

RCI Insurance Limited

Annual Report and Financial Statements for the year ended

31 December 2023

Company Registration Number: C45786

Contents

	Pages
Directors' Report	2 - 3
Statement of Directors' Responsibilities for the financial statements	4
Statement of Profit and Loss	5-6
Statement of Comprehensive Income	7
Statement of Changes in Equity	8
Statement of Financial Position	9
Statement of Cash Flows	10
Notes to the Financial Statements	11 - 52
Independent Auditor's Report	

Directors' Report

The Directors present the annual report and the audited financial statements of RCI Insurance Limited (the "Company") for the year ended 31 December 2023.

Principal activities

The Company's principal activity is that of carrying on business of insurance and reinsurance falling within Classes 1, 2 and 16 of the Insurance Business Act, Cap.403 of the Laws of Malta.

Review of the business

This is the fourteenth year of operation of the Company, with the Company writing direct insurance business in Germany, France, Italy, Spain, Romania, Austria and Portugal. The Company also writes business of reinsurance in France and Germany and from this year also in Italy.

During the year ended 31 December 2023 the Company wrote a total net insurance service result of €122,529,171 up by 19% compared to that written during 2022 at €102,705,633. This is the first presentation of the results following the transition from IFRS4 to IFRS7, which as is explained in more detail in Note 2.2 has created an impact on the figures as from this year.

The Company's net investment income increased by 788% to €6,102,026 in 2023 (2022: increased by 66% to €686,854).

The total profit for the year after tax amounted to € 83,637,501 (2022 re-stated: €67,205,116). The increase in profitability is mainly attributable to the factors explained above.

The Shareholders' Funds of the Company at €195,095,480 (2022 re-stated: €175,283,217) increased by 12.10% (2022: 20.20%) resulting from better profit after tax registered during the year under review and a further capital contribution of €8,453,275 made during the year 2023 (2022: €8,928,334).

As of 1 January 2016, the Solvency II Directive (2009/138/EC) came into force with new regulatory requirements that ascertain the level of capital required on the basis of the risks the Company undertakes. Solvency II also outlines how the own funds shall be derived by converting the Statement of Financial Position from an IFRS perspective to one where assets and liabilities are measured in line with their underlying economic value. As from this date, the solvency calculations under Solvency I regime are no longer applicable.

Based on the audited Solvency Capital Requirements ("SCR") calculations as at 31 December 2023, the Company has complied with the capital and solvency requirements as stipulated in the rules issued by the MFSA. Going forward, the Company is also expected to continue meeting the Solvency II requirements, based on the projected SCR calculations included in the 2023 Own Risk and Solvency Assessment ("ORSA") report.

Principal risks

The Company is exposed to a mixed blend of risks and hence operates a risk management strategy with the objective of controlling and minimising their impact on the financial performance and position of the Company.

An established risk governance framework and ownership structure ensures oversight of accountability for the effective management of risk. In line with the Solvency II framework, the Company's risk management framework fosters the continuous monitoring of the risk environment and an integrated evaluation of risks and their interactions.

The Company's risk management framework is designed to provide appropriate risk monitoring and assessment. Specifically, the Company's main risks are insurance risk, credit risk, market risk and liquidity risk. A detailed review of the risk management policies employed by the Company are disclosed in Note 18. While disclosures relating to exposures to insurance risk, credit risk, liquidity risk and market risk are included in Note 19. These are also supplemented by Note 2.5 relating to the material accounting policies.

Directors' Report- continued

Future developments

The Board has considered the Company's operational performance and position as at year end, as well as business plans for the upcoming years. In line with this, the Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, in preparing the financial statements, the Board continues to adopt the going concern basis in preparing the financial statements.

Post balance sheet events

There were no important events or transactions which took place after the financial reporting date which would require disclosure or adjustment to the financial statements.

Results and dividends

The results for the year are set out in the Profit and Loss on pages 5 and 6. During the year, the Board declared and paid out an interim dividend of €76,847,995 (2022: €74,072,773). The Directors do not recommend the payment of a final dividend.

Directors

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

Mr Patrick Claude
Mr Thomas Groleau
Mr John Bonett
Mr Pierre Yves Francois Philippe Beaufile (resigned on 26th February 2024)

Auditors

At the 2023 Annual General Meeting, a resolution was presented proposing the appointment of Mazars Malta as Auditors as from the financial year ending 31 December 2023. The Directors take the opportunity to express their gratitude to Mazars Malta for their service to the Company and the Shareholders.

By order of the Board



Thomas Groleau
Director



Patrick Claude
Director

Registered office
Level 3, Mercury Tower,
The Exchange Financial and Business Centre,
Triq Elia Zammit,
St.Julians, STJ 3155
Malta

19th April 2024

Statement of Directors' Responsibilities for the financial statements

The Directors are required by the Companies Act (Cap. 386 of the Laws of Malta) and the Insurance Business Act (Cap. 403 of the Laws of Malta) to prepare financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the EU, which give a true and fair view of the state of affairs of the Company at the end of each financial year and of the profit or loss of the Company for the year then ended. In preparing the financial statements, the Directors should:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable;
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business as a going concern;
- account for income and charges relating to the accounting year on the accruals basis;
- value separately the components of asset and liability items; and
- report comparative figures corresponding to those of the preceding accounting year.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and which enable the Directors to ensure that the financial statements comply with the Companies Act (Cap. 386 of the Laws of Malta) and the Insurance Business Act (Cap. 403 of the Laws of Malta). This responsibility includes designing, implementing and maintaining such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Directors are also responsible for safeguarding the assets of the Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of Profit and Loss

	Year ended 31 December	
	2023 €	2022 - restated €
CSM recognized for services provided	112,750,488	109,904,922
Change in risk adjustment for non-financial risk for risk expired	903,770	1,156,944
Expected insurance service expenses incurred:	26,839,866	25,341,016
<i>Claims</i>	<i>17,676,505</i>	<i>15,867,249</i>
<i>Expenses</i>	<i>9,163,361</i>	<i>9,473,767</i>
Recovery of insurance acquisition cash flows	50,307,525	50,016,817
TOTAL INSURANCE REVENUE	190,801,649	186,419,699
Incurred insurance service expenses:	(28,907,401)	(34,263,196)
<i>Claims</i>	<i>(18,305,496)</i>	<i>(24,095,419)</i>
<i>Expenses</i>	<i>(10,716,799)</i>	<i>(10,856,747)</i>
<i>Other movements related to current service</i>	<i>114,894</i>	<i>688,970</i>
Amortisation of insurance acquisition cash flows	(50,307,525)	(50,016,817)
Changes that relate to past service:	16,690,895	101,546
<i>Changes in estimates in LIC fulfilment cash flows</i>	<i>19,765,264</i>	<i>(1,340,689)</i>
<i>Experience adjustments in claims and other insurance service expenses in LIC</i>	<i>(3,074,369)</i>	<i>1,442,235</i>
Changes that relate to future service:	(299,705)	(671,307)
<i>Losses and reversal of losses on onerous contracts - subsequent measurement</i>	<i>(299,705)</i>	<i>(671,307)</i>
TOTAL INSURANCE SERVICE EXPENSES	(62,823,737)	(84,849,774)
Net Expenses from Reinsurance Contracts:		
Allocation of the premiums paid	(2,122,031)	(1,670,201)
Amounts recovered from reinsurance:	(2,601,487)	2,659,140
Incurred insurance service expenses:	1,761,352	3,073,038
<i>Claims</i>	<i>1,769,621</i>	<i>3,126,255</i>
<i>Other movements related to current service</i>	<i>(8,269)</i>	<i>(53,217)</i>
Changes that relate to past service (changes in fulfilment cash flows re LIC):	(4,362,839)	(413,898)
<i>Changes in estimates in LIC fulfilment cash flows</i>	<i>(4,971,821)</i>	<i>(658,824)</i>
<i>Experience adjustments in claims and other insurance service expenses in LIC</i>	<i>608,982</i>	<i>244,926</i>
Total net expenses from reinsurance contracts	(4,723,518)	988,940
INSURANCE SERVICE RESULT	123,254,394	102,558,865

Statement of Profit and Loss - continued

	Year ended 31 December	
	2023	2022 - restated
Notes	€	€
INSURANCE SERVICE RESULT - continued	123,254,394	102,558,865
Insurance finance income or expenses from insurance contracts issued	(804,059)	67,076
<i>Interest accreted on the carrying amount of the CSM</i>	<i>(3,407,234)</i>	<i>802,528</i>
<i>Interest accreted on present value cash flows</i>	<i>2,710,438</i>	<i>(738,856)</i>
<i>Interest accreted on risk adjustment</i>	<i>(92,136)</i>	<i>3,404</i>
The effect of financial risk and changes in financial risk	(15,127)	-
Total Insurance Finance Income or Expense from Insurance Contracts	(804,059)	67,076
Insurance finance income or expenses from reinsurance contracts issued	78,836	79,691
<i>Interest accreted on the carrying amount of the CSM</i>	<i>2,167</i>	<i>744</i>
<i>Interest accreted on present value cash flows</i>	<i>67,034</i>	<i>76,178</i>
<i>Interest accreted on risk adjustment</i>	<i>9,753</i>	<i>2,769</i>
The effect of financial risk and changes in financial risk	(117)	-
Total Insurance Finance Income or Expense from Reinsurance Contracts	(725,223)	146,767
NET FINANCIAL RESULT	(725,223)	146,767
NET INSURANCE SERVICE RESULT (EXCLUDING INVESTMENT RETURN)	122,529,171	102,705,632
NET INVESTMENT INCOME	15 6,102,026	686,854
PROFIT BEFORE TAX	128,631,197	103,392,486
INCOME TAX EXPENSE	18 (44,993,696)	(36,187,370)
PROFIT FOR THE FINANCIAL YEAR	83,637,501	67,205,116

The accompanying accounting policies and explanatory notes on pages 11 to 52 form an integral part of the financial statements.

Statement of Comprehensive Income

	Year ended 31 December	
	2023 €	2022 - restated €
PROFIT FOR THE FINANCIAL YEAR (page 6)	83,637,501	67,205,116
OTHER COMPREHENSIVE INCOME		
Net gain on investments in debt securities measured at FVOCI	2,648,025	(5,364,780)
Finance expenses from insurance contracts issued	4,133,017	(7,369,323)
Finance income from reinsurance contracts issued	249,147	(638,712)
Income tax relating to these items above	(2,460,566)	4,680,483
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	4,569,623	(8,692,332)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR TO ORDINARY SHAREHOLDERS	88,207,124	58,512,784

The accompanying accounting policies and explanatory notes on pages 11 to 52 form an integral part of the financial statements.

Statement of Changes in Equity

	Share Capital	Retained Earnings	Capital Contribution Reserve	Other Reserves	Total Equity
	€	€	€	€	€
Shareholders equity as at 1 January 2022	4,000,000	90,515,523	51,331,326	(20,689)	145,826,160
Adjustment on initial application of IFRS17, net of tax	-	36,088,708	-	-	36,088,708
Shareholders equity as at 1 January 2022, restated	4,000,000	126,604,231	51,331,326	(20,689)	181,914,868
Profit for the year	-	67,205,116	-	-	67,205,116
Other comprehensive income	-	-	-	(8,692,332)	(8,692,332)
Dividends paid	-	(74,072,773)	-	-	(74,072,773)
Capital contribution	-	-	8,928,334	-	8,928,334
	4,000,000	119,736,574	60,259,660	(8,713,021)	175,283,213
Re-stated Closing Balance – 31 December 2022	4,000,000	119,736,574	60,259,660	(8,713,021)	175,283,213
Profit for the year	-	83,637,501	-	-	83,637,501
Other comprehensive income	-	-	-	4,569,623	4,569,623
Dividends paid	-	(76,847,995)	-	-	(76,847,995)
Capital contribution	-	-	8,453,275	-	8,453,275
Closing Balance - 31 December 2023	4,000,000	126,526,080	68,712,935	(4,143,398)	195,095,617

The accompanying accounting policies and explanatory notes on pages 11 to 52 form an integral part of the financial statements.

Statement of Financial Position

		As at 31 December	As at 31 December	As at 1 January
	Notes	2023	2022 - restated	2022 - restated
		€	€	€
ASSETS				
Cash and cash equivalents	3	117,640,000	78,988,978	83,642,274
Financial investments	4	102,463,844	91,202,768	72,805,579
Loans and receivables	5	81,500,000	79,000,000	88,000,000
Reinsurance contract assets	6	22,026,910	12,020,721	16,716,151
Insurance and other receivables	8	42,669,232	46,376,041	41,495,412
Deferred tax asset	9	2,403,552	4,836,756	104,862
Property, plant and equipment	10	1,759	4,391	18,973
Total assets		368,705,297	312,429,655	302,783,251
EQUITY				
Capital and reserves attributable to shareholders				
Share capital	11	4,000,000	4,000,000	4,000,000
Capital contribution	12	68,712,935	60,259,660	51,331,326
Other reserves	13	(4,143,398)	(8,713,021)	(20,689)
Retained earnings		126,526,080	119,736,574	126,604,231
Total equity		195,095,617	175,283,213	181,914,868
LIABILITIES				
Current income tax liabilities		59,260,988	41,429,576	40,091,334
Insurance and other payables	14	49,904,822	32,299,835	35,072,585
Insurance contract liabilities	7	64,443,870	49,176,962	26,272,083
Deferred tax liabilities	9	-	14,240,069	19,432,381
Total liabilities		173,609,680	137,146,442	120,868,383
Total equity and liabilities		368,705,297	312,429,655	302,783,251

The accounting policies and explanatory notes on pages 11 to 52 form an integral part of the financial statements.

