HSBC Life Assurance (Malta) Ltd

Solvency and Financial Condition Report

2024

HSBC Life Assurance (Malta) Ltd is a subsidiary of HSBC Bank Malta p.l.c.

HSBC Life Assurance (Malta) Ltd.

Registered in Malta: C18814

Registered Office:

80 Mill Street

Qormi QRM 3101

Malta

Telephone: 356 2380 2380

www.hsbc.com.mt/insurance

HSBC Bank Malta p.l.c.

Registered in Malta: C3177

Registered Office and Head Office:

116 Archbishop Street

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Summary

HSBC Life Assurance (Malta) Ltd ("the Company", "INMT") is authorised to carry on the business of insurance by the Malta Financial Services Authority ("the MFSA") in terms of the Insurance Business Act, 1998 (Chapter 403, Laws of Malta). The principal activity of the Company is to carry on long-term business of insurance in and from Malta.

By means of a company announcement dated 11 September 2024, HSBC Bank Malta p.l.c. (the Company's parent), of which HSBC Life Assurance (Malta) Ltd is a fully owned subsidiary, announced that it had been informed by HSBC Holdings plc (HSBC Holdings) that HSBC Holdings would be undertaking a Strategic Review of its indirect 70.03% shareholding in the Bank.

The Company has an established system of governance in place, including the Board of Directors ("Board") as well as a number of Board and Business Management Committees, which contribute to the sound and prudent management of the Company.

The Solvency Capital Requirement ("SCR") coverage ratio as at 31 December 2024 position was 231%, with own funds of €61.3m and a SCR of €26.5m.

The objective of the business capital management strategy is to maintain sufficient own funds to cover the SCR and Minimum Capital Requirement ("MCR") with an appropriate buffer. The Company currently maintains a satisfactory solvency ratio above risk appetite to ensure policyholder obligations can be met under stressed conditions and to support the financial strain from new business initiatives.

The Company carries out regular review of the solvency ratio as part of the Company's risk monitoring and capital management system. No material changes to the Company's risk profile were reported during Financial Year ("FY") 31 December 2024.

The Solvency and Financial Condition Report ("SFCR") has been prepared to satisfy the requirements of Articles 51 & 53 to 55 of the Solvency II Directive 2009/138/EC and of Articles 365-370 of the EU Commission Delegated Regulation 2015/35.

This document aims to provide the information required in accordance with Article 365 of the Solvency II Commission Delegated Regulation. In line with this, the document contains information on the Company's system of governance, business, valuation principles, risk profile and capital structure.

Statement of Directors' responsibilities in respect of the Solvency and Financial Condition Report ("SFCR")

The Directors are responsible for ensuring the SFCR has been properly prepared in all material respects in accordance with the Malta Financial Services Authority ("the MFSA") rules and Solvency II Regulations.

The Directors are required to ensure that the Company has a written policy in place (Reporting and Disclosure Policy) to ensure the ongoing appropriateness of any information disclosed and the MFSA expects that the Directors should be satisfied that:

(a) throughout the financial year, the Company has complied in all material respects with the requirements of the MFSA rules and Solvency II Regulations as applicable to the Company; and

(b) it is reasonable to believe that, at the date of the publication of the SFCR, the Company has continued to comply and will continue to comply in future.

The SFCR was approved by the Board of Directors on 3 April 2025 and was signed on its behalf by:

Charlotte Cilia

Executive Director of HSBC Life Assurance (Malta) Ltd

Date: 3 April 2025

A. Business and performance

A.1 Business

A.1.1 The name and legal form of the undertaking

The Company is a limited liability company domiciled and incorporated in Malta. Its registered office is:

80 Mill Street

Qormi, QRM 3101

Malta

A.1.2 Financial supervision

The Company is authorised by the Malta Financial Services Authority (“the MFSA”). The registered offices are as follows:

Malta Financial Services Authority

Triq 1-Imdina, Zone 1, Central Business District,

Birkirkara, CBD 1010

Malta

As the Company does not form part of an insurance group, it is treated as a solo legal entity for Solvency II reporting purposes. Therefore, insurance group supervision is not applicable.

A.1.3 External auditor

PricewaterhouseCoopers (“PWC”) is the Company’s auditor for the financial year commencing 1 January 2024. The auditor’s contact details are as follows:

PricewaterhouseCoopers

78, Mill Street

Qormi QRM 3101

Malta

A.1.4 Ownership and group structure

The Company is a wholly owned subsidiary of HSBC Bank Malta p.l.c., the registered address of which is 116, Archbishop Street, Valletta, VLT 1444 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. HSBC Continental Europe holds a direct shareholding of c. 70.03% in HSBC Bank Malta p.l.c. Ultimate control of the HSBC Malta Group remains vested in HSBC Holdings plc.

A.1.5 Principal business activities

The Company is authorised to carry on the business of insurance by the MFSA, regulated by the Insurance Business Act, Cap 403. The principal activity of the Company is to carry on long-term business of insurance in and from Malta.

The Company was granted rights to provide services under the Freedom of Services Legislation in terms of the European Passporting Rights in several European countries and is also licensed to offer business of insurance in Jersey, Channel Islands. These passporting rights are only being used by the Company to continue service existing Ex HSBC Life (Europe) Limited ("HLE") policyholders on a cross-border basis. No new business is being written within these European countries.

A.1.6 Material lines of business and material geographical areas where the insurer carries out business

The Company's primary business is to carry on the business of long-term business of insurance in and from Malta. The operations are restricted to Class I Life and Annuity and Class III Linked long-term insurance.

The Company continues to maintain the insurance and investment policy book (mainly consists of unit-linked investment policies) transferred from HSBC Life (Europe) Limited ("HLE"), a subsidiary of HSBC Holdings plc, based in Ireland.

The Company's main lines of business are split into the following Solvency II lines of business:

- Insurance With-Profits Participation
- Index-linked and Unit-Linked insurance
- Other Life Insurance

Further details on the classification and types of insurance contracts underwritten by the Company can be found in Note 3.1 and Note 3.2 of the Company's 2024 Annual Report ("Audited Financial Statements"). The Company prepares its Financial Statements in accordance with International Financial Reporting Standards ("IFRSs").

A.1.7 Significant events

The balance sheet and liquidity of the Company have remained strong.

The Company reported Solvency II ratio of 231% for 2024, compared to 198% reported in the prior year. The 33% increase is driven by shareholder investment returns, new business, positive experience variance and the one-off favourable impact from release of With-Profits tax provision on the IFRS17 basis which led to an increase in shareholder funds. These favourable impacts were partially offset by the basis review expense assumption changes and unwind of the liabilities.

A.1.8 Performance of other activities

The Company does not have any financial or operational leasing arrangements in place.

A.2 Underwriting performance

A.2.1 Analysis of underwriting performance

The breakdown of the underwriting performance of the Company as at 31 December 2024 and 2023 by the Solvency II line of business is provided in the tables below:

	Insurance With-profits participation		Index-linked and Unit-Linked insurance		Other life insurance		Total	
	2024 €'000	2023 €'000	2024 €'000	2023 €'000	2024 €'000	2023 €'000	2024 €'000	2023 €'000
Premiums written								
Gross	8,015	10,179	35,504	33,527	14,307	14,529	57,826	58,235
Reinsurers' share	-	-	-	-	6,012	5,978	6,012	5,978
Net	8,015	10,179	35,504	33,527	8,295	8,551	51,814	52,257
Claims incurred								
Gross	36,892	42,089	39,774	38,432	5,653	2,516	82,318	83,037
Reinsurers' share	348	254	115	27	4,465	1,862	4,928	2,143
Net	36,544	41,835	39,659	38,405	1,188	654	77,391	80,894
Total expenses incurred	1,005	1,255	1,526	2,640	4,120	3,181	6,651	7,076

The explanation of the differences as at 31 December 2024 and 2023 is summarised below:

- The decrease in the total gross written premium compared to the previous year amounted to €0.4m. This is mainly due to the With-Profits run-off portfolio which was partially offset by an increase in the Unit-Linked gross written premiums.
- The decrease in the gross claims compared to prior year amounted to €0.7m. This is mainly due to the With-Profits run-off portfolio which was partially offset by an increase in the Unit-Linked of €1.3m and the protection business of €3.1m. The claims are a combination of natural maturities, surrenders, partial surrenders and death claims.
- 2024 actual expenses were lower than 2023 mainly driven by a one-off credit note on group recharges.

A.3 Investment performance

A.3.1 Analysis of investment performance

The Company invests in a variety of asset classes, namely bonds, equities and investment funds, cash and deposits. These investments are Unit-Linked funds or investments held to back up insurance liabilities as well as shareholders' funds.

The investment returns as at 31 December 2024 and 2023 is summarised by asset type below:

2024	Bonds (including structured notes) €'000	Equities (including investment funds) €'000	Cash and deposits €'000	Mortgages and Loans €'000	Property €'000	Derivatives €'000	Total €'000
Dividends	-	2,090	-	-	-	-	**2,090**
Interest	6,920	-	209	-	-	-	**7,130**
Rent	-	-	-	-	-	-	**-**
Realised / unrealised gains and losses	2,453	44,964	-397	-	-	-	**47,019**
Total	9,373	47,054	-187	-	-	-	**56,240**

2023	Bonds (including structured notes) €'000	Equities (including investment funds) €'000	Cash and deposits €'000	Mortgages and Loans €'000	Property €'000	Derivatives €'000	Total €'000
Dividends	-	2,370	-	-	-	-	**2,370**
Interest	872	-	806	-	-	-	**1,678**
Rent	-	-	-	-	-	-	**-**
Realised / unrealised gains and losses	15,479	38,784	806	-	-	-	**55,069**
Total	16,351	41,154	1,612	-	-	-	**59,117**

In 2024, investments realised/unrealised gains were observed across all products and were largely the result of fair value market movements. The Unit-Linked business does not have a direct impact on the profits of the Company albeit an indirect impact through higher Annual Management Charges ("AMC") revenue. All Unit-Linked gains or losses are offset by an equal movement in policyholders' liabilities. The policyholder With-Profits portfolio is treated similar to the Unit-Linked portfolio, but gains or losses are partially offset by a movement in policyholders' liabilities.

A.3.2 Information on gains and losses recognised directly in equity

The Company did not recognise any gains and losses directly in equity.

A.3.3 Information on investments in securitisation

The Company does not have any investments in securitisations.

A.4 Performance of other activities

A.4.1 Other material income and expenses

The comparison of other material income and expenses between 31 December 2024 and 2023 are presented in the table below:

Investment Contract Fee Income	2024 €'000	2023 €'000
Fixed fees, change in deferred income and annual management charges on transferred portfolio	1,197	1,184

Investment contracts fee income comprise of fixed fees and the change in deferred income relating to commission income from fund management-based fees and front-end fees.

A.5 Any other information

By means of a company announcement dated 11 September 2024, HSBC Bank Malta p.l.c. (the Company's parent), of which HSBC Life Assurance (Malta) Ltd is a fully owned subsidiary, announced that it had been informed by HSBC Holdings plc (HSBC Holdings) that HSBC Holdings would be undertaking a Strategic Review of its indirect 70.03% shareholding in the Bank. Subsequently, on the 28 November 2024 the Bank announced that it had been advised by HSBC Continental Europe, its majority shareholder, that HSBC Holdings has been contacted by a number of parties who expressed an interest in its shareholding, requesting to conduct due diligence prior to confirming such interest. Accordingly, the Board of Directors of the Bank have convened an Extraordinary General Meeting ("EGM") on the 13 February 2025 where the shareholders approved an ordinary resolution as to allow the Bank to disclose information to bona fide offeror(s), the bona fide transferor in the context of a potential transaction involving a Substantial Shareholding. The Bank and HSBC Life remain focused on running their business and will provide further updates as required.

B. System of Governance

B.1 General Information on the system of governance

B.1.1 Structure of the administrative, management or supervisory body

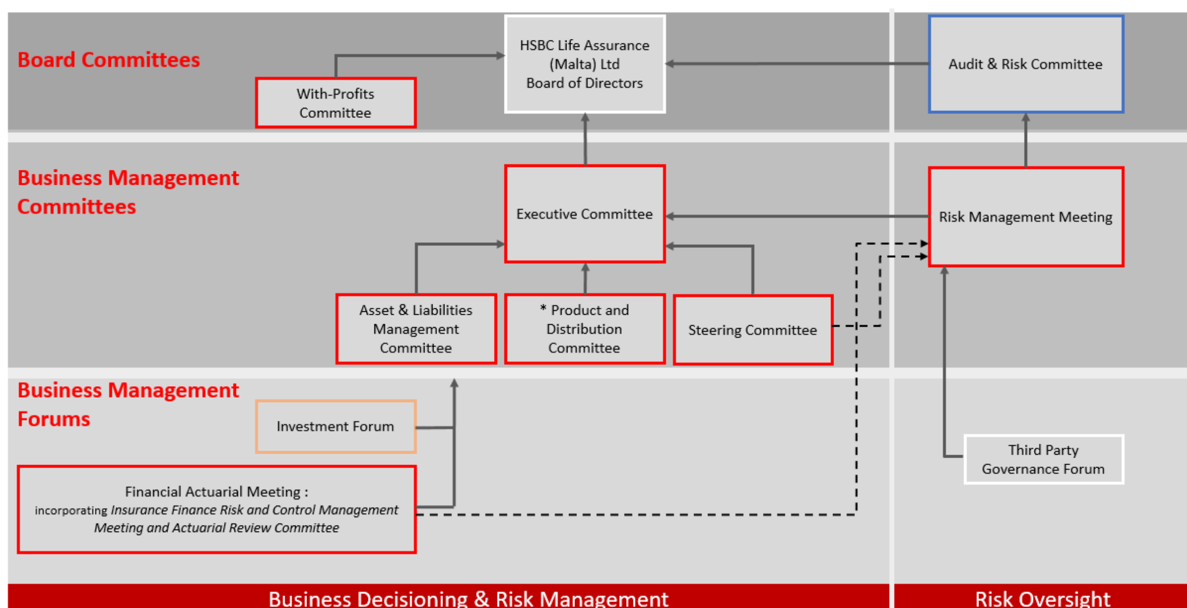
The Board of Directors ("Board") represents the Company's administrative, management and supervisory body. The Board is the focal point of the governance system and is ultimately accountable and responsible for the Company's risk appetite, strategy and performance.

The Board and Management have a statutory responsibility to manage risk and capital requirements to prevailing regulatory and Solvency II standards, encompassing any outsourced suppliers or support functions that provide services to the Company.

At the time of publication of this report, the Board consisted of seven directors, two of which are Non-Executive Independent Directors. Board meetings are held at least quarterly in Malta, in-person or via video conference with all members being invited. The quorum necessary for the transaction of business shall be such that the number of directors constitute a majority of the Board. The majority of the members would constitute 50% plus one of the total members, i.e. for clarification purposes a Board/Committee that has 3 members, requires 2 members to be quorate.

The Board has the ultimate responsibility for compliance with the laws, regulations and administrative provisions of the Solvency II Directive. In addition to matters reserved to the Board by law and the Articles of Association, the Terms of Reference include a full list of the items which are reserved specifically to the Board for regular / periodic approval / review. The Board also acts as the Company's Remuneration and Nomination Committee in line with Solvency II requirements. The Audit and Risk Committee ("ARC") and the With-Profits Committee ("WPC") are the sub-committees of the Board whilst the Executive Committee ("EXCO") operates as a direct management committee under authority of the Board. The EXCO has executive decision-making authority delegated by the Board. All Committees and Forums have in place the appropriate membership requirements and established terms of reference.

The Company's Committee structure is presented in the diagram below:



Note : Committees and Forums highlighted within the Governance - Organisational Structure have been outlined as follows ; red – mandatory. The local Regulatory requirement has been outlined in blue. The requirement to have an Investment Committee or Forum is referred to in the Insurance Investment Procedures and Governance - Organisational Structure. *The Product Committee is mandatory whilst the Distribution Forum is non mandatory, however the company covers the Distribution requirements within the Product Committee.

During 2024, the following changes were made to the Governance Structure:

- Demise of the Financial Crime Risk Management Forum with last meeting held on the 11 September 2024, however escalations will continue to be presented at the Risk Management Meeting ("RMM").
- The Financial Reporting Committee ("FRC") has been replaced by the Financial Actuarial Meeting ("FAM"), a combined meeting covering Financial Reporting and Actuarial Review Committee.
- Introduction of a Steering Committee which will support the Company during the implementation of its project activities.

