.0m, in summary;

- Total insurance revenue of €18.3m composed mainly of CSM release of €7.5m and expected incurred claims of €10.0m. The CSM release rate for in-force business was circa 10% during 2023.
- The insurance service expense amounts to €7.8m which represents claims of €5.9m and onerous contract losses of €1.5m during the year. Onerous contract losses are recorded for loss making contracts, and include offsets for any reversals of previously recorded losses. Amortisation of insurance acquisition cash flows amount to €0.4m.
- The net reinsurance expense impact on the Income Statement amounts to €5.5m

The investment experience under IFRS 4 presented greater income statement volatility as the impact of market condition updates was immediately recognised in the income statement. For the unit-linked and with profits portfolios in scope of IFRS17, the investment experience and assumption changes will be absorbed by the CSM and released over time to profit or loss in line with VFA methodology. The investment experience from underlying assets for business valued under GMM is recorded in profit or loss as it arises. Net investment result represents fair value gains or losses on underlying assets and interest income on shareholder funds, less the IFRS 17 insurance finance expense. Net investment result amounts to €4.6m;

- Investment gains measured at fair value through profit and loss amounts to €59.2m. The net impact in the movement of investment contract liabilities and other investment revenue resulted in a negative impact of €10.3m.
- The asset liabilities on unit linked and with profits offset as the investment experience change will be absorbed by the CSM. The net finance expense from insurance contracts and reinsurance contracts held amounts to €44.3m.

Under IFRS 17 reported operating expenses will be lower as directly attributable costs will be incorporated in the CSM and recognised in the insurance service result over the duration of the associated insurance contracts. Profit before tax includes a reduction to reported operating expenses of €3.6m as directly attributable costs are incorporated in the CSM and insurance service result. The non-attributable portion of expenses recognised in the income statement amounts to €3.5m.

The With-Profits fund is closed to new business and is in run-off. Under the run-off the Company's overall strategy is to distribute all of the fund's assets amongst With-Profits policyholders as fairly as possible, manage the business in line with Policyholder Reasonable Expectations and the product Terms and Conditions and carefully manage the Company's solvency position to optimise the use of capital. In 2023, no top up bonus was declared in arrears for 2022 however the Board declared a guaranteed bonus of 0.75% for 2023 in the form of reversionary bonus at the start of 2023. The Company was also able to maintain its philosophy of paying a terminal bonus to eligible policies which matured during the year. In line with the bonus philosophy, the reversionary bonus rates are based on several factors including investment performance, market conditions, state of the fund and smoothing requirements. Any discretionary top up bonus for 2023 will be considered by the Board at year end 2024.

At 31 December 2023, total assets were recorded at €734m, an increase of €21m from prior year's level. Increase of the Fair Market Value of investments was observed during 2023 in line with global market conditions. This increase is largely the result of positive market movements.

At the end of 2023, the Company has an unaudited Solvency Ratio of 202%, (2022: 195%).

Future developments

The Company will continue to focus on growth within the core domestic market during 2024, leveraging on the current Maltese economic environment, pensions legislation, increased demand for online services and HSBC's financial planning and wealth management capabilities. The Company is committed to maintain its focus on retirement planning and employer sponsored pension plans, enhancing its protection offering, and building online capability whilst continuing to meet customers' need for protection and long-term savings.

Risks and uncertainties

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

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

HSBC Life Assurance (Malta) Ltd

Directors' Report (continued)

For the Year Ended 31 December 2023

Further information with respect to financial and insurance underwriting risks is included in notes 5.1 and 5.2 to the financial statements, respectively.

People

We champion inclusion and diversity and firmly believe employee engagement and personal growth are key drivers for the provision of excellent customer service. Throughout 2023, we renewed our overall people focus and provided our people with opportunities to realise their career aspirations and tools to safeguard their well-being. In January 2024, HSBC Bank Malta plc announced the signing of a new collective agreement with Malta Union of Bank Employees for the period 2024-2026. This agreement provides significant enhancements to employee pay and benefits covering the HSBC Life Assurance (Malta) Ltd employees as part for the HSBC Bank Malta plc group.

Sustainability

The company is taking steps to embed sustainability within its purpose and corporate strategy and will pursue our growth strategy in a sustainable manner with the continued focus of aiming to be net zero by 2030. This is fully aligned with the local HSBC Bank Malta plc group and the wider HSBC Group approach. The company and its employees also contribute to the local Corporate Social Responsibility initiatives through the HSBC Malta Foundation and the employee led Climate Action Network.

Dividends

The Company did not pay any dividend to shareholders during 2023.

Reserves

The directors propose that the balance of retained earnings amounting to €19.5m (2022: €15.5m) is to be carried forward to the next financial year.

Auditors

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

Approved by the Board of Directors on 21 February 2024 and signed on its behalf by:

Geoffrey Fichte
Chairman

Marisa Attard
Non-executive Director

Registered Office
80 Mill Street
Qormi QRM 3101
Malta

HSBC Life Assurance (Malta) Ltd

Statement of Directors' Responsibilities

For the Year Ended 31 December 2023

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

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

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

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

The financial statements of HSBC Life Assurance (Malta) Ltd for the Year Ended 31 December 2023 are included in the Annual Report 2023 which is available on the Company's website. The directors are responsible for the maintenance and integrity of the Annual Report on the Company's website in view of their responsibility for the controls over, and the security of the website. Access to information published on the Company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Approved by the Board of Directors on 21 February 2024 and signed on its behalf by:

Geoffrey Fichte
Chairman

Marisa Attard
Non-executive Director

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Independent auditor's report

To the Shareholders of HSBC Life Assurance (Malta) Ltd

Report on the audit of the financial statements

Our opinion

In our opinion:

- The financial statements give a true and fair view of the financial position of HSBC Life Assurance (Malta) Ltd (the Company) as at 31 December 2023, and of the company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

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

What we have audited

HSBC Life Assurance (Malta) Ltd financial statements, set out on pages 20 to 103, comprise:

- the statement of profit or loss and other comprehensive income for the year ended 31 December 2023;
- the statement of financial position as at 31 December 2023;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

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

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

Independent auditor's report - continued

To the Shareholders of HSBC Life Assurance (Malta) Ltd

Independence

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

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

The non-audit services that we have provided to the company, in the period from 1 January 2023 to 31 December 2023, are disclosed in note 8 to the financial statements.

Our audit approach

Overview

Materiality	• Overall materiality: €705,000, which represents 1% of Equity plus Net Contractual Service Margin (net of tax).
Key audit matters	• Implementation of IFRS 17: Transition methodology, judgements and related estimates • Valuation of insurance contract liabilities

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

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

Materiality

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

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

Overall materiality	€705,000
How we determined it	1% of Equity plus Net Contractual Service Margin (net of tax).
Rationale for the materiality benchmark applied	We chose Equity plus Net Contractual Service Margin (net of tax) as reflected in the statement of financial position (and related notes) as the benchmark because, in our view, it is a key financial statement metric used in evaluating the financial position of the Company and is not as volatile as a profit and loss measure. We selected 1% based on our professional judgement, noting that it is also within the range of benchmarks that we consider to be acceptable.
We have applied a higher materiality level of €1,177,000 solely for the purpose of identifying and evaluating the effect of misstatements that are likely only to lead to a reclassification between line items within assets and liabilities.	

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €70,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter
Implementation of IFRS 17: Transition methodology, judgements and related estimates IFRS 17 became effective for periods beginning on or after 1 January 2023, replacing IFRS 4, 'Insurance Contracts'. As a result, the Company has adopted IFRS 17 in these financial statements. The 2022 opening statement of financial position and the 2022 comparatives have been restated in order to comply with the requirements of IFRS 17, and are presented within these financial statements. Transition to IFRS 17 introduces significant changes to the recognition, measurement and presentation of (re-)insurance contract liabilities (or assets), and requires significant judgement to estimate the impact on 1 January 2022 (the transition date) and 31 December 2022 (comparative period). IFRS 17 adoption has resulted in a significant reduction in the Company's accumulated profit at the transition date (€22.5m). This is primarily due to the derecognition of the present value of in force business and the establishment of the Contractual Service Margin ("CSM") on adoption IFRS 17. The CSM is the mechanism in IFRS 17 by which profits are deferred and released over the duration of a contract.	Our audit procedures addressing the implementation of IFRS 17 included *inter alia* the following procedures using our IFRS 17 and actuarial specialist team members: • We assessed the methodology applied against the IFRS 17 requirements and assessed the application of the methodology to the Company and its products, including Variable Fee Approach eligibility; • We obtained an understanding of and challenged the key methodologies, judgements and assumptions used to develop and calculate the transition balance sheet and restated comparatives on adopting IFRS 17, including the determination of the level of contract aggregation; • We obtained an understanding of management's approach to transition including the selection of the fully retrospective and fair value approaches ('the transition approaches'), and challenged management's assessment of impracticability of adopting the fully retrospective approach to measure the transition CSM; • We tested the CSM model's compliance with IFRS 17 by *inter alia* examining a risk based sample of management's test cases to demonstrate that the CSM model is materially compliant with the requirements of the standard for the measurement models used by the Company. We also tested the accounting logic

Key audit matter	How our audit addressed the Key audit matter
The key methodology, judgements and assumptions first applied on transition to the new standard include: • The determination of the date before which it is impracticable to apply the fully retrospective approach to calculate the CSM on transition; • The approach applied to determine the fair value of the CSM on transition, including the selection of assumptions used in this calculation; • The determination of IFRS 17 groups of contracts at which calculations will be undertaken, including determining the onerousness of contracts; • The methodology to be applied in calculating IFRS 17 liabilities, including risk adjustment and CSM; and • Variable Fee Approach eligibility for certain portfolios of contracts. There is a risk that the CSM modelling is not appropriate or the agreed methodology has not been implemented correctly in the CSM model. There is also a risk of error within the accounting logic used to eventually populate the General Ledger. There is a risk that the key judgements and estimates applied at transition and for 2022 restatement are not described in an appropriate level of detail for users of the financial statements to understand the decisions made by management.	and assessed its compliance with the requirements of the standard; • We tested the inputs and outputs to/from the CSM model on a sample basis by *inter alia* performing testing of controls and substantive testing (including over key reconciliations) in relation to completeness and accuracy of data flows; • We performed testing over the calculations and assumptions used to determine the fair value of (re-)insurance contracts CSM at the transition date; and • We tested the adequacy and compliance of the new quantitative and qualitative disclosures in the financial statements. Based on the audit procedures performed, we consider the transition methodology, judgements and related estimates to be consistent with the explanations and evidence obtained.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the Key audit matter</th></tr>
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Relevant references in the financial statements are:

Standards, interpretations and amendments to published standards effective in 2023: Note 2.2;
Material accounting policies: Notes 3.2 and 3.3;
Critical accounting estimates and judgements: Note 4;
Note on insurance liabilities and reinsurance contract assets: Note 14; and
Note on effects of adoption of IFRS 17: Note 24.

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Valuation of insurance contract liabilities
As described above, the Company has adopted IFRS 17 'Insurance contracts'. The standard sets out the requirements that an entity should apply in accounting for insurance contracts it issues, reinsurance contracts it holds and investment contracts with discretionary participating features it issues.
As at 31 December 2023, the Company recorded insurance contract liabilities of €519,363,000.
As explained in Note 3.2, the Company's insurance contract liabilities are measured as the total of fulfilment cash flows (comprising the best estimates of future cash flows and risk adjustment) and contractual service margin, the determination of which required judgement and interpretation. This includes the selection of accounting policies and the use of complex methodologies. Management's selection
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We performed the following audit procedures to test the valuation of insurance contract liabilities (including best estimate liabilities, risk adjustment and contractual service margin), using our IFRS 17 and actuarial specialist team members:

Tested the design and, where applicable, operating effectiveness of the controls in place over the determination of the insurance contract liabilities, including those relating to model inputs, model operation and extraction of results from the actuarial model;
Tested the design and, where applicable, the operating effectiveness of controls related to the completeness and accuracy of policyholder data used in the valuation of insurance contract liabilities;
Tested the accuracy of the underlying data utilised for the purposes of measurement by reference to its source;
Applied our industry knowledge and experience to assess the appropriateness of the methodology, model and assumptions used against recognised actuarial practices;