The financial statements on pages 5 to 52 were authorised for issue by the Board on 19th April 2024 and were signed on its behalf by:



Thomas Groleau
Director



Patrick Claude
Director

Statement of Cash Flows

	Notes	Year ended 31 December	
		2023	2022 - restated
		€	€
Operating activities			
Cash generated from operating activities	21	153,210,019	114,366,709
Interest received		6,325,707	1,796,172
Taxation paid		(41,429,576)	(40,092,839)
Net cash from operating activities		118,106,150	76,070,042
Investing activities			
Purchase of financial investments		(50,460,408)	(70,488,899)
Redemption of financial investments on maturity		39,400,000	54,910,000
Net cash used in investing activities		(11,060,408)	(15,578,899)
Financing activities			
Dividends paid	24	(76,847,995)	(74,072,773)
Capital Contribution paid	12	8,453,275	8,928,334
Net cash used in financing activities		(68,394,720)	(65,144,439)
Net movement in cash and cash equivalents		38,651,022	3,354,722
Cash and cash equivalents - Beginning of year		78,988,978	83,642,274
Cash and cash equivalents - End of year	3	117,640,000	78,988,978

The accounting policies and explanatory notes on pages 11 to 52 form an integral part of the financial statements.

Notes to the Financial Statements

1. Corporate information

RCI Insurance Limited (the "Company") is a limited liability company incorporated and domiciled in Malta. The Company's principal activity is that of carrying on business of insurance and reinsurance falling within Classes 1, 2 and 16 of the Insurance Business Act, Cap.403 of the Laws of Malta.

The registered office of the Company is Level 3, Mercury Tower, The Exchange Financial and Business Centre, Triq Elia Zammit, St. Julians, Malta. The financial statements of RCI Insurance Limited for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the Directors on 19th April 2024.

RCI Insurance Limited is a wholly owned subsidiary of RCI Services Limited which is registered at Level 3, Mercury Tower, The Exchange Financial and Business Centre, Triq Elia Zammit, St. Julians, Malta. The ultimate parent company of RCI Insurance Limited is Renault S.A. which is registered at 13, Quai Alphonse Le Galló, Boulogne Billancourt, Hauts De Seine, France 92100.

2.1 Basis of preparation

The financial statements have been prepared on a historic cost basis except for financial investments that have been measured at fair value.

Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union, the Insurance Business Act and the Maltese Companies Act, Cap 403 and 386 of the Laws of Malta respectively.

The Company presents its Statement of Financial Position broadly in order of liquidity. An analysis regarding recovery or settlement within twelve months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented within the notes to the financial statements.

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses will not be offset in the Income Statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

2.2 Main IFRS requirements adopted on January 1, 2023

IFRS17 – Insurance Contracts

Published on May 18, 2017 and amended by the amendments of June 25, 2020, sets out the principles of recognition, evaluation, presentation and information to be provided for insurance contracts. It replaces the IFRS 4 standard - Insurance contracts and is applicable from January 1, 2023. It should be noted that RCI Insurance had not retained the proposed exemption from application of the IFRS9 standard and was already applying the IFRS 9 standard since January 1, 2018. The introduction of IFRS17 therefore leads to the discontinuation of the overlay approach previously applied.

Implementation at RCI Malta

IFRS 17 mainly applies within the group to insurance contracts issued and reinsurance treaties issued and/or held by the group's insurance companies. Given the nature of insurance and reinsurance portfolios - contracts lasting more than 1 year with a non-linear risk profile - their technical provisions are evaluated according to the general measurement model "GMM" (known as the "building blocks approach") including:

- (1) estimates of future cash flows discounted and weighted by their probability of realization ("PV FCF"),
- (2) an adjustment for non-financial risk ("RA") and,
- (3) the contractual service margin ("CSM").

There is no participatory contract in the RCI Malta portfolio justifying the application of the "VFA - Variable Fee Approach" model. No contract is evaluated according to the "PAA - Premium allocation Approach" model, too.

2.2 Main IFRS requirements adopted on January 1, 2023 – continued

The margin on contractual services ("CSM") will be recognized in the income statement based on the coverage units provided over the period → "Coverage Units pattern". A unit of coverage is the quantity of coverage provided by the contracts in the group, determined by considering for each contract the quantity of the benefits provided under a contract and its expected coverage period. No onerous contracts have been identified by the group as part of the transition.

Annual contract cohorts

In accordance with the standard, technical provisions are evaluated by homogeneous groups of contracts by grouping into annual cohorts based on:

- contracts carrying similar risks and managed together;
- and part of the same profitability group.

The insurance portfolio does not present a cohort of onerous contracts at the date of transition.

Cash flow (BE – Best Estimate)

The estimate of future cash flows from insurance portfolios are obtained by projecting annual cohorts of contracts according to models which reflect "the behavior" of insurance contracts. These projection models are based on the same foundations as those used for Solvency II calculations. These models were the subject of an external review in 2023.

Risk Adjustment (RA)

The non-financial risk adjustment is determined to compensate for the uncertainty inherent in the amounts and timing of projected cash flows. It is based on the observed distribution of the frequency of claims, representing the main risk factor of the insurance portfolio and is calibrated on quantile of 90% (80% of confidence interval), consistent with the risk appetite rules and the benchmark of companies with the similar product portfolio. The risk adjustment is amortized according to the same profile as the "CSM".

Contractual Service Margin (CSM)

The contractual service margin represents the part of the profits made on the insurance contracts taken out, which will be deferred and progressively carried forward to income statement over the estimated life of the insurance contracts. It is defined when contracts are taken out and evolves during the life of the contracts depending on differences in experience and hypotheses with what was originally expected.

Cover units

The coverage units make it possible to measure the risk coverage periods for revenue recognition (CSM). These coverage units are based on the risk profile of the annual cohorts of contracts by considering the profile of the Sum-at-Risk. Risk adjustment is also recognized according to the same profile.

Discount rate

The discount rates are defined using the "bottom-up" method to which an illiquidity premium is added on top of the risk-free rate curve defined by EIOPA. Illiquidity premium has been derived from Market price curve by using Merton-structural credit risk model & CoC adjustment for removing the "expected" default probability & credit risk premia for (un-)expected losses ("top-down approach").

OCI option

The effect of financial risk and changes in financial risk, due to the differences between locked-in and discount rates of the reporting period, has been reported through Equity – Other Comprehensive Income in Balance Sheet.

Treatment of internal margins

The treatment of internal margins corresponds only to the restatement of distribution commissions paid by the group's insurance companies to the group's subsidiaries.

Relevant accounting estimates

All the underlying technical assumptions for calculating future cash flows from insurance portfolios are defined based on statistical studies on portfolio data and represent the best estimate of these elements at the calculation date.

The financial assumptions are based on data provided by the regulator and market data retained by the group.

The adoption of IFRS17 results in significant accounting changes, with an impact on RCI Insurance's balance sheet, profit and loss and other comprehensive income. The nature and effects of these changes are summarized below.

2.2 Main IFRS requirements adopted on January 1, 2023 - continued

Impacts of adoption of IFRS17 at the transition date (January 1, 2022)

The restated balance sheet as at January 1, 2022, compared to the balance sheet as at December 31, 2021 as published, highlights the following impacts of IFRS17 at transition date:

	December 31, 2021 (published) €	January 1, 2022 (restated) €	Impact of the restatement €
ASSETS			
Equipment	18,973	18,973	-
Deferred acquisition costs	51,467,900	-	51,467,900
Loans and receivables	88,000,000	88,000,000	-
Financial investments	72,805,579	72,805,579	-
Deferred tax asset	104,862	104,862	-
Reinsurer's share of technical provisions	30,446,677	-	30,446,677
Reinsurance contract assets	-	16,716,151	(16,716,151)
Insurance and other receivables	41,495,412	41,495,412	-
Cash and cash equivalents	83,642,274	83,642,274	-
TOTAL ASSETS	367,981,677	302,783,251	65,198,426
EQUITY			
Capital and reserves attributable to shareholders			
Share capital	4,000,000	4,000,000	-
Capital contribution	51,331,326	51,331,326	-
Other reserves	(20,689)	(20,689)	-
Retained earnings	90,515,523	126,604,231	36,088,708
TOTAL EQUITY	145,826,160	181,914,868	36,088,708
LIABILITIES			
Technical provisions	139,942,361	-	(139,942,361)
Deferred revenue	10,131,387	-	(10,131,387)
Insurance contract liabilities	-	26,272,083	26,272,083
Deferred tax liabilities upon transition	-	19,432,381	19,432,381
Insurance and other payables	31,990,435	35,072,585	(3,082,150)
Current tax liabilities	40,091,334	40,091,334	-
TOTAL LIABILITIES	222,155,517	120,868,383	101,287,134
TOTAL EQUITY AND LIABILITIES	367,981,677	302,783,251	65,198,426

Overall Profitability IFRS17 vs. IFRS4 – Comparison as of FY2022

Overall profitability is likely to be very similar under the current and previous IFRS4 approach. However, the timing would differ under the two approaches.

As of FY2021, more rapid recognition of past profits has been recognized under IFRS17, due to the nature of the RCI Insurance's business, further explained below. Therefore, the positive impact on equity has been reported as a transition impact. Consequently, the level of CSM representing the Expected Future Profits of group of contracts has been reduced by 36 million euros ("Transition impact"), which was one of the main reasons of declining the profit as of FY2022, by 9 million euros compared to previous IFRS4 approach.

Even though the recognition of profit is "faster" under IFRS17 approach, due to the profile of the coverage units corresponding the evolution of the outstanding finance capital (sum-at-risk), the production of new businesses only partially offset the total variance of profits between IFRS17 and IFRS4 in 2022.

2.2 Main IFRS requirements adopted on January 1, 2023 - continued

Main changes resulting from the adoption of IFRS 17

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 - Insurance Contracts. It aims at being more economic and better reflecting the underlying profitability of the business, while increasing comparability across the industry.

As the application of IFRS17 is retrospective to January 1, 2022, RCI Insurance considered that obtaining all the historical data required for the estimation of contracts in the portfolio at the transition date was not possible using the Full Retrospective Approach ("FRA"), without incurring excessive costs and efforts. Therefore, the Modified Retrospective Approach ("MRA") was retained and applied to the entire scope concerned to account for the impact of the transition on the accounts as of January 1, 2022.

The impact of the transition generates a positive net effect on shareholders' equity of 36 million euros in the opening balance sheet as of January 1, 2022.

This positive effect on equity comes from a more rapid recognition of profits under IFRS17 linked to the profile of the coverage units which reflect, over the duration of the insurance contracts, the decrease in the sums under risk, corresponding to the evolution of the outstanding finance amounts. Under IFRS4, insurance premiums are acquired according to a linear profile.

As required by IFRS17, the comparative financial statements have been restated to consider the application of the standard as of January 1, 2022. IFRS17 technical provisions as of 31/12/2022 were defined by the application of the general model to the portfolio based on the opening balance sheet resulting from the transition on 01/01/2022.

Furthermore, in the statement of profit or loss, insurance revenue will not reflect the premiums underwritten during the year but the premiums earned during the period, net of any investment component, corresponding to the release of the fulfilment cash flows (i.e. the expected cash flows of the period plus the related release of risk adjustment for non-financial risk) and the CSM.

2.3 Other Standards, interpretations and amendments to published standards as endorsed by the European Union effective in the current year

The overall accounting policies are consistent with those of the previous financial year.

Several other new standards, amendments and interpretations to existing standards, apply for the first time in 2023, whose adoption to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Company's accounting policies and did not impact the financial statements.

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021) (effective on 1 January 2023)

Previously, an entity was required to disclose in its financial statements its material accounting policies, with the amendments an entity will now be required to disclose its material accounting policies.

Paragraphs are added to explain how an entity identifies material accounting policies along with added examples to explain when accounting policy information is likely to become material, focusing on concepts such as that accounting policy information becomes material because of its nature, even if the related amounts are immaterial.

Additionally, IFRS Practice Statement 2 has been amended through added guidance and examples to explain and illustrate the application of the 'four-step materiality process' to accounting policy information in aim of supporting the amendments to IAS 1.

- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021) (effective on 1 January 2023)

The amendments to IAS 8 focus entirely on accounting estimates with the definition of a change in accounting estimates being replaced with a definition of accounting estimates. Accounting estimates are now defined as "monetary amounts in financial statements that are subject to measurement uncertainty".