B.1.1.1 Board Committees

Committee name	Mandate	Chair and Frequency
Audit and Risk Committee "ARC"	Acts on the Board's behalf with the primary purpose of protecting the interests of the Company's shareholders and customers. The Committee is accountable to the Board and has a non-executive responsibility for oversight and advice to the Board regarding financial reporting, high level risk related matters, governance and internal control systems (other than internal controls over financial reporting). Parent Committee: Board	Non-Executive Independent Director Meetings held quarterly.
With-Profits Committee "WPC"	The function of the WPC is to oversee the management of the With-Profits business considering the interest of its policyholders and act in an advisory capacity to inform the decision making of the Board. The WPC undertakes initial review and recommends approval and/or highlights points for consideration by the full Board. The WPC should appropriately consider the interests of the With-Profits policyholders and address any issues affecting them. Parent Committee: Board	Non- Executive Director Meetings held four times a year.

B.1.1.2 Business Management Committees

Committee name	Mandate	Chair and Frequency
Executive Committee ("EXCO")	Operates as a direct Management Committee under the authority of the Board and is responsible for the oversight of the Company's day-to-day operations and performance and the overall delivery of Insurance strategy and implementation priorities as approved by the Board, taking into consideration the input from Group Insurance, Wealth and Personal Banking ("WPB"), Commercial Banking ("CMB") and Senior Management. Parent Committee: Board	Chief Executive Officer Meetings held six times a year.
Risk Management	The RMM is a formal governance meeting established to provide recommendations and advice to the Company Chief Risk Officer ("CRO") on enterprise-wide management of all	Head of Risk Function

Meeting ("RMM")	risks, including key policies and frameworks for the management of risk within the Company. The RMM serves as the governance body for enterprise-wide risk management with particular focus on risk culture, risk appetite, risk profile and integration of risk management into the Company's strategic objectives, including the management of all financial crime risks. RMM is also accountable to EXCO. Parent Committee: ARC	Meetings held at least six times a year.
Asset & Liability Management Committee ("ALCO")	The ALCO's responsibilities are to oversee effective capital, balance sheet, liquidity, and asset liability management for the entity, taking into account relevant risks and opportunities. ALCO is an advisory committee to support the insurance Chief Finance Officer (CFO)'s individual accountability for ALCO issues. The Insurance CFO chairs the ALCO and is the executive accountable for ALCO issues and ALCO decisions. Parent Committee: EXCO	Insurance CFO Meetings held at least six times a year.
Product and Distribution Committee ("PDC")	The committee is responsible for recommending all new manufactured and, where applicable, third-party insurance products as well as modifications to existing products for approval to the Board. It is also responsible for monitoring the on-going performance of on-shelf and off-shelf manufactured and, where applicable, third-party insurance products. The Committee focuses on in-depth product governance and growth and monitors existing HBMT (HSBC Bank Malta) Sales Channels and the development of new Sales Channels to ensure that appropriate risk management and controls are in place. Furthermore, the purpose of the committee is to oversee the governance and control monitoring of insurance distribution activities. Any new products or material changes to existing products need to be approved by the Board as documented within the Product Approval Process. Parent Committee: EXCO	Head of Products and Distribution Meetings held at least six times a year.
Financial Actuarial Meeting ("FAM")	The FAM is the entity meeting established to support Risk Owners, Control Owners and Risk Stewards in exercising their accountabilities around financial reporting risk, IFRS17 financial reporting, capital / regulatory reporting and non-Generally Accepted Accounting Principles reporting for the entity. This will combine Financial Reporting Committee ("FRC") and the Actuarial Review Committee. The purpose of the Escalation is made to ALCO and to the Global Insurance Finance Risk and Control Management Meeting. Parent Committee: ALCO	Insurance CFO & Chief Actuary Meetings held quarterly.

Investment Forum (“IF”)	Responsible for the oversight of Non-Linked and Linked funds investment management activities performed by other internal external fund managers. It is also responsible for matters in relation to direct investments. Parent Committee: ALCO	Chief Investment Officer Meetings held at least six times a year.
Steering Committee	The steering committee's role is to support the Company in aligning its project activities with its goals and objectives by serving as the central governing body. Escalation is made to EXCO, with all significant issues escalated to the RMM.	CEO Meetings held at least monthly.

B.1.1.3 Risk Management

The Company has a risk management policy designed to enable the Company to:

(a) understand and manage the most significant risks faced by the Company;
(b) take effective decisions around business opportunities; and
(c) determine the allocation of risk-based capital.

It is based on the ‘Three Lines of Defence Model’ and is integrated into the Company’s organisational structure and decision-making processes.

B.1.1.4 The Three Lines of Defence Model

- First Line of Defence (“FLOD”): The FLOD has ultimate ownership for risk, including understanding all conduct risks and managing the controls. This is provided by Management and staff who are responsible for the day to day identification, management, control and reporting of risk exposures. Risk exposures are monitored against risk appetite and risk tolerance limits, as approved by the Board, and key performance indicators, set by the Company. Stress and scenario testing are also performed to assess the adequacy of mitigation plans in place. Key risk issues are reported to the RMM, the EXCO, the Audit and Risk Committee and, ultimately, to the Board. The Actuarial Function also forms part of the first line of defence.
- Second Line of Defence (“SLOD”): The SLOD reviews and challenges the FLOD’s activities to help ensure that risk management decisions and actions are appropriate, within risk appetite and ensure that conduct risk is adequately considered in all relevant financial and non-financial risks types. The SLOD is independent of the risk-taking activities undertaken by the FLOD and includes the Risk Function, Risk Stewards and the Group Operational and Resilience (“ORR”) Risk Function. The Risk Stewards are subject matter experts who set policies and oversee the FLOD activities by risk type. The Risk Function provides holistic risk oversight on an enterprise-wide basis to ensure that the risks and any interdependencies are managed effectively and in a timely manner. The Compliance Function, who are also Risk Stewards, forms part of the second line of defence.
- Third Line of Defence: This comprises of the Internal Audit Function which provides independent assurance to management, the Audit and Risk Committee and to the Board with respect to the design and operation of the Risk Management, Governance and Internal Control processes.

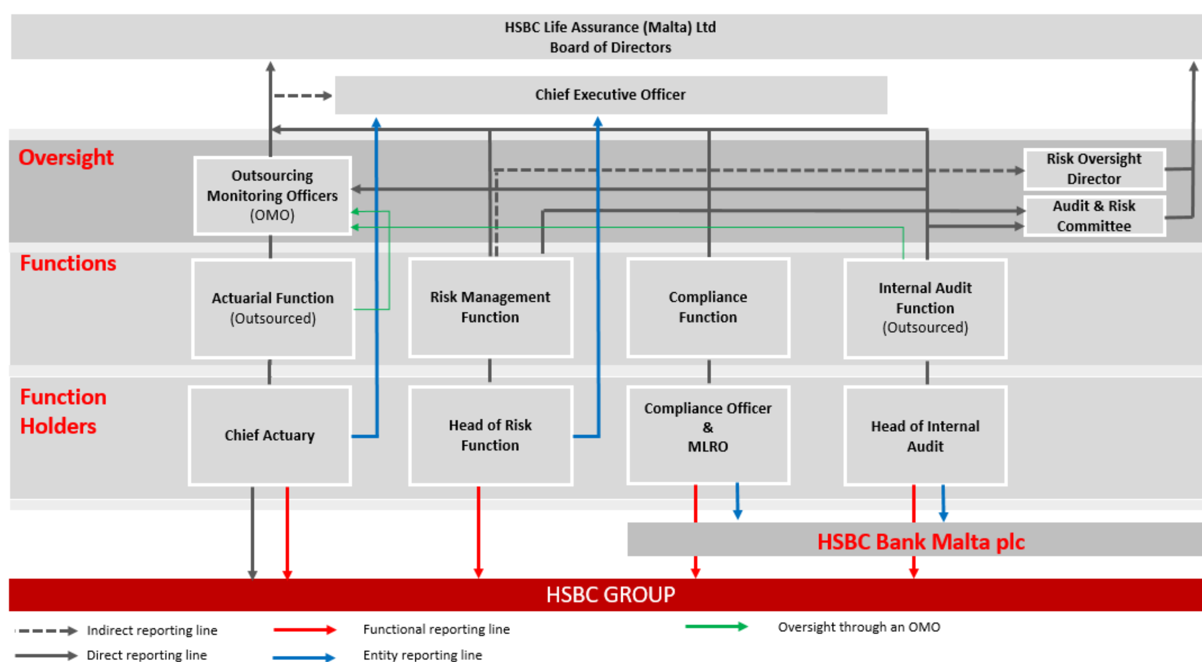
External Audit and the Audit and Risk Committee provide additional oversight and challenge with direct reporting to the Board.

B.1.1.5 Key / Critical Functions

The Company has established the four Key Functions required under Solvency II, namely the Actuarial, Compliance, Risk Management and Internal Audit Functions. The Actuarial and Internal Audit Functions are outsourced and a designate person within the Company is identified with overall responsibility of these functions which internally are called the Outsourcing Monitoring Officers ("OMOs"). Furthermore, in line with the Insurance Business Rules, a Board member is appointed to oversee the risk management framework internally identified as the Risk Oversight Director.

None of the key functions are carried out directly by the Board, but instead they are entrusted to Key Function holders who all have direct reporting lines to the Board.

The Company's reporting lines of the Key Function holders are illustrated in the diagram below:



A description of the roles and responsibilities of the key functions is presented below:

Function and Head of Function	Outsourcing	Key Responsibilities of the Function Holder
Actuarial Function Chief Actuary	Outsourced to HSBC Group Management Services ("HGMS") OMO - Non-Executive Director	Determination of the technical provisions that are held on the Company's balance sheet and the calculation of the Solvency Capital Ratio ("SCR"). Oversight of duties in relation to key risk management and risk mitigation processes, including data accuracy, claims management processes, underwriting processes and reinsurance arrangements in place.
Compliance Function Compliance Officer-Regulatory Compliance	No	Advising the Company's Board, Management and relevant personnel on compliance matters, including requirements imposed by insurance regulations, as well as company-specific provisions

Money Laundering Reporting Officer ("MLRO") - Financial Crime Compliance function (The MLRO role is being included in view that the Company maintains a single function covering both regulatory and financial crime.)		adopted in order to comply with the Solvency II Directive and other applicable regulations including but not limited to, Insurance Distribution Directive and Conduct of Business Rulebook. Advising with respect to financial crime compliance, provides support and guidance in relation to provisions within the Prevention of Money Laundering Act, the Prevention of Money Laundering and Funding of Terrorism Regulations and the Financial Intelligence Analysis Unit (" FIAU") Implementing Procedures. The Compliance Function also provides an assessment of the possible impact of any changes in the regulatory environment on the operations of the undertaking concerned and the identification and assessment of compliance risk. The Compliance Function is responsible to propose and implement the Compliance Plan as well as the Compliance Policy.
Risk Function Head of Risk Function	No	Leads the Company in monitoring risks faced by the Company and ensures that appropriate actions are identified and taken in the case of any potential or actual risks faced by the Company. Accountable for ensuring that the business operates within its agreed risk appetite and risk tolerance limits, and that an effective Risk Management Framework, which is aligned to HSBC Group Policies and industry best practice, is in place. Preparation of the annual Own Risk and Solvency Assessment ("ORSA") Report. The Head of Risk Function is explicitly accountable to the Board and its Committees with respect to the monitoring of the adequacy and effectiveness of the Company's Risk Management Framework.
Internal Audit Function ("IAF") Head of Internal Audit	Outsourced to Internal Audit Function of HBMT and is supported by the HSBC Group Audit team.	Provides independent assurance to the Board and the Company's Audit and Risk Committee with respect to the effectiveness of the Company's risk management, governance and internal control processes. It enables the Company's Management to accomplish its objectives by providing an

	OMO - Non-Executive Independent Director	independent, objective and constructive view of the Company's processes. Accountable for proposing and implementing a risk-based Audit Plan.

In addition to the Key Functions under Solvency II, namely the Actuarial, Compliance, Risk and Internal Audit Functions, the Company may also identify other roles that it may deem to be critical in nature and for the Company these are:

- Chief Executive Officer
- Chief Investment Officer
- Head of Underwriting & Claims
- Money Laundering Reporting Officer
- Insurance Chief Finance Officer
- Head of Business Management and Insurance Operations

Furthermore, the MFSA identifies other roles that may be deemed to be critical in nature. For the Company these are:

- Approved Actuary *
- Risk Oversight Director
- Distribution Oversight Director **
- Distribution Oversight Manager **
- Actuarial Outsourcing Monitoring Officer
- Internal Audit Outsourcing Monitoring Officer
- Directors

** In line with Article 22 of the Insurance Business Act, the undertaking is required to appoint an approved actuary as actuary to the undertaking to perform the With-Profits actuary function. A third-party individual has been appointed as the Company's With-Profits Approved Actuary*.

*** As per the Insurance Rules Chapter 1: The Application Process and Chapter 2: Fit and Proper, an Insurance Undertaking is required to appoint a member of the Board of Directors and a person within the management structure of the Insurance Undertaking who will be responsible for the oversight of the insurance distribution activities. The Distribution Oversight Director has the responsibility to notify the Board with any new, changes, challenges and concerns on the distribution of its products. This responsibility will be discharged through a regular PDC update to the Board by the Distribution Oversight Manager, that will cover all new products, product changes, as well as issues in relation to product distribution and other ad-hoc updates.*

B.1.2 Material changes in the system of governance

The table below presents the Directors resignations and appointments which took place from 1 January 2024 up to 30 March 2025:

Resignations	Appointments
Muriel Rutland – resigned as Board Member, Distribution Oversight Director and CEO, on 7 May 2024.	Gregory Inglott – appointed as Board Member, Distribution Oversight Director and CEO with effect from 21 May 2024. Charlotte Cilia – HSBC Bank Malta p.l.c Chief Finance Officer assumed responsibility of the Insurance CFO role (following the resignation of the former one with effect from 18 February 2025) with an interim support from Group to cover day-to-day responsibilities until a permanent replacement is appointed.

B.1.3 Remuneration Policy

The Company's Remuneration Policy is designed to reward competitively the achievement of long-term sustainable performance, attract and motivate the very best people who are committed to maintaining a long-term career with the Company.

This policy is a supplement to HBMT's Remuneration Policy and covers the principles and standards specific to the Company in relation to remuneration awards and arrangements in addition to the HBMT Remuneration Policy.

The scope of the Company's Remuneration Policy is to ensure that its remuneration standards and arrangements promote sound and effective risk management and not to encourage risk-taking that exceeds the risk tolerance limits of the Company. The policies apply to all employees seconded to the Company and contain specific arrangements that account for tasks and remuneration arrangements in place for the Board, persons running the business, those having Key Functions and those individuals whose professional activities within the Company have a material impact on the risk profile ("Identified Staff").

This policy is owned by the Board who acts as the Company's Remuneration Committee. The Board is responsible for the establishment of general principles through the approval of the Remuneration Policy. The Board has the oversight of the implementation of the policy. The Company is required to identify *'the administrative or supervisory body, persons who effectively run the undertaking or have other key function and other categories of staff whose professional activities have a material impact on the undertaking's risk profile'*, which are collectively referred to as the Solvency II identified staff and are classified in the following four categories:

- Board Members;
- EXCO Members;
- Senior Management / Key Function holders that require MFSA's pre-approval and Key and Critical Function holders as they are deemed critical and other roles that the Company identify as critical; and
- Identified Staff employees carrying out activities which have a material impact on the risk profile of the firm.

Further to the above, Identified Staff are identified as employees who:

- demonstrate the ability to take material risks;
- demonstrate the ability to influence material risk taking; and
- are responsible for specific activities which have a material impact on the risk profile of the Company, despite not being part of the Company but are part of HSBC Group.

B.1.3.1 Components of Remuneration

The Company's remuneration policy consists of both fixed and variable components, as described below:

(1) Fixed Pay

The purpose of the fixed pay is to attract and retain employees by paying market competitive rates for the role, skills and experience required. These payments are fixed and do not vary with performance. Salary is determined, calculated and paid in line with internal policies and procedures set by the Company and agreed with the Malta Union of Bank Employees for the impacted band groups and based on the level of complexity and accountability of the role as described in the corresponding role profile, with the focus on total compensation competitiveness within internal peer group and the external market.

(2) Variable Pay

The main aim of annual awards is to drive a reward linked to performance and risk-based culture within the Company. These are based on annual financial and non-financial measures consistent with the medium to long-term strategy of the HSBC Group, shareholder interests and adherence to HSBC values. A portion of the annual award may be deferred, in the form of HSBC Shares, typically vesting over a period of at least 3 years. The annual variable pay award is discretionary and is determined and paid in line with internal policies and procedures set by the Company.