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Key audit matter	How our audit addressed the Key audit matter
and application of appropriate methodologies requires significant professional judgement. The valuation also requires the determination of assumptions about future events, both internal and external to the business, giving rise to estimation uncertainty. The valuation of these liabilities is complex and sensitive to changes in assumptions. We focused on this area due to its materiality and the subjectivity of the judgements made. As part of our consideration of the entire set of assumptions, we focused particularly on expense assumptions, and mortality, morbidity and lapse assumptions as these are considered the most significant and judgemental. These are considered individually below. In addition, the complexity of the IFRS 17 adoption has been considered separately in the key audit matter above titled 'Implementation of IFRS 17: Transition methodology, judgements and related estimates'.	• Tested management's controls in respect of the valuation and assumption setting processes; • Performed testing over the actuarial model calculations. We have placed reliance on model baselining carried out as part of our prior audits and examined the analysis of change in modelled results, to assess whether the model continues to operate as expected; and • Performed model testing over the CSM engine (see separate key audit matter pertaining to Implementation of IFRS 17).
• *Valuation of insurance contract liabilities - expense assumptions* The valuation of insurance contract liabilities includes estimated future expenses that are expected to be incurred in the administration and maintenance of the existing policies to their maturity and include an allowance for future inflation. The assumptions used require judgement, particularly with respect to the allocation of expenses to future maintenance, the estimation of policy volumes and future cost inflation.	In respect of the expense assumptions, we performed the following additional procedures using our IFRS 17 and actuarial specialist team members: • We have tested and challenged the appropriateness of the allocation between attributable and non attributable expenses on a sample basis; • We have reviewed, and where relevant, challenged the appropriateness of these cost allocations in the context of IFRS 17 requirements (see separate key audit matter pertaining to IFRS 17 transition) and actual costs incurred during the year (by *inter alia*

Key audit matter	How our audit addressed the Key audit matter
IFRS 17 brought about certain changes to the treatment of expenses, requiring the Company to analyse expenses between acquisition costs, directly attributable expenses and non attributable (i.e. out of scope) expenses. The valuation of the insurance contract liabilities is sensitive to changes in allocations between categories and changes in assumptions.	obtaining an understanding of variances prepared by management); • We have assessed the impact of the current inflationary environment on the assumptions. In this respect we understood and challenged the basis on which expenses are projected by reference to market observable data (inflation curve), and further understood the main drivers of the increase in per policy expenses (disclosed in Note 4) and challenged management's intent to carry out certain future actions linked to attributable expenses by *inter alia* confirming that these actions were approved by the board; and • We have assessed the reasonableness of the policy volumes used in the expense calculation.
• <u>*Valuation of insurance contract liabilities - mortality, morbidity and lapse assumptions*</u> Insurance contract liabilities are sensitive to the choice of assumptions, with those relevant to mortality, morbidity and lapse highlighted as amongst those having the biggest impact. There is a risk that the assumptions are not appropriate given the variability in experience and the relatively small size of the Company's business, given the pool of data from which to assess experience. In setting mortality, morbidity and lapse assumptions, management utilise the Company's own historic experience, supplemented with additional external data in the calculation of the appropriate assumptions. In doing so there is a risk that mortality, morbidity and lapse assumptions are not appropriate.	In respect of the mortality, morbidity and lapse assumptions we performed the following additional procedures using our actuarial specialist team members: • We tested the design and operation of controls within the experience analysis and input of assumptions into the model processes; • Tested the results of the most recent mortality, morbidity and lapse experience analysis against the judgements applied in setting the assumptions; • Tested the appropriateness of the Company's experience analysis methodology by comparing against industry best practice; • Tested the appropriateness of the assumptions in light of the specific characteristics of the business and industry practices; and • Reviewed management's sense checks and performed internal reasonableness analytics over

Key audit matter	How our audit addressed the Key audit matter
With the adoption of IFRS 17, the Company is now required to set assumptions on a best estimate basis (i.e. without margins). Relevant references in the financial statements are: • Material accounting policy: Notes 3.2; • Critical accounting estimates and judgements: Note 4; and • Note on insurance liabilities and reinsurance contract assets: Note 14.	the impacts of any assumption changes. In respect of all the assumptions referred to above, we have reviewed management's approach to setting the assumptions, assessed the assumptions' appropriateness based on internal and external data (where available), and tested management's governance and controls over the assumption basis review. We also reviewed the modelled results and manual adjustments, and we assessed the reasonableness of management's analysis of the changes in the carrying amounts. Based on the work performed we found the valuation of insurance contract liabilities (including best estimate, risk adjustment and contractual service margin) to be consistent with the explanations and evidence obtained.

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Independent auditor's report - continued

To the Shareholders of HSBC Life Assurance (Malta) Ltd

Other information

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

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

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

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

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

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

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

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

Independent auditor's report - continued

To the Shareholders of HSBC Life Assurance (Malta) Ltd

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

Report on other legal and regulatory requirements

The *Annual Report 2023* contains other areas required by legislation or regulation on which we are required to report. The Directors are responsible for these other areas.

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

Area of the *Annual Report 2023* and the related Directors' responsibilities	Our responsibilities	Our reporting
Directors' Report and Statement of Directors' Responsibilities (on pages 1 to 5) The Maltese Companies Act (Cap. 386) requires the directors to prepare a Directors' report, which includes the contents required by Article 177 of the Act and the Sixth Schedule to the Act.	We are required to consider whether the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements. We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements. In addition, we are required to state whether, in the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we have identified any material misstatements in the Directors' report, and if so to give an indication of the nature of any such misstatements.	In our opinion: • the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386). We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the *Other information* section.

Independent auditor's report - continued

To the Shareholders of HSBC Life Assurance (Malta) Ltd

Area of the *Annual Report 2023* and the related Directors' responsibilities	Our responsibilities	Our reporting
	Other matters on which we are required to report by exception We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion: • adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us. • the financial statements are not in agreement with the accounting records and returns. • we have not received all the information and explanations which, to the best of our knowledge and belief, we require for our audit.	We have nothing to report to you in respect of these responsibilities.

Other matter – use of this report

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

Independent auditor's report - *continued*

To the Shareholders of HSBC Life Assurance (Malta) Ltd

Appointment

We were first appointed as auditors of the Company on 22 April 2015. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 9 years.

Christopher Cardona
Principal

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

21 February 2024

HSBC Life Assurance (Malta) Ltd

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December 2023

	Notes	**2023 €000**	2022 Restated * €000
Insurance revenue	6	**18,289**	15,565
Insurance service expenses	6	**(7,788)**	(5,475)
Net expenses from reinsurance contracts held	6	**(5,471)**	(4,812)
Insurance service result		**5,030**	5,278
Net gains/(losses) on FVTPL investments	7	**59,214**	(91,835)
Movement in investment contract liabilities	7	**(11,146)**	17,091
Other investment revenue	7	**813**	224
Net investment income/(loss)		**48,881**	(74,520)
Finance (expenses)/income from insurance contracts issued	7	**(43,917)**	71,846
Finance (expenses)/income from reinsurance contracts held	7	**(377)**	4,650
Net insurance finance (expenses)/income		**(44,294)**	76,496
Net insurance and investment result		**9,617**	7,254
Revenue from investment management services		**1,100**	1,367
Other charges		**(1,024)**	(1,080)
Other operating expenses	8	**(3,480)**	(3,636)
Profit before tax		**6,213**	3,905
Income tax expense	10	**(2,195)**	(1,381)
Profit for the year – Total comprehensive income		**4,018**	2,524

The notes on pages 24 to 103 are an integral part of these financial statements.

HSBC Life Assurance (Malta) Ltd

Statement of Financial Position

For the Year Ended 31 December 2023

	Notes	31 December 2023 €000	31 December 2022 restated * €000	1 January 2022 restated * €000
Assets				
Cash and cash equivalents	15	**33,449**	44,525	40,345
Financial investments	13	**693,024**	660,446	767,962
Receivables		**138**	129	222
Current tax assets		**2,061**	2,028	1,810
Reinsurance contract assets	14	**2,557**	2,959	63
Investment property	11	**-**	-	1,600
Property and equipment		**3**	4	2
Intangible assets	12	**408**	516	532
Deferred tax assets	20	**379**	428	767
Other assets	19	**2,397**	2,344	4,525
Total Assets		**734,416**	713,379	817,828
Liabilities				
Current tax liability		**1,229**	-	-
Investment contracts liabilities	16	**156,958**	162,123	185,137
Insurance contract liabilities	14	**519,363**	499,507	582,373
Deferred tax liabilities	20	**-**	324	-
Provisions for liabilities and charges	17	**1,129**	1,249	1,129
Other liabilities	18	**8,231**	6,688	8,225
Total Liabilities		**686,910**	669,891	776,864
Equity				
Share capital	22	**27,961**	27,961	27,961
Retained earnings		**19,545**	15,527	13,003
Total equity		**47,506**	43,488	40,964
Total liabilities and equity		**734,416**	713,379	817,828

The notes on pages 24 to 103 are an integral part of these financial statements.

The financial statements on pages 20 to 103 were approved and authorised for issue by the Board of Directors on 21 February 2024 and signed on its behalf by:

Geoffrey Fichte
Chairman

Marisa Attard
Non-executive Director

HSBC Life Assurance (Malta) Ltd

Statement of Changes in Equity

For the Year Ended 31 December 2023

	Notes	Share Capital €000	Retained Earnings €000	Total €000
Balance as at 1 January 2022, as previously reported		27,961	35,517	63,478
Adjustment on initial application of IFRS 17, net of tax	24	-	(22,514)	(22,514)
Restated balance as at 1 January 2022		27,961	13,003	40,964
Total comprehensive income for the year (restated)*				
Profit for the year		-	2,524	2,524
Total comprehensive income for the year (restated)		-	2,524	2,524
Restated balance as at 31 December 2022		27,961	15,527	43,488
Balance as at 1 January 2023		27,961	15,527	43,488
Total comprehensive income for the year				
Profit for the year		-	4,018	4,018
Total comprehensive income for the year		-	4,018	4,018
Balance as at 31 December 2023		**27,961**	**19,545**	**47,506**

The notes on pages 24 to 103 are an integral part of these financial statements.

HSBC Life Assurance (Malta) Ltd

Statement of Cash Flows

For the Year Ended 31 December 2023

	Notes	2023 €000	2022 €000
Cash flows from operating activities			
Insurance premiums received		**56,016**	56,729
Reinsurance premiums paid		**(7,357)**	(4,358)
Fees and commissions received		**2,273**	2,363
Interest received		**5,255**	3,765
Dividends received		**2,370**	2,366
Claims and benefits paid as adjusted for movements in claims payable		**(65,648)**	(53,335)
Reinsurance claims received		**1,911**	1,300
Investment contract receipts		**2,109**	6,142
Investment contract benefits paid		**(18,411)**	(10,740)
Payments to employees and suppliers		**(7,650)**	(7,162)
Policyholders' investments portfolio:			
- Acquisition of investments		**(100,102)**	(58,310)
- Proceeds from sale of investments		**119,574**	60,810
Tax paid		**(1,281)**	(936)
Net cash used in operating activities		**(10,941)**	(1,364)
Cash flows from investing activities			
Interest received		**1,441**	1,215
Acquisition of intangible assets and property and equipment		**(110)**	(3)
Shareholder's investments portfolio:			
- Acquisition of investments		**(19,081)**	(6,618)
- Proceeds from sale of investments		**17,615**	9,350
- Proceeds from the disposal of investment property		**-**	1,600
Net cash (used in) from investing activities		**(135)**	5,544
Net movements in cash and cash equivalents		**(11,076)**	4,180
Cash and cash equivalents at 1 January		**44,525**	40,345
Cash and cash equivalents at 31 December	15	**33,449**	44,525

The notes on pages 24 to 103 are an integral part of these financial statements.

1 Reporting entity

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

2 Basis of preparation

2.1 Statement of compliance

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

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

2.2 Standards, interpretations and amendments to published standards effective in 2023

On 1 January 2023, the Company adopted the requirements of IFRS 17 'Insurance Contracts' retrospectively with comparatives restated from the transition date, 1 January 2022. The company did not early adopt IFRS 17 in previous periods. At transition, the Company's total equity reduced by EUR22.5m.

On adoption of IFRS 17, balances based on IFRS 4, including the present value of in-force long-term insurance business ('PVIF') asset in relation to the upfront recognition of future profits of in-force insurance contracts, were derecognised. Insurance contract liabilities have been remeasured under IFRS 17 based on groups of insurance contracts, which include the fulfilment cash flows comprising the best estimate of the present value of the future cash flows, together with a risk adjustment for non-financial risk, as well as the contractual service margin ('CSM'). The CSM represents the unearned profits that will continue to be released and systematically recognised in insurance revenue as services are provided over the expected coverage period.

2 Basis of preparation (continued)

2.2 Standards, interpretations and amendments to published standards effective in 2023 (continued)

The key differences between IFRS 4 and IFRS 17 are summarised in the following table:

	IFRS 4	IFRS 17
Statement of Financial Position – Changes to classification and measurement	- Insurance contract liabilities for non-linked life insurance contracts are calculated by local actuarial principles. Liabilities under unit-linked life insurance contracts are at least equivalent to the surrender or transfer value, by reference to the value of the relevant underlying funds or indices. Grouping requirements follow local regulations. - An intangible asset for the PVIF is recognised, representing the upfront recognition of future profits associated with in-force insurance contracts.	- Insurance contract liabilities are measured for groups of insurance contracts at current value, comprising the fulfilment cash flows and the CSM. - The fulfilment cash flows comprise the best estimate of the present value of the future cash flows, together with a risk adjustment for non-financial risk. - The CSM represents the unearned profit.