2.3 Other Standards, interpretations and amendments to published standards as endorsed by the European Union effective in the current year - continued

Accounting estimates arise when accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error and that the effects of a change in an input or a measurement method used to derive an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021) (effective on 1 January 2023)

The amendments narrow the scope of the recognition exemption in paragraph 15 of IAS 24 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The Company had not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Company's Directors are of the opinion that, there are no requirements that will have a possible significant impact on the Company's financial statements in the period of initial application.

The application of these amendments did not have a material effect on the Company's financial statements.

Standards, interpretations and amendments to published standards as adopted by the EU in issue but not yet effective for financial periods beginning on 1 January 2023:

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but not yet effective for financial periods beginning on 1 January 2023;

- Amendments to IAS 12 Income Taxes: International tax reform Pillar Two model (published on 23 May 2023) (effective on 1 January 2024)

The amendments introduce a mandatory temporary exception in IAS12 from recognizing and disclosing deferred tax assets and deferred tax liabilities arising from the implementation of the OECD Pillar Two model rules. They also introduce some disclosure requirements for affected entities. The amendments have not yet been endorsed by the European Union.

When the tax legislation is effective, the current tax expense (income) related to Pillar Two income taxes will have to be disclosed separately. In the meantime, in periods in which Pillar Two legislation is enacted or substantively enacted, but not yet in effect, the IAS12 amendments require disclosing known or reasonably estimable information that helps users of the financial statements understand the entity's exposure to Pillar Two income taxes arising from that legislation. These disclosures are required for annual reporting periods beginning on or after 1 January 2023.

Standards, interpretations and amendments issued by the International Accounting Standards Board (IASB) but not yet adopted by the European Union:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (issued on 23 January 2020), Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 15 July 2020) and Non-Current Liabilities with Covenants (issued on 31 October 2020) – effective on 1 January 2024.
- Amendments to IAS7 – Statement of Cash flows and IFRS7 – Financial instruments: Disclosures (issued on 25 May 2023) – effective on 1 January 2024.

The Directors are assessing the impact that the adoption of these Financial Reporting Standards will have in the financial statements of the Company in the period of initial application.

2.4 Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments apart from those involving estimations and assumptions, which have a significant effect on the amounts recognized in the financial statements.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

All assumptions representing inputs of the projection models underlying the Fulfilment of cash-flows ("FCF") are based on statistics performed on portfolio data and are subject of annual internal review as well as the external audit review. RCI Insurance used these set of assumptions, split per non-economic and economic, as follows:

Non-economic

1. Incidence rates & Claim duration – Disability

- a. In 2023, incidence rates for Total Temporary Disability, Permanent Total Disability and claim duration update have been performed for all countries.
- b. The observed period Jan-2020 and Jun-2023 has been analyzed. The incidence rate assumptions were set for each country as an average annual incidence rate between 2020 – 2022, at stabilized level compared to the previous year, in the level 0.03% - 0.9% p.a., per country portfolio.

2. Incidence rates & Claim duration– Unemployment

- a. In 2023, incidence rates and claim duration update for Unemployment coverage have been performed for all countries.
- b. The observed period Jan-2020 and June - 2023 has been analyzed. The incidence rate assumptions were set for each country as an average annual incidence rate between 2020 – 2022, at stabilized level compared to the previous year, in the level c. 0.5% p.a. per main countries France and Germany and 2.2% p.a. in Spain.

3. Claim Acceptance rates

- a. Acceptance rates calculation is based on all data history including a breakdown of "Drop claims" status. Best Estimate has been taken as the average of yearly acceptance rates in 2020 – 2023 period without any adjustments for all countries, except France.
- b. In case of France and due to the change in operational process for French Death portfolio starting in the end of 2021, the continuous increase of the Death Acceptance rate has been observed, reaching the level more than 75% observed in 2023.
- c. In other portfolios, stabilization of claim acceptance rates has been observed compared to the previous year, in the range of 80 – 85% for Death coverage. (...in the range of 70-75% for Disability coverage and 25-45% for Unemployment coverage.

2.4 Significant accounting judgments, estimates and assumptions - continued

Estimates and assumptions

4. Lapse rates

- a. Lapse rates are defined per country, contract duration and development year (in which year of the contract the lapse has occurred).
- b. Lapse rates are derived based on:
 - i. the portfolio history to catch the distribution structure of the lapse rate per financing duration and contract development year;
 - ii. an adjustment coefficient so that the global portfolio lapse rate targets the more recent lapse rate observed on the portfolio.
- c. Compared to the previous year, the movement of lapse rates have been observed within the interval <-1%, 1%> p.a. Slight worse trend was highlighted in France and Germany, whereas better development was estimated in Italian and Spanish portfolio.

5. General Expenses

- a. General expenses assumptions have been based on the budget forecast of general expenses of RCI Malta for 2024, split by nature.
- b. On this volume of general expenses, setting the expense assumptions consists in:
 - i. Identification of fixed expenses part by defining the fixed expenses which remain if the company is under a run-off mode.
 - ii. Split general expenses by company & Insurance/Reinsurance activity.
 - iii. Split each nature of expense by destination (Acquisition, Administration, Claim management, Financial).
 - iv. Split expenses by destination by country.
 - v. Split expenses by product/coverage.
 - vi. Calculate unit cost from floating/variable expenses according to portfolio data.
- c. All expenses are then modelled as unit costs, per policy and specific country.

Economic:

Discount rates

The application guidance in IFRS 17:B80-B85 outlines two main methods of how to set discount rates under IFRS17: Top-Down and Bottom-Up approach.

Due to the inability to find a replicating investment portfolio that matches the currency, liquidity and duration characteristics of the company's liability portfolio make the application of the 'Top-down' approach challenging to attain in practice.

Therefore, the company has opted for the 'Bottom-up' approach in deriving the discount rate to be applied in terms of IFRS 17 para. 36. The process can be split into two key derivation steps namely: (a) Risk-free rate and (b) Liquidity premium.

2.4 Significant accounting judgments, estimates and assumptions - continued

Economic - continued

Discount rates – continued

(a) Risk-free Rate

The risk-free rate (RFR) of return is the interest rate an investor can expect to earn on an investment that carries zero risk.

- i. The Company's approach is to utilize the EIOPA RFRs. The key reasons for this are:
 - Being derived using a designated reference portfolio of assets for which there exists observable active market prices.
 - An adjustment of a risk-free yield curve, through the volatility adjustment, for the differences in timing and uncertainty characteristics of its insurance contract liabilities is consistent with the IFRS17 bottom-up approach.
 - Being a readily observable level 2 market input, this approach lends itself relatively easier to audit and be deemed acceptable by auditors.
- ii. EIOPA RFRs are readily available for a range of currencies, including EUR, the currency used by the Company.
- iii. The EIOPA RFRs are released on a regular basis, on the third working day of each month, appropriately fitting with the Company's reporting timelines.
 - iv. It will provide consistency between SII and IFRS17.
 - v. EIOPA RFRs are to be widely used by other similar insurers in the market.
 - vi. There is little benefit in deriving another set of very similar alternative RFRs, the derivation of which would increase pressures on meeting reporting timelines.

(b) Liquidity premium

The Institute and Faculty of Actuaries (IFoA) IFRS17 working party defines the liquidity risk premium (LP) as:

$$\text{Liquidity risk premium} = \text{yield to maturity on reference portfolio} - \text{risk free rate} - \text{credit risk premium}$$

The IFRS17 Standard does not prescribe a particular method to calculate the credit risk premium. The IFoA paper however suggests the following methods to consider for the calculation of the credit risk premium:

- Expected loss given default based on historical data
- Corporate bond spread
- Credit Default Swap (CDS) spreads

The Company's approach is to utilize the Moody's Liquidity Premia solution*. The key reasons for this are:

- i. The methodology is reflective of the company's own asset portfolio. Given that RCI's investments follow an asset-liability matching approach, this satisfies the IFRS17 requirement of adopting discount rates which reflect the liquidity characteristics of insurance contracts.
- ii. The fact that MA provides its Liquidity Premia solution on a quarterly basis is considered as appropriate for the Company, being aligned with the frequency at which the company monitors its investment holding weightings (during Solvency II calculation runs).

* Moody's Analytics (MA) adopt a weighted average cost of capital approach to estimating credit risk premia, may be used as an input into deriving the Liquidity Premia.

MA's risk premia may be provided for each relevant currency (including EUR) on a quarterly basis as an off-the-shelf solution package. Within this solution, Liquidity Premias are calculated for a number of bonds covering an appropriate range of durations and credit ratings. The relevant weightings by duration and credit rating may be adjusted to reflect the Company's own investment holdings within its asset portfolio.

2.4 Significant accounting judgments, estimates and assumptions - continued

In addition, the **Contractual Service Margin ("CSM")**:

- represents the part of the profits made on the insurance contracts taken out, which will be deferred and progressively carried forward to income statement over the estimated life of the insurance contracts.
- recognition of the CSM in profit or loss under the general measurement model is determined by allocating the balance to coverage units, which are based on: the quantity of benefits provided under the contracts; and the contracts' expected duration.

The **Contract boundary** for insurance contract is defined as follows:

- The Company is responsible for approving a new insurance product, change of a product or creation/modification of any insurance tariff, linked to the financing of cars (credit, leasing) by the Group. No stand-alone insurance program is allowed to be launched by the Company outside the client-base of the Group.

Therefore:

- i. **Contract boundary for *Premium related cash-flows*:**
 - Premium is collected over the period of the financing duration on a monthly basis or as a single premium (up-front) at inception date of the insurance contract, which is equal to the commencement date of the financing contract/respective delivery of the car to the policyholder.
 - Therefore, the right of receiving premium is fixed by the end of the insurance contract and no premium is allowed to be collected after the termination date.
 - Acquisition commissions are due right after the collection of premium and therefore, no acquisition costs can be incurred before the start of the insurance contract.
- ii. **Contract boundary for *Incurred claims related cash-flows*:**
 - According to the insurance policy, the maximum eligibility date for the occurrence of any claim is the date of the termination of the insurance contract, i.e. this is the date until when the entity has a substantive obligation to provide the insurance contract services.

2.4 Significant accounting judgments, estimates and assumptions - continued

Valuation of insurance contract liabilities

Life Insurance and reinsurance contracts cover a fixed term in line with the underlying credit or lease period insured.

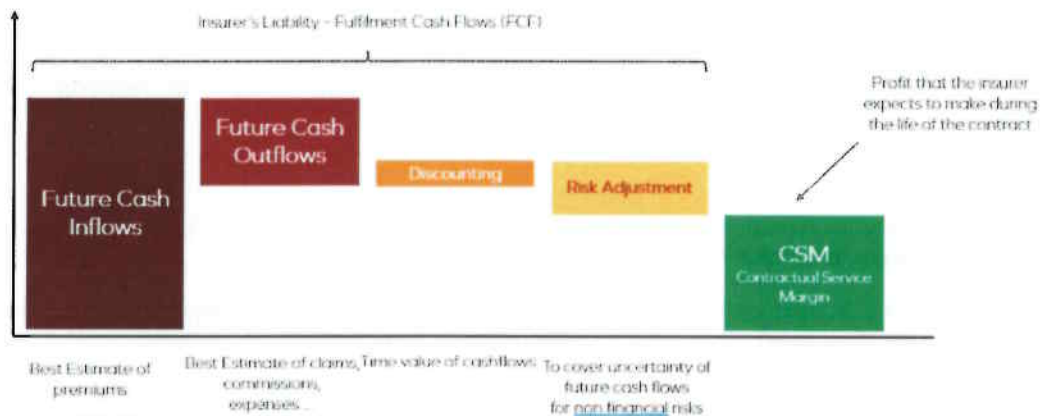
Life insurance and reinsurance contract liabilities are recognized accounted under a forward-looking Economical Value approach in IFRS17 vs. historical valuation in IFRS4 valid till the end of 2022.

IFRS 17 requires insurance contracts to be measured using current estimates of future cash flows that are updated at the end of each reporting period. The "book value balance sheet" has been replaced by an "economic balance sheet".

The main principle is that an insurance contract is measured using a current estimate of all expected cash flows within the contract boundary that will arise as the contract is fulfilled. The General Measurement Model (GMM), also known as Building Block Approach (BBA) is the general accounting approach for the measurement of insurance contracts under IFRS 17, which has been implemented for whole portfolio of RCI Insurance.

Under the General Measurement Model (GMM), the liability projection involves a combination of several key components, which collectively build up the liability for insurance contracts. These components include present value of expected future cash flows, Risk Adjustment (RA) and Contractual Service Margin (CSM). The liability is discounted for the time value of money, and it must reflect the liquidity characteristics of the insurance contracts. In addition, it has to be consistent with market prices and exclude those factors in market prices which do not affect the insurance cashflows (e.g. credit risk).

At inception date of the contract



Loss component (initial loss of onerous contracts) will be written off in the P&L at inception.