B.1.3.2 Performance Criteria

Employees' individual performance results and achievements are assessed through the Performance Management process. At the beginning of the performance year, both financial and non-financial goals are set for each employee and formalised through the '*performance scorecard framework*'. The progress towards the set goals is the basis for the performance assessment by the employee's manager at the end of the performance year. The assessment is discretionary rather than formulaic. The assessment takes into account behavioural aspects of how the performance goals were reached and uses the '*HSBC Values and Business Principles Behaviour Guide*' as a reference.

As a result of this assessment, the employee needs to pass the behaviour gateway to qualify for a three-point performance rating which ensures performance is assessed not only on what is achieved but also on how it is achieved.

B.1.3.3 Supplementary pension or early retirement schemes for members of the administrative, management or supervisory body

The Company's remuneration policy does not include any supplementary pension or early retirement schemes for Board or other key function holders. HSBC Malta contributes towards a Unit-Linked employee pension plan with no commitment beyond the payment of fixed contributions.

B.1.4 Material Transactions with Shareholders, with persons who exercise a significant influence on the undertaking, and with members of the administrative, management or supervisory board

No dividend had been paid in 2024.

There were no other material transactions with Shareholders, with persons who exercise a significant influence on the undertaking, and with members of the administrative, management or supervisory board, other than transactions in the normal course of business.

Related party transactions are presented in Note 22 in the Audited Financial Statements.

B.2 Fit and proper requirements

B.2.1 Description of the fit and proper requirements of the Company

The Company has in place a Fit and Proper Policy, which sets out the principles that are applicable to Directors / Board members, Key Function Holders, Critical Function Holders and Outsourcing Monitoring Officers of Key Functions.

The fit and proper assessment is carried out to assess an individual's suitability to perform a key / critical function. It will vary depending on the role that the individual carries out. A report is presented to the Board providing a summary and the outcome of the assessment for the key / critical function holders. In particular, the assessment will consider:

- Time commitment;
- Knowledge, skills and experience;
- Independence; and
- Reputation, honesty and integrity.

These criteria also apply to Board members. Two assessments are carried out for Board members – the individual fit and proper assessment and the collective fit and proper assessment. A report is presented to the Board providing a summary and the outcome of the assessment for Board members.

In line with Solvency II requirements the system of governance of the Company should include at a minimum the following key functions: Risk Management, Compliance, Internal Audit and Actuarial Function. An exhaustive list of these Key and Critical Functions are listed below. The Compliance Function is responsible for the oversight of the application of the Fit and Proper requirements and HR function is responsible for the recruitment process for key / critical role within the function. The Company Secretary is responsible for the Directors.

Solvency II presents the following definition of the terms 'Fit' and 'Proper'.

- Individuals are considered to be 'Fit' if their professional qualifications, knowledge and experience are adequate to enable the sound and prudent management of the Company. An assessment of whether an individual is 'Fit' shall involve assessing whether the individual's professional qualifications, knowledge and experience as a whole are appropriate to his/her role within the Company's business.
- Individuals are considered to be 'Proper' if the individuals are of good repute and integrity. An assessment of whether an individual is 'Proper' shall include a person's honesty, reputation and financial soundness. This will include checks on criminal convictions, disciplinary offences and supervisory/regulatory aspects.

The business maintains a list of the designated fit and proper persons which is reflected in the Fit & Proper policy.

The requirement for fit and proper extends to the Board, which in addition to individual assessments, collectively should contain the qualifications, knowledge and experience to be able to provide for the sound and prudent management of the undertaking. The knowledge should be taken both on an individual and collective level, ensuring that the knowledge is diversified and sufficient across the Board.

B.2.2.1 Initial fit and proper assessment

As part of the initial fit and proper assessments undertaken at recruitment stage for key / critical or directorship roles, the Company vetting team carry out various checks including identity checks, criminal record checks, credit checks, verification of employment history and confirmation of educational and professional qualifications. Enhanced fit and proper checks are required for Directors and key / critical function holders, which are also subject to MFSA approval. These include financial checks, external directorship and conflict of interest checks, a civil litigation check, media research checks and regulated position history checks.

B.2.2.2 Ongoing fit and proper assessments

Ongoing assessment of the Fitness and Properness of Directors and Key and Critical Function holders and those officers having oversight over Outsourced Key Functions (“OMOs”) is undertaken on an annual basis. The role of the reviewer is to ensure that Directors and individuals performing Key and Critical Function roles complete the Ongoing Assessment Declaration.

Directors and Key / Critical function holders are required to notify Company Secretary / Compliance Officer in the event of any changes in circumstances which may affect their fit and/or proper assessment. The MFSA will be informed accordingly of any necessary and relevant changes. Evidence of Ongoing Assessment Declarations is maintained by Human Resources for Key and Critical Function Holders and by the Company Secretary for the Board members.

A report on the outcome of the ongoing fit and proper assessments for both Directors and Key / Critical function holders is presented to the Board on an annual basis.

B.2.2.3 Collective Assessment of the Board

The Chairman of the Board, in conjunction with the Company Secretary, should determine the skills required collectively by the Board, considering qualifications, knowledge and experience and any other aspects considered to be relevant.

The reassessment of the Board’s collective and individual compliance with the Fit and Proper requirements shall be undertaken on an ongoing basis by the Company Secretary, this being at least annually or when a member resigns or retires and when a new member is elected.

B.2.2.4 Fit and proper assessments with respect to outsourced key functions

When any of the Company’s key functions is outsourced, the CEO and the Head of Business Management and Insurance Operations should propose a person with overall responsibility for the outsourced key function that is Fit and Proper and possesses sufficient knowledge and experience regarding the outsourced key function. The person identified as the outsourcing monitoring officer (“OMO”) for the outsourced key function will then need to be approved by the Board. This person should be able to challenge the performance and results of the service provider. The designated OMO needs to be assessed, and the enhanced fitness and propriety checks for key function roles apply. In addition, the OMO needs to raise a Personal Questionnaire to be approved by the MFSA and is considered to be responsible for that key function.

When outsourcing a key function, the OMO is to ensure that the fit and proper assessment of staff within outsourced entities is undertaken in line with this policy. The Company's OMO for the respective outsourced activity is required to obtain written evidence from the outsourced party, that the fit and proper assessment of the persons within the outsourced party working on company matters has been assessed and the basis on which this has been assessed. Confirmation of the type of check/assessments undertaken also needs to be obtained.

B.3 Risk Management Framework including the own risk and solvency assessment

B.3.1 Risk Management Framework

B.3.1.1 Description of the Risk Management Framework and processes

The Risk Management Framework ("RMF") demonstrates the principles of effective risk management and how it supports decision making throughout the organisation. The RMF provides an effective and efficient approach to govern and oversee the organisation as well as monitoring and mitigating risks.

The Board sets the Company's strategy, business plans, performance targets, risk appetite and risk tolerance limits, and in so doing, the Board assumes an essential role in providing the *'tone from the top'* to embed the risk culture within the Company.

The Board, Audit & Risk Committee, CEO and leadership team, supported by various committees and forums, promote a strong risk culture. This ensures risks are within the Board's risk appetite and are effectively managed. The identification, measurement, monitoring and reporting of risks is an essential element of both the day-to-day and strategic decision-making processes. This is supported by effective internal control processes and regulatory and compliance awareness to ensure that Solvency II requirements are adhered to at all times.

All employees have a role to play in the Company's risk management strategy through the operation of the Three Lines of Defence Model, which considers the Company's business and functional structures. The model delineates management accountabilities and responsibilities with respect to risk management and the Company's internal control system, thereby creating a robust control environment to manage inherent and emerging risks.

B.3.1.2 Integration of the Risk Management Framework into the Company's organisational structure and decision-making processes

Active risk management helps us to achieve our strategy, serve our customers and communities, and grow our business safely. Our risk management approach follows five steps:

B.3.1.3 Definition of Risk Appetite ("Define and Enable")

The Company's business strategy is to support HBMT's strategy in Wealth Management by aligning its propositions, distribution, people and operations to be the partner of choice for HBMT customers in protecting their lives and their loved ones, and in supporting them to plan for their future and retirement.

The overriding risk management objective is to manage the inherent risks within the Company to create value to the business and to safeguard the interests of both policyholders and key stakeholders.

The risk management strategy is closely aligned with the HSBC Group's strategic objectives and business plans and enables:

- an understanding of the most significant risks faced by the Company;
- the determination and allocation of risk-based capital; and
- effective decision making around business opportunities.

The following are the key elements of the Company's risk management strategy:

- Risk Management objectives - demonstrate risk management's support of the Company's strategic objectives;
- Risk Management Principles - agreed principles on risk management which guide implementation of the strategy;
- Risk Appetite - framework for managing the risk profile in line with the Company's objectives, including approved risk tolerance limits; and
- Risk Governance - risk management strategy drives the risk governance structure and roles and responsibilities.

The risk management approach is reviewed annually and aligned with the annual business planning process. In conjunction with this process, the Company's Financial Resource Planning (FRP) and the Risk Appetite Statement ("RAS") are delivered and communicated to all stakeholders, as appropriate. The RAS establishes limits and tolerances for the business and committees to monitor against Risk Appetite & Risk Tolerance thresholds (supported by Capital Drivers).

B.3.1.3.1 Risk appetite

The risk appetite is the Board's articulation of accepted and tolerated levels of risk and return on an enterprise - wide perspective. The risk appetite provides the anchor between the strategy, risk and finance, enabling Management to optimally allocate capital to finance strategic growth within tolerated risk levels. It provides a view on the medium to long-term horizon and should be used to monitor performance against the Company's FRP.

The Company's risk appetite is established in line with the risk management strategy and objectives. It is expressed in terms of qualitative and quantitative targets which determine how the business will be managed.

The risk appetite contributes significantly to a strong and integrated risk management framework and risk culture, helping direct and support sustainable growth against the backdrop of a heightened risk environment.

Risk appetite is articulated through the Risk Appetite Statement ("RAS"). The RAS consists of qualitative statements and quantitative metrics covering financial and non-financial risks with defined Risk Appetite and Tolerance thresholds. The RAS is approved annually by the Company's Board and provides the foundation for the Second LOD to produce policies and limits. These form the basis of the processes and decision making that the First LOD undertakes in its management of risks.

Where a risk assessment identifies that any risk falls outside the boundaries of the Company's risk appetite, now or projected in the future, further steps are taken to control, transfer or mitigate the risk.

B.3.1.3.2 Risk Identification and Assessment ("Identify and Assess")

The risk identification element in the Risk map is the process through which the key risks faced by the business are identified, such that they are quantified, controls developed, and the risks monitored and managed.

Identified risks are categorised into a risk category or sub-category to aid effective management and mitigation.

Risk identification includes determination of the category of risk and of the circumstances which would give rise to a loss event. The key categories and sub-categories are included in the sections that follow.

The risk assessment process quantifies the materiality and magnitude of the risk, considering both likelihood of occurrence and potential impact.

The quantification of risks, which aids effective 1 in a 200-year event risk management by calculating the capital required to be held for each risk type and provides management with quality information to support effective decision-making through, at least, quarterly calculation of the Company's SCR.

Where appropriate, stress tests and scenario analysis are carried out regarding all relevant risks to ensure risks are effectively understood and quantified.

B.3.1.3.3 Risk Monitoring ("Manage")

Effective monitoring allows business areas to provide senior management with timely information on the risks facing the Group, and on the effectiveness of risk management processes. It enables proactive identification of issues before they materialise and can provide a forward-looking view of risk. Controls are designed to enable effective risk mitigation and help comply with legal and regulatory obligations. A combination of local and Group policy defines the minimum control requirements to ensure appropriate management of each risk type.

B.3.1.3.4 Risk reporting ("Aggregate and Report")

Risk reporting enables senior management and stakeholders to make informed decisions by providing insightful analysis from accurate and timely data together with subject matter expert perspectives from across the Three Lines of Defence. Reporting requirements will vary by risk type and the severity of risks. Ultimately risk reporting to the Board is undertaken through the enterprise-wide risk management reports which include the Risk Appetite Profile, the Risk Map and a summary of the Top and Emerging Risks.

B.3.1.3.5 Governance ("Govern")

Board governance committees, including the meeting of the Board of Directors and the Audit and Risk Committee, provide the structure to ensure clear accountability for risks and support suitable controls, mitigation and management.

B.3.2 Own risk and solvency assessment (ORSA)

B.3.2.1 ORSA Process

The overall aim of the ORSA is to demonstrate the adequacy of the Company's capital base, taking into consideration the Company's Capital Management Framework which drives dividend recommendations, and the Company's resilience to a wide range of outcomes. It aims to:

(a) assess the Company's overall solvency needs, considering all risks that affect the Company, approved risk tolerance limits and business strategy, both during the calendar year and over the business planning period;
(b) test the appropriateness of the Capital Management Framework over the business planning period against the results of stress and scenario testing performed;
(c) demonstrate compliance, on a continuous basis, with the capital requirements and requirements relating to technical provisions;
(d) analyse the extent to which the risk profile deviates from the assumptions underlying the capital requirements;
(e) identify areas of Company or customer risk, or matters relating to solvency calculations or model structure, that require further analysis or action and to recommend the next steps in relation to those areas;
(f) demonstrate the adequacy of management actions and recovery plans; an
(g) provide evidence that the assessment of risk and solvency is an integral part of the business strategy and is taken into account on an on-going basis in strategic decisions.

The ORSA process is ongoing and continuous with management reports such as the Risk Appetite Profile being undertaken monthly, valuations being reported quarterly and risk and control assessments happening on an ongoing basis.

The results of the ORSA processes form part of the Company's business strategy and are taken into account, on an on-going basis, in the strategic decisions of the Company. In particular, the Company's ORSA results are taken into account in its medium-term capital management, business planning and product development and design. The results of the economic capital calculations produced by the Capital model which are a part of the overall ORSA process are used as part of key business decision making processes, the system of governance and the risk management system as outlined below:

- Risk reporting - Economic capital data from the model is a developing component of risk management information to the various Risk and Management Committees;

- Setting of the overall risk appetite - The model is extensively used in the setting of the Company's overall risk appetite (including the setting of underlying risk limits and risk metrics);
- Risk management framework - The role and use of the model in relation to the risk management system, includes the establishment of the Company's risk appetite (including the underlying risk limits and risk metrics), quantification of risks, capital assessment, capital allocation, stress testing and scenario analysis;
- Product development and pricing - The model is used to determine key profitability and capital metrics and facilitates the ongoing monitoring of the profitability of major product lines. The outcome of the monitoring process is subsequently taken into account during future price reviews; and
- Reinsurance retention and pricing - The model is used to determine the optimum reinsurance level and provides basis to negotiate the reinsurance premium to be paid to the reinsurer upon renewal of the contract.

B.3.2.2 ORSA Roles and Responsibilities

- The Board is responsible for how the ORSA assessment is performed and for challenging its results, together with approving the ORSA Report and approving the ORSA Policy on an annual basis.
- The Risk Function as the Second Line of Defence, is responsible for coordinating the execution of the ORSA process, including the drafting of the ORSA Report, reviewing the ORSA Policy and ensuring that the results and conclusions are communicated to all relevant employees. The process undergoes regular internal audit review. The last review was conducted during 2023.
- The Actuarial Function is responsible for assessing compliance with the requirements regarding the technical provisions and the risks arising from the capital requirements calculations.
- The Actuarial Function is also responsible for providing the necessary calculations to the RMF and for providing input into the actuarial aspects of the report. These calculations include the actuarial calculations in relation to regulatory capital, economic capital, forward-looking assessments and analysis, as well as stress and scenario analysis.
- The Finance Function is responsible for performing the non-actuarial calculations such as business planning and liquidity planning, and for providing input into the Finance aspects of the report.

B.3.2.3 ORSA Reporting

The ORSA Report is prepared on a regular basis, at least annually, and without delay following any significant change in the Company's risk profile or external environment by the Head of Risk Function. The ORSA Report is subsequently presented to Management for consideration and the Board for its approval. The report covers the period since the previous ORSA assessment.

To support the creation of the ORSA Report there are a series of supporting documents and reports which are presented to Management and, where appropriate, the Board. These include:

- The Risk Appetite Statement and monthly reporting against this in the Risk Appetite Profile;
- Risk Map and Top Risks of the Company;
- Summary of the Emerging Risks of the Company;
- The quarterly Solvency Capital Valuation Reports which assess the Company's capital position;
- Updates on previous ORSA recommendations;
- The policies, such as the ORSA Policy, Risk Management Framework and Capital Management Framework, which set the frameworks which the Company must operate within; and

- More detailed reports on specific ORSA deliverables such as scenario testing and the Standard Formula justification.