2 Basis of preparation (continued)

2.2 Standards, interpretations and amendments to published standards effective in 2023 (continued)

	IFRS 4	IFRS 17
Profit emergence/ recognition – Changes to classification and measurement	- The value of new business is reported as revenue on Day 1 as an increase in PVIF. - The impact of the majority of assumption changes is recognised immediately in the income statement. - Variances between actual and expected cash flows are recognised in the period they arise.	- The CSM is systematically recognised in revenue as services are provided over the expected coverage period of the group of contracts (i.e. no Day 1 profit). - Contracts are measured using the general measurement model ('GMM') or the variable fee approach ('VFA') model for insurance contracts with direct participation features upon meeting the eligibility criteria. Under the VFA model, the Company's share of the investment experience and assumption changes are absorbed by the CSM and released over time to profit or loss. For contracts measured under GMM, the Company's share of the investment volatility is recorded in profit or loss as it arises. - Losses from onerous contracts are recognised in the income statement immediately.
Investment return assumptions (discount rate) – Changes to measurement	- PVIF is calculated based on long-term investment return assumptions based on assets held. It therefore includes investment margins expected to be earned in future.	- Under the market consistent approach, expected future investment spreads are not included in the investment return assumption. Instead, the discount rate includes an illiquidity premium that reflects the nature of the associated insurance contract liabilities.

2 Basis of preparation (continued)

2.2 Standards, interpretations and amendments to published standards effective in 2023 (continued)

	IFRS 4	IFRS 17
Expenses – Changes to classification and measurement	Total expenses to acquire and maintain the contract over its lifetime are included in the PVIF calculation. Expenses are recognised across operating expenses and fee expense as incurred and the allowances for those costs released from the PVIF simultaneously.	- Projected lifetime expenses that are directly attributable costs are included in the insurance contract liabilities and recognised in the insurance service result. - Non-attributable costs are reported in operating expenses.

Transition

In applying IFRS 17 for insurance and reinsurance contracts retrospectively, the full retrospective approach ('FRA') has been used unless it was impracticable. When the FRA is impracticable such as when there is a lack of sufficient and reliable data, an entity can use either the modified retrospective approach ('MRA') or the fair value approach ('FVA'). The Company has applied FRA for new business from 2020 and for reinsurance held from 2022, subject to practicability, and the FVA for all contracts for which the FRA is impracticable.

Under the FVA, the valuation of insurance liabilities on transition is based on the applicable requirements of IFRS 13 'Fair Value Measurement'. This requires consideration of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The CSM is calculated as the difference between what a market participant would demand for assuming the unexpired risk associated with insurance contracts, including required profit, and the fulfilment cash flows that are determined using IFRS 17 principles.

In determining the fair value, the Company considered the estimated profit margin that a market participant would demand in return for assuming the insurance liabilities with the consideration of the level of capital that a market participant would be required to hold, and the discount rate that takes into account the level of 'matching' between the Company's assets and related liabilities.

The impact of transitioning to IFRS 17 on the financial statements was a reduction to total equity of €22.5m as at 1 January 2022 and notes 3, 4 and 24 contain further information in this respect.

2 Basis of preparation (continued)

2.2 Standards, interpretations and amendments to published standards effective in 2023 (continued)

Other adopted amendment

The company also adopted the amendment to IAS 1 'Fresentation of Financial Statements' which requires an entity to disclose its material rather than its significant accounting policies. This adoption did not have a significant impact on the company's financial statements.

There were no other new standards or amendments to standards that had a significant effect on these financial statements.

2.3 Basis of measurement

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

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

2.4 Functional and presentation currency

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

2.5 Use of estimates and judgements

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

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

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

2 Basis of preparation (continued)

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

Amendments to IAS 12

On 7 May 2021, the IASB issued its amendments to IAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction, which became effective for annual reporting periods beginning on or after 1 January 2023. The amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

3 Material accounting policies

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

3.1 Investment contracts

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

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

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

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

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

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

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

3 Material accounting policies (continued)

3.1 Investment contracts (continued)

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

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

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

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

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

3.2 Insurance and reinsurance contracts

Definition and classification

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

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

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

3 Material accounting policies (continued)

3.2 Insurance and reinsurance contracts (continued)

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

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

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

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

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

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

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

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

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

3 Material accounting policies (continued)

3.2 Insurance and reinsurance contracts (continued)

Aggregation of insurance contracts

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

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

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

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

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

3 Material accounting policies (continued)

3.2 Insurance and reinsurance contracts (continued)

Transition approaches that were applied by the Company on adoption of IFRS 17 with respect to contracts aggregation requirements are included in note 4.

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

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

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

Reinsurance contracts held

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

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

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

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

3 Material accounting policies (continued)

3.2 Insurance and reinsurance contracts (continued)

Recognition and derecognition

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

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

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

Reinsurance contracts held are recognised as follows:

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

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

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

3 Material accounting policies (continued)

3.2 Insurance and reinsurance contracts (continued)

Accounting for contract modifications and derecognition

An insurance contract is derecognised when it is:

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

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

a) if the modified terms had been included at contract inception and the Company would have concluded that the modified contract:

   i. is not within the scope of IFRS 17;

   ii. results in different separable components;

   iii. results in a different contract boundary; or

   iv. belongs to a different group of contracts;

b) the original contract represents an insurance contract with direct participation features, but the modified contract no longer meets that definition, or vice versa; or

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

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

3 Material accounting policies (continued)

3.2 Insurance and reinsurance contracts (continued)

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

a. adjusts the FCF to eliminate the present value of future cash flows and risk adjustment for non-financial risk relating to the rights and obligations removed from the group;

b. adjusts the CSM (unless the decrease in the FCF is allocated to the loss component of the liability for remaining coverage ('LRC') of the group) in the following manner, depending on the reason for the derecognition:

   i. if the contract is extinguished, in the same amount as the adjustment to the FCF relating to future service;

   ii. if the contract is transferred to a third party, in the amount of the FCF adjustment in (a) less the premium charged by the third party; or

   iii. if the original contract is modified resulting in its derecognition, in the amount of the FCF adjustment in (1) adjusted for the premium that the Company would have charged if it had entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification; when recognising the new contract in this case, the Company assumes such a hypothetical premium as actually received; and

c. adjusts the number of coverage units for the expected remaining insurance contract services, to reflect the number of coverage units removed.

Measurement

Contract Boundary

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

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

a. the Company has the practical ability to reprice the risks of the particular policyholder or change the level of benefits so that the price fully reflects those risks; or

b. both of the following criteria are satisfied:

   i. the Company has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio; and

   ii. the pricing of premiums up to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

3 Material accounting policies (continued)

3.2 Insurance and reinsurance contracts (continued)

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

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

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

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

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

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

Insurance acquisition costs

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

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

a. to that group; and

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

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

3 Material accounting policies (continued)

3.2 Insurance and reinsurance contracts (continued)

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

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

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

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

Other pre-recognition cash flows within the contract boundary

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

3 Material accounting policies (continued)

3.2 Insurance and reinsurance contracts (continued)

Fulfilment cash flows ('FCF')

The fulfilment cash flows comprise the following:

(i) Best estimates of future cash flows

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

The estimates of future cash flows:

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

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

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

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

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

Risk Adjustment for non-fianancial risk

The risk adjustment reflects the compensation required for bearing the uncertainty about the amount and timing of future cash flows that arises from non-financial risk. It is calculated as a 75th percentile level of stress over a one-year period. The level of the stress is determined with reference to external regulatory stresses and internal economic capital stresses.

The full term 75th percentile level of stress corresponds to the following percentiles based on an ultimate view of risk over all future years is 60% (2022: 58%).

3 Material accounting policies (continued)

3.2 Insurance and reinsurance contracts (continued)

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

Initial Measurement

CSM and coverage units

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

For groups of contracts measured using the VFA, changes in the Company's share of the underlying items, and economic experience and economic assumption changes adjust the CSM, whereas these changes do not adjust the CSM under the GMM, but are recognised in profit or loss as they arise. However, under the risk mitigation option for VFA contracts, the changes in the fulfilment cash flows and the changes in the Company's share in the fair value return on underlying items that the instruments mitigate are not adjusted in CSM but recognised in profit or loss.

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

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

a) the Liability Remaining Coverage ('LRC'), comprising:

   i. the FCF related to future service allocated to the group at that date; and

   ii. the CSM of the group at that date; and

b) the Liaiblity for Incurred Claims ('LIC'), comprising the FCF related to past service allocated to the group at the reporting date.

3 Material accounting policies (continued)

3.2 Insurance and reinsurance contracts (continued)

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

a) the remaining coverage, comprising:

i. the FCF related to future service allocated to the group at that date; and

ii. the CSM of the group at that date; and

b) the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

Changes in fulfilment cash flows

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

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

a. changes that relate to current or past service are recognised in profit or loss; and

b. changes that relate to future service are recognised by adjusting the CSM or the loss component within the LRC as per the policy below.

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

a. experience adjustments – arising from premiums received in the period that relate to future service and related cash flows such as insurance acquisition cash flows and premium-based taxes;

b. changes in estimates of the present value of future cash flows in the LRC, except those described in the following paragraph;

c. differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period, determined by comparing (i) the actual investment component that becomes payable in a period with (ii) the payment in the period that was expected at the start of the period plus any insurance finance income or expenses related to that expected payment before it becomes payable; and

d. changes in the risk adjustment for non-financial risk that relate to future service.

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

3 Material accounting policies (continued)

3.2 Insurance and reinsurance contracts (continued)

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

a. changes in the FCF for the effect of the time value of money and the effect of financial risk and changes thereof;

b. changes in the FCF relating to the LIC;

c. experience adjustments – arising from premiums received in the period that do not relate to future service and related cash flows, such as insurance acquisition cash flows and premium-based taxes; and

d. experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

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

a. changes in the amount of the Company's share of the fair value of the underlying items; and

b. changes in the FCF that do not vary based on the returns of underlying items:

i. changes in the effect of the time value of money and financial risks including the effect of financial guarantees;

ii. experience adjustments arising from premiums received in the period that relate to future service and related cash flows, such as insurance acquisition cash flows and premium-based taxes;

iii. changes in estimates of the present value of future cash flows in the LRC, except those described in the following paragraph;

iv. differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period, determined by comparing (i) the actual investment component that becomes payable in a period with (ii) the payment in the period that was expected at the start of the period plus any insurance finance income or expenses related to that expected payment before it becomes payable; and

v. changes in the risk adjustment for non-financial risk that relate to future service.

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

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

a. changes in the obligation to pay the policyholder the amount equal to the fair value of the underlying items;

3 Material accounting policies (continued)

3.2 Insurance and reinsurance contracts (continued)

b. changes in the FCF that do not vary based on the returns of underlying items:

i. changes in the FCF relating to the LIC; and

ii. experience adjustments arising from premiums received in the period that do not relate to future service and related cash flows, such as insurance acquisition cash flows and premium-based taxes; and

iii. experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

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

Changes to the contractual service margin

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

a. The effect of any new contracts added to the group.

b. For contracts measured under the GMM, interest accreted on the carrying amount of the CSM.

c. Changes in the FCF relating to future service are recognised by adjusting the CSM. Changes in the FCF are recognised in the CSM to the extent that the CSM is available. When an increase in the FCF exceeds the carrying amount of the CSM, the CSM is reduced to zero, the excess is recognised in insurance service expenses and a loss component is recognised within the LRC. When the CSM is zero, changes in the FCF adjust the loss component within the LRC with correspondence to insurance service expenses. The excess of any decrease in the FCF over the loss component reduces the loss component to zero and reinstates the CSM.

d. The amount recognised as insurance revenue for insurance contract services provided during the period, determined after all other adjustments above.

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

a. The effect of any new contracts added to the group.

b. Interest accreted on the carrying amount of the CSM.

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

d. Reversals of a loss-recovery component other than changes in the FCF of reinsurance contracts held.

3 Material accounting policies (continued)

3.2 Insurance and reinsurance contracts (continued)

e. Changes in the FCF, to the extent that the change relates to future service, unless the change results from a change in FCF allocated to a group of underlying insurance contracts that does not adjust the CSM for the group of underlying insurance contracts.

f. The amount recognised in profit or loss for insurance contract services received during the period, determined after all other adjustments above.

