RCI Life Limited

Annual Report and Financial Statements for the year ended

31 December 2023

Company Registration Number: C45787

Contents

Directors' Report

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

Principal activities

The Company's principal activity is that of carrying on long-term business of insurance falling within Class 1 and Class 4 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, Austria and Portugal.

During the year ended 31 December 2023 the Company wrote a total net insurance service result of €65,339,746 up by 21.86% compared to that written during 2022 at €53,617,541. 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 559% to €5,121,891 in 2023 (2022: €777,452). The increase is mainly due to the favorable market conditions and the increase of the interest rates. The total impairment loss for 2023 amounted to €209,640 when compared to €198,798 for 2022.

The total profit for the year after tax amounted to €45,803,865 (2022: €35,356,745). The increase in profitability is mainly attributable to the factors as explained above.

The Shareholders' Funds of the Company at €109,733,018 (2022 re-stated: €98,686,066 increased by 11.12% resulting from better profit after tax registered during the year under review and also a capital contribution of €4,539,965 made during the year 2023 (2022: €6,052,515).

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 As from this date, the solvency calculations under Solvency I regime are no longer applicable.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 significant 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 €41,272,406 (2022: €40,350,098). 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-Beaufils (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 & Business Centre,
Triq Elia Zammit, St.Julian's 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	**64,062,367**	63,484,632
Change in risk adjustment for non-financial risk for risk expired	**3,946,276**	3,203,336
Expected insurance service expenses incurred:	**36,435,642**	26,882,994
Claims	*31,448,538*	*21,772,432*
Expenses	*4,987,104*	*5,110,561*
Recovery of insurance acquisition cash flows	**89,182,198**	87,193,630
TOTAL INSURANCE REVENUE	**193,626,483**	180,764,592
Incurred insurance service expenses:	**(39,404,511)**	(43,034,742)
Claims	*(34,181,705)*	*(40,745,408)*
Expenses	*(5,891,794)*	*(5,949,501)*
Other movements related to current service	*668,988*	*3,660,165*
Amortisation of insurance acquisition cash flows	**(89,182,198)**	(87,193,630)
Changes that relate to past service:	**5,567,224**	5,637,238
Changes in estimates in LIC fulfilment cash flows	*5,127,918*	*7,079,767*
Experience adjustments in claims and other insurance service expenses in LIC	*439,306*	*(1,442,529)*
Changes that relate to future service:	**(532,255)**	(175,072)
Losses and reversal of losses on onerous contracts - subsequent measurement	*(532,255)*	*(175,072)*
TOTAL INSURANCE SERVICE EXPENSES	**(123,551,740)**	(124,766,206)
Net Expenses from Reinsurance Contracts		
Allocation of the premiums paid	**(4,941,481)**	(6,519,564)
Amounts recovered from reinsurance:	**1,446,790**	3,773,290
Incurred insurance service expenses:	**3,787,370**	7,925,252
Claims	*3,862,261*	*8,760,693*
Other movements related to current service	*(74,891)*	*(835,441)*
Changes that relate to past service (changes in fulfilment cash flows re LIC):	**(2,340,580)**	(4,151,962)
Changes in estimates in LIC fulfilment cash flows	*(2,198,988)*	*(4,440,295)*
Experience adjustments in claims and other insurance service expenses in LIC	*(141,592)*	*288,333*
Total net expenses from reinsurance contracts	**(3,494,691)**	(2,746,274)
INSURANCE SERVICE RESULT	**66,580,052**	53,252,110