Results of the ORSA activities are presented to relevant employees, Management and the Board through the governance meetings of the Company and through a dedicated walkthrough session held by the Head of the Risk Function.

B.3.2.4 Own solvency needs and the interaction between capital and risk management

The capital requirement calculations are based on the Standard Formula (including the correlations between risk types). A full assessment of the appropriateness of the Standard Formula vis-a-vis the Company's risk profile is undertaken every 3 years. Through this process the Company considers whether the risk is material, whether the standard formula is a good fit and whether there is sufficient data to calibrate an 'Internal Model'. The process which is undertaken as a part of the ORSA demonstrates that the use of the Standard Formula is appropriate.

Notwithstanding this, the Company holds a capital buffer in line with its Capital Management Framework, which takes into account stress scenario analysis and expert judgment. The Capital Management Framework is directly linked to the RAS and is monitored through the risk management information. The RAS also sets out an appetite for the capital held against each risk category.

B.4 Internal control system

B.4.1 Description of the internal control system

The Company maintains an adequate internal control framework commensurate with the scale and nature of its operations. A proper internal control environment is of fundamental importance and is a process effected by all levels of staff, at all times. The business operates in an efficient manner with proper controls in place to safeguard assets, operations and records to manage operational risk within the Company's risk appetite and to preserve the integrity of financial reporting.

Key controls of the Company are documented across the Risk Management Policy and the HSBC Group risk and control taxonomy. Under the HSBC Group framework, the risk and control processes for operational risks include the following:

- Undertaking an inherent risk assessment which assesses the likelihood and maximum plausible impact on the business over the next 12 months assuming key controls are not in place. The full list of Risks is found in the Group Risk and Control Library and Risks are assessed against four impact scales to arrive at the impact rating of Minor, Moderate, Major or Extreme. These impact scales are: Direct Financial, Customer Detriment, Regulatory Censure and Reputational. The criteria for the impact scales is assessed using Group and Local Thresholds where risks have been inherently assessed as Very High or High or the business has determined Locally Significant, all controls linked to these risks which are obtained from the Group Risk and Control Library are assessed to determine the control effectiveness by the control owner. The Risks that have been assessed as Medium or Low are not required to have a full control assessment recorded and controls from the library are not linked to the Risk on our Internal System.
- The controls linked to Very High, High, Locally Significant or Franchise Risks are compiled into an Internal Control Monitoring Plan and an Internal Continuous Monitoring Plan (ICMP)

where d the effectiveness of the control is tested or continuously monitored on a quarterly, half yearly or annual basis. Control Testing and Continuous Monitoring results are reported to the Risk Management Meeting.

- A residual risk assessment is carried out to assess the level of risk remaining in the context of the control environment.

In addition, the System of Governance as described in Section B.1.1 is a fundamental component of the internal control system of the Company.

Internal controls are subject to regular monitoring and include the following:

- personnel – clear and concise operational procedures available to all personnel to ensure that they can understand and carry out their responsibilities effectively and communicate any problems in respect of non-compliance;
- organisational structure - responsibilities and reporting lines are clearly defined and allocated;
- effective communication lines internally that escalate information quickly to the appropriate level;
- segregation of duties and potential conflicts of interest - key duties are segregated; areas of potential conflict are identified and mitigated appropriately;
- authorisation and approval - all transactions require authorisation and approval by an appropriate responsible person;
- an established financial control environment includes routine controls such as reconciliations, audit trails, spot checks and physical control with appropriate supervision by management;
- financial reporting is prepared in accordance with Group standards; risk assessments cover all risks facing the entity and are reported regularly;
- reliable information systems are in place to report all significant activities supported by adequate security and contingency arrangements; and
- business resumption and contingency plans are periodically tested to avoid disruption to business and potential losses.

Key controls to manage and mitigate specific risk areas are outlined in Section C.

B.4.2 Implementation on the Compliance Policy by the Compliance function

The local Compliance function is comprised of Regulatory Compliance ("RC") and Financial Crime Compliance ("FCC").

The Compliance function's scope is focused on discharging its roles as Risk Steward in relation to RC and FCC risks. The Compliance function discharges this role by setting policies and limits in accordance with determined risk appetites in the RC and FCC areas, as well as providing advice, guidance and challenge relating to these risk activities.

The Compliance function also undertakes assurance, monitoring and testing activities to provide assurance that relevant policies are adopted and embedded within the first line and on the appropriateness of key RC and FCC risk management processes.

Compliance activities do not generally focus on areas where other functions are the relevant Risk Steward. However, the Compliance function may be called upon to assist other functions for example working with HR on regulatory elements of an employee code of conduct, providing advice on remedial action and reporting where a regulatory breach has arisen and supporting activities where other functions identify Compliance Risk (whether RC or FCC risk) as being a secondary risk.

Both areas are complemented by the Compliance Assurance team. Compliance report on any regulatory and financial crime matters is presented regularly to the Company's RMM and to the Board in respect of their advisory and monitoring activities. The Compliance Function is also responsible to implement the Compliance Plan as well as the Compliance Policy.

B.5 Internal audit function

B.5.1 Implementation of the internal audit function

The Company outsources the provision of Internal Audit services to its parent company, HBMT, under an Intra-Group Service Agreement. Under this agreement, the Company uses the services of the HBMT's Internal Audit team to deliver the agreed Internal Audit Function services, which meet both Solvency II and Group requirements, and are also in line with industry best practice. The Internal Audit services are delivered in accordance with the Internal Audit Charter and Internal Audit Policy through a multi-year rolling Internal Audit Plan which covers key functional areas and risks and provides an evaluation of the adequacy and effectiveness of the internal control environment. The four-year Internal Audit Plan is tabled at the Audit and Risk Committee for approval annually.

B.5.2 Independence and objectivity of the internal audit function

The Internal Audit Function, as the Third Line of Defence, is independent of the First and Second Lines of Defence. The function reports directly into the Audit and Risk Committee and the OMO for the internal audit function.

The persons carrying out the Internal Audit Function do not assume any other Key Functions and Roles within the Company.

B.6 Actuarial function

B.6.1 Implementation of the actuarial function

The Actuarial Function is partially outsourced to the HSBC Group and headed by the approved Chief Actuary who reports to the Regional Chief Actuary.

The Chief Actuary currently has a direct reporting line to the Board and is responsible for:

- co-ordinating the calculation of the technical provisions;
- ensuring the appropriateness of the methodologies and underlying models used, as well as the assumptions made in the calculation of technical provisions;
- assessing the sufficiency and quality of data used in the calculation of technical provisions;
- comparing the best estimate against experience;
- informing the governing body of the reliability and adequacy of the calculation of technical provisions;
- expressing an opinion on the overall underwriting policy;
- expressing an opinion on the adequacy of reinsurance arrangements; and
- contributing to the effective implementation of the risk management framework, with particular regard to risk modelling by the firm.

The Actuarial Function contributes to the effective implementation of the risk management framework through various activities and the membership of a number of key committees with risk and financial reporting responsibilities. Areas of focus include Solvency Capital Requirement; the Own Risk and Solvency Assessment; identifying, measuring and monitoring risks; capital adequacy management; product pricing; financial reporting; and business planning.

The Chief Actuary also has oversight duties in relation to key risk management, risk mitigation techniques, data accuracy, claims management, and underwriting and reinsurance agreements in place.

The Chief Actuary is a Fellow of the Institute and Faculty of Actuaries and continues to comply with the specific professional obligations this requires. The Chief Actuary is supported by Fellows and student members of the Institute and Faculty of Actuaries.

On 1 November 2022, the Company appointed a Non-Executive Director as its OMO to oversee the outsourced Actuarial Function.

B.7 Outsourcing

The Outsourcing standards applied by the Company set out a structured approach to the establishment and management of arrangements with service providers. They have been established to ensure the risk from outsourcing does not impair the Company's financial performance or the soundness of the activities and quality of services to customers.

Service providers are required to meet HSBC Group standards. These include, but are not limited to, the following areas:

- Secure handling of HSBC and customer information;
- Standards of customer care;
- Continuity of service; and
- Compliance with all applicable laws and regulations.

The Company classifies the outsourcing agreements currently held as follows:

1. "Outsourcing" or "non-Outsourcing"
2. If outsourcing, then further classified as "Critical/Important" (including Solvency II defined Key Functions) or "Non-Critical/ Non-important"

Agreements falling under Critical or Important functions or activities include:

a) the design and pricing of insurance products;

b) the investment of assets or portfolio management;

c) claims handling;

d) the provision of regular or constant compliance, internal audit, accounting, risk management or actuarial support;

e) the provision of data storage;

f) the provision of on-going, day-to-day systems maintenance or support; and

g) the ORSA process.

The following activities are not considered critical or important operational functions or activities:

a) the provision of advisory services to the undertaking and other services, which do not form part of the undertaking's insurance or reinsurance activities, such as legal advice, the training of personnel and the security of premises and personnel;

b) the purchase of standardised services, including market information services and the provision of price feeds;

c) the provision of logistical support, such as cleaning or catering; and

d) the provision of elements of human resources support, such as recruiting temporary employees and processing the payroll.

The Company remains fully responsible when outsourcing any of its functions or activities. The main rationale for outsourcing is to obtain the necessary expertise and resourcing required by the Company.

The Company appoints Third-Party Engagement Managers ("TPEMs") for External Outsourcing and SROs/SRO delegates for Internal Outsourcing agreements entered into. The Outsourcing Policy is applicable to all TPEMs and SROs including employees responsible for the oversight and monitoring of Critical/Material or Important operational functions or activities.

The following table presents detail on the Company's outsourcing of Critical/Material or Important operational functions or activities:

Outsourcing	Activity	Outsourcing Engagement Manager (TPEM) Job Title	Jurisdiction of Service Provider	Type of Agreement
HSBC Group Management Services Ltd	Actuarial Function	Non-Executive Director	United Kingdom	Key Function
HSBC Bank (Malta) p.l.c	Internal Audit	Independent Non-Executive Director	Malta	Key Function
RGA International Reinsurance Company Limited	Reinsurance incl. Claims Handling	Head of Product & Distribution	Ireland	Critical or Important Activity
HSBC Electronic Data Processing Lanka (Private) Ltd	Tax Reporting (CRS) Support	Head of Insurance Operations & Business Standards	Sri Lanka	Critical or Important Activity
HSBC Electronic Data Processing Lanka (Private) Ltd	Tax Reporting (FATCA) Support	Head of Insurance Operations & Business Standards	Sri Lanka	Critical or Important Activity
HSBC Global Asset Management (UK) Ltd	Investment of Assets - Portfolio Management	Chief Investment Officer	United Kingdom	Critical or Important Activity
Schroeder Investment Management (Europe) SA	Investment of Assets - Portfolio Management	Chief Investment Officer	Luxembourg	Critical or Important Activity
HSBC Global Asset Management (Malta) Ltd	Investment of Assets - Portfolio Management	Chief Investment Officer	Malta	Critical or Important Activity
HSBC Electronic Data Processing India (Private) Ltd	Financial Accounting	Insurance CFO	India	Critical or Important Activity

In addition, the Company has the following Intra-Group outsourcing arrangements:

Service Provider Internal (HSBC Group)	Description of service outsourced
HSBC Bank Malta p.l.c.	The Company outsources management services to HSBC Bank Malta p.l.c. which include human resources, customer due diligence, property services, IT and Legal.
Other HSBC Group Companies	Other Group companies provide investment accounting and unit pricing services to the Company.

B.8 Adequacy assessment of the system of governance

Effectiveness reviews of the Board, the Committees and Forums are completed on an annual basis by the Board/Committee/Forum Secretary. The Board is presented with a 'Corporate Governance Framework' once a year for review and approval. The document contains the latest organisation and governance charts, the Board, Committee and Forum Terms of Reference and the Key roles.

On an annual basis, the CEO leads a review of the System of Governance which is presented to the Board for approval.

As part of the system of governance review, the Company undertakes a formal assessment that includes mapping to regulations, reviews of Board policies and Committees' Terms of Reference and effectiveness reviews. In addition, any new findings related to system of governance since the last review are also reported. Furthermore, the effectiveness review evaluates the effectiveness of the four key Solvency II functions, together with the fulfilment of their responsibilities against applicable regulations, agreements and policies. It also reviews the operational efficiency of the functions in their reporting to the Board. Where any issues are identified management actions plans are created to address findings.

B.9 Any other information

There is no other material information regarding the system of governance that has not already been disclosed in sections B.1 to B.8 above.

C. Risk profile

C.1 Risk Exposures

Risks are assessed quantitatively using the Standard Formula parameters to determine the impact of an extreme event for each risk and thus internal data is not used to define the parameters or the dependencies and correlations between risks. As described in B.3.2.4, the standard formula is considered an appropriate measure of the risk exposure for the key risks such as underwriting, market, credit and operational risk (as set out in C.2, C.3, C.4 and C.6). The table below sets out the Company's exposure to these risks:

Solvency Capital Requirement (without diversification benefit)	2024 €'000	2023 €'000
Underwriting Risk	31,983	33,486
Market Risk	15,035	17,332
Credit Risk	3,205	5,772
Operational Risk	1,125	1,230

The Company's highest risk exposure is within the underwriting risk module and arises from mass lapse. The primary driver for this is a reduction in own funds on contracts where the best estimate liabilities are negative, meaning that the policy is expected to generate a profit over its remaining term, and thus in the event of a mass lapse event the Company will lose out on future profits. The Company's second highest risk is the expense risk capital which also falls under the underwriting risk module. An increase in expense and inflation assumptions lead to higher capital requirements. The third top-most risk is within the market risk module, with equity risk being the largest component. Equity risk arises from the reduction in annual management income on Unit-Linked business and the increase in the cost of guarantees on the With-Profits business under the equity stress.

A description of the risks, the exposure to the risks, control and mitigation techniques and concentrations to particular risk sub-categories are set out below.

Market risk capital has reduced over 2024, mainly driven by lower equity risk due to lower relative exposure in equities and higher surplus in With-Profits fund leading to lower guarantees biting under capital stresses.

Credit risk capital has also decreased over 2024, mainly driven by lower relative exposure to cash at year-end position.

Underwriting risk capital has reduced over 2024 as well, mainly driven by lower lapse risk capital. In 2024 we have revised expense assumptions upwards, leading to less profitable business. Hence this resulted in a lower risk of losing profitable business under mass lapse stress.

C.2 Underwriting Risk

This is the risk due to uncertainties in the occurrence, amount and timing of insurance liabilities arising through insurance underwriting risks accepted by the Company. In more detail it includes:

- The risk due to uncertainties in the occurrence, amount and timing of claim payments. This includes mortality (or longevity), disability and catastrophe risks. Experience could differ from expectations because of random fluctuations, an unanticipated one-off step change, a gradual change or a catastrophe or pandemic meaning claim sizes and volumes are above expectations.

- The risk due to uncertainties in the occurrence, amount and timing of lapses, surrenders or making policies paid-up. Experience could differ from expectations because of random fluctuations, an unanticipated one-off step change or a gradual change or a lapse shock resulting in lapse of a large number of policies over a short time period.
- The risk due to uncertainties in the occurrence, amount and timing of expenses. Experience could differ from expectations because of random fluctuations, an unanticipated one-off step change or unanticipated changes in inflation.

Exposure to these risks is as follows:

Solvency Capital Requirement (without diversification benefit)	2024 €'000	2023 €'000
Mortality Risk	-	68
Longevity Risk	167	128
Disability Risk	1,575	954
Lapse Risk	25,214	27,989
Expense Risk	9,731	8,229
Catastrophe Risk	1,343	1,418
Diversification Benefit	(6,048)	(5,302)
Total risk	**31,983**	**33,486**

The Company has a wide variety of controls in place to manage and mitigate the underwriting risks which are faced. Reinsurance is the primary mitigation for claims risk where in effect, claims risk is exchanged for counterparty risk. Upon the placement of reinsurance an optimisation process is undertaken. Other controls include the following:

- Exposure limits are set which are based on a variety of factors. Limits are set in respect of absolute exposures (for example maximum policy sizes) and in relation to the overall capital (e.g. monetary or percentage capital limits against a specific risk types).
- Capital and solvency monitoring through regular valuations and the Risk Appetite Profile.
- Clear underwriting and claims management principles are set. This includes the setting of underwriting and claims authority levels.
- Monitoring of actual experience versus what is expected. Where experience is not in line with expectations the underlying valuation assumptions can be changed and where required this may trigger product changes, such as the repricing of new business.
- Having robust product design and approval processes (including appropriate policy conditions to guard against unacceptable risk).