Interest accretion on the CSM

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

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

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

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

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

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

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

Onerous contracts – Loss component

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

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

3 Material accounting policies (continued)

3.2 Insurance and reinsurance contracts (continued)

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

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

3.3 Revenue

3.3.1 Insurance service results

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

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

3.3.2 Insurance finance income and expenses

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

3.3.3 Revenue from investment management services

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

3 Material accounting policies (continued)

3.3 Revenue (continued)

3.3.3 Revenue from investment management services (continued)

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

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

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

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

3.3.4 Other investment revenue

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

3.3.5 Net gains/(losses) on FVTPL investments

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

3.4 Employee benefits

3.4.1 Defined contribution plan

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

3 Material accounting policies (continued)

3.4 Employee benefits (continued)

3.4.2 Share based payment transactions

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

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

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

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

3.4.3 Termination Benefits

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

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

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

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

3 Material accounting policies (continued)

3.5 Tax

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

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

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

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

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

3.6 Foreign currency transactions

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

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

3.7 Intangible assets

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

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

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

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

3 Material accounting policies (continued)

3.7 Intangible assets (continued)

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

3.8 Financial instruments

i Initial recognition

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

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

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

ii Classification and measurement

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

3 Material accounting policies (continued)

3.8 Financial instruments (continued)

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

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

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

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

- variable interest rates and modified relationships with the time value of money;
- leverage, being a contractual cash flow characteristic of some financial assets that increases the variability of the contractual cash flows with the result that they do not have economic characteristics of interest;
- contractual terms that allow the issuer to prepay (or the holder to put a debt instrument back to the issuer) before maturity and the prepayment amount substantially represents unpaid amounts of principal and interest, which may include reasonable compensation for early termination of the contract;

3 Material accounting policies (continued)

3.8 Financial instruments (continued)

- contractual terms that allow the issuer or holder to extend the contractual term and the terms of the extension option result in contractual cash flows during the extension period that are solely payments of principal and interest, which may include reasonable compensation for the extension of the contract;
- changes to contractual cash flows may be caused by an underlying contingent event (a trigger) such as contractual term resetting interest to a higher amount in the event of a missed payment; and
- contractual changes in interest rates.

Financial assets measured at amortised cost

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

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

Financial assets mandatorily measured at fair value through profit or loss

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

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

Financial liabilities measured at amortised cost

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

3 Material accounting policies (continued)

3.8 Financial instruments (continued)

Investment Contracts

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

iii Derecognition of financial instruments

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

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

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

iv. Offsetting financial assets and financial liabilities

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

3.9 Impairment

3.9.1 Non-derivative financial assets

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

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

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

3 Material accounting policies (continued)

3.9 Impairment (continued)

3.9.2 Non-financial assets

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

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

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

3.10 Provision for liabilities and charges

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

3.11 Share capital

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

3.12 Dividend distribution

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

4 Critical accounting estimates and judgements

Transition classification

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

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

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

4 Critical accounting estimates and judgements (continued)

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

a. The effects of the full retrospective application were not determinable, for example:

   i. Some reasonable and supportable information about actual historical cash flows might have been available from the Company's systems, but in many cases such information was only available at higher levels or different levels of aggregation compared to the groups required by IFRS 17. This lack of information made it impracticable to accurately calculate the FCF on a retrospective basis and to segregate groups based on profitability.
   ii. The information necessary to estimate the effect of contracts derecognised before the transition date on allocation of the CSM between past and future periods on the transition date was not available in many cases.

b. The full retrospective application required assumptions that would have been made in an earlier period, for example:

   i. For contracts with direct participation features, the Company's expectations regarding the policyholder's share of underlying assets at contract inception would not have been possible to recreate without the use of hindsight.
   ii. Difficulties in retrieving relevant reliable information existed where assumptions developed at the date of initial recognition were not on an IFRS 17 basis (such as discount rates, risk adjustment for non-financial risk or expenses).
   iii. Changes in assumptions have not been historically documented on an ongoing basis
   iv. The older the in force contracts (such as term life products), the more challenging it would have been to retrieve data from the past on assumptions.

c. The full retrospective application required significant estimates of amounts, and it was impossible to distinguish objectively between information about those estimates that provided evidence of circumstances that (i) existed on the date at which those amounts were to be recognised, measured or disclosed; and (ii) would have been available when the consolidated financial statements for that prior period were authorised for issue, and other information, for example:

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

4 Critical accounting estimates and judgements (continued)

Determination of the fair value of insurance contract liabilities on transition

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

The approach for setting these included the following:

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

Coverage units

The Company's approach to the determination of coverage units is set out in note 3.2. Significant judgement was involved in the determination of the approach that most faithfully represents the nature of our business and the benefits that are ascribed to the policyholder over the duration of insurance contracts, as the standard does not specify a required basis for determination of coverage units. This judgement is most significant for investment services, which constitute the most material element of service for most of our contracts. The Company determined that the coverage unit basis that best reflects the provision of investment services is the availability of the facility over time. The quantity of benefit selected is therefore a constant measure.

Discount rates

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

4 Critical accounting estimates and judgements (continued)

The table below shows a comparison of the 10 and 20 year risk free rates used within the valuation of the liabilities:

At 31 Dec 2023	
Rate 10Y (%)	**2.39%**
Rate 20Y (%)	**2.41%**
At 31 Dec 2022	
Rate 10Y (%)	3.09%
Rate 20Y (%)	2.76%

Expenses

IFRS 17 requires the determination of whether cash flows are directly attributable to the acquisition or fulfilment of insurance contracts. Insurance acquisition cash flows are included in the measurement of a group of insurance contracts only if they are directly attributable to the individual contracts in a group, or to the group itself, or the portfolio of insurance contracts to which the group belongs. When estimating fulfilment cash flows, the Company also allocates fixed and variable overheads cash flows directly attributable to the fulfilment of insurance contracts. Judgement is involved in identifying and allocating costs and this determination has been informed by time study assessments which consider factors such as the allocation of frontline staff costs related to distribution including salaries, commissions and bonuses, and associated overhead allocations.

Estimates of future cash flows to fulfil insurance contracts

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

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

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

4 Critical accounting estimates and judgements (continued)

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

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

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

Mortality

The estimation of future benefit payments and premiums arising from long-term insurance contracts is the Company's most critical accounting estimate. The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the Company. Estimates are made as to the expected number of deaths for each of the years in which the Company is exposed to risk. The Company bases these estimates on industry standard mortality tables. A base mortality table is selected which is most appropriate for each type of contract. The mortality rates reflected in the table below are adjusted by the expected mortality based on a statistical investigation into the Company's mortality experience.

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

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

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

	2023		**2022**	
	Renewal expense (p.a.)	**Mortality**	Renewal expense (p.a.)	Mortality
	€ 000		€ 000	
Class of business				
Life direct participating and investment DPF	**€34.80**	**85% TM08 / 85% TF08**	€23.70	85% TM08 / 85%TF08
Life Other	**€34.80**	**85% TM08 / 85% TF08**	€23.70	85% TM08 / 85%TF08

4 Critical accounting estimates and judgements (continued)

Maintenance expenses and inflation

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

Expense inflation is calculated as a blend of wage inflation and price inflation, with the latter based on an adjusted French inflation curve. The assumed wage inflation, from the 4th projection year 2027 onwards, is fixed at 2% p.a. with higher p.a. rates taken in the intervening period. This assumption is informed by the Central Bank of Malta's inflation forecast published by the end of 2023 (2.9% as from 2024 onwards) and a commitment by the Company to control salary related cost. This results in a term dependent expense inflation assumption ranging from 1.9% p.a. to 2.2% p.a. (2022: 2.5% p.a. to 2.4% p.a.).

Sensitivities of key assumptions are disclosed in Note 5.2

Expense overruns

The Company holds two sets of Expense overrun provisions, one for an 'investment contract' portfolio that is in run-off (see note 17) related to a specific fixed expense, and another for the 'insurance contract' portfolio to allow for potential future shortfalls arising for the period that per-policy costs are forecasted to be higher than current assumptions.

In setting the first provision, judgements are taken in relation to the future management actions to reduce the fixed expenses in line with the run-off of the portfolio. Should these actions not be executed, this may lead to a negative Profit before tax impact of circa €5.5m (2022: €9.5m).

In setting the second provision (note 14), the potential future expense shortfalls are reliant on achieving the new business sales plan. A 25% reduction to the future volumes will lead to a negative Profit before tax impact of circa €4.1m (2022: €2.7m).

5 Management of financial and insurance risk

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

5.1 Financial risk

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

5 Management of financial and insurance risk (continued)

5.1 Financial risk (continued)

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

5.1.1 General nature of participation feature

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

5.1.2 Market risk

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

Interest rate risk

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

Exchange risk

The Company is exposed to currency risk on the shareholder's investment portfolio, to 10% of the investments backing contracts with DPF and to the life insurance portfolio. The net exposure for the Company amounts to €6,065,003 (2022: €5,862,528) and a sensitivity analysis is not deemed necessary on the basis of significance.

Equity price risk

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

5 Management of financial and insurance risk (continued)

5.1 Financial risk (continued)

5.1.2 Market risk (continued)

Sensitivity analysis

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

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

Sensitivity to market risk factors

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

5 Management of financial and insurance risk (continued)

5.1 Financial risk (continued)

5.1.2 Market risk (continued)

	2022		
	Effect on profit after tax € 000	Effect on CSM € 000	Effect on total equity € 000
+100 basis point parallel shift in yield curves			
- Insurance & Reinsurance Contracts	3,271	(216)	3,271
- Financial Instruments	(2,359)	-	(2,359)
-100 basis point parallel shift in yield curves			
- Insurance & Reinsurance Contracts	(4,404)	256	(4,404)
- Financial Instruments	2,601	-	2,601
10% increase in equity prices			
- Insurance & Reinsurance Contracts	408	361	408
10% decrease in equity prices			
- Insurance & Reinsurance Contracts	(407)	(363)	(407)

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

5.1.3 Credit risk

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

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

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

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

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

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

5 Management of financial and insurance risk (continued)

5.1 Financial risk (continued)

5.1.3 Credit risk (continued)

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

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

Other assets amount to €2,397,000 (2022: €2,344,000). This balance includes accrued interest amounting to €2,113,000 (2022: €2,021,000) which would follow a similar rating profile to debt securities below.

Cash and cash equivalents held with third party banks amount to €22,000 (2022: €2,772,000). The bank balance of €22,000 (2022: €2,241,000) is held with an unrated local bank of good standing. As of 31 December 2022, the Company also held an amount of €531,000 with third party bank that were rated BBB and above. The remaining cash at bank comprises amounts held with the immediate parent Company, HSBC Bank Malta p.l.c, and other related parties. In line with IFRS 9, the company measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. At 31 December 2023, cash deposits were held with reputable counter parties and were due on demand. Management consider the probability of default to be close to zero as the counter parties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the company.

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

	Debt Securities - Unit-Linked		**Debt Securities - Others**		**Total**	
	2023	2022	**2023**	2022	**2023**	2022
	€000	€000	**€000**	€000	**€000**	€000
AAA	-	-	**1,884**	5,633	**1,884**	5,633
AA+ to AA-	-	-	**34,705**	30,791	**34,705**	30,791
A+ to A-	-	457	**138,101**	131,237	**138,101**	131,694
BBB+ to BBB-	-	734	**43,595**	44,433	**43,595**	45,167
BB+ to B-	-	240	-	-	-	240
Unrated	-	1,841	**14,079**	15,699	**14,079**	17,540
Total	-	3,272	**232,364**	227,793	**232,364**	231,065

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

5 Management of financial and insurance risk (continued)

5.1 Financial risk (continued)

5.1.4 Liquidity risk

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

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

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

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

5 Management of financial and insurance risk (continued)

5.1 Financial risk (continued)

5.1.4 Liquidity risk (continued)

	No fixed maturity	less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	10-20 years	Over 20 years	Total
At 31 December 2023	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Financial investments	460,660	29,353	12,531	18,302	19,515	15,957	86,620	46,374	3,712	693,024
Reinsurance contracts	2,557	-	-	-	-	-	-	-	-	2,557
Cash and cash equivalents	33,449	-	-	-	-	-	-	-	-	33,449
	496,666	29,353	12,531	18,302	19,515	15,957	86,620	46,374	3,712	729,030

	On Demand	less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	10-20 years	Over 20 years	Total
At 31 December 2023	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Liabilities to customers:										
Life direct participating and investment DPF contracts	3,760	7,459	3,104	4,141	27,874	22,425	86,282	150,439	146,364	451,848
Insurance contracts other	-	(3,552)	(6,562)	(5,975)	(5,536)	(5,006)	(14,951)	(547)	34,810	(7,319)
Reinsurance contracts	-	170	1,402	1,448	1,397	1,376	6,612	11,132	4,640	28,177
Investment contracts	100,691	5,057	5,011	4,693	4,531	6,166	18,902	10,346	1,561	156,958
	104,451	9,134	2,955	4,307	28,266	24,961	96,845	171,370	187,375	629,664
Net cashflows	392,215	20,219	9,576	13,995	(8,751)	(9,004)	(10,225)	(124,996)	(183,663)	99,366

Note 14 contains further disclosure pertaining to insurance and reinsurance contracts.
In certain years insurance contract liabilities result in a net inflow that is presented in brackets in the table above. These amounts have not been separated into assets and liabilities since they are presented in the Statement of Financial Position within liabilities.