2.5 Summary of material accounting policies

(a) Product classification

Insurance contracts and reinsurance contracts are those contracts in which the Company (the "insurer") has accepted significant insurance risk from another party (the "policyholders") by agreeing to compensate the policyholders if a specified uncertain future event (the "insured event") adversely affects the policyholders. As a general guideline, the Company defines significant insurance risk as the possibility of having to compensate the policyholder if a specified uncertain future event (the "insured event") adversely affects the policyholder.

The Company issues contracts that transfer significant insurance risk and has defined all its contracts as insurance/reinsurance contracts. Life business consists of long-term policies that cover the lives of a group of customers for the year under cover.

2.5 Summary of material accounting policies - continued

(a) Product classification

Insurance contract liabilities: Direct & Reinsurance contracts held

All insurance contract liabilities ("Technical provisions") should be calculated and reported by Unit of Account ("UoA"), which must be split by:

- type of risk ("LoB"),
- annual generation of contracts,
- group of profitability ("Profitable", "No significant possibility of becoming onerous", "Onerous").

(A) Components of Insurance Contract liabilities for *Liability for Remaining Coverage* ("LRC"), implemented at RCI Insurance consists of 3 components or "building blocks" as shown below:

- | | |
|---------------------------------------|--------------------------|
| 1) Best Estimate Liability ("BEL") | } Fulfillment Cash-Flows |
| 2) Risk Adjustment ("RA") | |
| 3) Contractual Service Margin ("CSM") | |

LRC

This corresponds to Unearned Premium Reserve or UPR and relates to future service allocated to a group of insurance contracts, plus the CSM, where relevant.

Fulfillment Cash-flows

Unbiased and probability-weighted estimate (i.e. expected value) of the present value of the future cash outflows minus the present value of the future cash inflows that will arise as the entity fulfils insurance contracts, including a risk adjustment for non-financial risk.

Best Estimate Liability ("BEL")

Cash Flows Related to Direct business and Reinsurance business (Reinsurance Contracts Held) are measured and presented separately under IFRS 17.

BEL represents an experience-based projection of the discounted value of expected future benefits payable deducted from the discounted value of the expected value of theoretical future premiums.

The discounted value of the expected benefits payable and the discounted value of the expected theoretical premiums are based on certain valuation assumptions used, such as: interest rates, mortality rates, incidence rates, expenses, and lapse rates, without any risk margin (the margin is incorporated in the RA).

Cash Flows Included in Fulfillment Cash Flows

- (+) Premiums
- (-) Claims (claim payables, future claims)
- (-) Insurance Acquisition Costs ("Acq. Commissions")
- (-) Claim Handling Costs
- (-) Policy Administration and Maintenance Costs - Directly Attributable
- (+) Profit Share from Technical results of reinsurance (PPI & GAP business – Reinsurance outwards)
- (-) Reinsurance commission & Reinsurance fee (GAP business – Reinsurance Inwards)

2.5 Summary of material accounting policies - continued

(a) Product classification – continued

Cash Flows Not Included in Fulfilment Cash Flows

- x Investment income
- x Cash Flows related to Future Insurance Contracts
- x Income Tax Payments and Receipts

Discounting

The discount rates are defined using the “bottom-up” method to which an illiquidity premium is added on top of the risk-free rate curve defined by EIOPA. Illiquidity premium has been derived on quarterly review basis by “top-down” approach, from Market price curve, by removing the “expected” default probability & credit risk premia.

Risk Adjustment (“RA”)

RA is defined as a compensation; the entity requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk as the entity fulfils insurance contracts.

RA is calculated based on the Quantile technique at RCI Insurance: Value-at-Risk method when the observed distribution of the frequency for claims represents the main risk factor of the insurance portfolio.

According to the risk appetite rules and the benchmark of companies with the similar product portfolio, the RA is calibrated on quantile of 90% (80% of confidence interval).

Contractual Service Margin (“CSM”)

CSM represents the Unearned Profit for a Group of Insurance Contracts.

CSM equals to the Present Value of Future Profits of the Group of Insurance Contracts at inception, when profit is amortized over the life of the contracts.

Amortization of CSM is done based on the risk profile of the annual cohorts of contracts by considering the profile of the Sum-at-Risk. Risk adjustment is also recognized according to the same profile. Refer to the section on Estimates and Assumptions.

(B) Components of Insurance Contract liabilities for *Liability for Incurred Claims (“LIC”)*, implemented at RCI Insurance are described below:

- | | | |
|----------------------------|---|------------------------|
| 1) Best Estimate Liability | } | Fulfilment Cash-Flows. |
| 2) Risk Adjustment | | |

LIC:

corresponds to Unpaid Loss and comprises the fulfilment cash flows related to past service allocated to a portfolio of insurance contracts.

2.5 Summary of material accounting policies - continued

(a) Product classification – continued

Fulfilment Cash Flows

Cash flows are represented by claims incurred, but not yet paid, derived from claims paid triangles per cohort, country, and coverages.

Main inputs required are:

- Claims payments from Datawarehouse ("DWH")
- Out of system Payments provided by the Operational team.
- LIC projection templates split per Annual cohorts of group of contracts.

Outputs expected are:

- After the calculation process (generating cash-flow) is complete, it is expected to have all required input files to be upload the accounting software Risk Integrity.
- Once the run of the project is completed, all technical accounts linked to the incurred claims (current and past services) are part of the technical Balance sheet and P&L as Insurance Service Results.

Discounting

The discount rates are defined using the "bottom-up" method to which an illiquidity premium is added on top of the risk-free rate curve defined by EIOPA. Illiquidity premium has been derived quarterly review by "top-down" approach, from Market price curve for removing the "expected" default probability & credit risk premia.

Risk Adjustment ("RA")

RA is defined as a compensation; the entity requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk as the entity fulfils insurance contracts.

RA is calculated based on the Mack Method of Reserving, using the calibration of lognormal distribution at 90% quantile, applied on future cashflows of claims.

(a.i) Recognition and measurement of insurance and reinsurance contracts

The company recognises groups of insurance contracts issued from the earliest of the following dates:

- The beginning of the coverage period of the group of contracts
- The date when the first payment from a policyholder becomes due (in the absence of a contractual due date, this is deemed to be when the first payment is received)
- The date when the group of contracts becomes onerous.

The company recognises only contracts issued within a one-year period meeting the recognition criteria but the reporting date ("annual cohorts").

(a.ii) Presentation of insurance and reinsurance contracts

The company has presented separately in the statement of financial position the carrying amount of aggregated portfolios of insurance contracts that are assets and those that are liabilities, and the portfolios of reinsurance contracts held that are assets and those that are liabilities.

The company shows separately the amounts recognised in the statement of profit or loss and other comprehensive income into an insurance service result sub-total that comprises insurance revenue and insurance service expenses and, separately from the insurance service result, the 'net insurance finance income or expenses' sub-total. The company has included the net insurance finance income or expenses line in another subtotal: net insurance and investment result, which also includes the income from all the assets backing the company's insurance liabilities.

2.5 Summary of material accounting policies - continued

(a) Product classification – continued

Receivables and payables related to insurance and reinsurance acceptance contracts

Receivables and payables are recognised when due. These include amounts due to and from intermediaries.

If there is objective evidence that an insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognizes that impairment loss in the Income Statement. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets held at amortised cost.

The impairment loss is calculated following the same method used for financial assets.

(b) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be finite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation year and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation year or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Income Statement in the expense category consistent with the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Income Statement when the asset is derecognized.

(c) Taxes

Current income tax

Current income tax assets and liabilities for the current year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the Income Statement.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred income tax liability arises from the initial recognition of goodwill; or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

2.5 Summary of material accounting policies – continued

(c) Taxes – continued

Deferred income tax – continued

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognised directly in Other Comprehensive Income or equity is recognised in Other Comprehensive Income or equity and not in the Income Statement.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

The Company has applied a temporary mandatory relief from deferred tax accounting for the impacts of the global minimum top-up tax required under Pillar II legislation. Should the Company be in-scope, it will account for it as a current tax when it is incurred.

(d) Financial assets

Initial recognition and subsequent measurement

The Company classifies its financial assets into loans and receivables and financial investments. The classification is dependent on the purpose for which the investments are acquired. The Company determines the classification of its financial assets at initial recognition.

The Company evaluated its financial investments whether the ability and intention to sell them in the near term is still appropriate. All "regular way" purchases and sales of financial assets are recognized at the trade date, that is, the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Company's financial assets include cash and short-term deposits, trade and other receivables, loan and other receivables and quoted financial instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, loans and receivables are measured at amortised cost, using the effective interest rate method. Gains and losses are recognised in the Income Statement when the investments are derecognised or impaired, as well as through the amortisation process.

2.5 Summary of material accounting policies – continued

(d) Financial assets – continued

Financial investments

Financial investments are non-derivative financial assets that are designated as fair value through other comprehensive income. These investments are initially recorded at fair value. After initial measurement, financial investments are measured at fair value. Fair value gains and losses are reported as a separate component in Other Comprehensive Income until the investment is derecognised or the investment is determined to be impaired. On derecognition or impairment, the cumulative fair value gains and losses previously reported in equity are transferred to the Income Statement.

(e) Fair value of financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the reporting date, without any deduction for transaction costs.

The fair value of floating rate and overnight deposits with credit institutions is their carrying value. The carrying value is the cost of the deposit and accrued interest.

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the investment or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 11.

(f) Impairment of financial assets

The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the loss is recorded in the Income Statement.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment. The impairment assessment is performed at each reporting date.

If, in a subsequent year, the amount of the impairment loss decreases and that decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the Income Statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Financial investments

If a financial investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in Other Comprehensive Income, is transferred from equity to the Income Statement. Reversals in respect of equity instruments classified as fair value through other comprehensive income are not recognised in the Income Statement.

Reversals of impairment losses on debt instruments classified as financial investments are reversed through the Income Statement if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in the Income Statement.

2.5 Summary of material accounting policies – continued

(g) Derecognition of financial assets

A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired;
- The Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- The Company has transferred its rights to receive cash flows from the asset and either:
 - has transferred substantially all the risks and rewards of the asset; or
 - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that, in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(h) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the recoverable amount. A previous impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount.

That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Income Statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

(i) Equipment

Equipment is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment losses. Replacement costs are capitalised when incurred and if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

Depreciation is provided on a straight line basis over the useful lives of the following classes of assets:

- | | |
|--|---------|
| • Computer and electronic equipment: | 4 years |
| • Furniture, fixture and fittings: | 8 years |
| • Electrical and plumbing installations: | 6 years |

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each financial year end.

Impairment reviews are performed when there are indicators that the carrying value may not be recoverable. Impairment losses are recognised in the Income Statement as an expense.

2.5 Summary of material accounting policies – continued

(i) Equipment - continued

Equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Income Statement in the year the asset is derecognised.

(j) Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the Income Statement.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with a maturity of three months or less in the Statement of Financial Position.

(l) Other financial liabilities and insurance payables

Other financial liabilities and insurance payable are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

(m) Derecognition of financial liabilities and insurance payables

Financial liabilities and insurance payables are derecognised when the obligation under the liability is discharged, cancelled or expired.

When the existing liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Income Statement.

(n) Equity movements

Ordinary share capital

The Company has issued ordinary shares that are classified as equity. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity, net of tax.

Dividends on ordinary share capital

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are paid.

(o) Revenues from all insurance activities

1) Insurance Revenue

For the General Measurement Model ("GMM"), the insurance revenue corresponds to the release of LRC, depending on the quantity of provided services, and an allocation of insurance acquisition cash flows.

In substance, the amounts related to the provision of insurance contract services include:

- the expected claims, including expenses other than insurance acquisition cash flows, but excluding those not contributing to the fulfilment of insurance contracts (i.e. non-attributable expenses);
- the release of the risk adjustment for non-financial risk;
- the allocation of the Contractual Service Margin ("CSM") to the period.

2.5 Summary of material accounting policies – continued

(o) Revenues from all insurance activities - continued

1) *Insurance Revenue - continued*

The allocation of insurance acquisition cash flows represents the portion of premiums that corresponds to the recovering of those cash flows to each reporting period in a systematic way based on the passage of time, the same amount being recognized as insurance service expenses. This mechanism enables to add back the part of the premium corresponding to the coverage of insurance acquisition cash flows. This means that insurance acquisition cash flows are not recognized in the statement of profit or loss when the acquisition cash flows occur but when the CSM is released.

(p) Expenses from all insurance activities

1) *Insurance service expenses*

Insurance service expenses arising from groups of contracts issued by RCI Insurance are recognized in the statement of profit or loss as they are incurred. All insurance service expenses correspond to actual cash outflows within the boundary of contracts identified when projecting and calculating the present value of future cash flows.

2) *Net expenses from reinsurance contracts held*

In the statement of profit or loss, net expenses from reinsurance contracts held are presented separately from the insurance service expenses and included in a single aggregate, corresponding to the net between reinsurance service expenses and amounts recovered from the reinsurers.

3) *Expenses from other activities*

The expenses from other activities include claims handling costs and administrative expenses are considered as attributable costs, fully allocated to the group of contracts at the RCI Insurance portfolio.