C.3 Market Risk

This is the risk of adverse movements in market rates that change the value of assets net of liabilities causing losses to the Company. This can impact the Company, but not limited to, in the following ways:

- Movements in market rates (including asset prices, equity volatility, interest rates, foreign exchange rates and credit spreads) change the present value of assets net of liability values.
- Changes in value of net assets due to a move in the yield on an asset relative to the risk-free rate.

- Depreciation of foreign currencies relative to Euro changes the present value of assets net of liabilities.
- Large proportion of assets held in any one risk category or security, resulting in market risk exposure to a loss potentially large enough to threaten the solvency or the financial position of the undertaking.

Exposure to these risks is as follows:

Solvency Capital Requirement (without diversification benefit)	2024 €'000	2023 €'000
Interest Rate Risk	2,242	1,283
Equity Risk	8,233	11,146
Spread Risk	4,190	4,374
Currency Risk	4,187	4,424
Concentration Risk	2,803	2,367
Diversification Benefit	(6,620)	(6,262)
Total risk	**15,035**	**17,332**

The Company has a wide variety of controls in place to manage and mitigate market risks which are faced. This includes the following:

- exposure limits are set which are based on a variety of factors. Limits are set in respect of absolute exposures (e.g. maximum exposures to particular classes of assets) and in relation to the overall capital that the company deploys (e.g. monetary or percentage capital limits against a specific risk types);
- capital and solvency monitoring through regular valuations and the Risk Appetite Profile.
- setting an overall investment strategy for the Company;
- asset Liability Matching looks to assess the suitability of assets in meeting the liabilities of the Company; and
- Having robust oversight of investment related activities through the governance committees of the Company.

C.3.1 Investment of assets in accordance with the 'prudent person principle'

The Company fulfils its obligations of the 'Prudent Person Principle' by way of the policies and practices described below. Kindly refer to the submitted QRT templates S.06.02.01 for the complete list of assets.

C.3.2 Asset Liability Matching Principles

C.3.2.1 Matching: Shareholder

The Company's approach is to select assets to match net cash flows by duration, nature, currency and liquidity. Asset and liability matching ("ALM") mitigates interest rate and liquidity risk exposure. ALM exercises are carried out to:

- assess the suitability of the term and nature of assets held to meet the liability cash flows as they fall due in best estimate and stress conditions,
- identify gaps and any unsuitable assets,
- recommend movements between asset pools to achieve a more appropriate asset allocation (if necessary), and

- identify suitable assets to invest in so as to remove exposure to future unmatched cash flows, hence reducing the volatility of the Company's statutory solvency position and reducing exposure to market risk.

An ALM exercise is performed on a quarterly basis and separately stress testing is performed on an annual basis to assess the suitability of the assets in meeting cash outflows as they fall due.

The quarterly ALM exercise is carried out by the Actuarial Function and subject to the oversight of ALCO.

C.3.2.2 Matching: Unit-Linked

The matching strategy for Unit-Linked funds is to match the Unit-Linked technical provisions as closely as possible with asset holdings of units in the appropriate underlying funds.

C.3.2.3 Matching: With-Profits

These funds are held to meet a defined liability in respect of underlying insurance policies and the assets held are managed with a view to maximise profits while matching policyholders' liabilities with regards to term and currency and that the guaranteed capital value is not unduly put at risk.

C.3.3 Investment Strategy (Shareholder Funds)

For the assets backing the technical provisions and own funds, the Company's investment strategy is to maximise return subject to adhering to the Company's risk appetite and the prudent person principle. The key elements of the investment strategy are to:

- set the strategic asset allocation;
- consideration of investment constraints when setting strategic asset allocation;
- alignment of the investment strategy with the business model and, where appropriate, how the strategy takes into account the nature and duration of a firm's liabilities and obligations, and the best interests of policyholders; and
- alignment of investment strategy with board risk appetite, risk tolerance limits and investment risk and return objectives.

C.4 Credit Risk

This is the risk that a counterparty of the Company will be unable or unwilling to meet a commitment that it has entered into with the Company.

The credit risks arising from fixed income assets are covered in section C.2 Market risk under Spread Risk and Concentration Risk.

Also, the Company has counterparty risk exposures where Cash at bank is the most material, where this exposure is also accounted for within the capital requirement with respect to counterparty default risk.

Exposure to these Counterparty Risk is as follows:

Solvency Capital Requirement (without diversification benefit)	2024 €'000	2023 €'000
Type 1	3,160	5,727
Type 2	60	59

The Company has the following two specific Counterparty Risk exposures:

(a) credit exposure to a single reinsurer: this exposure is accounted for within the capital requirement with respect to counterparty default risk. Scenario analysis on the default of this reinsurer is performed to understand the effect of the materialisation of this risk. Credit support clauses are included as part of the reinsurance contract, which protects the Company in the event of a downgrade in the reinsurer's credit rating. The reinsurance currently forms a liability and thus there is no loss given default; and
(b) cash at bank: this exposure is also accounted for within the capital requirement with respect to counterparty default risk.

The Company has a wide variety of controls in place to manage and mitigate credit risks which are faced. This includes the following:

- exposure limits are set which are based on a variety of factors. Limits are set in respect of absolute exposures (e.g. maximum exposures to particular investment quality of assets) and in relation to the overall capital (e.g. monetary or percentage capital limits against a specific risk type);
- capital and solvency monitoring through regular valuations and the Risk Appetite Profile;
- setting an overall investment strategy for the Company; and
- having robust oversight of investment related activities through the governance committees of the Company.

The Credit Risk Capital is mainly driven by the revision of the credit rating categorisation for counterparties with which cash is held to reflect their categorisation as unrated Credit Institution resulting in an increase in type 1 counterparty exposure.

C.5 Liquidity Risk

The risk that the Company, although solvent, either does not have sufficient financial resources to enable it to meet its obligations as they fall due or can secure them only at excessive cost. Examples of how this could arise are:

- a one-off severe manifestation of the measure of the underlying risk process. For example, a sudden unexpected increase in claims or early surrender of policies results in an inability to pay customers in a timely manner without incurring excessive costs;
- insufficient liquid assets to cover severe operational losses;
- lack of suitable assets in the market results in an inability or decision not to match liabilities; and
- assets become unsaleable at fair values when market conditions deteriorate.

The Company holds sufficient liquid assets such that no capital is required and the risk is considered low. This is tested on a regular basis through a series of liquidity scenario testing and monitored through the appropriate governance channels.

C.5.1 Expected profit included in future premiums

The total amount of the expected profit included in future premiums is €20.8m as at 31 December 2024 (31 December 2023: €27.3m). There has been a decrease in expected future profit from Unit-Linked and Protection business owing to higher expense assumptions.

C.6 Operational Risk

This is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk. During 2024, the Company classified Operational Risks across the following main categories: Financial Reporting, Tax, Resilience, Financial Crime and Fraud Risk (internal and external), People, Regulatory Compliance, Legal and Model.

Each specific risk type will also have a specific set of controls to mitigate and manage it. Where a particular type of Operational Risk has been assessed as material each relevant control should be assessed and the overall control effectiveness for the risk is determined. Controls would be tested and where required actions plans would be put in place to improve their operation.

C.7 Other material risks

Within the Company's Risk Management Policy, a series of wider risks are also recognised. These include:

- Strategic Risk
- New Business Risk
- Group Risk and Majority Shareholder Risk; and
- Conduct and Reputational Risk

The Company does not specifically hold capital against these risks, but they are tested through the ORSA process and where appropriate specific scenarios are run in respect of the risks.

C.7.1 Strategic Risk

This is the risk to business plans and strategic objectives resulting from poor execution, inability to adapt to changes in external environment, or failure to meet stakeholder expectations. This could arise through:

- a decision by its parent company (and primary distributor) to cease writing business in the Company, thereby effectively closing to any new business;
- the business agrees a business plan that generates unsustainable financial, operational or customer conduct outcomes. This could involve new business volumes or persistency levels that do not produce the margins required to support an effective and compliant customer service;
- the making of business decisions or resource allocations that are sub-optimal or counter to the stated objectives of the Company and/or the Group; and
- the risk that the business will fail to identify and react appropriately to opportunities and/or threats arising from changes in the market.

Controls to manage and mitigate this risk include:

- the FRP (Financial Resource Planning) process is undertaken which sets out strategic plans for the business which is approved at Board and Group level;
- tracking against FRP to ensure that actual performance is in line with expectations;
- consideration of the financial outcomes of different strategic scenarios; and
- a robust product approvals process ensures that risks are duly considered and priced for appropriately.

The announcement of a strategic review on 11 September 2024 had an impact on various risks across HSBC Risk taxonomy.

C.7.2 New Business Risk

New business risk is observed when differences between expectation and plans emerge. This could arise through:

- insufficient volume of policy sales in order to cover costs leading to a strain on capital resources;
- a different mix of business is sold compared to the mix that was expected, which could result in the Company exhausting its free assets over time; and
- selling more policies than expected leading to a strain on capital resources.

Controls to manage and mitigate this risk are that new Business performance is measured weekly against the targets which core capital and operational planning are based on. Stress and scenario testing is used as a method of testing the impact of variances and actions agreed in the event of over or under performance, be that in total or in product segments.

C.7.3 Group Risk and Majority Shareholder Risk

Group risk relates to operating as an entity within a wider Group. This could arise through:

- Circumstances in which the intended arm's length nature of the Group relationship could be compromised or not operate as expected under stressed circumstances.
- A disproportionate rise in overheads which create either an immediate or prospective adverse capital impact reducing own funds.
- The Group impose decisions or requirements on the HSBC global insurance entities.

Controls to manage and mitigate this risk include:

- All transactions between the Company and the rest of the Group are treated as arm's length arrangements.
- The Company has its own Board of Directors (including Independent Non-Executives) who are ultimately responsible for decision making within the business.
- The Company is required to follow Group policies and practices. However, if these are not appropriate for the business given the nature, scale and complexity formal dispensations can be sought.
- There are agreements in place for services which are provided by the Group to the Company. These are updated and reviewed on a regular basis.

C.7.4 Conduct and Reputational Risk

Poor conduct with respect to customers leads to compensation and/or fines from the regulator along with reputational damage. This includes areas where the Company can apply discretion (e.g. the setting of bonus rates), in the design of products which are offered to customers, or where the Company has obligations to fulfil for customers. It can arise through:

- Mis-selling, which although is not a risk to the Company, or post sales misconduct occurs has a knock-on impact on the reputation of the Company.
- Post sales policy management, notably in areas where the customer has discretion (e.g. the setting of bonus rates).
- Regulators and regulatory bodies including the Financial Services Arbiter publicise adverse findings which damage HSBC reputation.
- Media or social media publicise adverse findings which damage HSBC reputation and/or industry reputation.

Controls to manage and mitigate this risk include:

- Conduct Risk Dashboard is produced on a periodic basis for business and risk forums to inform management of the key risks and actions being taken.
- Monitoring and assessment of sales quality checks.
- Literature being clear, transparent and meeting regulatory requirements.
- Adherence to the Product Approval Processes.
- Products are operated in line with the Policy Terms and Conditions and other communications.
- Insurance Product Reviews ("IPRs") are done to validate that the products remain relevant and continue to deliver fair customer outcomes.
- Investment performance is tracked against benchmarks.
- Where discretion can be applied, for example the application of bonuses to With-Profits customers, this must be applied in line with the expectations of customers which have been gained through pre and/or post-sale literature; and any approved policies which are in place within the Company. All proposals go through a robust governance process whereby these matters are discussed within the With-Profits Committee.

C.8 Stress testing and sensitivity analysis

The business undertakes a wide variety of stress and scenario testing on the Company's Economic Capital position to consider the breadth of risks covered in C.1 to C.6. While certain stress tests can be attributed to a specific risk type there are often occurrences where stresses or scenarios are applicable across a variety of risk types.

During 2024, the Company has conducted a series of scenario tests which are summarised below and are based on discussions which take place during internal scenario workshops. These scenarios were performed using an adjusted 30 June 2024 position as the base, considering the solvency over the planning horizon.

Under all scenarios, the Company results in a lower level of solvency over the projected period. The drivers for the movements differ based on the scenario circumstances. While the scenarios are extreme and are unlikely to play out in reality, the information should be used to make the management aware of the types of events that would impact the Company materially.

C.8.1 Business Environment

Given the current business environment, inflation continues to cause an increase in Company's expense levels and the cost of living can impact future new business volumes. Given Company's sensitivity to expenses a scenario was considered whereby there is 10% permanent increase in the level of expenses and at the same time there is a 30% reduction in new business volumes over 2025 and volumes for occupational pension Unit-Linked products zeroised throughout the projection. The assessment shows a 30% fall in Company's solvency ratio due to a significant increase in per policy expense assumption. In such a scenario the business will need to take significant action on future costs and grow new business simultaneously to improve the solvency position.

C.8.2 Reinsurer Default

The Company relies mainly on a single re-insurer to reinsure its Protection business. A scenario was considered whereby the reinsurer defaults with no recovery of the reinsurance asset. Given the Company expects to pay more in premiums to reinsurer in the future relative to the claim recoveries, the reinsurance is a liability on the balance sheet. In a scenario whereby the reinsurer defaults and there is no recovery, there will be an immediate improvement in Solvency ratio in the balance sheet

due to the elimination of the reinsurance liability. However, the Company will not have protection against claim volatility against higher-than-expected claims or large one-off claims. Reinsurance provides a risk mitigation, and therefore provides stability to the Solvency ratio and the P/L (profit or loss) movements. In addition, it also reduces liquidity risk, as a large volume of claims in a short period of time could result in liquidity issues.

C8.3 HSBC Group Internal Stress Test ("GIST")

The 2025 GIST scenarios involved two pathways:

i) Significant interest rate cuts happening in the near future owing to financial instability, banking crisis, heightened geopolitical tensions and falling inflation rates.

ii) A delay in interest rate cuts due to sticky inflation from supply chain disruptions and prolonged monetary tightening.

Under both pathways, while the solvency ratio fell below the Risk Appetite limit, it remained above the Risk Tolerance level, which means a capital injection was not required.

C.8.4 Sensitivity Testing

Sensitivity analysis assesses the impact of variations in experience. The aim of the analysis is to illustrate the sensitivity of the balance sheet to changes in different parameters. The stresses are applied as single-factor shocks on the current balance sheet, in contrast to the scenario analysis where interactions between risks are considered on the projected balance sheet.

Sensitivity of the current balance sheet to the following were performed:

Market Risks:

- Increase in interest rates. The stress applied was a flat 100bps increase in interest rates.
- Decrease in interest rates. The stress applied was a flat 100bps decrease in interest rates.
- A fall in the price of equities. The event considered is an immediate 20% fall in equity prices.
- A rise in the price of equities. The event considered is an immediate 20% rise in equity prices.
- A widening of credit spreads. The stress applied is 1% increase in the credit spread. A widening of the credit spread would depress bond values.

Life underwriting risks:

- A stress on lapse rates. The stress applied is an increase in lapse rates of 50% on product lines which are profitable and a decrease in lapse rates of 50% on product lines which are not profitable.
- An increase in mortality and morbidity rates. The stress applied is an increase by 50%.

In many cases, the stresses applied are similar to 1-in-200 levels. The information is used to make management aware of the types of events that would impact the Company materially and to plan appropriate management actions to support the company solvency.

Whilst there is a significant drop in solvency ratio for some sensitivities the solvency ratio stays above 100%.

The Company solvency position remains sensitive to the financial guarantees associated with the With-Profits business (A decision was made to stop selling new With-Profits business in 2021).

It is noted that some of the sensitivities are highly unlikely to materialise. For some of the market stresses, it may be likely that markets recover from a stress, and therefore the stress is not sustained.