Statement of Profit and Loss - continued

	Notes	Year ended 31 December 2023 €	2022 - restated €
INSURANCE SERVICE RESULT - continued		**66,580,052**	53,252,110
Insurance finance income or expenses from insurance contracts issued		**(1,346,498)**	204,909
Interest accreted on the carrying amount of the CSM		*(2,172,124)*	609,994
Interest accreted on present value cash flows		*921,478*	(422,198)
Interest accreted on risk adjustment		*(95,852)*	17,113
The effect of financial risk and changes in financial risk		**17**	-
Total Insurance Finance Income or Expense from Insurance Contracts		**(1,346,481)**	204,909
Insurance finance income or expenses from reinsurance contracts issued		**106,792**	160,522
Interest accreted on the carrying amount of the CSM		*10,023*	*521*
Interest accreted on present value cash flows		*88,470*	*145,908*
Interest accreted on risk adjustment		*8,299*	*14,093*
The effect of financial risk and changes in financial risk		**(607)**	-
Total Insurance Finance Income or Expense from Reinsurance Contracts		**106,185**	160,522
NET FINANCIAL RESULT		**(1,240,296)**	365,431
NET INSURANCE SERVICE RESULT (EXCLUDING INVESTMENT RETURN)		**65,339,756**	53,617,541
NET INVESTMENT INCOME	15	**5,121,891**	777,452
PROFIT BEFORE TAX		**70,461,647**	54,394,993
INCOME TAX EXPENSE	18	**(24,657,782)**	(19,038,247)
PROFIT FOR THE FINANCIAL YEAR		**45,803,865**	35,356,745

The accompanying accounting policies and explanatory notes on pages 11 to 50 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 7)	**45,803,865**	35,356,745
OTHER COMPREHENSIVE INCOME		
Net gain on investments in debt securities measured at FVOCI	**2,308,341**	(4,953,700)
Finance expenses from insurance contracts issued	**167,743**	(714,852)
Finance income from reinsurance contracts issued	**563,190**	(1,214,865)
Income tax relating to these items above	**(1,063,746)**	2,409,196
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**1,975,528**	(4,474,221)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR TO ORDINARY SHAREHOLDERS	**47,779,394**	30,882,525

The accompanying accounting policies and explanatory notes on pages 11 to 50 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	5,900,000	51,233,323	-	8,226	57,141,549
Adjustment on initial application of IFRS17, net of tax	-	44,959,576	-	-	44,959,576
Shareholders equity as at 1 January 2022, restated	5,900,000	96,192,899	-	8,226	102,101,125
Profit for the year	-	35,356,745	-	-	35,356,745
Other comprehensive income	-	-	-	(4,474,221)	(4,474,221)
Dividends paid	-	(40,350,098)	-	-	(40,350,098)
Capital contribution	-	-	6,052,515	-	6,052,515
	5,900,000	91,199,546	6,052,515	(4,465,995)	98,686,066
Re-stated Closing Balance – 31 December 2022	5,900,000	91,199,546	6,052,515	(4,465,995)	98,686,066
Profit for the year	-	**45,803,865**	-	-	**45,803,865**
Other comprehensive income	-	-	-	**1,975,528**	**1,975,528**
Dividends paid	-	**(41,272,406)**	-	-	**(41,272,406)**
Capital contribution	-	-	**4,539,965**	-	**4,539,965**
Closing Balance - 31 December 2023	**5,900,00**	**95,731,005**	**10,592,480**	**(2,490,467)**	**109,733,018**

The accompanying accounting policies and explanatory notes on pages 11 to 50 form an integral part of the financial statements.

Balance Sheet

	Notes	**As at 31 December 2023**	As at 31 December 2022 - restated	As at 1 January 2022 - restated
		€	€	€
ASSETS				
Cash and cash equivalents	**3**	**83,518,612**	83,791,741	87,915,330
Financial investments	**4**	**98,064,260**	87,075,681	70,761,583
Loans and receivables	**5**	**83,500,000**	77,000,000	91,000,000
Reinsurance contract assets	**6**	**10,908,689**	23,558,859	43,233,644
Insurance and other receivables	**8**	**26,634,038**	21,052,410	15,019,843
Deferred tax asset	**9**	**1,414,394**	2,474,346	27,214
Property, plant and equipment	**10**	**314**	7,537	11,306
Total assets		**304,040,307**	294,960,574	307,968,920
EQUITY				
Capital and reserves attributable to shareholders				
Share capital	**11**	**5,900,000**	5,900,000	5,900,000
Capital contribution	**12**	**10,592,480**	6,052,515	-
Other reserves	**13**	**(2,490,467)**	(4,465,995)	8,226
Retained Earnings		**95,731,005**	91,199,546	96,192,899
Total equity		**109,733,018**	98,686,066	102,101,125
LIABILITIES				
Current income tax liabilities		**45,674,999**	22,251,556	21,704,020
Insurance and other payables	**14**	**31,441,952**	36,600,700	54,263,306
Insurance contract liabilities	**7**	**117,190,338**	116,398,604	105,691,467
Deferred tax liabilities	**9**	**-**	21,023,648	24,209,002
Total liabilities		**194,307,290**	196,274,508	205,867,795
Total equity and liabilities		**304,040,307**	294,960,574	307,968,920

The accounting policies and explanatory notes on pages 11 to 50 form an integral part of the financial statements.