5 Management of financial and insurance risk (continued)

5.1 Financial risk (continued)

5.1.4 Liquidity risk (continued)

	No fixed maturity	less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	10-20 years	Over 20 years	Total
At 31 December 2022	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Financial investments	429.354	18.604	35.469	18.420	21.697	27.547	90.770	17.454	1.131	660.446
Reinsurance contracts	2.959	-	-	-	-	-	-	-	-	2.959
Cash and cash equivalents	44.525	-	-	-	-	-	-	-	-	44.525
	476.838	18.604	35.469	18.420	21.697	27.547	90.770	17.454	1.131	707.930

	On Demand	less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	10-20 years	Over 20 years	Total
At 31 December 2022	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Liabilities to customers:										
Life direct participating and investment DPF contracts	-	539	6.682	1.317	2.963	27.893	97.850	159.165	139.813	436.222
Insurance contracts other	-	(4.095)	(6.076)	(5.325)	(4.804)	(4.499)	(14.122)	(218)	34.988	(4.151)
Reinsurance contracts	-	827	780	811	817	786	2.401	7.159	4.263	17.844
Investment contracts	104.754	948	3.105	3.142	3.207	3.284	26.177	13.077	4.429	162.123
	104.754	(1.781)	4.491	(55)	2.183	27.464	112.306	179.183	183.493	612.038
Net cashflows	372.084	20.385	30.978	18.475	19.514	83	(21.536)	(161.729)	(182.362)	95.892

Note 14 contains further disclosure pertaining to insurance and reinsurance contracts.
In certain years insurance contract liabilities result in a net inflow that is presented in brackets in the table above. These amounts have not been separated into assets and liabilities since they are presented in the Statement of Financial Position within liabilities.

5 Management of financial and insurance risk (continued)

5.1 Financial risk (continued)

5.1.4 Liquidity risk (continued)

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

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

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

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

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

5.1.5 Capital management and allocation

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

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

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

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

5 Management of financial and insurance risk (continued)

5.1 Financial risk (continued)

5.1.5 Capital management and allocation (continued)

The Company opted for the standard formula under the Solvency II regime to calculate the SCR as the assumptions underlying the standard formula are considered to be a good fit for the Company's risk profile. At 31 December 2023, the Company's eligible own funds adequately covered the required SCR, and amounted to €58,682,000 (unaudited) (2022: €61,873,000). The Company has an unaudited Solvency Ratio of 202%, increasing from 195% at 31 December 2022. This increase was primarily driven by an decrease in SCR as a result of an increased With-Profits fund surplus. Having considered market uncertainties, in light of the Company's level of solvency as well as plans to further improve the capital base, the directors consider the going concern assumption to remain appropriate on the basis of information known to date.

5.2 Insurance underwriting risk

Description and exposure

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

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

The insurance risk profile and related exposures remain largely consistent with those observed at 31 December 2022.

Sensitivities

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

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

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

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

5 Management of financial and insurance risk (continued)

5.2 Insurance underwriting risk (continued)

	Effect on CSM (gross)[1]	Effect on profit after tax (gross)[1]	Effect on profit after tax (net)[2]	Effect on total equity (gross)[1]	Effect on total equity (net)[2]
At 31 Dec 2023	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**
10% increase in mortality and/or morbidity rates	**(6,922)**	**179**	**(105)**	**179**	**(105)**
10% decrease in mortality and/or morbidity rates	**7,032**	**(196)**	**108**	**(196)**	**108**
10% increase in lapse rates	**(64)**	**(527)**	**(597)**	**(527)**	**(597)**
10% decrease in lapse rates	**309**	**397**	**479**	**397**	**479**
10% increase in expense rates	**(1,714)**	**(252)**	**(253)**	**(252)**	**(253)**
10% decrease in expense rates	**1,708**	**255**	**255**	**255**	**255**
At 31 Dec 2022					
10% increase in mortality and/or morbidity rates	(7,166)	88	(110)	88	(110)
10% decrease in mortality and/or morbidity rates	7,274	(97)	111	(97)	111
10% increase in lapse rates	554	(636)	(664)	(636)	(664)
10% decrease in lapse rates	(653)	684	715	684	715
10% increase in expense rates	(1,452)	(248)	(248)	(248)	(248)
10% decrease in expense rates	1,451	249	249	249	249

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

6 Insurance business

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

[1]Further information on the release of CSM and risk adjustment recognised in the period on reinsurance contracts is provided in note 14.4.

6 Insurance business (Continued)

	2022 Restated		
	Life direct participating and Investment DPF contracts	Life Other	Total
	€ 000	€ 000	€ 000
Contracts not measured under the PAA			
Insurance revenue			
Amounts relating to changes in liabilities for remaining coverage:			
- CSM recognised for services provided	1,030	5,868	6,898
- Change in risk adjustment for non-financial risk for risk expired	218	252	470
- Expected incurred claims and other insurance service expenses	3,115	4,962	8,077
Recovery of insurance acquisition cash flows	15	105	120
Total insurance revenue for contracts not measured under the PAA	4,378	11,187	15,565
Insurance service expenses			
Claims and benefits, reversal of losses and directly attributable expenses	(2,693)	(2,068)	(4,761)
Losses and reversal of losses on onerous insurance contracts	(440)	(154)	(594)
Amortisation of insurance acquisition cash flows	(15)	(105)	(120)
Total insurance service expenses for contracts not measured under the PAA	(3,148)	(2,327)	(5,475)
Total insurance service results for contracts not measured under the PAA	1,230	8,860	10,090
Insurance service results before reinsurance contract held			
Income/(expenses) from reinsurance contracts held			
Reinsurance expenses – amounts relating to the changes in the remaining coverage[1]	-	(5,855)	(5,855)
Amounts recoverable from reinsurers for incurred claims	-	1,043	1,043
Net expenses from reinsurance contracts held	-	(4,812)	(4,812)
Net Insurance service results	1,230	4,048	5,278

[1]Further information on the release of CSM and risk adjustment recognised in the period on reinsurance contracts is provided in note 14.4.

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

	2023			
	Life direct participating and Investment DPF Contracts	Life other contracts	Other	Total
	€ 000	€ 000	€ 000	€ 000
Investment return				
Amounts recognised in profit or loss:				
- Net gains/(losses) on FVTPL investments	42,065	6,606	10,543	59,214
- Movement in investment contract liabilities (note 16)	-		(11,146)	(11,146)
- Other investment revenue	-		813	813
Total investment return	42,065	6,606	210	48,881
Net finance (expenses)/income from insurance contract issued				
Changes in fair value of underlying items of direct participating contracts	(42,065)			(42,065)
Company's share of changes in fair value of underlying items or fulfilment cash flows that do not adjust the CSM	-			-
Interest accreted	-	(14)		(14)
Effect of changes in interest rates and other financial assumptions	-	(957)		(957)
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition		(881)		(881)
Total net finance expenses from insurance contracts	(42,065)	(1,852)		(43,917)
Represented by:				
Amounts recognised in profit or loss	(42,065)	(1,852)		(43,917)
Total net finance expense from reinsurance contracts - P&L	-	(377)	-	(377)

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

	2022 Restated			
	Life direct participating and Investment DPF Contracts	Life other contracts	Other	Total
	€ 000	€ 000	€ 000	€ 000
Investment return				
Amounts recognised in profit or loss:				
- Net gains/(losses) on FVTPL investments	(62,696)	(12,550)	(16,589)	(91,835)
- Movement in investment contract liabilities (note 16)	-		17,091	17,091
- Other investment revenue	-		224	224
Total investment return	(62,696)	(12,550)	726	(74,520)
Net finance (expenses)/income from insurance contract issued				
Changes in fair value of underlying items of direct participating contracts	62,696			62,696
Company's share of changes in fair value of underlying items or fulfilment cash flows that do not adjust the CSM	-			-
Interest accreted	-	(87)		(87)
Effect of changes in interest rates and other financial assumptions	-	9,950		9,950
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition		(713)		(713)
Total net finance income from insurance contracts	62,696	9,149		71,846
Represented by:				
Amounts recognised in profit or loss	62,696	9,150		71,846
Total net finance income from reinsurance contracts - P&L	-	4,650		4,650

8 Other operating expenses

8.1 Other operating expenses

Total gross expenses for the company amount to €7.1m (2022: €6.8m). The split between attributable expenses and non attributable expenses is highlighted in the table below.

	2023			2022 Restated		
	Expenses attributed to insurance acquisition cashflow	**Other directly attributable expenses**	**Other operating expenses**	Expenses attributed to insurance acquisition cashflow	Other directly attributable expenses	Other operating expenses
	€ 000	**€ 000**	**€ 000**	€ 000	€ 000	€ 000
Employees compensation and benefits	**761**	**560**	**712**	664	489	694
General and admin expenses	**978**	**1,144**	**2,703**	885	1,080	2,913
Depreciation and amortisation	**88**	**65**	**65**	39	28	29
	1,827	**1,769**	**3,480**	1,588	1,597	3,636

Other operating expenses include auditors' remuneration pertaining to the annual statutory audit amounting to €650,300 (2022: €150,400) exclusive of VAT.

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

	2023	2022
	€ 000	€ 000
Other assurance services	**70**	66
	70	66

8 Other operating expenses (continued)

8.2 Profit before tax is stated after charging:

	2023	2022
	€ 000	€ 000
Depreciation of property, plant and equipment and amortisation of intangible assets	**218**	96
Investment management and administrator fees	**1,510**	1,691
Personnel expenses	**2,033**	1,847
Computer software licence fees	**266**	403

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

9 Personnel expenses

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

	2023	2022
	€ 000	€ 000
Wages, salaries and allowances	**1,924**	1,742
Compulsory social security costs	**109**	105
	2,033	1,847

All employees are seconded from the immediate parent company and other related parties.

Included in salaries is an amount of €182,563 (2022: €180,232) payable to the directors.

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

	2023	2022
	No.	No.
Operating	**21**	23
Management and administration	**21**	19
	42	42

9 Personnel expenses (continued)

9.3 Share-based payments

In order to align the interests of employees with those of shareholders, share options in ordinary shares of HSBC Holdings p.l.c. (the "ultimate parent Company") are offered to HSBC Group employees under all-employee share plans and achievement shares awarded to the Group senior management, under discretionary incentives plans. The Company offered two types of share option schemes to its employees.

Under the HSBC Holdings savings-related share option plans, options are offered at nil consideration at an exercise price discounted at a rate of 20 per cent of the market value immediately preceding the date of invitation. The options are exercisable either on the first, third or fifth anniversary of the commencement of the relevant savings contract.

Options awarded up to May 2005 under the HSBC Holdings Group Share Option Plan were offered for nil consideration and granted at market value and were normally exercisable between the third and tenth anniversaries of the date of grant, subject to vesting conditions.

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

10 Income tax expense

10.1 Recognised in profit or loss

	2023	2022 Restated
	€ 000	€ 000
Current tax expense		
Current year	**(2,470)**	(718)
Deferred tax credit/(expense)		
Origination and reversal of temporary differences (Note 20)	**275**	(663)
	(2,195)	(1,381)

10 Income tax expense (continued)

10.2 Reconciliation of tax expense

	2023	2022 Restated
	€ 000	€ 000
Profit before tax	**6,213**	3,905
Income tax expense using the Company's domestic tax rate of 35%	**(2,175)**	(1,367)
Tax effect of:		
- tax exempt dividends	**-**	7
- other	**(20)**	(21)
Total income tax expense in profit or loss	**(2,195)**	(1,381)

11 Investment property

	2023	2022
	€ 000	€ 000
Balance at 1 January	**-**	1,600
Disposals	**-**	(1,600)
Balance at 31 December	**-**	-

During the financial year 2022, the company disposed of its only commercial property, which was originally bought at €1,720,000. This property was sold at its carrying amount which was based on the respective promise of sale agreement (considered level 3 in the fair value measurement hierarchy). The Directors gave their approval for the sale of the property in 2022. The capital gains tax relating to this sale, amounted to €128,000.

No rental income was generated from investment property during the preceding year.