(q) Financial result

1) *Investment return*

The investment return recognized through profit or loss consists of:

- net investment income from investments other than from banking activities, including the cost of investment activities not included in the fulfilment cash flows (i.e. those not performed for the benefit of policyholders), net of depreciation expense on real estate investments; this item includes interest received calculated using the effective interest method for debt instruments and dividends received on equity instruments;
- realized gains and losses relating to investments at amortized cost and at fair value through other comprehensive income (with recycling), net of releases of impairment following sales;
- net realized gains and losses and change in fair value of investments at fair value through profit or loss; and
- change in impairment on investments.

2) *Net finance income or expenses from insurance and reinsurance contracts held*

The net finance income or expenses from insurance and reinsurance contracts is presented in the statement of profit or loss with a split between insurance contracts issued and reinsurance contracts held.

(r) Events after the reporting date

The financial statements are adjusted to reflect events that occurred between the reporting date and the date when the financial statements are authorised for issue, provided they give evidence of conditions that existed at the reporting date. Events that are indicative of conditions that arose after the reporting date are disclosed, but do not result in an adjustment of the financial statements themselves.

2.5 Summary of material accounting policies – continued

(s) Functional and presentation currency

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

(t) Foreign currency transactions

In late 2020, the company started to write direct insurance business in Romania which resulted to exposure in foreign currency monetary transactions. In accordance to IAS 21, 'The effect of changes in Foreign exchange rates', transactions in foreign currencies have been converted to the Company's functional currency at the rates of exchange ruling on the date of the transaction or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such monetary transactions were not recognised in profit or loss due to immaterial amounts.

3. Cash and cash equivalents

	2023 €	2022 €
Cash at bank	117,640,000	78,988,978

Short-term deposits are made for varying periods of between one day and three months depending in the immediate cash requirements of the Company. Deposits are subject to an average fixed interest rate of 2.5% (2022: 0.3%). The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

4. Financial investments

	2023 €	2022 €
Financial Investments at fair value		
Debt securities	102,463,844	91,202,768

(a) Financial investments mature as follows:

	2023 €	2022 €
Within one year	9,721,582	32,217,40
Between one and two years	78,711,704	19,883,921
Between two and five years	14,030,558	39,101,443
	102,463,844	91,202,768

4. Financial investments – continued

(b) Reconciliation

		2023 €	2022 €
	Notes		
Balance at beginning of year		91,202,768	72,805,579
Additions		27,960,408	45,488,899
Maturities		(19,400,000)	(20,910,000)
Amortisation of premiums	15	130,421	(670,057)
Fair value loss/gains recorded in Other Comprehensive Income	13	2,648,026	(5,364,780)
Impairment allowance	15	(77,779)	(146,873)
Balance at end of year		102,463,844	91,202,768

(c) Fair value hierarchy

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	2023 Level 1 €	2022 Level 1 €
Financial investments		
Debt securities	102,463,844	91,202,768

Included in the Level 1 category are financial assets that are measured by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

5. Loans and receivables

	2023 €	2022 €
Loans and receivables at amortised cost		
Deposits held with financial institutions	81,500,000	79,000,000

The above deposits earn interest at an average fixed rate of 2.5% (2022: 1.47%)

Loans and receivables mature as follows:

	2023 €	2022 €
<i>Loans and receivables</i>		
Within one year	10,000,000	20,000,000
Between one and two years	56,500,000	59,000,000
Between two and five years	15,000,000	-
	81,500,000	79,000,000

6. Reinsurance contract assets

(a) Reconciliation of the remaining coverage and the incurred claims for reinsurance contracts held

	Remaining coverage (excluding Loss- recovery component)	Loss- recovery component	Incurred claims	Total
Opening reinsurance contract assets	9,320,743	-	7,395,407	16,716,150
Opening reinsurance contract liabilities	-	-	-	-
Net balance as at 1 January 2022	9,320,743	-	7,395,407	16,716,150
CSM recognized for services provided	(262,462)	-	-	(262,462)
Change in risk adjustment for non-financial risk for risk transferred	(32,541)	-	-	(32,541)
Expected recoveries of incurred claims and other insurance service expense	(1,375,198)	-	-	(1,375,198)
ALLOCATION OF PREMIUMS PAID	(1,670,201)	-	-	(1,670,201)
Recoveries of incurred claims and other insurance service expense	-	-	3,073,038	3,073,038
Changes related to past service (changes related to incurred claims component)	-	-	(413,898)	(413,898)
TOTAL AMOUNTS RECOVERED FROM REINSURANCE	-	-	2,659,140	2,659,140
TOTAL NET EXPENSES FROM REINSURANCE	(1,670,201)	-	2,659,140	988,940
The effect of and changes in time of time value of money and financial risk	25,232	-	54,460	79,692
TOTAL INSURANCE FINANCE INCOME OR EXPENSE	25,232	-	54,460	79,692
OTHER COMPREHENSIVE INCOME	(269,708)	-	(369,005)	(638,712)
TOTAL CHANGES IN THE STATEMENT OF FINANCIAL PERFORMANCE	(1,914,676)	-	2,344,595	429,919
Premiums paid net of ceding commissions and other directly attributable expenses paid	(2,971,006)	-	-	(2,971,006)
Recoveries from reinsurance	-	-	(2,154,343)	(2,154,343)
TOTAL CASH FLOWS	(2,971,006)	-	(2,154,343)	(5,125,349)
NET CLOSING BALANCE	4,435,061	-	7,585,660	12,020,721
Closing reinsurance contract assets	4,435,061	-	7,585,660	12,020,721
Closing insurance contract liabilities	-	-	-	-
Net balance as at 31 December 2022	4,435,061	-	7,585,660	12,020,721

6. Reinsurance contract assets – continued

(a) Reconciliation of the remaining coverage and the incurred claims for reinsurance contracts held – continued

	Remaining coverage (excluding Loss- recovery component)	Loss- recovery component	Incurred claims	Total
Opening reinsurance contract assets	4,435,061	-	7,585,660	12,020,721
Opening reinsurance contract liabilities	-	-	-	-
Net balance as at 1 January 2023	4,435,061	-	7,585,660	12,020,721
CSM recognized for services provided	(845,973)	-	-	(845,973)
Change in risk adjustment for non-financial risk for risk transferred	(40,859)	-	-	(40,859)
Expected recoveries of incurred claims and other insurance service expense	(1,235,199)	-	-	(1,235,199)
ALLOCATION OF PREMIUMS PAID	(2,122,031)	-	-	(2,122,031)
Recoveries of incurred claims and other insurance service expense	-	-	1,761,351	1,761,351
Changes related to past service (changes related to incurred claims component)	-	-	(4,362,839)	(4,362,839)
TOTAL AMOUNTS RECOVERED FROM REINSURANCE	-	-	(2,601,488)	(2,601,488)
TOTAL NET EXPENSES FROM REINSURANCE	(2,122,031)	-	(2,601,488)	(4,723,519)
The effect of and changes in time of time value of money and financial risk	17,890	-	60,946	78,836
TOTAL INSURANCE FINANCE INCOME OR EXPENSE	17,890	-	60,946	78,836
OTHER COMPREHENSIVE INCOME	92,652	-	156,495	249,147
TOTAL CHANGES IN THE STATEMENT OF FINANCIAL PERFORMANCE	(2,011,488)	-	(2,384,046)	(4,395,535)
Premiums paid net of ceding commissions and other directly attributable expenses paid	16,443,230	-	-	16,443,230
Recoveries from reinsurance	-	-	(2,041,505)	(2,041,505)
TOTAL CASH FLOWS	16,443,230	-	(2,041,506)	14,401,725
NET CLOSING BALANCE	18,866,803	-	3,160,108	22,026,910
Closing reinsurance contract assets	18,866,803	-	3,160,108	22,026,910
Closing insurance contract liabilities	-	-	-	-
Net balance as at 31 December 2023	18,866,803	-	3,160,108	22,026,910

6. Reinsurance contract assets – continued

(b) Reconciliation of the measurement components of reinsurance contract balances

	Estimates of Present value of Future Cash Flows	Risk adjustment for non- financial risk	CSM	Total
Opening reinsurance contract assets	16,250,439	267,818	197,893	16,716,150
Opening reinsurance contract liabilities	-	-	-	-
Net balance as at 1 January 2022	16,250,439	267,818	197,893	16,716,150
CSM recognised for services received	-	-	(262,462)	(262,462)
Change in the risk adjustment for non-financial risk for the risk expired	-	369,027	-	369,027
Experience adjustments not related to future service	1,296,272	-	-	1,296,272
CHANGES THAT RELATE TO CURRENT SERVICES	1,296,272	369,027	(262,462)	1,402,837
Changes in estimates that adjust the CSM	31,263	6,597	(37,860)	-
CHANGES THAT RELATE TO FUTURE SERVICES	31,263	6,597	(37,860)	-
Changes in fulfilment cash flows – adjustment to the LIC	(1,288,772)	629,948	-	(658,824)
Experience adjustments in claims and other insurance service expenses in LIC	273,863	(28,936)	-	244,926
CHANGES THAT RELATE TO PAST SERVICES	(1,014,909)	601,012	-	(413,898)
TOTAL NET EXPENSES FROM REINSURANCE	312,626	976,636	(300,322)	988,940
The effect of and changes in time of time value of money and financial risk	76,178	2,769	745	79,692
TOTAL INSURANCE FINANCE INCOME OR EXPENSE	76,178	2,769	745	79,692
OTHER COMPREHENSIVE INCOME	(593,474)	(45,238)	-	(638,712)
TOTAL CHANGES IN THE STATEMENT OF FINANCIAL PERFORMANCE	(204,670)	934,166	(299,577)	429,919
Premiums paid net of ceding commissions and other directly attributable expenses paid	(2,971,006)	-	-	(2,971,006)
Recoveries from reinsurance	(2,154,343)	-	-	(2,154,343)
TOTAL CASH FLOWS	(5,125,349)	-	-	(5,125,349)
NET CLOSING BALANCE	10,920,420	1,201,984	(101,684)	12,020,721
Closing reinsurance contract assets	10,920,420	1,201,984	(101,684)	12,020,721
Closing reinsurance contract liabilities	-	-	-	-
Net balance as at 31 December 2022	10,920,420	1,201,984	(101,684)	12,020,721

6. Reinsurance contract assets – continued

(b) Reconciliation of the measurement components of reinsurance contract balances – continued

	Estimates of Present value of Future Cash Flows	Risk adjustment for non- financial risk	CSM	Total
Opening reinsurance contract assets	10,920,420	1,201,984	(101,684)	12,020,721
Opening reinsurance contract liabilities	-	-	-	-
Net balance as at 1 January 2023	10,920,420	1,201,984	(101,684)	12,020,721
CSM recognised for services received	-	-	(845,973)	(845,973)
Change in the risk adjustment for non-financial risk for the risk expired	-	200,094	-	200,094
Experience adjustments not related to future service	285,199	-	-	285,199
CHANGES THAT RELATE TO CURRENT SERVICES	285,199	200,094	(845,973)	(360,680)
Contracts initially recognised in the year	(1,642,842)	340,159	1,302,683	-
Changes in estimates that adjust the CSM	(2,071,045)	44,546	2,026,499	-
Changes in estimates that adjust recoveries of losses on onerous underlying contracts	(3,840)	3,840	-	-
CHANGES THAT RELATE TO FUTURE SERVICES	(3,717,727)	388,545	3,329,182	-
Changes in fulfilment cash flows – adjustment to the LIC	(4,172,522)	(799,299)	-	(4,971,821)
Experience adjustments in claims and other insurance service expenses in LIC	741,132	(132,150)	-	608,982
CHANGES THAT RELATE TO PAST SERVICES	(3,431,390)	(931,449)	-	(4,362,839)
TOTAL NET EXPENSES FROM REINSURANCE	(6,863,918)	(342,810)	2,483,209	(4,723,519)
The effect of and changes in time of time value of money and financial risk	66,918	9,753	2,166	78,836
TOTAL INSURANCE FINANCE INCOME OR EXPENSE	66,918	9,753	2,166	78,836
OTHER COMPREHENSIVE INCOME	226,793	22,355	-	249,147
TOTAL CHANGES IN THE STATEMENT OF FINANCIAL PERFORMANCE	(6,570,207)	(310,702)	2,485,375	(4,395,535)
Premiums paid net of ceding commissions and other directly attributable expenses paid	16,443,230	-	-	16,443,230
Recoveries from reinsurance	(2,041,505)	-	-	(2,041,505)
TOTAL CASH FLOWS	14,401,725	-	-	14,401,725
NET CLOSING BALANCE	18,751,938	891,282	2,383,691	22,026,910
Closing reinsurance contract assets	18,751,938	891,282	2,383,691	22,026,910
Closing reinsurance contract liabilities	-	-	-	-
Net balance as at 31 December 2023	18,751,938	891,282	2,383,691	22,026,910