C.8.5 Liquidity Testing

In addition to scenario testing of the solvency position, there is also scenario testing on the Company's liquidity position. The purpose is to test the Company's liquidity over a twelve-month period. It was analysed by conducting different stresses and comparing the resulting net cash flow against the available liquid assets. During the exercise, the following scenarios were used:

- Scenario 1: 1-month market wide stress - A one-month combined market wide and idiosyncratic (HSBC specific) scenario. The scenario considers a one-month situation where the market and customers significantly question the capital and liquidity position of HSBC relative to peers and where the market enters a period of extreme risk aversion and where these concerns abate after one month. The stress is expected to last for one month, with the market recovering over the next five months.
- Scenario 2: HSBC Specific Crisis. Loss of confidence in the Company due to financial difficulties in other parts of the Group which results in immediate lapses.
- Scenario 3: 12-month market wide stress - There is a significant slowdown in the global economy. Interest rates fall globally to restart faltering economies, equity markets fall, and immediate lapses occur.
- Scenario 4: With-Profits Reserves Stress Test - A reverse stress test has been performed to determine the maximum mass lapse shock that the With-Profits fund is able to withstand on day one based on the amount of liquid assets available in the With-Profits fund only, i.e. before the level of liquid assets fall below the amount required to meet policyholder obligations.
- Scenario 5: Large Claims – A stress test for large claims was conducted based on the top 5 policies with the largest sum assured to check if the current liquidity is able to withstand the claims.
- Scenario 6: Cyber Attack – A stress test to determine how many months HSBC would be able to continue making payments in the case of a cyber-attack on systems preventing premium collections was carried out.

The overall conclusion from the Liquidity Stress Testing is that the Company remains liquid through all the scenarios with the exception to the Cyber Attack Scenario which prevents the Company from collecting premium payments. The scenario showed that the company may only be able to sustain the first 12 months should they need to provide funds to cover premium payments into the respective funds for Unit-Linked and With-Profits policyholders. However, it is highly unlikely that in case of a cyber-event, it would prevent the Company from collecting premiums for 12 months without remediation of the issue earlier on.

C.9 Any other information

There is no other material information regarding risk profile that has not been disclosed in sections C.1 to C.8 above.

D. Valuation for Solvency Purposes

The Valuation for Solvency Purposes provides an overview and description of the Company balance sheet, and the methods and assumptions used in the valuation of Solvency II assets and liabilities.

D.1 Assets

The Solvency II valuation of each material class of asset is presented in Section D.1.1 below.

D.1.1 Bases, methods and main assumptions used in the valuation of the material classes of assets

D.1.1.1 Investments

The investments of the Company include the following financial asset classes:

(a) Investments other than assets held for Index-Linked and Unit-Linked funds include the following asset categories:

- government bonds;
- corporate bonds;
- listed equities; and
- investment funds.

(b) Assets held for Index-Linked and Unit-Linked funds include the following asset categories (grouped together and shown as *'Assets held for Index-Linked and Unit-Linked contracts'* in the Solvency II balance sheet):

- cash at bank;
- listed equities; and
- investment funds.

Investments in the Solvency II balance sheet are financial assets in terms of IFRS. All financial assets designated at fair value through profit or loss are managed, and their performance evaluated, on a fair value basis. 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 will source alternative market information to validate the financial instrument's fair value, with greater weight being placed on information that is more relevant and reliable. Further information on valuation of the assets using IFRS principles can be sourced from Note 3.8 "Financial instruments" of the Company's Audited Financial Statements for the year ended 31 December 2024.

As these assets are reported on a fair value basis in the IFRS financial statements, there are no adjustments required for Solvency II purposes, other than in relation to accrued interest. The Solvency II valuations include accrued interest receivable as at 31 December 2024, where applicable, whereas the accrued interest is classified with other assets in the IFRS financial statements.

There are no differences between the recognition and valuation bases for the assets and there have been no changes to the recognition and valuation bases for the assets.

As the assets are recognised and valued at fair value, the Company has not made any estimations, assumptions and judgements in this respect.

D.1.1.2 Reinsurance recoverable

Reinsurance recoverable represent the reinsurer's share of technical provisions and the valuation information is included in Section D.2 Technical Provisions below.

As the calculation of the reinsurance recoverable is based on the best estimate of future reinsurance claims less reinsurance premiums, the value of reinsurance recoverable is affected by the demographic and economic assumptions underlying the calculation of best estimate liabilities, particularly mortality, morbidity, lapse and interest rate assumptions. During 2024, lapse and morbidity assumptions have been revised to reflect expected future experience. The interest rate assumptions have changed in line with the risk-free yield curve issued by EIOPA.

When deriving these assumptions, some judgements are necessary, for example determining what period of experience to analyse data over, how to group the data, what credibility criteria to apply to the data, and what assumptions to make in the absence of appropriate data.

D.1.1.3 Receivables

Receivables include the following asset classes:

(a) Reinsurance receivables, and;
(b) Receivables (trade, not insurance).

Receivables in the Solvency II balance sheet are financial assets in terms of IFRS. These receivables are classified as loans and receivables which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company, upon initial recognition, designates as at fair value through profit or loss. Financial assets are initially measured at fair value plus transaction costs that are directly attributable to their acquisition. Receivables are stated after initial recognition at amortised cost less impairment losses. The carrying amount of loans and receivables, including insurance receivables, is a reasonable approximation of their fair value.

There are no differences between the recognition and valuation bases for the receivables and there have been no changes to the recognition and valuation bases for the receivables.

The Company has not made any estimations, assumptions and judgements in this respect.

D.1.1.4 Cash and cash equivalents

In the IFRS Financial Statements, cash and cash equivalents comprise cash balances and deposits with contractual maturity of less than three months. After initial recognition, cash equivalents are measured at amortised cost, which is considered to equate to fair value.

Within Solvency II Balance Sheet, cash and cash equivalents comprise of cash and on demand deposits. Cash pertaining to the Unit–Linked contracts are classified within Cash at Bank for the IFRS purposes and within Assets held for Index-Linked and Unit-Linked contract for Solvency purposes.

There are no differences between the value for the cash and cash equivalents and there has been no changes to the recognition and valuation bases for the cash and cash equivalents.

The Company has not made any estimations, assumptions and judgments in this respect.

D.1.1.5 Intangible Assets

The intangible assets comprise of computer software. In the Company's IFRS Balance Sheet, acquired computer software is capitalised based on 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 methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Intangible assets are not recognised for Solvency II purposes. There has been no difference in the recognition and valuation bases for the intangibles. The Company has not made any estimations, assumptions and judgements with respect to computer software.

The Company does not have any financial or operating leasing arrangements in place.

D.1.2 Material differences between the Solvency II and IFRS balance sheets

The table below shows the difference between the Solvency II and IFRS Balance Sheets:

Assets	Solvency II value €'000	IFRS value €'000	Difference €'000
Goodwill			
Deferred acquisition costs			
Intangible assets	**-**	**223**	**(223)**
Deferred tax assets	**-**	**277**	**(277)**
Pension benefit surplus	-	-	-
Property, plant & equipment held for own use	**7**	**7**	**-**
Investments (other than assets held for Index-Linked and Unit-Linked contracts)	**258,866**	**256,205**	**2,661**
Property (other than for own use)	-	-	-
Holdings in related undertakings, including participations	-	-	-
Equities	***6,919***	***6,919***	**-**
Equities - listed	*6,919*	*6,919*	-
Equities - unlisted	-	-	-
Bonds	***225,760***	***223,144***	***2,616***
Government Bonds	*131,293*	*129,900*	*1,393*
Corporate Bonds	*94,467*	*93,244*	*1,223*
Structured notes	-	-	-
Collateralised securities	-	-	-
Collective Investments Undertakings	***26,187***	***26,142***	***45***
Derivatives	-	-	-
Deposits other than cash equivalents	-	-	-
Other investments	-	-	-
Assets held for Index-Linked and Unit-Linked contracts	**462,549**	**458,744**	**3,805**
Loans and mortgages	-	-	-
Loans on policies	-	-	-
Loans and mortgages to individuals	-	-	-
Other loans and mortgages	-	-	-
Reinsurance recoverables from:	**(29,926)**	**2,912**	**(32,838)**
Non-life and health similar to non-life	-	-	-
Non-life excluding health	-	-	-
Health similar to non-life	-	-	-
Life and health similar to life, excluding Index-Linked and Unit-Linked	*(29,911)*	*2,912*	*(32,823)*
Health similar to life	-	-	-
Life excluding health and Index-Linked and Unit-Linked	*(29,911)*	*2,912*	*(32,823)*
Life Index-Linked and Unit-Linked	*(15)*	-	*(15)*
Deposits to cedants	-	-	-
Insurance and intermediaries receivables*	**-**	**59**	**(59)**
Reinsurance receivables	**4,377**	-	**4,377**
Receivables (trade, not insurance)	**2,746**	**2,348**	**398**
Own shares (held directly)	-	-	-
Amounts due in respect of own fund items or initial fund called up but not yet paid in	-	-	-
Cash and cash equivalents	**26,307**	**30,157**	**(3,850)**
Any other assets, not elsewhere shown	**-**	**3,616**	**(3,616)**
Total assets	**724,926**	**754,548**	**(29,622)**

*The IFRS receivable (Trade, not insurance) amount relates to the current tax assets amounting to €2,348,488.

In view that the Company adopts IFRS as its financial reporting standards, there are no material differences between the Solvency II and IFRS balance sheet except for the Solvency II adjustments outlined below.

(a) Intangible assets:

The IFRS accounts value represents computer software and under Solvency II, it has a nil value. Intangibles can only be recognised in the Solvency II balance sheet at a value other than nil if they can be sold separately and the Company can demonstrate that there is a value for the same or similar assets that has been derived from quoted market prices in active markets.

(b) Investments (other than assets held for Index-Linked and Unit-Linked contracts):

For Solvency II purposes, investment values include the balance of accrued interest income which is included in other assets in the financial statements. The reinsurance recoverable (also known as the reinsurers' share of technical provisions) in the Solvency II balance sheet differs materially from the IFRS accounts. While under IFRS valuation principles, the technical reserves for life business are recognised in line with IFRS 17, this approach is materially different from the '*Best estimate of Technical Provisions'* and *'Risk Margin'* approach as required under Solvency II, which is detailed in Section D.2 below.

In IFRS, the reinsurance recoverable includes the amount of claim receivable and the premiums payable to reinsurers as at year end. In the Solvency II balance sheet these are reclassified to Reinsurance Receivables and Reinsurance Payables respectively.

D.1.3 Off-Balance Sheet items

The Company does not have any off-balance sheet assets.

D.1.4 Valuation of other assets

As the Company does not provide any unlimited guarantees, the valuation of these assets is not required.

D.2 Technical provisions

D.2.1 Value of technical provisions and the bases, methods and main assumptions

D.2.1.1 Value of technical provisions

The table below shows the breakdown of the technical provisions by the Solvency II lines of business as at 31 December 2024:

Line of Business	Best Estimate Liability			Risk Margin	Total Net Technical Provisions
	Gross €'000	Reinsurance €'000	Net	€'000	€'000
Life (excluding Index-Linked and Unit-Linked)					
Protection	1,976	(29,911)	31,887	10,133	42,020
With-Profits	183,961	-	183,961	740	184,701
Index-Linked & Unit-Linked					
Index-Linked and Unit-Linked	439,438	(15)	439,453	6,747	446,200
Total	**625,375**	**(29,926)**	**655,301**	**17,620**	**672,921**

D.2.1.2 Methodology used to calculate the technical provisions

The methodology used to calculate the technical provisions is in line with the Commission Delegated Regulation (EU) 2015/35 ("Delegated Regulation").

The value of technical provisions is calculated as the sum of the Best Estimate of technical Provisions (also known as the Best Estimate Liability ("BEL") and Risk Margin ("RM"), as described in the following sections).

D.2.1.2.1 Best estimate of technical provisions

The approach taken to calculate the BEL is as follows:

The BEL is valued using a projection model on a policy-by-policy basis, with a provision for some homogeneous policy groupings being made outside the projection model due to these being less material.

Within the projection model, the expected future cash-flows for material items are projected for each policy for the duration of the policy. This includes items such as policyholder premiums, policyholder charges, policyholder claims from adverse events, maturity or surrender benefits, expenses and investment income.

The BEL is calculated on a gross of reinsurance basis as it is defined to exclude the risk mitigating effects from the reinsurance contracts. The cash flows relating to reinsurance (e.g. reinsurance premiums and claim recoveries) are used to calculate the reinsurance recoveries.

The cash-flow projections are based on a number of assumptions which are summarised below. In general,

- the economic assumptions are set on a market-consistent basis, and;
- the non-economic assumptions (e.g. demographic and expense assumptions) are set on a best estimate basis such that there is an equal probability that experience is more or less favourable than assumed. This corresponds to a probability-weighted average of future cash-flows.

For each policy, cash-flows are summed for each month and then discounted back to the valuation date using the risk-free yield curve published by EIOPA (as referred to in Article 44 of the Delegated Regulation) for the calculation of technical provisions.

D.2.1.2.2 Risk margin

The approach taken to calculate the Risk Margin ("RM") is outlined below.

The RM represents the amount that would theoretically have to be paid to another insurer (in addition to the BEL) to compensate them for taking over the insurance liabilities. It is based on the cost of capital held to support the risks which cannot be readily hedged.

The Delegated Regulation specifies that the RM should be calculated as the unhedgeable SCR (Solvency Capital Requirement) in all future years multiplied by 6% (the cost-of-capital rate prescribed by EIOPA) and discounted at the risk-free yield curve published by EIOPA. All risks are considered other than the market risk module in the calculation of the unhedgeable SCR.

The use of simplifications is allowed by the Delegated Regulation to estimate future unhedgeable SCRs, as a full calculation is not justified by the scale and complexity of the business. The following methodology has been adopted:

- the capital requirement for each risk sub-module that currently makes up the unhedgeable SCR is taken;

- the capital requirement for each risk in each future year is estimated using the current figure and appropriate risk drivers for scaling;
- the unhedgeable SCR is calculated at the end of the first year, and every following year by aggregating the capital requirements for each of the risks in line with the Standard Formula correlations (as used in the aggregation of the SCR);
- each year's SCR is multiplied by 6% to calculate the cost-of-capital in each future year; and
- the future cost-of-capital figures are then discounted back to the valuation date using the risk-free yield curve published by EIOPA to give the RM.

D.2.1.3 Assumptions used to calculate the technical provisions

The assumptions used in the cash-flow projections are as follows:

D.2.1.3.1 Economic assumptions

The economic assumptions used in the valuation basis are internally consistent and consistent with observable, reliable market data:

(a) Investment Return

The best estimate assumptions are set equal to the risk-free rates published by EIOPA quarterly.

(b) Expense Inflation

The market-consistent estimates of future inflation are derived from the French inflation curve adjusted for the average differences between inflation and Malta during the preceding 10 years and weighted by the expected salary inflation within the Company. This reflects the proportion of the Company's expenses due to salary costs.

(c) Reversionary Bonus rate

The level of future assumed reversionary bonuses varies in line with the change in the Investment Return assumption reflecting the 90:10 gate bonus philosophy and tax, where appropriate. As per the current bonus philosophy, the Company aims to distribute up to 50% of the 'Total distributable return' as reversionary bonus to ensure appropriate smoothing is maintained going forward. Where the 'Total distributable return' equals Expected return earned on the fund based on the Investment Return assumption above less shareholder's share of investment return (10%) less withholding tax.

(d) Discount Rates

The discount rates used are set equal to the risk-free rates published by EIOPA each month.

D.2.1.3.2 Demographic assumptions

The principal demographic assumptions underlying the calculation of the insurance technical provisions are:

1. Mortality

A base mortality table is selected which is most appropriate for each type of contract. The mortality rates reflected in this table are adjusted to calculate the best estimate of the mortality assumptions based on the investigations that have been performed on determining the Company's mortality experience, where this is credible.

2. Morbidity (Critical Illness)

An appropriate base table, based on the rate table produced by the Company's reinsurers, is selected for the Critical Illness contracts. The rates reflected in this table are adjusted to calculate the best

estimate of the morbidity assumptions based on the investigations that have been performed to determine the Company's morbidity experience, where this is credible.

3. Persistency

The Company's recent lapse experience is analysed for each major contract type and used to calculate the best estimate of the future persistency assumptions.

4. Renewal expenses

An investigation is performed to determine the current per policy renewal expenses and the appropriateness of this considering the in-force business volumes.

The Company holds additional Expense provisions as follows:

- A provision is held (as at 2023 and 2024) in relation to specific fixed and variable expenses on an investment portfolio that is in run-off. Judgements are taken in relation to the future management actions to reduce the fixed expenses in line with the run-off of the portfolio.
- A provision was also held for potential future expense shortfalls to allow for instances where the per-policy costs are forecasted to be higher than current assumptions. This provision is reliant on the run-off of the in-force book and achieving the new business sales plan. This provision was released during 2024 (See D.2.1.11).

D.2.1.3.3 Taxation

In 2024, a reassessment of the tax obligation estimates was performed on the With-Profits run-off portfolio, this resulted in a release of EUR4.3m of the tax provision on the IFRS17 basis which also had a favourable knock-on impact on the Solvency II balance sheet.