12 Intangible assets

	Computer software
Carrying amount	**€ 000**
Balance at 1 January 2022	532
Additions	80
Amortisation through profit or loss:	
- Amortisation charge	(96)
Balance at 31 December 2022	516
Balance at 1 January 2023	516
Additions	110
Amortisation through profit or loss:	
- Amortisation charge	(218)
Balance at 31 December 2023	**408**
Accumulated amortisation	
Balance at 1 January 2022	1,608
Balance at 31 December 2022	1,704
Balance at 1 January 2023	1,704
Balance at 31 December 2023	**1,922**

13 Financial investments

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

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

Financial investments include:

	2023 € 000	2022 € 000
Equity securities – listed	**9,081**	14,306
Debt securities - fixed interest:		
- Government bonds – listed	**128,666**	120,731
- other listed	**103,698**	107,062
	232,364	227,793
Collective investment schemes:		
- listed	**18,901**	17,916
- unlisted	**11,637**	12,646
	30,538	30,562
Unit-linked net financial investments:		
Equities – listed	**19,478**	23,510
Debt securities – Government Bonds	-	325
Debt securities - Others:		
- listed	-	2,807
- unlisted	-	140
Collective investment schemes:		
- listed	**3,703**	12,805
- unlisted	**397,697**	348,035
Accrued interest	**163**	163
	421,041	387,785
Total	**693,024**	660,446

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

13 Financial investments (continued)

	2023	2022
	€ 000	€ 000
Current	**29,353**	18,604
Non-current	**663,671**	641,842
	693,024	660,446

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

13.2 Fair values

There are certain financial assets and liabilities that are carried at amortised cost. The fair value of these assets and liabilities is not disclosed given that the carrying amount is considered to be a reasonable approximation of fair value because they are either frequently re-priced to current market rates or short term in nature. A detailed analysis of the fair value level splits of financial assets and liabilities is provided in note 21.

The IFRS 17 VFA measurement model is applied to the unit-linked insurance contracts and with-profits portfolio. The portion of unit-linked investments backing up liabilities measured through the VFA measurement model amounts to 68% (2022: 74%) of the unit-linked portion of investments in collective investment schemes as disclosed in note 13.1, under the section 'Unit-linked net financial investments'. The with-profits fair values measured through the VFA measurement model comprises of asset classes 'equities securities - listed' and 'collective investment schemes' as disclosed under section 13.1. The portion of 'debt securities – fixed interest' applied to the VFA measurement model for the with-profits portfolio is disclosed separately hereunder;

	2023
Debt securities - fixed interest:	**€ 000**
Government bonds – listed	**81,127**
other listed	**86,561**

14 Insurance and Reinsurance Contracts

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

	2023								
	Life direct participating and Investment DPF				Other life contracts				Total
	Liabilities for remaining coverage:		Liability for:	Total gross	Liabilities for remaining coverage:		Liability for:	Total gross	
	Excluding loss component	Loss component	Incurred claims		Excluding loss component	Loss component	Incurred claims		
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Opening assets	-	-	-	-	-	-	-	-	-
Opening liabilities	442,272	287	4,468	447,027	49,300	159	3,021	52,480	499,507
Net opening balance 01-Jan-2023	442,272	287	4,468	447,027	49,300	159	3,021	52,480	499,507
Changes in the statement of profit or loss									
Insurance revenue									
Contract under fair value approach	(4,402)	-		(4,402)	(10,678)	-		(10,678)	(15,080)
Other contracts	(711)	-		(711)	(2,498)	-		(2,498)	(3,209)
Total insurance revenue	(5,113)	-	-	(5,113)	(13,176)	-	-	(13,176)	(18,289)
Insurance service expenses									
Incurred claims and other insurance service expenses	-	(15)	2,924	2,909	-	(76)	3,082	3,006	5,915
Amortisation of insurance acquisition cash flows	52	-		52	316	-		316	368
Losses and reversal of losses on onerous contracts	-	1,284		1,284	-	221		221	1,505
Adjustments to liabilities for incurred claims			-	-			-	-	-
Total insurance service expenses	52	1,269	2,924	4,245	316	145	3,082	3,543	7,788
Investment components	(60,984)	-	60,984	-	(228)	-	228	-	-
Insurance service result before reinsurance contracts	(66,045)	1,269	63,908	(868)	(13,088)	145	3,310	(9,633)	(10,501)
Net finance expenses from insurance contracts	42,064	-	-	42,064	1,853	-	-	1,853	43,917
Total changes in the statement of profit or loss	(23,981)	1,269	63,908	41,196	(11,235)	145	3,310	(7,780)	33,416
Cash flows									
Premiums received	41,569	-		41,569	14,447	-		14,447	56,016
Claims and other insurance service expenses paid, including investment components	(312)	-	(64,143)	(64,455)	-	-	(2,852)	(2,852)	(67,307)
Insurance acquisition cash flows	(443)	-		(443)	(1,826)	-		(1,826)	(2,269)
Other	27	(27)	-	-	9	(9)	-	-	-
Total cash flows	40,841	(27)	(64,143)	(23,329)	12,630	(9)	(2,852)	9,769	(13,560)
Net closing balance 31-Dec-2023	459,132	1,529	4,233	464,894	50,695	295	3,479	54,469	519,363
Closing assets	-	-	-	-	-	-	-	-	-
Closing liabilities	459,132	1,529	4,233	464,894	50,695	295	3,479	54,469	519,363
Net Closing balance 31-Dec-2023	459,132	1,529	4,233	464,894	50,695	295	3,479	54,469	519,363

14 Insurance and Reinsurance Contracts (continued)

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

	2022 Restated								
	Life direct participating and Investment DPF				Other life contracts				
	Liabilities for remaining coverage:		Liability for:		Liabilities for remaining coverage:				
	Excluding loss component	Loss component	Incurred claims	Total gross	Excluding loss component	Loss component	Incurred claims	Total gross	Total
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Opening assets	-	-	-	-	-	-	-	-	-
Opening liabilities	521,333	7	1,530	522,870	57,009	46	2,448	59,503	582,373
Net opening balance 01-Jan-2022	521,333	7	1,530	522,870	57,009	46	2,448	59,503	582,373
Changes in the statement of profit or loss									
Insurance revenue									
Contract under fair value approach	(3,894)	-		(3,894)	(9,552)	-		(9,552)	(13,446)
Other contracts	(484)	-		(484)	(1,635)	-		(1,635)	(2,119)
Total insurance revenue	(4,378)	-	-	(4,378)	(11,187)	-	-	(11,187)	(15,565)
Insurance service expenses									
Incurred claims and other insurance service expenses	-	(3)	2,696	2,693	-	(39)	2,107	2,068	4,761
Amortisation of insurance acquisition cash flows	15	-		15	105	-		105	120
Losses and reversal of losses on onerous contracts	-	440		440	-	154		154	594
Total insurance service expenses	15	437	2,696	3,148	105	115	2,107	2,327	5,475
Investment components	(53,680)	-	53,680	-	(211)	-	211	-	-
Insurance service result before reinsurance contracts	(58,043)	437	56,376	(1,230)	(11,293)	115	2,318	(8,860)	(10,090)
Net finance expenses from insurance contracts	(62,696)	-	-	(62,696)	(9,150)	-	-	(9,150)	(71,846)
Total changes in the statement of profit or loss	(120,739)	437	56,376	(63,926)	(20,443)	115	2,318	(18,010)	(81,936)
Cash flows									
Premiums received	42,223	-	-	42,223	14,506	-	-	14,506	56,729
Claims and other insurance service expenses paid, including investment componer	(332)	-	(53,438)	(53,770)	-	-	(1,745)	(1,745)	(55,515)
Insurance acquisition cash flows	(370)	-	-	(370)	(1,774)	-	-	(1,774)	(2,144)
Other	157	(157)	-	-	2	(2)	-	-	-
Total cash flows	41,678	(157)	(53,438)	(11,917)	12,734	(2)	(1,745)	10,987	(930)
Net closing balance 31-Dec-2022	442,272	287	4,468	447,027	49,300	159	3,021	52,480	499,507
Closing assets	-	-	-	-	-	-	-	-	-
Closing liabilities	442,272	287	4,468	447,027	49,300	159	3,021	52,480	499,507
Net closing balance 31-Dec-2022	442,272	287	4,468	447,027	49,300	159	3,021	52,480	499,507

14 Insurance and Reinsurance Contracts (continued)

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

Reinsurance contracts

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

14 Insurance and Reinsurance Contracts (continued)

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

Reinsurance contracts

	2022 Restated			
	Asset for:			
	Excluding loss recovery component	Loss recovery component	Incurred claims component	Total
	€ 000	€ 000	€ 000	€ 000
Opening assets	(2,742)	-	2,805	63
Opening liabilities	-	-	-	-
Net opening balance 01-Jan-2022	(2,742)	-	2,805	63
Changes in the statement of profit or loss				
Allocation of reinsurance premiums paid	(5,855)	-	-	(5,855)
Recoveries of incurred claims and other insurance service expenses	-	-	1,030	1,030
Recoveries or reversals of recoveries of losses on onerous underlying contracts	6	7	-	13
Net finance expenses from reinsurance contracts	4,650	-	-	4,650
Total changes in the statement of profit or loss	(1,199)	7	1,030	(162)
Cash flows				
Premiums paid	4,358	-	-	4,358
Claims and other recoverables received	-	-	(1,300)	(1,300)
Total cash flows	4,358	-	(1,300)	3,058
Net closing balance 31-Dec-2022	417	7	2,535	2,959
Closing assets	417	7	2,535	2,959
Closing liabilities	-	-	-	-
Net closing balance 31-Dec-2022	417	7	2,535	2,959

14 Insurance and Reinsurance Contracts (continued)

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

Insurance contracts - Life direct participating and investment DPF contracts

	2023					
	Estimates of present value of future cash flows (excluding RA)	Risk adjustment for non-financial risk	Estimates of present value of future cash flows (including RA)	Contractual service margin		Total gross
				Contracts under fair value approach	Other Contracts	
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Opening assets	-	-	-	-	-	-
Opening liabilities	436,224	3,086	439,310	4,286	3,431	447,027
Net opening balance 01-Jan-2023	436,224	3,086	439,310	4,286	3,431	447,027
Changes in the statement of profit or loss						
Changes that relate to current services						
CSM recognised for services provided				(868)	(335)	(1,203)
Change in risk adjustment for non-financial risk for risk expired		(249)	(249)			(249)
Experience adjustments	(700)		(700)			(700)
Changes that relate to future services						
Contracts initially recognised in the year	(916)	140	(776)		809	33
Changes in estimates that adjust the CSM	(2,547)	466	(2,081)	2,052	29	-
Changes in estimates that result in losses and reversal of losses on onerous contracts	1,051	200	1,251			1,251
Insurance service result before reinsurance contracts	(3,112)	557	(2,555)	1,184	503	(868)
Net finance expenses from insurance contracts	42,064		42,064	-	-	42,064
Total changes in the statement of profit or loss	38,952	557	39,509	1,184	503	41,196
Cash flows						
Premiums received	41,569		41,569			41,569
Claims and other insurance service expenses paid, including investment components	(64,455)		(64,455)			(64,455)
Insurance acquisition cash flows	(443)		(443)			(443)
Total cash flows	(23,329)	-	(23,329)	-	-	(23,329)
Net closing balance 31-Dec-2023	451,847	3,643	455,490	5,470	3,934	464,894
Closing assets	-	-	-	-	-	-
Closing liabilities	451,847	3,643	455,490	5,470	3,934	464,894
Net closing balance 31-Dec-2023	451,847	3,643	455,490	5,470	3,934	464,894

14 Insurance and Reinsurance Contracts (continued)

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

Insurance contracts - Life other contracts

	2023					
				Contractual service margin		
	Estimates of present value of future cash flows (excluding RA)	Risk adjustment for non-financial risk	Estimates of present value of future cash flows (including RA)	Contracts under fair value approach	Other Contracts	Total gross
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Opening assets	-	-	-	-	-	-
Opening liabilities	(4,151)	5,800	1,649	44,558	6,273	52,480
Net opening balance 01-Jan-2023	(4,151)	5,800	1,649	44,558	6,273	52,480
Changes in the statement of profit or loss and OCI						
Changes that relate to current services						
CSM recognised for services provided				(5,314)	(993)	(6,307)
Change in risk adjustment for non-financial risk for risk expired		(201)	(201)			(201)
Experience adjustments	(3,346)		(3,346)			(3,346)
Changes that relate to future services						
Contracts initially recognised in the year	(1,975)	179	(1,796)		1,821	25
Changes in estimates that adjust the CSM	(9,299)	186	(9,113)	7,830	1,283	-
Changes in estimates that result in losses and reversal of losses on onerous contracts	175	21	196			196
Insurance service result before reinsurance contracts	(14,445)	185	(14,260)	2,516	2,111	(9,633)
Net finance expenses from insurance contracts	1,508		1,508	312	33	1,853
Total changes in the statement of profit or loss and OCI	(12,937)	185	(12,752)	2,828	2,144	(7,780)
Cash flows						
Premiums received	14,447		14,447			14,447
Claims and other insurance service expenses paid, including investment components	(2,852)		(2,852)			(2,852)
Insurance acquisition cash flows	(1,826)		(1,826)			(1,826)
Total cash flows	9,769	-	9,769	-	-	9,769
Net closing balance 31-Dec-2023	(7,319)	5,985	(1,334)	47,386	8,417	54,469
Closing assets	-	-	-	-	-	-
Closing liabilities	(7,319)	5,985	(1,334)	47,386	8,417	54,469
Net closing balance 31-Dec-2023	(7,319)	5,985	(1,334)	47,386	8,417	54,469