7. Insurance contract liabilities

(A) Reconciliation of the liability for remaining coverage (LRC) and the liability for incurred claims (LIC)

	LRC Excluding loss component	Loss component	LIC	Total
Opening insurance contract assets	(39,058,845)	-	3,233,451	(35,825,394)
Opening insurance contract liabilities	40,723,720	-	21,373,768	62,097,488
Net balance as at 1 January 2022	1,664,875	-	24,607,219	26,272,094
CSM recognized for services provided	(109,904,922)	-	-	(109,904,922)
Change in risk adjustment for non-financial risk for risk expired	(1,156,944)	-	-	(1,156,944)
Expected insurance service expenses incurred:	(25,341,016)	-	-	(25,341,016)
Claims	(15,867,249)	-	-	(15,867,249)
Expenses	(9,473,767)	-	-	(9,473,767)
Recovery of insurance acquisition cash flows	(50,016,817)	-	-	(50,016,817)
TOTAL INSURANCE REVENUE	(186,419,699)	-	-	(186,419,699)
Incurred insurance services expenses:	-	-	34,263,196	34,263,196
Claims	-	-	24,095,419	24,095,419
Expenses	-	-	10,856,747	10,856,747
Other movements related to current service	-	-	(688,970)	(688,970)
Amortisation of insurance acquisition cash flows	50,016,817	-	-	50,016,817
Changes that relate to past service (changes in fulfilment cash flows re LIC)	-	-	(101,546)	(101,546)
Changes that relate to future service	-	671,307	-	671,307
Losses and reversal of losses on onerous contracts – subsequent measurement	-	(671,307)	-	(671,307)
INSURANCE SERVICE EXPENSES	50,016,817	671,307	34,161,650	84,849,774
TOTAL INSURANCE SERVICE RESULT	(136,402,882)	671,307	34,161,650	(101,569,926)
The effect of and changes in time of time value of money and financial risk	(159,872)	-	92,796	(67,076)
TOTAL INSURANCE FINANCE INCOME OR EXPENSE	(159,872)	-	92,796	(67,076)
OTHER COMPREHENSIVE INCOME	8,958,163	-	(1,588,840)	7,369,323
TOTAL CHANGES IN THE STATEMENT OF FINANCIAL PERFORMANCE	(127,604,591)	671,307	32,665,606	(94,267,678)
Premium received	189,283,488	-	-	189,283,488
Claims and other directly attributable expenses paid	-	-	(22,763,577)	(22,763,577)
insurance acquisition cash flows	(49,347,364)	-	-	(49,347,364)
TOTAL CASH FLOWS	139,936,123	-	(22,763,577)	117,172,547
NET CLOSING BALANCE	13,996,407	671,307	34,509,248	49,176,962
Closing insurance contract assets	(28,653,744)	609,067	3,033,872	(25,010,805)
Closing insurance contract liabilities	42,650,151	62,240	31,475,376	74,187,767
Net balance as at 31 December 2022	13,996,407	671,307	34,509,248	49,176,962

7. Insurance contract liabilities - continued

(A) Reconciliation of the liability for remaining coverage (LRC) and the liability for incurred claims (LIC) – continued

	LRC Excluding loss component	Loss component	LIC	Total
Opening insurance contract assets	(28,653,744)	609,067	3,033,872	(25,010,805)
Opening insurance contract liabilities	42,650,151	62,240	31,475,376	74,187,767
Net balance as at 1 January 2023	13,996,407	671,307	34,509,248	49,176,962
CSM recognized for services provided	(112,750,488)	-	-	(112,750,488)
Change in risk adjustment for non-financial risk for risk expired	(903,770)	-	-	(903,770)
Expected insurance service expenses incurred:	(26,839,866)	-	-	(26,839,866)
Claims	(17,676,505)	-	-	(17,676,505)
Expenses	(9,163,361)	-	-	(9,163,361)
Recovery of insurance acquisition cash flows	(50,307,525)	-	-	(50,307,525)
TOTAL INSURANCE REVENUE	(190,801,649)	-	-	(190,801,649)
Incurring insurance services expenses	-	(889,284)	29,796,685	28,907,401
Claims	-	(589,569)	18,895,065	18,305,496
Expenses	-	(299,715)	11,016,514	10,716,799
Other movements related to current service	-	-	(114,893)	(114,893)
Amortisation of insurance acquisition cash flows	50,307,525	-	-	50,307,525
Changes that relate to past service (changes in fulfilment cash flows re LIC)	-	-	(16,690,895)	(16,690,895)
Changes that relate to future service	-	299,705	-	299,705
Losses and reversal of losses on onerous contracts – subsequent measurement	-	299,705	-	299,705
INSURANCE SERVICE EXPENSES	50,307,525	(589,578)	13,105,790	62,823,737
TOTAL INSURANCE SERVICE RESULT	(140,494,124)	(589,578)	13,105,790	(127,977,912)
The effect of and changes in time of time value of money and financial risk	590,794	1,403	211,862	804,059
TOTAL INSURANCE FINANCE INCOME OR EXPENSE	590,794	1,403	211,862	804,059
OTHER COMPREHENSIVE INCOME	(4,572,641)	-	439,624	(4,133,017)
TOTAL CHANGES IN THE STATEMENT OF FINANCIAL PERFORMANCE	(144,475,971)	(588,175)	13,757,276	(131,306,870)
Premium received	245,864,042	-	-	245,864,042
Claims and other directly attributable expenses paid	-	-	(23,890,912)	(23,890,912)
Insurance acquisition cash flows	(75,399,351)	-	-	(75,399,351)
TOTAL CASH FLOWS	170,464,691	-	(23,890,912)	146,573,778
NET CLOSING BALANCE	39,985,127	83,132	24,375,612	64,443,870
Closing insurance contract assets	(28,831,068)	174	3,388,985	(25,441,909)
Closing insurance contract liabilities	68,816,195	82,958	20,986,627	89,885,779
Net balance as at 31 December 2023	39,985,127	83,132	24,375,612	64,443,870

7. Insurance contract liabilities - continued

(b) Reconciliation of the measurement components on insurance contract balances

	Estimates of Present value of Future Cash Flows	Risk adjustment for non- financial risk	CSM	Total
Opening reinsurance contract assets	(135,637,228)	2,152,968	97,658,867	(35,825,394)
Opening reinsurance contract liabilities	(11,457,113)	1,211,198	72,343,402	62,097,488
Net balance as at 1 January 2022	(147,094,341)	3,364,166	170,002,269	26,272,094
CSM recognised for services received	-	-	(109,904,922)	(109,904,922)
Change in the risk adjustment for non-financial risk for the risk expired	-	1,447,912	-	1,447,912
Experience adjustments not related to future service	6,317,324	-	-	6,317,324
CHANGES THAT RELATE TO CURRENT SERVICES	6,317,323	1,447,912	(109,904,922)	(102,139,686)
Contracts initially recognised in the year	(95,481,072)	651,280	94,829,792	-
Changes in estimates that adjust the CSM	(60,020,564)	(565,851)	60,586,415	-
Changes in estimates that adjust recoveries of losses on onerous underlying contracts	668,374	2,933	-	671,307
CHANGES THAT RELATE TO FUTURE SERVICES	(154,833,262)	88,362	155,416,207	671,307
Changes in fulfilment cash flows – adjustment to the LIC	(943,758)	2,284,448	-	1,340,689
Experience adjustments in claims and other insurance service expenses in LIC	(1,091,102)	(351,133)	-	(1,442,235)
CHANGES THAT RELATE TO PAST SERVICES	(2,034,860)	1,933,314	-	(101,546)
TOTAL NET EXPENSES FROM REINSURANCE	(150,550,799)	3,469,589	45,511,285	(101,569,926)
The effect of and changes in time of time value of money and financial risk	738,856	(3,404)	(802,528)	(67,076)
TOTAL INSURANCE FINANCE INCOME OR EXPENSE	738,856	(3,404)	(802,528)	(67,076)
OTHER COMPREHENSIVE INCOME	7,653,238	(283,915)	-	7,369,323
TOTAL CHANGES IN THE STATEMENT OF FINANCIAL PERFORMANCE	(142,158,705)	3,182,270	44,708,757	(94,267,678)
Premiums and premium tax received	189,283,488	-	-	189,283,488
Claims and other insurance service expenses paid, including investment components	(22,763,577)	-	-	(22,763,577)
Insurance acquisition cash flows	(49,347,364)	-	-	(49,347,364)
TOTAL CASH FLOWS	117,172,547	-	-	117,172,547
NET CLOSING BALANCE	(172,080,499)	6,546,436	214,711,025	49,176,962
Closing reinsurance contract assets	(154,160,040)	1,224,332	127,924,903	(25,010,805)
Closing reinsurance contract liabilities	(17,920,459)	5,322,104	86,786,122	74,187,767
Net balance as at 31 December 2022	(172,080,499)	6,546,436	214,711,025	49,176,962

7. Insurance contract liabilities - continued

(b) Reconciliation of the measurement components on insurance contract balances – continued

	Estimates of Present value of Future Cash Flows	Risk adjustment for non-financial risk	CSM	Total
Opening reinsurance contract assets	(154,160,040)	1,224,332	127,924,903	(25,010,805)
Opening reinsurance contract liabilities	(17,920,459)	5,322,104	86,786,122	74,187,767
Net balance as at 1 January 2023:	(172,080,499)	6,546,436	214,711,025	49,176,962
GSM recognised for services received	-	-	(112,750,488)	(112,750,488)
Change in the risk adjustment for non-financial risk for the risk expired	-	1,701,229	-	1,701,229
Experience adjustments not related to future service	(537,463)	-	-	(537,463)
CHANGES THAT RELATE TO CURRENT SERVICES	(537,463)	1,701,229	(112,750,488)	(111,586,723)
Contracts initially recognised in the year	22,032,018	2,187,027	19,844,991	-
Changes in estimates that adjust the CSM	19,395,787	1,118,031	(20,513,817)	-
Changes in estimates that adjust recoveries of losses on onerous underlying contracts	288,548	11,158	-	299,705
CHANGES THAT RELATE TO FUTURE SERVICES	(102,347,683)	3,316,215	99,331,174	299,705
Changes in fulfilment cash flows – adjustment to the LIC	(17,060,524)	(2,704,741)	-	(19,765,264)
Experience adjustments in claims and other insurance service expenses in LIC	3,879,449	(805,080)	-	3,074,369
CHANGES THAT RELATE TO PAST SERVICES	(13,181,074)	(3,509,821)	-	(16,690,895)
TOTAL NET EXPENSES FROM REINSURANCE	(116,066,221)	1,507,623	(13,419,314)	(127,977,912)
The effect of and changes in time of time value of money and financial risk	(2,695,311)	92,136	3,406,051	802,876
TOTAL INSURANCE FINANCE INCOME OR EXPENSE	(2,695,311)	92,136	3,406,051	802,876
OTHER COMPREHENSIVE INCOME	(4,141,451)	8,434	-	(4,133,017)
TOTAL CHANGES IN THE STATEMENT OF FINANCIAL PERFORMANCE	(122,902,982)	1,608,192	(10,013,263)	(131,308,053)
Premiums paid and premium tax received	245,865,225	-	-	245,865,225
Claims and other insurance service expenses paid, including investment components	(23,890,912)	-	-	(23,890,912)
Insurance acquisition cash flows	(75,399,351)	-	-	(75,399,351)
TOTAL CASH FLOWS	146,574,961	-	-	146,574,961
NET CLOSING BALANCE	(148,408,520)	8,154,628	204,697,762	64,443,870
Closing reinsurance contract assets	(124,281,118)	2,065,700	96,773,508	(25,441,909)
Closing reinsurance contract liabilities	(24,127,402)	6,088,928	107,924,254	89,885,779
Net balance as at 31 December 2023	(148,408,520)	8,154,628	204,697,762	64,443,870

8. Insurance and other receivables

	2023 €	2022 -restated €
<i>Receivables arising from direct insurance operations</i>		
- due from group undertakings	21,557,355	6,140,633
- due from claims handler	-	(429,412)
- due from others	-	9,529
- due from parent undertaking	342,914	-
<i>Receivables arising from reinsurance acceptances</i>	19,212,217	39,530,425
- due from ceding undertakings		
<i>Other receivables</i>		
- accrued interest from group undertaking	966,540	515,553
- other accrued interest income	590,206	609,313
	42,669,232	46,376,041

Insurance and other receivables are all classified as current assets.