D.2.1.4 Level of uncertainty associated with the value of technical provisions

Uncertainty primarily relates to how future actual experience will differ from the best estimate assumptions used to calculate the technical provisions. The key assumptions are interest rates, lapse rates, mortality rates, morbidity rates and expenses. The assumptions are reviewed annually, except for the risk-free rates which are updated quarterly, to ensure continued suitability. Any limitations and expert judgements are logged and monitored.

The balance sheet is also affected by volatility in the financial markets, for example the equity and bond markets. Where assets held on the balance sheet are affected, this may increase the value of technical provisions due to the cost of covering guarantees on the With-Profits portfolio.

As further described in Note 4 to the Audited Financial statements, 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 and is sensitive to expense assumptions as disclosed in the aforementioned note. New estimates are made each subsequent year to reflect the current long-term outlook.

In 2024, the Financial Resource Plan (FRP) for the Company assumed a significant amount of new business volumes in future years considering the expected seismic shift in the occupational pensions business landscape in the country. However, the Company is highly sensitive to the risk of lower future new business volumes that can lead to future expense shortfalls. If pensions volumes are excluded from the business plan, there is a 10% adverse impact on the solvency ratio.

D.2.1.5 Material differences between the Solvency II and IFRS valuations

The financial statement for the Company is based on the same assumptions and methods as Solvency II with the following exceptions:

a) the non-attributable expenses are excluded from the fulfilment cash flows under IFRS17;
b) no technical provisions are held for investment business under IFRS17;
c) Risk Adjustment is calculated instead of Risk Margin; and
d) Future occupational pension volumes have been excluded for the purpose of expense overrun;

Noting the exceptions above, Solvency II technical provisions are calculated as the sum of the BEL, Cost of Guarantees (“CoG”) and RM. If the With-Profits fund is in surplus, the CoG reserve is held within the With-Profits fund and does not form part of the technical provisions. However, if the With-Profits fund is in deficit, the CoG is temporarily supported by the Company until the fund returns to surplus. Positive surplus was maintained during 2024.

D.2.1.6 Matching adjustment to the EIOPA risk-free interest rates

The Company does not apply the matching adjustment.

D.2.1.7 Volatility adjustment to the EIOPA risk-free interest rates

The Company does not apply the volatility adjustment.

D.2.1.8 Transitional risk-free interest rate-term structure

The Company does not apply the transitional risk-free interest rate-term.

D.2.1.9 Transitional deduction

The Company does not apply the transitional deduction.

D.2.1.10 Recoverable from reinsurance contracts and special purpose vehicles

The Company cedes 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 reinsurance recoverable is the present value of the excess of the expected future reinsurance recoveries over the expected future reinsurance premiums payable.

The Company does not have any special purpose vehicles in place.

D.2.1.11 Material changes in assumptions made in the calculation of technical provisions

During 2024, there were material changes to per policy expenses, including differentiating by product. The expense assumptions were updated in line with management's best estimates of the future cost basis.

The expense overrun provision as at 31 December 2023 was released in 2024 due to the expectation of higher future new business volumes from Unit-Linked employee pension plans. The higher future volumes eliminated the potential future shortfalls in instances where the per-policy costs are forecasted to be higher than current assumptions. This assumption is not permitted under IFRS17.

D.2.1.12 Off-Balance Sheet items

The Company does not have any off-balance sheet liabilities.

D.3 Other liabilities

The Solvency II valuation of each material class of liability is presented in section D.3.3 below.

D.3.1 Value of other liabilities, excluding technical provisions

The other liabilities of the Company other than technical provisions comprise the following items:

1. Deferred tax liabilities;
2. Payables; and
3. Provision other than technical provisions

D.3.2 Methods and assumptions used in the valuation of other liabilities, excluding technical provisions

D.3.2.1 Deferred tax liabilities

The deferred tax liabilities are recognised in the Financial Statements on the temporary differences between the carrying amounts of assets and liabilities in the IFRS balance sheet and the amounts attributed to such assets and liabilities for tax 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. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Section D.3.3.1 contains further information on the Solvency II (SII) valuation basis.

D.3.2.2 Payables

The payables of the Company comprise the following items:

(a) Insurance & intermediaries payables;
(b) Reinsurance payables; and
(c) Payables (trade, not insurance).

Payables are stated at amortised cost in the IFRS financial statements which is deemed to be a reasonable approximation of the fair value and thus no valuation adjustment is required for solvency purposes.

There has been no difference in the recognition and valuation bases for the other liabilities and there have been no changes to the recognition and valuation bases for the other liabilities. Certain balances have been reclassified in Solvency II balance sheet to conform with Solvency II classification requirements. These pertain to reinsurance payable, reclassified from Reinsurance Assets in the IFRS17 Balance Sheet to Reinsurance Payables in Solvency II Balance Sheet.

The Company has not made any estimations, assumptions and judgements in this respect.

There are no restrictions on, deductions from or encumbrances on the own funds of the Company.

D.3.2.3 Provision other than technical provisions

In note 16 of the 2024 audited financial statements, legal claims against the Company amounting to €50k (2023: €205k) is referenced. 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. A provision for 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.

The Company holds a provision in relation to an onerous contract which results from a closed investment product where related income is based on balances under management, whilst related costs are predominantly fixed. The provision for liabilities and charges represents an estimate of future losses and is substantially not current in nature. Provision for liabilities and charges are presented in Note 16 in the Audited Financial Statements.

This provision was classified within technical provisions in the Solvency II Balance Sheet and valued in accordance with Section D.2.

D.3.3 Material differences between the Solvency II and IFRS Balance Sheet

Liabilities	Solvency II value €'000	IFRS value €'000	Difference €'000
Technical provisions - non-life	-	-	-
Technical provisions - non-life (excluding health)			
TP calculated as a whole			
Best Estimate			
Risk margin			
Technical provisions - health (similar to non-life)	-	-	-
TP calculated as a whole			
Best Estimate			
Risk margin			
Technical provisions - life (excluding Index-Linked and Unit-Linked)	**196,810**	**241,811**	**(45,001)**
Technical provisions - health (similar to life)			
TP calculated as a whole			
Best Estimate			
Risk margin			
Technical provisions - life (excluding health and Index-Linked and Unit-Linked)	**196,810**	**241,811**	**(45,001)**
TP calculated as a whole	-	-	-
Best Estimate	*185,937*		*185,937*
Risk margin	*10,873*		*10,873*
Technical provisions - Index-Linked and Unit-Linked	**446,185**	**443,045**	**3,140**
TP calculated as a whole			
Best Estimate	*439,438*		*439,438*
Risk margin	*6,747*		*6,747*
Other technical provisions			
Contingent liabilities	-	-	-
Provisions other than technical provisions	**-**	**754**	**(754)**
Pension benefit obligations	-	-	-
Deposits from reinsurers	-	-	-
Deferred tax liabilities	**2,255**	**-**	**2,255**
Derivatives	-	-	-
Debts owed to credit institutions	**-**	**-**	**-**
Debts owed to credit institutions resident domestically			
Debts owed to credit institutions resident in the euro area other than domestic			
Debts owed to credit institutions resident in rest of the world			
Financial liabilities other than debts owed to credit institutions	**-**	**-**	**-**
Debts owed to non-credit institutions	**-**	**-**	**-**
Debts owed to non-credit institutions resident domestically			
Debts owed to non-credit institutions resident in the euro area other than domestic			
Debts owed to non-credit institutions resident in rest of the world			
Other financial liabilities (debt securities issued)			
Insurance & intermediaries payables	**10,520**	**7,653**	**2,867**
Reinsurance payables	**1,557**	**-**	**1,557**
Payables (trade, not insurance) *	**6,285**	**4,289**	**1,996**
Subordinated liabilities	-	-	-
Subordinated liabilities not in BOF	-	-	-
Subordinated liabilities in BOF	-	-	-
Any other liabilities, not elsewhere shown	**-**	**0**	**-**
Total liabilities	**663,612**	**697,552**	**(33,940)**

*The IFRS payable (trade, not insurance) amount includes the provision for current tax amounting to €4,289,024.

D.3.3.1 Deferred tax

Any adjustments made to the IFRS balance sheet for the purpose of Solvency II reporting should be considered for potential related deferred tax adjustments. The adjustments represent the tax effect of the valuation differences between the IFRS basis and the Solvency II basis namely the technical provisions, reinsurance and contractual service margin. 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.

D.4 Alternative methods for valuation

For Solvency II purposes, no alternative methods of valuation have been used to value the assets and liabilities aside from those described in the Section D.1.1 for the assets and Section D.2.1 for the liabilities.

D.5 Other information

IFRS 17 was adopted on 1 January 2023 and did not 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 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 introduced 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 of the IFRS Financial Statements.

E. Capital management

E.1 Own funds

E.1.1 Objectives, policies and processes employed for managing its own funds

The Company must hold a buffer over the SCR, for the following reasons:

(a) To enable it to write new business, that is to meet the development costs of new contracts and the capital requirements from writing new business; and
(b) To ensure solvency (without a need for capital injection) on an ongoing basis withstanding ordinary volatility in economic and non-economic experience, and in the event of mild stress scenarios.

The optimum level of capital buffer ensures that:

(a) A capital injection is not required over the planning time horizon with an acceptable confidence level; and
(b) Excess capital is not sitting with the Company reducing return on capital to the shareholders.

The Solvency Capital Requirement ("SCR") and Minimum Capital Requirement ("MCR") for the company is derived using EIOPA's Standard Formula for the assessment of all risks.

E.1.1.1 Triggers for reviewing the Capital Management Framework

If at any point there are material changes in the Solvency II reporting basis, or in the Company's strategy, or material deviations from the Financial Resources Plan ("FRP"), then dividends should be put on hold and this policy reviewed. It should also be reviewed and approved by the Board on an annual basis.

E.1.1.2 Capital planning period

The business' capital planning period is 5 years.

E.1.1.3 Material changes

There were no material changes in the objectives, policies and processes employed for managing own funds. As part of the Capital Management Framework annual review, the target capital level was updated in line with the business' 5-year plan.

E.1.2 Structure, amount and quality of own funds

The Company's Own Funds as at 31 December 2024 comprised only of Tier 1 Basic Own Funds, with no Ancillary Own Funds requiring regulatory approval.

The table below summarises the structure of the Company's basic own funds at 31 December 2024 and 2023 comparatives:

Basic own funds (Tier 1 and Tier 2)	2024 €'000	2023 €'000	Difference €'000
Ordinary share capital – Tier 1	27,961	27,961	-
Reconciliation reserve – Tier 1	33,353	29,484	3,869
Total – Excess of assets over liabilities	**61,314**	**57,445**	**3,869**

The Basic own funds have increased by €3.9m during the year versus a decrease of €4.4m in the prior year. The increase is mainly driven by shareholder investment returns, new business contribution, positive investment experience variance and a one-off release of €4.3m driven by a reassessment of the tax obligation estimate on the With-Profits run-off portfolio. These favourable impacts were

partially offset by adverse impacts from basis review changes mainly driven be expense assumption increase.

The analysis of change for each tier is summarised below:

E.1.2.1 Basic own funds

(a) Ordinary share capital (Tier 1)

The Company's ordinary share capital possesses the characteristics as prescribed in Article 71 of the Regulation to be classified as Tier 1 Basic Own Fund items under Solvency II.

There has been no change in the amount of ordinary share capital of the Company.

(b) Reconciliation reserve: Excess of assets over liabilities (Tier 1)

The reconciliation reserve consists of excess of assets over liabilities less ordinary share capital. The excess of assets over liabilities is considered to be free from encumbrances and any foreseeable liabilities and is readily available to absorb losses arising from adverse business fluctuations, both on a going-concern basis as well as in the case of winding-up and thus is classified as Tier 1 Basic Own Funds.

The reconciliation reserve arises from the difference in the valuation of the technical provisions and the reinsurance share of technical provisions (reinsurance recoverable) calculated under Solvency II and IFRS. The changes in the reconciliation reserve from the previous reporting period arises from the difference in the technical provisions and the reinsurance share of technical provisions from the previous reporting year.

The reconciliation reserve differs from retained earnings in terms of IFRS as a consequence of the difference between the Company's IFRS net assets and the Solvency II excess of assets over liabilities. The tables presented in Section D present the valuation differences for each material class of asset and liability.

E.1.3 Eligible own funds to cover the SCR and MCR

The table below summarises the Company's Eligible Own Funds used to cover the SCR and MCR at 31 December 2024 and 2023:

Eligible own funds	2024 €'000	2023 €'000	Difference €'000
Ordinary share capital – Tier 1	27,961	27,961	-
Reconciliation reserve – Tier 1	33,353	29,484	3,869
Excess of assets over liabilities	**61,314**	**57,445**	**3,869**
Solvency Capital Requirement (SCR)	**26,527**	**29,067**	**(2,540)**
Minimum Capital Requirement (MCR)	8,961	9,899	(938)
Ratio of Eligible own funds to SCR	**231%**	**198%**	**33%**
Ratio of Eligible own funds to MCR	684%	580%	104%

The Company's basic own fund items are all eligible to cover the SCR and MCR in view that they are Tier 1 Basic Own Fund items.

The FY2024 Solvency II ratio is reported at 231% compared to 198% last year and above Minimum Regulatory Capital requirement of 100% and HSBC risk appetite of 180%.

The 33% increase in solvency ratio is driven by shareholder investment returns, new business, positive experience variance and the one-off favourable impact from release of With-Profits tax provision on the IFRS17 basis which led to an increase in shareholder funds. These favourable impacts were partially offset by basis review expense assumption changes and unwind of the liabilities.

E.1.4 Material differences between Equity under IFRS and the Excess of assets over liabilities under Solvency II

E.1.4.1 Equity versus excess of assets over liabilities

The table below summarises the difference between the total shareholders' equity in the IFRS statutory accounts and the excess of assets over liabilities for solvency purposes at 31 December 2024 and 2023:

IFRS versus Solvency II	2024 €'000	2023 €'000	Difference €'000
Total shareholders' equity IFRS	56,998	47,506	9,492
Solvency II adjustments	4,316	9,939	(5,623)
Excess of assets over liabilities	**61,314**	**57,445**	**3,869**

In 2024, the excess assets over liabilities increased by €3.9m. Total assets under Solvency II increased by €23m mainly driven by the investment fair value gains over 2024. Total liabilities under Solvency II also increased year on year in the amount of €19m mainly driven by increases in Solvency II technical provisions.

Refer to Section D.1, D.2 and D.3 above for the material Solvency II adjustments that have been made.

E.1.5 Transitional arrangements

The Company has not applied any transitional arrangements.

E.1.6 Ancillary own funds

The Company does not currently have any ancillary own funds.

E.1.7 Significant restriction affecting the availability and transferability of own funds

The Company does not deduct any items from own funds and has no restrictions on the availability and transferability of its own funds as it is all Tier 1.

E.1.8 Own fund ratios

The Company does not disclose any ratios in addition to the SCR and MCR ratios presented in S.23.01.01 in Appendix 1.

E.1.9 Principal loss absorbency mechanism and trigger point

The principal loss absorbency mechanisms ("PLAM") and trigger point in terms of paragraph (1) (e) of Article 71 of the Delegated Regulations only applies to the following own funds items:

(a) paid-in subordinated mutual member accounts;
(b) paid-in preference shares and the related share premium account; and

(c) paid-in subordinated liabilities.

In view that the Company's strategy is to hold Tier 1 Basic Own Fund Items and does not make use of any of the own fund items listed above, the PLAM and related trigger points are not currently of significant importance.

E.1.10 Loss absorbing capacity of deferred tax

The loss absorbing capacity of deferred tax (LACDT) reduces the capital requirement for each risk. The reduction is estimated using the corporation tax rate of 35% and the gross of tax capital requirement for each risk. In 2021, a tax agreement was signed between the Company and its parent Company which gives the Company the ability to fully recognise the loss absorbing capacity of deferred taxes in the Solvency Capital Requirement calculation. As a result, the Company does not cap the LACDT at the amount that can be offset against past tax liabilities or current or future taxable profits against which it could utilise the tax losses.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

E.2.1 Solvency and Minimum Capital Requirement as at 31 December 2024

The SCR and MCR of the Company as at 31 December 2024 is presented in the table below:

	2024 €'000
SCR	26,527
MCR	8,961

There are no balances relating to the SCR and MCR which are currently under supervisory assessment.