14 Insurance and Reinsurance Contracts (continued)

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

Insurance contracts - Life direct participating and investment DPF contracts

	2022 Restated					
				Contractual service margin		
	Estimates of present value of future cash flows (excluding RA)	Risk adjustment for non-financial risk	Estimates of present value of future cash flows (including RA)	Contracts under fair value approach	Other Contracts	Total gross
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Opening assets	-	-	-	-	-	-
Opening liabilities	505,890	3,236	509,126	11,016	2,728	522,870
Net opening balance 01-Jan-2022	505,890	3,236	509,126	11,016	2,728	522,870
Changes in the statement of profit or loss						
Changes that relate to current services						
CSM recognised for services provided				(747)	(283)	(1,030)
Change in risk adjustment for non-financial risk for risk expired		(218)	(218)			(218)
Experience adjustments	(422)		(422)			(422)
Changes that relate to future services						
Contracts initially recognised in the year	(1,427)	176	(1,251)		1,301	50
Changes in estimates that adjust the CSM	6,422	(124)	6,298	(5,983)	(315)	-
Changes in estimates that result in losses and reversal of losses on onerous contracts	374	16	390			390
Insurance service result before reinsurance contracts	4,947	(150)	4,797	(6,730)	703	(1,230)
Net finance expenses from insurance contracts	(62,696)		(62,696)	-	-	(62,696)
Total changes in the statement of profit or loss	(57,749)	(150)	(57,899)	(6,730)	703	(63,926)
Cash flows						
Premiums received	42,223		42,223			42,223
Claims and other insurance service expenses paid, including investment components	(53,770)		(53,770)			(53,770)
Insurance acquisition cash flows	(370)		(370)			(370)
Total cash flows	(11,917)	-	(11,917)	-	-	(11,917)
Net closing balance 31-Dec-2022	436,224	3,086	439,310	4,286	3,431	447,027
Closing assets	-	-	-	-	-	-
Closing liabilities	436,224	3,086	439,310	4,286	3,431	447,027
Net closing balance 31-Dec-2022	436,224	3,086	439,310	4,286	3,431	447,027

14 Insurance and Reinsurance Contracts (continued)

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

Insurance contracts - Life other contracts

	2022 Restated					
				Contractual service margin		
	Estimates of present value of future cash flows (excluding RA)	Risk adjustment for non-financial risk	Estimates of present value of future cash flows (including RA)	Contracts under fair value approach	Other Contracts	Total gross
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Opening assets	-	-	-	-	-	-
Opening liabilities	(519)	6,900	6,381	47,708	5,414	59,503
Net opening balance 01-Jan-2022	(519)	6,900	6,381	47,708	5,414	59,503
Changes in the statement of profit or loss						
Changes that relate to current services						
CSM recognised for services provided				(5,125)	(743)	(5,868)
Change in risk adjustment for non-financial risk for risk expired		(252)	(252)			(252)
Experience adjustments	(2,894)		(2,894)			(2,894)
Changes that relate to future services	-	-	-	-	-	-
Contracts initially recognised in the year	(2,400)	210	(2,190)		2,210	20
Changes in estimates that adjust the CSM	(165)	(1,062)	(1,227)	1,813	(586)	-
Changes in estimates that result in losses and reversal of losses on onerous contracts	130	4	134			134
Insurance service result before reinsurance contracts	(5,329)	(1,100)	(6,429)	(3,312)	881	(8,860)
Net finance expenses from insurance contracts	(9,290)		(9,290)	162	(22)	(9,150)
Total changes in the statement of profit or loss	(14,619)	(1,100)	(15,719)	(3,150)	859	(18,010)
Cash flows						
Premiums received	14,506		14,506			14,506
Claims and other insurance service expenses paid, including investment components	(1,745)		(1,745)			(1,745)
Insurance acquisition cash flows	(1,774)		(1,774)			(1,774)
Total cash flows	10,987	-	10,987	-	-	10,987
Net closing balance 31-Dec-2022	(4,151)	5,800	1,649	44,558	6,273	52,480
Closing assets	-	-	-	-	-	-
Closing liabilities	(4,151)	5,800	1,649	44,558	6,273	52,480
Net closing balance 31-Dec-2022	(4,151)	5,800	1,649	44,558	6,273	52,480

14 Insurance and Reinsurance Contracts (continued)

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

Reinsurance contracts - Life other contracts

	2023					
				Contractual service margin		
	Estimates of present value of future cash flows (excluding RA)	Risk adjustment for non-financial risk	Estimates of present value of future cash flows (including RA)	Contracts under fair value approach	Other Contracts	Total reinsurance
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Opening assets	(17,844)	1,296	(16,548)	19,532	(25)	2,959
Opening liabilities	-	-	-	-	-	-
Net opening balance 01-Jan-2023	(17,844)	1,296	(16,548)	19,532	(25)	2,959
Changes in the statement of profit or loss						
Changes that relate to current services						
CSM recognised for services provided				(3,252)	(273)	(3,525)
Change in risk adjustment for non-financial risk for risk expired		(34)	(34)			(34)
Experience adjustments	(1,901)		(1,901)			(1,901)
Changes that relate to future services						
Contracts initially recognised in the year	(241)	29	(212)	-	212	-
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM	-	-	-	-	2	2
Changes in estimates that adjust the contractual service margin	(13,086)	323	(12,763)	11,764	999	-
Changes in estimates that do not adjust the contractual service margin	(16)	3	(13)			(13)
Net income/expenses from reinsurance contracts	(15,244)	321	(14,923)	8,512	940	(5,471)
Net finance income/expenses from reinsurance contracts	(535)		(535)	150	8	(377)
Total changes in the statement of profit or loss	(15,779)	321	(15,458)	8,662	948	(5,848)
Cash flows						
Premiums paid	7,357		7,357			7,357
Claims and other recoverables received	(1,911)	-	(1,911)	-	-	(1,911)
Total cash flows	5,446	-	5,446	-	-	5,446
Net closing balance 31-Dec-23	(28,177)	1,617	(26,560)	28,194	923	2,557
Closing assets	(28,177)	1,617	(26,560)	28,194	923	2,557
Closing liabilities	-	-	-	-	-	-
Net closing balance 31-Dec-23	(28,177)	1,617	(26,560)	28,194	923	2,557

14 Insurance and Reinsurance Contracts (continued)

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

Reinsurance contracts - Life other contracts

	2022 Restated					
				Contractual service margin		
	Estimates of present value of future cash flows (excluding RA)	Risk adjustment for non-financial risk	Estimates of present value of future cash flows (including RA)	Contracts under fair value approach	Other Contracts	Total reinsurance
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Opening assets	(20,644)	1,771	(18,873)	18,936	-	63
Opening liabilities	-	-	-	-	-	-
Net opening balance 01-Jan-2022	(20,644)	1,771	(18,873)	18,936	-	63
Changes in the statement of profit or loss						
Changes that relate to current services						
CSM recognised for services provided				(2,550)	(169)	(2,719)
Change in risk adjustment for non-financial risk for risk expired		(55)	(55)			(55)
Experience adjustments	(2,073)		(2,073)			(2,073)
Changes that relate to future services						
Contracts initially recognised in the year	(248)	37	(211)	-	233	22
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM	-	-	-	-	5	5
Changes in estimates that adjust the contractual service margin	(2,527)	(457)	(2,984)	3,078	(94)	-
Changes in estimates that do not adjust the contractual service margin	8	-	8			8
Changes that relate to past services	-	-	-	-	-	-
Net income/expenses from reinsurance contracts	(4,840)	(475)	(5,315)	528	(25)	(4,812)
Net finance income/expenses from reinsurance contracts	4,582		4,582	68		4,650
Effect of changes in non-performance risk of reinsurers	-		-			-
Total changes in the statement of profit or loss	(258)	(475)	(733)	596	(25)	(162)
Cash flows	-	-	-	-	-	-
Premiums paid	4,358		4,358			4,358
Claims and other recoverables received	(1,300)	-	(1,300)	-	-	(1,300)
Total cash flows	3,058	-	3,058	-	-	3,058
Net closing balance 31-Dec-2022	(17,844)	1,296	(16,548)	19,532	(25)	2,959
Closing assets	(17,844)	1,296	(16,548)	19,532	(25)	2,959
Closing liabilities	-	-	-	-	-	-
Net Closing balance 31-Dec-2022	(17,844)	1,296	(16,548)	19,532	(25)	2,959

14 Insurance and Reinsurance Contracts (continued)

14.5 Effect of contracts initially recognised in the year

	2023			2022 Restated		
	Profitable contracts issued	**Onerous contracts issued**	**Total**	Profitable contracts issued	Onerous contracts issued	Total
	€ 000	**€ 000**	**€ 000**	€ 000	€ 000	€ 000
Life direct participating and investment DPF contracts						
Estimates of present value of cash outflows	**18,549**	**1,484**	**20,033**	27,004	2,462	29,466
Insurance acquisition cash flows and claims and other insurance service expenses payable	**18,549**	**1,484**	**20,033**	27,004	2,462	29,466
Estimates of present value of cash inflows	**(19,489)**	**(1,460)**	**(20,949)**	(28,478)	(2,415)	(30,893)
Risk adjustment for non-financial risk	**132**	**8**	**140**	172	3	175
CSM	**809**	**-**	**809**	1,301	-	1,301
Losses recognised on initial recognition	**-**	**33**	**33**	-	50	50
Life other contracts						
Estimates of present value of cash outflows	**4,462**	**191**	**4,652**	4,830	249	5,079
Insurance acquisition cash flows and claims and other insurance service expenses payable	**4,462**	**191**	**4,652**	4,830	249	5,079
Estimates of present value of cash inflows	**(6,454)**	**(173)**	**(6,627)**	(7,238)	(241)	(7,479)
Risk adjustment for non-financial risk	**172**	**7**	**179**	198	8	206
CSM	**1,821**	**-**	**1,821**	2,210	-	2,210
Losses recognised on initial recognition	**-**	**25**	**25**	-	20	20

14 Insurance and Reinsurance Contracts (continued)

14.6 Effect of reinsunrace contracts initially recognised in the year

	2023	2022 Restated
	Profitable contracts issued	Profitable contracts issued
	€ 000	€ 000
Life other contracts		
Estimates of present value of cash outflows:		
Insurance acquisition cash flows and claims and other insurance service expenses payable	**1,433**	2,156
Estimates of present value of cash inflows	**(1,192)**	(1,910)
Risk adjustment for non-financial risk	**(30)**	(37)
CSM	**(211)**	(210)
Losses recognised on initial recognition	**-**	-

14 Insurance and Reinsurance Contracts (continued)

14.7 Present value of expected future cash flows of insurance contract liabilities and contractual service margin

	less than 1 year €000	1-2 years €000	2-3 years €000	3-4 years €000	4-5 years €000	5-10 years €000	10-20 years €000	Over 20 years €000	Total €000
Future cash flows									
Life direct participating and investment DPF contracts	11,219	3,104	4,141	27,874	22,425	86,282	150,439	146,364	451,848
Life other contracts	(3,552)	(6,562)	(5,975)	(5,536)	(5,006)	(14,951)	(547)	34,810	(7,319)
Reinsurance contracts	170	1,402	1,448	1,397	1,376	6,612	11,132	4,640	28,177
Future cash flows 31 Dec 2023	7,837	(2,056)	(386)	23,735	18,795	77,943	161,024	185,814	472,706
Remaining contractual service margin									
Life direct participating and investment DPF contracts	1,255	1,120	1,014	868	725	2,330	1,708	383	9,403
Life other contracts	5,876	5,311	4,801	4,334	3,918	14,481	13,008	4,074	55,803
Reinsurance contracts	(3,256)	(2,915)	(2,615)	(2,345)	(2,104)	(7,639)	(6,594)	(1,651)	(29,119)
Remaining contractual service margin 31 Dec 2023	3,875	3,516	3,200	2,857	2,539	9,172	8,122	2,806	36,087
Future cash flows									
Life direct participating and investment DPF contracts	539	6,682	1,317	2,963	27,893	97,850	159,165	139,813	436,222
Life other contracts	(4,095)	(6,076)	(5,325)	(4,804)	(4,499)	(14,122)	(218)	34,988	(4,151)
Reinsurance contracts	827	780	811	817	786	2,401	7,159	4,263	17,844
Future cash flows 31 Dec 2022	(2,729)	1,386	(3,197)	(1,024)	24,180	86,129	166,106	179,064	449,915
Remaining contractual service margin									
Life direct participating and investment DPF contracts	866	779	707	647	585	2,094	1,654	385	7,717
Life other contracts	5,352	4,845	4,381	3,960	3,573	13,248	12,077	3,395	50,831
Reinsurance contracts	(2,279)	(2,048)	(1,819)	(1,619)	(1,440)	(5,139)	(4,216)	(949)	(19,509)
Remaining contractual service margin 31 Dec 2022	3,939	3,576	3,269	2,988	2,718	10,203	9,515	2,831	39,039

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

15 Cash and cash equivalents

Balances of cash and cash equivalents are analysed below:

	2023	2022
	€ 000	€ 000
Cash at bank		
- Linked business	**3,443**	6,209
- Non-linked business	**30,006**	38,316
As per statement of financial position (current portion)	**33,449**	44,525
As per statement of cash flows	**33,449**	44,525

16 Investment contracts liabilities

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

	2023	2022 Restated
	€ 000	€ 000
At 1 January	**162,123**	185,137
Premiums received	**2,109**	6,141
Account balances paid on surrender and other termination during the year	**(18,420)**	(12,064)
Investment return from underlying assets	**11,146**	(17,091)
At 31 December	**156,958**	162,123

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

17 Provision for liabilities and charges

At 31 December 2023 and 2022, the onerous contract provision results from a closed investment product where related income is based on balances under management, whilst related costs are fixed. The onerous contract provision represents an estimate of future losses and is substantially non-current in nature.