9. Deferred Taxation

(a) Movement in deferred tax

	2023 €	2022 -restated €
At beginning of year	4,836,755	104,862
IFRS 17 transition impact (Profit and Loss)	(14,240,069)	
Movement recorded during the year:		
- In Profit and Loss (note 17)	14,267,432	51,410
- in Other Comprehensive Income (note 13)	(2,450,566)	4,680,483
At end of year	2,403,552	4,836,755

(A) Temporary differences

Deferred income taxes are calculated on all temporary differences using a principal tax rate of 35% (2022: 35%). The analysis of deferred tax assets/liabilities is as follows:

	2023 €	2022 -restated €
Temporary differences attributable to unrealized fair value	961,862	1,888,670
Temporary differences attributable to other provisions	172,635	145,273
Temporary differences attributable to OCI impact on IFRS17	1,265,055	2,802,813
Balance as at 31 December	2,403,522	4,836,756
	2023 €	2022 -restated €
Deferred tax asset	2,403,522	4,836,756

10. Equipment

	Computer and electronic equipment €	Furniture, fixtures and fittings €	Electrical and plumbing installations €	Total €
Year ended 31 December 2022				
Opening carrying amount	10,421	7,329	1,223	18,973
Depreciation charge	(10,421)	(2,938)	(1,223)	(14,582)
Closing carrying amount	-	4,391	-	4,391
At 31 December 2022				
Cost	50,304	23,501	9,570	83,375
Accumulated depreciation	(50,304)	(19,110)	(9,570)	(78,984)
Carrying amount	-	4,391	-	4,391
Year ended 31 December 2023				
Opening carrying amount	-	4,391	-	4,391
Depreciation charge	-	(2,632)	-	(2,632)
Closing carrying amount	-	1,759	-	1,759
At 31 December 2023				
Cost	50,304	23,501	9,570	83,375
Accumulated depreciation	(50,304)	(21,742)	(9,570)	(81,616)
Carrying amount	-	1,759	-	1,759

11. Share capital

	2023 €	2022 €
Authorised ordinary shares 40,000 (2022: 40,000) ordinary shares of €100 each	4,000,000	4,000,000
Ordinary shares issued and fully paid 40,000 (2022: 40,000) ordinary shares of €100 each	4,000,000	4,000,000

12. Capital Contribution

	2023 €	2022 €
Balance at 1 January	60,259,660	51,331,326
Additions	8,453,275	8,928,334
Balance at 31 December	68,712,935	60,259,660

During the year under review, a further capital contribution of €8,453,275 was made on the 4th April 2023 (2022: addition of €8,928,334 made on 7th April 2022).

13. Other reserve

This reserve records fair value changes on financial investments, representing unrealized gains not available for distribution.

	2023 €	2022 -restated €
Balance at 1 January	(8,713,021)	(20,689)
Gross movement in Revaluation (Note 4)	2,648,026	(5,364,780)
Gross movement in insurance and reinsurance	4,382,164	(8,008,035)
Deferred tax (note 9)	(2,460,566)	4,680,483
Balance at 31 December	(4,143,398)	(8,713,021)

14. Insurance and other payables

	2023 €	2022 €
Creditors arising out of reinsurance	3,481,383	7,723,889
Creditors arising out of direct insurance	45,346,398	23,869,755
<i>Other payables</i>		
- due to parent	-	315,275
- social security and other taxes	727,132	18,916
- accruals and other payables	349,909	371,998
	49,904,822	32,299,835

The carrying amount disclosed above reasonably approximate fair value at the reporting date.

All amounts are payable within one year.

15. Investment income

	2023 €	2022 €
<i>Investment income</i>		
Financial investments interest income	1,245,736	939,242
Interest income on loans and receivables	1,344,930	396,194
Other interest income	3,303,161	168,348
Financial investments, amortisation of discount (Note 4)	694,263	103,273
Total investment income	6,588,090	1,607,057
<i>Investment expenses and charges</i>		
Amortisation of premium (Note 4)	(563,843)	(773,330)
Impairment Allowance (Note 4)	77,779	(146,873)
Total investment expense	(486,064)	(920,203)
Total investment return	6,102,026	686,854

16. Expenses by nature

	2023 €	2022 €
Annual statutory audit	75,826	56,493

17. Employee benefit expenses

	2023 €	2022 €
Wages and salaries	826,098	804,823
Social security	25,353	80,100
Total employee benefit expenses	851,451	884,923

The average number of persons employed during the year was:

	2023	2022
Managerial	4	5
Technical	2	3
Administrative	4	-
	10	8

18. Income tax expense

(a) Current tax expense for the year	2023 €	2022 -restated €
Current tax expense	59,260,988	36,238,780
Deferred tax expense (note 9)	(14,267,292)	(51,410)
Total income tax expense	44,993,696	36,187,370
(b) Tax recorded in Other Comprehensive Income	2023 €	2022 -restated €
Deferred tax movement	(2,460,566)	4,680,483
Total tax charge to Other Comprehensive Income	(2,460,566)	4,680,483
(c) Tax recorded in Profit and Loss	2023 €	2022 -restated €
Deferred tax movement	(14,267,292)	51,410
Total tax charge to Profit and Loss	(14,267,292)	51,410
(b) Reconciliation of tax expense	2023 €	2022 -restated €
Profit before tax for the year	128,631,197	103,392,487
Tax expense at Malta's statutory income tax rate of 35%	45,020,919	36,187,370
Unrecognised deferred tax from prior year	(27,223)	-
	44,993,696	36,187,370

19. Risk management framework

Capital management objectives, policies and approach

The Company has established the following capital management objectives, policies and approach to manage the risks that affect its capital position:

- To maintain the required level of stability of the Company thereby providing a degree of security to policyholders.
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders.
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets.
- To align the profile of assets and liabilities taking account of risks inherent in the business.
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders.
- To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximise shareholders value.

19. Risk management framework – continued

The Company's capital management policy for its insurance business is to hold sufficient capital to cover the statutory requirements based on the MFSA Directives, including any additional amounts required by the Malta Financial Services Authority, the Regulator. The Company was compliant with the regulatory solvency requirements throughout the financial year.

The Solvency II Directive (2009/138/EC) came into force on 1st January 2016, with new regulatory requirements that dictate the capital required to service the risks the Company is currently undertaking. Solvency II also outlines how the own funds shall be derived by converting the Statement of Financial Position from an IFRS perspective to one where assets and liabilities are measured in line with their underlying economic value. As of this date, the solvency calculations under Solvency I regime will no longer be applicable.

The Directors are actively involved in the implementation of the Solvency II rules and these are highly embedded in the Company's operations. Regular monitoring of the SCR is considered crucial and a Capital Management and Dividend Policy has been put in place to describe the principles governing capital management and dividend distribution of the Company, that is, the process to be followed prior to effecting any decision impacting the capital position of RCI Insurance Limited thereby ensuring that the Company has sufficient levels of capital at all times to be able to service existing and foreseeable risks.

The MCR for the Company based on the audited SCR calculations as at 31 December 2023 is €29,912,238 (2022: €28,555,411). The Company has complied with the capital and solvency requirements as stipulated in the rules issued by the MFSA. Going forward, the Company is also expected to continue meeting the solvency II requirements, based on the projected SCR calculations included in the 2023 ORSA report. In the case of any solvency gap, the Directors have put in place a capital plan aimed to ensure that the Company will have adequate 'own funds' to meet the required SCR.

20. Insurance and financial risk

(a) Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims and actual benefits paid. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities. The most significant risks for miscellaneous financial loss covers is a recession leading to high unemployment whilst for accident and health covers significant risks arise from lifestyle changes and epidemics.

The above risk exposure is mitigated by diversification of different classes of business across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines and claim review policies, as well as the use of reinsurance arrangements.

The Company underwrites payment protection insurance covering death, accident and health and miscellaneous financial loss to clients of its ultimate parent Company, RCI Banque S.A. on a direct basis. Risks under these insurance policies on average span over a period of four years. As at the end of the year, the Company was operating in Germany, France, Italy, Spain, Austria, Portugal and Romania. In 2020, a Traffic Accident program was launched for MFS in Romania and similarly for Italy in 2022. The Companies have increased the insurance underwriting portfolio further in 2023 with the introduction of insurance product GAP for Italy. In addition, the Company also continued writing reinsurance business with two counterparties. The risks are situated in France and Germany.

The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. The Company's business is underwritten through an intermediary's network consisting of Group companies. Internal underwriting guidelines are in place to enforce appropriate risk selection criteria and are reinforced by controls that are in place at a Group level. Strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business.

20. Insurance and financial risk - continued

(a) Insurance risk - continued

For PPI business, the Company purchases reinsurance on its direct business as part of its risk mitigation program. The Company has placed its reinsurance treaty with an AA- rated Company, which has been actively monitored. Reinsurance ceded is placed on a proportional basis. This quota-share reinsurance is taken out to reduce the overall exposure of the Company to all classes of business in all countries. Amounts recoverable from the reinsurer are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that the reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

On the other hand, the Company has assessed the risks being underwritten through the reinsurance treaty over the historical period, and based on that, the progressive disengagement (over 5 years) from the reinsurance in quota share with AXA on PPI programs, approved by the Board of Directors in 2017 has been implemented according to plan over the past four years and has ended in 2021 with a final quota share minimum at 10%. Starting the generation of 2022, no reinsurance quota-share has been recognized for PPI portfolio.

Starting 2023, the new reinsurance treaty has been launched for GAP program in Italy. Because of the GAP ("Return-To-Invoice") program represents a new type of insurance product for the Company, the Company have decided to reinsure the entire portfolio of the generation 2023 with Nissan International Insurance ("Reinsurer"). As this type of business is well established at Reinsurer, the Company will participate on their technical support and expertise.

Key assumptions

The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience within the RCI Group.

The Company has therefore assumed an ultimate loss ratio in order to estimate its total Liability for Incurred Claims, separately for current and past occurrence reporting periods, according to the accounting standards IFRS17, first time implemented starting 1st of January 2023.

	Central Scenario	Scenario 1 – Discount Rate	Scenario 2 – Claims	Scenario 3 – New Production
	€	€	€	€
Total Insurance Revenues	190,801,649	190,801,649	188,661,442	188,641,702
Total Insurance Services	(67,547,256)	(67,547,256)	(70,490,944)	(66,401,335)
INSURANCE SERVICE RESULT	123,254,394	123,254,394	118,170,498	122,240,367
Net financial result	(725,223)	(725,223)	(716,299)	(656,989)
Investment income	6,102,026	6,102,026	6,102,026	6,102,026
PROFIT BEFORE TAX	128,631,197	128,631,197	123,556,225	127,685,404
OTHER COMPREHENSIVE INCOME BEFORE TAX	4,382,164	288,436	1,022,585	4,388,605

Scenario 1 – Discount Rate:

- Market – Interest rate shock: This includes a +100bp in discount rate curve for each projection year.
- Based on the RCI Insurance accounting methodology, the effect of financial risk and changes in financial risk is reported in Other Comprehensive Income ("OCI"). Therefore, the drop in OCI by €4,093,728 has been reported in the Balance Sheet for RCI Insurance as an impact of increasing the discount rate as of the reporting period.

20. Insurance and financial risk – continued

(a) Insurance risk - continued

Sensitivities scenarios - continued

Scenario 2 – Claims:

- **Insurance risk shock:** This is a permanent increase of the claim frequency by +25% for the PPI – Total temporary Disability coverage, +40% for PPI- Unemployment coverage and +30% for GAP business.
- The shock has been applied on the central scenario for the evolution of claims within the reporting period as well as remaining coverage in the future.
- The sensitivity represents one of the Adverse – Insurance risk scenarios reported in the ORSA 2023.
- Volatility of expected claims represents the most significant risk for RCI Insurance.
- No breaching of risk appetite rule was observed on profit (< 20% of Central Scenario), but the negative impact of (€5,074,972) (-3.9%) did not reach the Alert threshold (<10%) during the reporting period.

Scenario 3 – New Production:

- **Regulatory shock:** This is a decrease of the new production of 2023 by 15% for PPI business.
- The shock has been applied on the central scenario of the PPI contract production, underwritten in 2023.
- The sensitivity represents the potential impact on the new business production due to regulatory pressure on PPI business in EU countries.
- No breaching of risk appetite rule was observed on profit (<20% of Central Scenario), and with a negative impact of (€945,793) (-0.7%) it did not reach the Alert threshold level (< 10%) during the reporting period.

(b) Financial risk

The Company is exposed to financial risk that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance risk.

The most important components of this financial risk are market risk (including interest rate risk), credit risk and liquidity risk. The risk management policies employed by the Company to manage these risks are discussed below.

(1) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The Company writes PPI risks for the Renault group through various group entities. The Company therefore has no counterparty insurance credit risk to parties outside the Renault group thereby reducing substantially its credit risk.

The Company invests in French, Italian and Spanish government bonds, EIB bonds, European Union bonds, corporate bonds with reputable counterparties and holds deposits with RCI Banque S.A., a BBB rated financial institution licensed and regulated by the French Banque de France, a member of the Renault Group.

The primary debtor is the Company's parent undertaking, a BBB rated financial institution licensed and regulated by the French Banque de France.

Reinsurance is placed with a counterparty that has an AA- credit rating. At each reporting date, management performs an assessment of the creditworthiness of the reinsurer and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.

The credit risk in respect of customer balances incurred on non-payment of premiums or contributions will only persist during the grace year specified in the policy document or trust deed until expiry, when the policy is either paid up or terminated. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.

20. Insurance and financial risk – continued

(b) Financial risks – continued

(1) Credit risk - continued

Credit exposure

The table below shows the maximum exposure to credit risk for the components of the Statement of Financial Position and items such as future commitments as at 31 December.