E.2.1.1 Solvency Capital Requirement as at 31 December 2024 split by risk modules

The breakdown of the SCR by risk modules as calculated by the Standard Formula is presented in the table below:

Risk Module	2024 Net €'000	2023 Net €'000
Market Risk	15,035	17,332
Counterparty Default Risk	3,205	5,771
Life Underwriting Risk	31,983	33,486
Health Underwriting Risk		
Undiversified BSCR*	**29,149**	**56,589**
Diversification	(10,537)	(13,094)
BSCR	**39,686**	**43,495**
Operational Risk	1,125	1,225
SCR before the Loss absorbing capacity of deferred taxes	**40,811**	**44,720**
Loss absorbing capacity of deferred taxes	(14,284)	(15,653)
SCR after the Loss absorbing capacity of deferred taxes	**26,527**	**29,067**

**BSCR (Basic Solvency Capital Requirement)*

The breakdown of the risk capital is presented in section C, Risk Profile.

The Company does not use an internal model or undertaking-specific parameters to calculate the SCR.

Following the implementation of Group tax relief arrangement with Company's parent in 2021, the Company has authority for full recoverability of Loss Absorbing Capacity of Deferred Tax ("LACDT").

In 2024, the capital requirements reduced in comparison to the prior year. This was mainly due to lower lapse risk capital due to higher expense assumptions, lower equity risk capital due to higher surplus in With-Profits leading to lower guarantees biting under capital stresses and lower counterparty default risk capital due to lower exposure to cash at year-end position.

E.2.1.2 Simplified calculations used for standard formula

No simplifications have been used to calculate the SCR under the standard formula.

E.2.1.3 Undertaking- specific parameters used for standard formula calculations

No undertaking-specific parameters have been used to calculate the SCR under the standard formula calculations.

E.2.1.4 Capital add-on

The Company is not required to hold any additional regulatory capital add-on.

E.2.1.5 Minimum Capital Requirement inputs

The MCR is calculated using the method prescribed by the Solvency II EU Commission Delegated Regulations 2015/35. The inputs used in this calculation are detailed below:

(a) With-Profits obligations relating to the guaranteed benefits;
(b) With-Profits obligations relating to the discretionary benefits;
(c) Unit-Linked obligations;
(d) total Capital at risk for all life insurance obligations, after allowing for reinsurance;
(e) SCR; and
(f) earned premiums for WP and term assurance and expenses for Unit-Linked.

When applicable, the BEL for non-linked products is set to a minimum of zero in order to avoid reducing the MCR, in line with the EU Commission Delegated Regulations 2015/35.

E.2.1.6 Material change to the Solvency Capital Requirement and to the Minimum Capital Requirement

The table below summarised the SCR and MCR as at December 2024 and 2023:

	2024 €'000	2023 €'000
SCR	26,527	29,067
MCR	8,961	9,899

The table above shows that there has been a decrease in the SCR over the reporting period as detailed in E 2.1.

E.3 Use of the duration-based equity risk sub-module in the calculation of the solvency capital requirement

Duration-based equity risk sub-module has not been applied in the calculation of the SCR.

E.4 Difference between the standard formula and internal model used

The Company does not currently use an internal model to calculate the SCR.

E.5 Non-compliance with minimum capital and solvency capital requirements

The Company has complied with both the SCR and MCR during the year. The ORSA report also shows that the Company will continue to comply with the SCR and MCR through the business planning period.

E.6 Any other information

There is no other material information regarding the capital management that has not already been disclosed in sections E.1 to E.5 above.

F. Appendix I: Quantitative reporting templates ("QRTs")

(a) S.02.01.02 – Balance Sheet

(b) S.05.01.02 – Premiums, claims and expenses by line of business

(c) S.12.01.02 – Life Technical Provisions

(d) S.23.01.01 – Own Funds

(e) S.25.01.21 – Solvency Capital Requirement - for undertakings on Standard Formula

(f) S.28.01.01 – Minimum Capital Requirement

(a) S.02.01.02 – Balance Sheet

SE.02.01.16
Balance sheet

Assets	**Solvency II value**	**Statutory accounts value**	**Reclassification adjustments**
	C0010	C0020	EC0021
Goodwill			
Deferred acquisition costs			
Intangible assets		223	
Deferred tax assets		277	
Pension benefit surplus			
Property, plant & equipment held for own use	7	7	
Investments (other than assets held for index-linked and unit-linked contracts)	258,866	256,205	0
Property (other than for own use)	0		
Holdings in related undertakings, including participations	0		
Equities	6,919	6,919	0
Equities - listed	6,919	6,919	
Equities - unlisted			
Bonds	225,760	223,144	0
Government Bonds	131,293	129,900	
Corporate Bonds	94,467	93,244	
Structured notes	0		
Collateralised securities	0		
Collective Investments Undertakings	26,187	26,141	
Derivatives	0		
Deposits other than cash equivalents	0		
Other investments	0		
Assets held for index-linked and unit-linked contracts	462,549	458,744	
Loans and mortgages	0	0	0
Loans on policies			
Loans and mortgages to individuals			
Other loans and mortgages			
Reinsurance recoverables from:	-29,926	2,912	
Non-life and health similar to non-life	0	0	
Non-life excluding health	0		
Health similar to non-life	0		
Life and health similar to life, excluding index-linked and unit-linked	-29,911	2,912	
Health similar to life	0		
Life excluding health and index-linked and unit-linked	-29,911	2,912	
Life index-linked and unit-linked	-15		
Deposits to cedants	0		
Insurance and intermediaries receivables		59	
Reinsurance receivables	4,377		
Receivables (trade, not insurance)	2,746	2,348	
Own shares (held directly)			
Amounts due in respect of own fund items or initial fund called up but not yet paid in	0		
Cash and cash equivalents	26,306	30,157	
Any other assets, not elsewhere shown		3,616	
Total assets	724,926	754,548	0

	Solvency II value	Statutory accounts value	Reclassification adjustments
Liabilities	C0010	C0020	EC0021
Technical provisions - non-life	0	0	
Technical provisions - non-life (excluding health)	0		
TP calculated as a whole	0		
Best Estimate	0		
Risk margin	0		
Technical provisions - health (similar to non-life)	0		
TP calculated as a whole	0		
Best Estimate	0		
Risk margin	0		
Technical provisions - life (excluding index-linked and unit-linked)	196,810	241,811	
Technical provisions - health (similar to life)	0		
TP calculated as a whole	0		
Best Estimate	0		
Risk margin	0		
Technical provisions - life (excluding health and index-linked and unit-linked)	196,810	241,811	
TP calculated as a whole			
Best Estimate	185,937		
Risk margin	10,873		
Technical provisions - index-linked and unit-linked	446,185	443,045	
TP calculated as a whole			
Best Estimate	439,438		
Risk margin	6,748		
Other technical provisions			
Contingent liabilities	0		
Provisions other than technical provisions		754	
Pension benefit obligations			
Deposits from reinsurers			
Deferred tax liabilities	2,255		
Derivatives	0		
Debts owed to credit institutions	0		0
Debts owed to credit institutions resident domestically			
Debts owed to credit institutions resident in the euro area other than domestic			
Debts owed to credit institutions resident in rest of the world			
Financial liabilities other than debts owed to credit institutions	0		0
Debts owed to non-credit institutions	0		0
Debts owed to non-credit institutions resident domestically			
Debts owed to non-credit institutions resident in the euro area other than domestic			
Debts owed to non-credit institutions resident in rest of the world			
Other financial liabilities (debt securities issued)			
Insurance & intermediaries payables	10,520	7,653	
Reinsurance payables	1,557		
Payables (trade, not insurance)	6,285	4,289	
Subordinated liabilities	0	0	0
Non-negotiable instruments held by credit institutions resident domestically			
Non-negotiable instruments held by credit institutions resident in the euro area other than domestic			
Non-negotiable instruments held by credit institutions resident in rest of the world			
Non-negotiable instruments held by non-credit institutions resident domestically			
Non-negotiable instruments held by non-credit institutions resident in the euro area other than domestic			
Non-negotiable instruments held by non-credit institutions resident in rest of the world			
Subordinated liabilities not in BOF			
Subordinated liabilities in BOF	0		
Any other liabilities, not elsewhere shown		0	
Total liabilities	663,612	697,552	0
Excess of assets over liabilities	61,314	56,996	0

(b) S.05.01.02 – Premiums, claims and expenses by line of business

Life	Line of Business for: life insurance obligations			Total
	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	
	C0220	C0230	C0240	C0300
Premiums written				
Gross	8,015	35,504	14,307	57,826
Reinsurers' share			6,012	6,012
Net	8,015	35,504	8,295	51,814
Premiums earned				
Gross	8,015	35,504	14,307	57,826
Reinsurers' share			6,012	6,012
Net	8,015	35,504	8,295	51,814
Claims incurred				
Gross	36,892	39,774	5,653	82,318
Reinsurers' share	348	115	4,465	4,928
Net	36,544	39,659	1,188	77,391
Expenses incurred	1,005	1,526	4,120	6,651

(c) S.12.01.02 – Life Technical Provisions

S.12.01.01
Life and Health SLT Technical Provisions

	Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance					Total (Life other than health insurance, incl Unit-linked)
			Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees			Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life accepted insurance contracts and relating to insurance obligation other than health	
	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150
Technical provisions calculated as a whole									-					-
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole									-					-
Technical provisions calculated as a sum of BE and RM														
Best estimate														
Gross Best Estimate	183,961		439,438			1,976			0					625,375
Total recoverables from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterpa	0		0	0		0	0	0	0					0
Recoverables from reinsurance (except SPV and Finite Re) before adjustment for expected losses														0
Recoverables from SPV before adjustment for expected losses														0
Recoverables from Finite Re before adjustment for expected losses														0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default			-15			-29,911			0					-29,926
Best estimate minus recoverables from reinsurance/SPV and Finite Re	183,961		439,452	0		31,888	0	0	0					655,300
Risk margin	740	6,748			10,133				0					17,620
Amount of the transitional on Technical Provisions														
Technical Provisions calculated as a whole														0
Best estimate														0
Risk margin														0
Technical provisions - total	184,700	446,185			12,110			0	0					642,995
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	184,700	446,200			42,021			0	0					672,921
Best estimate of products with a surrender option	183,961	439,438												623,398
Gross BE for cash flow														
Cash out-flows														
Future guaranteed and discretionary benefits		691,639			102,636									1,016,180
Future guaranteed benefits	198,218													198,218
Future discretionary benefits	23,688													23,688
Future expenses and other cash out-flows	10,109	58,214			22,898									91,221
Cash in-flows														
Future premiums	34,146	301,221			120,497									455,863
Other cash in-flows	0	8,157			8									8,164
Percentage of gross Best Estimate calculated using approximations														
Surrender value	158,248	460,958			0									619,207
Best estimate subject to transitional of the interest rate														0
Technical provisions without transitional on interest rate														0
Best estimate subject to volatility adjustment														0
Technical provisions without volatility adjustment and without others transitional measures														0
Best estimate subject to matching adjustment														0
Technical provisions without matching adjustment and without all the others														0
Expected profits included in future premiums (EPIFP)	1,687	19,083			0									20,769

d) S.23.01.01 – Own Funds

S.23.01.01
Own Funds

Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
Ordinary share capital (gross of own shares)	27,961	27,961		-	
Share premium account related to ordinary share capital	0	0		-	
Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		-	
Subordinated mutual member accounts	0		-	-	-
Surplus funds	0	0			
Preference shares	0		-	-	-
Share premium account related to preference shares	0		-	-	-
Reconciliation reserve	33,354	33,354			
Subordinated liabilities	0		-	-	-
An amount equal to the value of net deferred tax assets	0				-
Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	-	-	-
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as	0				
Deductions					
Deductions for participations in financial and credit institutions	0	0	-	-	
Total basic own funds after deductions	61,314	61,314	-	-	-
Ancillary own funds					
Unpaid and uncalled ordinary share capital callable on demand	0				
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
Unpaid and uncalled preference shares callable on demand	0				
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
Other ancillary own funds	0				
Total ancillary own funds	0			-	-
Available and eligible own funds					
Total available own funds to meet the SCR	61,314	61,314	-	-	-
Total available own funds to meet the MCR	61,314	61,314	-	-	
Total eligible own funds to meet the SCR	61,314	61,314	-	-	-
Total eligible own funds to meet the MCR	61,314	61,314	-	-	
SCR	26,527				
MCR	8,961				
Ratio of Eligible own funds to SCR	231%				
Ratio of Eligible own funds to MCR	684%				

	Value
Reconciliation reserve	C0060
Excess of assets over liabilities	61,314
Own shares (held directly and indirectly)	0
Foreseeable dividends, distributions and charges	
Other basic own fund items	27,961
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring-fenced funds	0
Reconciliation reserve	33,354
Expected profits	
Expected profits included in future premiums (EPIFP) - Life business	20,769
Expected profits included in future premiums (EPIFP) - Non- life business	
Total Expected profits included in future premiums (EPIFP)	20,769

(e) S.25.01.21 – Solvency Capital Requirement - for undertakings on Standard Formula

S.25.01.01
Solvency Capital Requirement - for undertakings on Standard Formula

	Regular reporting				
	Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios	USP	Simplifications
	C0030	C0040	C0050	C0090	C0120
Market risk	15,035	30,950	0		
Counterparty default risk	3,205	3,205	0		
Life underwriting risk	31,983	31,983	0		
Health underwriting risk	0	0	0		
Non-life underwriting risk	0	0	0		
Diversification	-10,537	-15,277			
Intangible asset risk	0	0			
Basic Solvency Capital Requirement	39,686	50,861			

Calculation of Solvency Capital Requirement	C0100
Adjustment due to RFF/MAP nSCR aggregation	
Operational risk	1,125
Loss-absorbing capacity of technical provisions	-11,175
Loss-absorbing capacity of deferred taxes	-14,284
Capital requirement for business operated in accordance with Art. 4 of Directive	
Solvency Capital Requirement excluding capital add-on	26,527
Capital add-ons already set	0
of which, capital add-ons already set - Article 37 (1) Type a	
of which, capital add-ons already set - Article 37 (1) Type b	
of which, capital add-ons already set - Article 37 (1) Type c	
of which, capital add-ons already set - Article 37 (1) Type d	
Solvency capital requirement	26,527
Other information on SCR	
Capital requirement for duration-based equity risk sub-module	
Total amount of Notional Solvency Capital Requirements for remaining part	
Total amount of Notional Solvency Capital Requirements for ring-fenced funds	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	
Diversification effects due to RFF nSCR aggregation for article 304	
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	No adjustment
Net future discretionary benefits	11,175

Approach to tax rate	C0109
Approach based on average tax rate	Yes

Calculation of loss absorbing capacity of deferred taxes	Before the shock	After the shock	LAC DT
	C0110	C0120	C0130
DTA	0		
DTA carry forward			
DTA due to deductible temporary differences			
DTL	2,255		
LAC DT			-14,284
LAC DT justified by reversion of deferred tax liabilities			-14,284
LAC DT justified by reference to probable future taxable economic profit			
LAC DT justified by carry back, current year			
LAC DT justified by carry back, future years			
Maximum LAC DT			

(f) S.28.01.01 – Minimum Capital Requirement

S.28.01.01
Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obli	C0010
MCR_{NL} Result	0

	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
	C0020	C0030
Medical expense insurance and proportional reinsurance	0	
Income protection insurance and proportional reinsurance	0	
Workers' compensation insurance and proportional reinsurance	0	
Motor vehicle liability insurance and proportional reinsurance	0	
Other motor insurance and proportional reinsurance	0	
Marine, aviation and transport insurance and proportional reinsurance	0	
Fire and other damage to property insurance and proportional reinsurance	0	
General liability insurance and proportional reinsurance	0	
Credit and suretyship insurance and proportional reinsurance	0	
Legal expenses insurance and proportional reinsurance	0	
Assistance and proportional reinsurance	0	
Miscellaneous financial loss insurance and proportional reinsurance	0	
Non-proportional health reinsurance	0	
Non-proportional casualty reinsurance	0	
Non-proportional marine, aviation and transport reinsurance	0	
Non-proportional property reinsurance	0	

Linear formula component for life insurance and reinsurance obligatio	C0040
MCR_{L} Result	8,961

	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
	C0050	C0060
Obligations with profit participation - guaranteed benefits	160,197	
Obligations with profit participation - future discretionary benefits	23,763	
Index-linked and unit-linked insurance obligations	439,452	
Other life (re)insurance and health (re)insurance obligations	31,888	
Total capital at risk for all life (re)insurance obligations		747,617

Overall MCR calculation	C0070
Linear MCR	8,961
SCR	26,527
MCR cap	11,937
MCR floor	6,632
Combined MCR	8,961
Absolute floor of the MCR	4,000
Minimum Capital Requirement	8,961