	2023	2022 Restated
	€ 000	€ 000
At 1 January	**1,249**	1,129
(Reversal)/increase taken to profit or loss	**(120)**	120
At 31 December	**1,129**	1,249

Contingent liabilities

Legal claims against the Company amounting €205,000 (2022: none). Based on legal advice, it is not considered probable that settlement will require the outflow of economic benefits in the case of these legal claims

18 Other Liabilities

	2023	2022
	€ 000	€ 000
Other payables	**1,623**	1,886
Amounts due to related parties	**3,551**	2,435
Creditors and accrued expenses	**2,944**	2,252
Deferred income on investment contracts	**113**	115
	8,231	6,688

18.1 Deferred income includes €113,000 (2022: €115,000) deferred under investment management services contracts that are recognised as revenue over the lifetime of the product.

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

19 Other assets

	2023	2022
	€ 000	€ 000
Accrued income and prepayments	**2,016**	1,772
Other receivables	**381**	572
	2,397	2,344

20 Deferred tax assets and liabilities

20.1 Recognised deferred tax assets and (liabilities)

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

	Assets		Liabilities		Net	
	2023	2022 Restated	**2023**	2022 Restated	**2023**	2022 Restated
	€ 000	€ 000	**€ 000**	€ 000	**€ 000**	€ 000
Property and equipment	**-**	-	**(18)**	(24)	**(18)**	(24)
Insurance payables and deferred income	**-**	-	**(9)**	(5)	**(9)**	(5)
Share-based payments	**51**	51	**(51)**	(51)	**-**	-
Other provisions	**406**	457	**-**	-	**406**	457
IFRS17 transition	**-**	-	**-**	(324)	**-**	(324)
	457	508	**(78)**	(404)	**379**	104

Disclosed as follows:	2023	2022 Restated
	€ 000	€ 000
Deferred tax assets	**379**	428
Deferred tax liabilities	**-**	(324)
	379	104

20.2 Movement in temporary differences during the year

	2023	2022 Restated
	€ 000	€ 000
At 1 January	**104**	767
Recognised in profit or loss	**275**	(663)
At 31 December	**379**	104

Deferred tax is non-current in nature.

21 Financial assets and liabilities - basis of measurement

21.1 Valuation of financial instruments

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

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

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

21.2 Control framework

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

Where fair values are determined by reference to externally quoted prices or observable pricing inputs to models, independent price determination or validation is used. For inactive markets, direct observation of a traded price may not be possible. In these circumstances, the Company sources alternative market information to validate the financial instrument's fair value, with greater weight given to information that
is considered to be more relevant and reliable. The factors that are considered in this regard are, inter alia:
- the extent to which prices may be expected to represent genuine traded or tradable prices;
- the degree of similarity between financial instruments;
- the degree of consistency between different sources;
- the process followed by the pricing provider to derive the data;
- the elapsed time between the date to which the market data relates and the reporting date; and
- the manner in which the data was sourced.

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

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

21.3 Fair value hierarchy

Fair values are determined according to the following hierarchy:

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

21.4 Fair value measurement

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

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

	Level 1	Level 2	Level 3	Total
At 31 December 2023	**€ 000**	**€ 000**	**€ 000**	**€ 000**
Assets				
Equity securities	**28,559**	-	-	**28,559**
Government bonds	**128,666**	-	-	**128,666**
Other debt securities	**103,698**	-	-	**103,698**
Collective investment schemes	**423,898**	-	**8,203**	**432,101**
Liabilities				
Investment contracts at fair value through profit or loss	**156,958**	-	-	**156,958**
At 31 December 2022	€ 000	€ 000	€ 000	€ 000
Assets				
Equity securities	37,816	-	-	37,816
Government bonds	121,056	-	-	121,056
Other debt securities	110,009	-	-	110,009
Collective investment schemes	383,585	-	7,980	391,565
Liabilities				
Investment contracts at fair value through profit or loss	162,123	-	-	162,123

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

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

21.4 Fair value measurement (continued)

The analysis of investment property is included in note 11.

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

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

Level 3	**2023**	2022
Collective Investment Schemes	**€ 000**	€ 000
At 1 January	**7,980**	4,610
Purchases	**-**	-
Disposals	**(693)**	(738)
Reclassification to Level 3	**1,285**	4,077
(Loss)/Profit recognised in profit or loss	**(369)**	31
At 31 December	**8,203**	7,980

The Collective Investment Schemes categorised in Level 3 are comprised of three investments (2022: two), a European Property Fund, a UK Property Fund and a Mid-Market Debt Fund valued in aggregate at €8,203,000 (2022: €7,980,000).

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

In view of the absence of quoted market prices or observable inputs for modelling the fair value of these assets, the fair value of the investment held is derived by reference to net asset values sourced from custodians. The net asset value of the fund as at 31 December 2023 is based on unaudited financial statements provided by the fund administrators, thereby making reference to significant unobservable inputs. Furthermore, both property funds trade at a net asset value which is determined using Level 3 inputs. In this respect, the investment in the UK Property Fund was transferred from Level 1 to Level 3 during the financial year ended 31 December 2023. While the European Property Fund was transferred from Level 2 to Level 3 during the financial year ended 31 December 2022.

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

21.4 Fair value measurement (continued)

In view of no quoted market prices or observable inputs for modelling the value of the collective investment schemes categorised in Level 3, the fair value of the shares held is derived using the net asset value as sourced from the respective custodian. The uncertainty in utilising the net asset value lies in the availability of the financial statements of the alternative funds at 31 December 2023 and their respective audit opinion.

22 Capital and reserves

22.1 Share capital

	Ordinary shares	
	2023	2022
	No.	No.
On issue at 1 January – fully paid	**24,007,288**	24,007,288
On issue at 31 December – fully paid	**24,007,288**	24,007,288

At 31 December 2023, the authorised share capital comprised 30,000,000 (2022: 30,000,000) ordinary shares at a par value of €1.164686 each. All issued shares are fully paid up.

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

23 Related party transactions

23.1 Parent and ultimate controlling party

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

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

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

23 Related party transactions (continued)

23.2 Transactions with key management personnel

Directors' fees and emoluments are included in other operating expenses and are disclosed in note 8.

23.3 Other related party transactions

	2023	2022
	€ 000	€ 000
Net income		
Fees and commissions income – other related parties	**660**	674
Debt security interests income – other related parties	**795**	67
Dividend income – other group	**145**	142

Net income from related party transactions arises from:

- rebates of annual management charges;
- interest receivable on cash balances deposited;
- dividend receivable on equities; and
- interest receivable on bonds.

	2023	2022
	€ 000	€ 000
Expenses		
Fees and commissions expense – parent	**858**	1,042
Fees and commission expense – other related parties	**-**	1
Other administrative expense – other related parties	**3031**	3,101

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

As disclosed in Note 3.3.1.iii, fees and commissions that are attributable to contracts in scope of IFRS17 are recognised in the Statement of Profit and Loss based on IFRS17 measurements requirements. The amounts above are on accrual basis and do not reflect amortisation in accordance with IFRS17.

Investment in Group Companies

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

23 Related party transactions (continued)

23.4 Related party balances

	2023	2022
	€ 000	€ 000
Year-end balances with related parties		
Assets		
Insurance and other receivables – other related parties	**138**	121
Cash and cash equivalents – parent	**28,958**	38,235
Cash and cash equivalents – other related parties	**4,421**	3,518
Collective investment schemes	**237.872**	227,756
Liabilities		
Insurance and other payables:		
- Parent	**1,200**	49
- Other related parties	**2,351**	2,386

24 Effects of adoption of IFRS 17

On 1 January 2023, the Company adopted IFRS 17 'Insurance Contracts', and as required by the standard applied the requirements retrospectively, with comparatives restated from the transition date, 1 January 2022. The tables below provide the transition restatement impact on the Company's Statement of Financial Position as at 1 January 2022, as well as the income statement and the statement of comprehensive income for the year ended 31 December 2022.

Further information about the effect of the adoption of IFRS 17 is provided in Note 2 'Basis of preparation of material accounting policies'.

24 Effects of adoption of IFRS 17 (continued)

IFRS 17 transition impact on the Statement of Financial Position as at 1 January 2022

	IFRS 4	Removal of PVIF and IFRS 4	IFRS 17 CSM	Tax effect	Reclass-ification	IFRS 17	Total move-ments
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Assets							
Financial assets mandatorily measured at fair value through profit or loss	767,962	-	-	-	-	767,962	-
Loans and advances to banks	40,345	-	-	-	-	40,345	-
Intangible assets	34,359	(33,565)	-	-	(262)	532	(33,827)
Reinsurance contract assets	77,972	-	(77,707)	-	(202)	63	(77,909)
All other assets	6,522	-	-	-	2,404	8,926	2,404
Total assets	**927,160**	**(33,565)**	**(77,707)**	**-**	**1,940**	**817,828**	**(109,332)**
Liabilities and equity							
Liabilities							
Liabilities under insurance contract	658,197	-	(76,635)	-	811	582,373	(75,824)
Deferred tax liabilities	11,356	-	-	(12,123)	767	-	(11,356)
All other liabilities	194,129	-	-	-	362	194,491	362
Total liabilities	**863,682**	**-**	**(76,635)**	**(12,123)**	**1,940**	**776,864**	**(86,818)**
Total shareholders' equity	63,478	(33,565)	(1,072)	12,123	-	40,964	(22,514)
Total equity	**63,478**	**(33,565)**	**(1,072)**	**12,123**	**-**	**40,964**	**(22,514)**
Total liabilities and equity	**927,160**	**(33,565)**	**(77,707)**	**-**	**-**	**817,828**	**(109,332)**

Transition drivers

Removal of PVIF and IFRS 4 balances

The PVIF intangible asset of €33.6m previously reported under IFRS 4 within 'Intangible assets' arose from the upfront recognition of future profits associated with in-force insurance contracts. The PVIF intangible asset is no longer reported following the transition to IFRS 17, as future profits are deferred within the CSM. Other assets and insurance contract liabilities which were previously measured in terms of IFRS 4 have been remeasured in accordance with IFRS 17.

Recognition of the IFRS 17 fulfilment cash flows

The measurement of the insurance and reinsurance contract liabilities and assets under IFRS 17 are based on groups of insurance contracts and include a liability or asset for fulfilling the insurance and reinsurance contracts, such as premiums, directly attributable expenses, insurance benefits and claims including policyholder returns and the cost of guarantees. These are recorded within the fulfilment cash flow component of the insurance and reinsurance contract liability or asset, together with the risk adjustment for non-financial risk.

24 Effects of adoption of IFRS 17 (continued)

Recognition of the IFRS 17 CSM

The CSM is a component of the insurance contract liability and represents the future unearned profit associated with insurance contracts which will be released to the profit and loss over the expected coverage period. The reinsurance CSM can represent either a deferred cost (asset) or gain (liability).

Tax effect

The removal of deferred tax liabilities primarily results from the removal of the associated PVIF intangible asset, and new deferred tax assets are reported, where appropriate, on temporary differences between the new IFRS 17 accounting balances and their associated tax bases to the extent that these are considered recoverable.

	Under IFRS 4	Removal of PVIF impact	IFRS 17 restatement (including removal of IFRS 4)	Under IFRS 17
Profit before tax - 2022	4,763	(2,775)	1,917	3,905
Income tax	(1,653)	971	(699)	(1,381)
Profit after tax - 2022	3,110			2,524

As a result of the removal of the PVIF intangible asset upon adoption of IFRS 17, the impact of the movement in PVIF (a gain of €2.8m) in the 2022 statement of profit or loss was removed from the restated statement of profit or loss.