	Notes	2023 €	2022 re-stated €
Loans and receivables	5	81,500,000	79,000,000
Financial investments - debt securities	4	102,463,843	91,202,768
Reinsurance contract assets	6	22,026,910	12,020,721
Insurance and other receivables	8	44,226,341	42,972,613
Cash and cash equivalents	3	117,640,000	78,988,978
Total credit risk exposure		367,857,095	304,185,079

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Company at 31 December by classifying assets according to the Standard and Poor's credit ratings (or equivalent) of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB- are not rated.

31 December 2023	Neither past due nor impaired						Total €
	AA €	AA- €	A €	A- €	BBB+/BBB/ BBB- €	Not rated €	
Loans and receivables	-	-	-	-	81,500,000	-	81,500,000
Financial investments — debt securities	19,237,542	13,768,388	24,146,592	23,744,078	21,537,242	-	102,463,843
Reinsurance contract assets	-	22,026,910	-	-	-	-	22,026,910
Insurance and receivables	61,680	27,621	20,869,457	95,466	23,172,116	-	44,226,341
Cash and cash equivalents	-	-	-	-	111,415,310	6,224,690	117,640,000
Total	19,299,222	35,822,920	45,016,049	23,869,554	237,624,668	6,224,690	367,857,095

20. Insurance and financial risk – continued

(b) Financial risks - continued

(1) Credit risk - continued

Credit exposure by credit rating - continued

31 December 2022 re-stated	Neither past due nor impaired						Total €
	AA €	AA- €	A €	A- €	BBB €	Not rated €	
Loans and receivables	-	-	-	-	79,000,000	-	79,000,000
Financial investments – debt securities	21,053,243	4,282,506	18,840,742	20,804,660	26,221,617	-	91,202,768
Reinsurance contract assets	-	12,020,721	-	-	-	-	12,020,721
Insurance and receivables	80,685	(281,225)	36,499,049	71,582	7,018,509	(415,987)	42,972,613
Cash and cash equivalents	-	-	-	-	70,485,834	8,503,144	78,988,978
Total	21,133,928	16,022,002	55,339,791	20,876,242	182,725,960	8,087,157	304,185,079

During the year, no credit exposure limits were exceeded. The Company actively manages its product mix to ensure that there is no significant concentration of credit risk.

Impaired financial assets

For assets to be classified as 'past-due and impaired' contractual payments must be in arrears for more than 90 days. At 31 December 2023, €337,287 of the Company's assets were impaired (2022: €415,065).

(2) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash out-flows and expected reinsurance recoveries.

The following policies and procedures are in place to mitigate the Company's exposure to liquidity risk:

- A Company liquidity risk policy setting out the assessment and determination of what constitutes liquidity risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company Board. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Set guidelines on asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding available to meet insurance and investment contracts obligations.

20. Insurance and financial risk - continued

(b) Financial risks - continued

(2) Liquidity risk - continued

The following table indicates the expected timing of cash flows arising from the Company's liabilities:

31 December 2023	0-1 year €	1-5 years €	>5 years €	Total €
Insurance contract liabilities	29,547,540	34,681,553	214,777	64,443,870
Insurance and other payables	31,363,664	12,668,987	78,457	44,111,108
Income tax payable	65,208,778	-	-	45,020,919
Total	126,119,982	47,350,540	293,234	173,763,756

31 December 2022	0-1 year €	1-5 years €	>5 years €	Total €
Insurance contract liabilities	22,547,656	26,465,409	163,896	49,176,962
Insurance and other payables	16,417,303	10,021,768	67,051	26,506,121
Income tax payable	41,429,576	-	-	41,429,576
Deferred tax	14,240,069	-	-	14,240,069
Total	89,266,439	36,487,177	230,947	131,352,728

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign-exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk). The Company invests in fixed income securities and deposits thereby exposing itself to interest rate risk. The Company's assets and liabilities are all denominated in Euro thereby leaving the Company with no currency exposure.

(4) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

(5) Foreign exchange risk

Foreign exchange risk is the risk of financial impact due to exchange rate fluctuations on an entity. In late 2020, the company started to write direct insurance business in Romania but did not report any foreign exchange gain or loss as the amounts were immaterial.

Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest risk. The Company invests primarily in fixed interest rate bonds, long-term and short-term deposits which are re-priced at renewal of the deposit.

The Company's net exposure to interest rate risk is not considered to be material in view of the fact that the interest rates of the financial investments are fixed. Accordingly a sensitivity analysis for interest rate risk disclosing how profit or loss and equity would have been affected by changes in interest rates that were reasonably possible at reporting date is not deemed necessary.

21. Cash generated from operating activities

	Notes	2023 €	2022- restated €
Profit before tax		128,631,197	103,392,487
<i>Adjustment for</i>			
Depreciation of equipment	10	2,632	14,582
Interest income		(5,893,827)	(1,503,785)
Net amortisation of premium on financial investments	4b	(130,421)	670,057
Impairment allowance		77,779	146,873
<i>Movements in items in the Statement of Financial Position:</i>			
Reinsurance contract assets		(10,006,190)	4,695,430
Insurance and other receivables		3,274,930	(5,173,043)
Insurance contracts liabilities		19,648,933	14,896,860
Insurance and other payables		17,604,986	(2,772,752)
Cash generated from operating activities		153,210,019	114,366,709

22. Contingencies and commitments

(a) Capital commitments and operating leases

The Company has no capital commitments as at the reporting date.

23. Related party disclosures

(a) Transactions with related parties

The Company enters into transactions with its parent, group undertakings and key management personnel in the normal course of business. Related parties are defined as those that have an ability to control or exercise significant influence over the other party in making financial and operation decisions.

Details of significant transactions carried out during the year with related parties are as follows:

	2023 €	2022 €
Investment income from parent	1,350,914	689,823
	2023 €	2022 €
Dividends paid (note 24)	76,847,995	74,072,773
Commission paid to group undertaking	88,857,870	46,216,255
Claim handling fees paid to group undertaking	1,254,540	1,260,848
Recharge of expenses for back-office services provided by group undertakings	2,287,803	2,288,071

Director's fees have been disclosed in Note 17. The General Manager, the Chief Financial Officer, Chief Risk Officer and Chief Legal and Compliance Officer and the IT & Administration Manager are considered by the Company to be Key Management Personnel. The total payments to Key Management Personnel were €354,526 (2022: €547,564).

23. Related party disclosures - continued

(b) Balances with related parties

Receivables from and payables to related parties are as follows:

	Notes	2023 €	2022 €
Receivables from related parties			
Debtor arising out of direct insurance operations			
- group undertakings	8	21,557,335	6,140,633
- parent company	8	342,914	-
Deposits held with parent	5	81,500,000	79,000,000
Interest income due from parent	8	966,540	515,553
Cash and cash equivalents held with parent	3	111,415,310	70,485,834
		2023 €	2022 €
Payables to related parties			
Creditor arising out of direct insurance operations			
- group undertakings		39,552,683	18,076,043
- parent company	14	-	315,275

Loans and receivables are unsecured and earn an average fixed interest of 2.5% (2022: 1.47%) (note 10). Cash deposits held with group undertakings did not earn any interest during 2023 (2022: NIL) (note 16). All other outstanding balances at the reporting date are unsecured and interest free. Settlement will take place in cash.

There was no provision for doubtful debts at the reporting date and no bad debt expense during the year.

24. Dividends

	2023 €	2022 €
Dividends paid on ordinary shares net	76,847,995	74,072,773
Dividends per ordinary share	1,921.20	1,851.82



INDEPENDENT AUDITORS' REPORT

To the members of RCI Insurance Limited

Report on the Audit of the Financial Statements**Opinion**

We have audited the financial statements of RCI Insurance Limited (the Company), set out on pages 4 to 51, which comprise the statement of financial position as at 31 December 2023 and the Income statements, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (EU IFRSs) and have been prepared in accordance with the requirements of the Companies Act (Cap. 386).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession Directive issued in terms of the Accountancy Profession Act (Cap. 281) (APA) in Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to report to our assessment of the risk of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITORS' REPORT

To the members of RCI Insurance Limited (continued)

Key Audit Matters (continued)**Insurance liabilities***Risk description*

At 31 December 2023 the Companies had liability for remaining coverage and liability for incurred claims as follows:

Liability for Remaining Coverage	39,985,127
Loss Component	83,132
Liability for Incurred Claims	24,375,615

The Liability for incurred claims is measured as the total of the expected fulfilment cash flows relating to insurance events that occurred by the financial reporting date, which comprise estimates of future cash flows, adjusted to reflect the time value of money and a risk adjustment for non-financial risks. We have considered the estimate of future cash flows as a key audit matter in view of the subjectivity surrounding the determination of the estimate, that is based on claims data and an actuarial methodology which involves significant assumptions. Due to the degree of such inherent estimation uncertainty underlying the estimate of future cash flows, the amounts recognised in the statement of financial position may be different to those eventually settled. Those differences may be material.

The liability for remaining coverage is measured as the total of the expected fulfilment cash flows which comprise estimates of future cash flows within the contract boundary, adjusted to reflect the time value of money and the associated financial risks, and risk adjustment for non-financial risks. We have considered the measurement of liability for remaining coverage as a key audit matter in view of the nature and subjectivity of the estimate, and its overall inherent estimation uncertainty. The subjectivity involved relates mainly to the judgement involved in the selection of actuarial assumptions. Due to the degree of such inherent estimation uncertainty, the ultimate total settlement value may be different from the amounts provided, and the amount of the Contractual Service Margin maybe different from the amounts recognized as profit in the future. Those differences maybe material.

How our audit addressed the key audit matter

As part of our procedures, with the assistance of our actuarial specialists, we evaluated the appropriateness of the Company's assumptions applied in estimating the future cash flows and the resulting estimate, for substantially all the liability for incurred claims and remaining liabilities. We have remeasured the risk adjustment and discounting rate as per our expectations based on industry knowledge and experience and compared these with the Company's results. In relation to claims data and other elements used in the estimates, we evaluated a sample to assess their relevance and reliability based on the information available to the Company at the financial reporting date.

INDEPENDENT AUDITORS' REPORT

To the members of RCI Insurance Limited (continued)

Key Audit Matters (continued)**Insurance liabilities (continued)**

How our audit addressed the key audit matter (continued)

We have also assessed the relevance of disclosures relating to the Company's liability arising from insurance contracts presented in the note 7 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and the auditors' report thereon. Our opinion on the financial statements does not cover this information, and we do not express any form of assurance conclusion thereon other than our reporting on other legal and reporting requirements. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Directors' Report, we also considered whether the Directors' Report includes the disclosures required by Article 177 of the Maltese Companies Act (Cap. 386). Based on the work we have performed, in our opinion:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with the Maltese Companies Act (Cap.386).

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the directors' report. We have nothing to report in this regard.

Responsibilities of the Directors

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

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

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

INDEPENDENT AUDITORS' REPORT

To the members of RCI Insurance Limited (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Consider the extent of compliance with those laws and regulations that directly affect the financial statements, as part of our procedures on the related financial statements items. For the remaining laws and regulations, we make enquiries of directors and other management, and inspect correspondence with the regulatory authority as well as legal correspondence. As with Fraud, there remains a higher risk of non-detection of other irregularities (whether or not these relate to an area of law directly related to the financial statements), as these may likewise involve collusion, forgery, international omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITORS' REPORT

To the members of RCI Insurance Limited (continued)

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

Under the Maltese Companies Act (Cap. 386) we are required to report to you if, in our opinion:

- We have not received all the information and explanations we require for our audit.
- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.

INDEPENDENT AUDITORS' REPORT

To the members of RCI Insurance Limited (continued)

Report on Other Legal and Regulatory Requirements (continued)

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

Additionally, the financial statements have been properly prepared in accordance with the requirements of the Insurance Business Act (Cap. 403).

Use of audit report

This report is made solely to the company's members as a body in accordance with the requirements of the Companies Act CAP 386 of the laws of Malta. Our audit work has been undertaken so that we might state to the company's members those matters that we are required to state to them in an audit's report and for no other purpose. To the full extent permitted by law we do not assume responsibility to anyone other than the company's members as a body for our audit work, for this report or for the opinions we have formed.

Appointment

We were appointed by the shareholders as auditors of RCI Insurance Limited on 10 September 2020, as for the year ended 31 December 2020. The period of total uninterrupted engagement is four years.

Consistency with the additional report to those charged with Governance

Our opinion on our audit of the financial statements is consistent with the additional report to the audit committee required to be issued by the Audit Regulation (as referred to in the Act);

Non-audit services

We have not provided any of the prohibited services as set out in the accountancy profession act.



*This copy of the audit report has been signed by
Anthony Attard (Partner) for and on behalf of*

**Mazars Malta
Certified Public Accountants**

Office address:
The Watercourse, Level 2,
Mdina road, Zone 2, Central business district,
Birkirkara CBD2010 – Malta
19 April 2024