The financial statements on pages 5 to 50 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	69,457,003	58,515,723
Interest received		4,512,379	1,392,855
Taxation paid		(22,261,780)	(21,714,004)
Net cash from operating activities		51,707,602	38,194,574
Investing activities			
Purchase of financial investments		(55,748,290)	(71,570,580)
Redemption of financial investments on maturity		40,500,000	63,550,000
Net cash used in investing activities		(15,248,290)	(8,020,580)
Financing activities			
Dividends paid	24	(41,272,406)	(40,350,098)
Capital Contribution paid		4,539,965	6,052,515
Net cash used in financing activities		(36,732,441)	(34,297,583)
Net movement in cash and cash equivalents		(273,129)	(4,123,589)
Cash and cash equivalents - Beginning of year		83,791,741	87,915,330
Cash and cash equivalents - End of year	3	83,518,612	83,791,741

The accounting policies and explanatory notes on pages 11 to 50 form an integral part of the financial statements.

Notes to the Financial Statements

1. Corporate information

RCI Life Limited (the "Company") is a limited liability company incorporated and domiciled in Malta. The Company's principal activity is that of carrying on long-term business of insurance falling within Class 1 and Class 4 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 & Business Centre, Triq Elia Zammit, St.Julian's, STJ 3155, Malta. The financial statements of RCI Life 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 Life Limited is a wholly owned subsidiary of RCI Services Limited which is registered at 'Level 3, Mercury Tower, The Exchange Financial & Business Centre, Triq Elia Zammit, St.Julian's, STJ 3155, Malta. The ultimate parent company of RCI Life Limited is Renault S.A. which is registered at 13, Quai Alphonse Le Gallo, 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 for use in the European Union, the Insurance Business Act and the Companies Act, Cap. 403 and 386 of the Laws of Malta respectively.

The Company presents its Balance Sheet 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 these financial statements.

Financial assets and financial liabilities are offset and the net amount 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 expense will not be offset in the Profit and Loss 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 Life had not retained the proposed exemption from application of the IFRS9 standard and was already applying it 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 behaviour" 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 Life's balance sheet, profit and loss, other comprehensive income and cash flow. 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	11,306	11,306	-
Loans and receivables	91,000,000	91,000,000	-
Financial investments	70,761,583	70,761,583	-
Deferred tax asset	27,214	27,214	-
Reinsurer's share of technical provisions	44,032,011	-	(44,032,011)
Reinsurance contract assets	-	43,233,644	43,233,644
Insurance and other receivables	15,019,843	15,019,843	-
Cash and cash equivalents	87,915,330	87,915,330	-
TOTAL ASSETS	**308,767,287**	**307,968,920**	**(798,367)**
EQUITY			
Capital and reserves attributable to shareholders			
Share capital	5,900,000	5,900,000	-
Other reserves	8,226	8,226	-
Retained earnings	51,233,323	96,182,889	44,959,576
TOTAL EQUITY	**57,141,549**	**102,101,125**	**44,959,576**
LIABILITIES			
Technical provisions	175,658,412	-	(175,658,412)
Insurance contract liabilities	-	105,691,467	105,691,467
Deferred tax liabilities upon transition	-	24,209,002	24,209,002
Insurance and other payables	54,263,306	54,263,306	-
Current tax liabilities	21,704,020	21,704,020	-
TOTAL LIABILITIES	**251,625,738**	**205,867,795**	**(45,757,943)**
TOTAL EQUITY AND LIABILITIES	**308,767,287**	**307,968,920**	**(798,367)**

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 Life'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 45 million euros ("Transition impact"), which was one of the main reasons of declining the profit as of FY2022, by 6 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 Life 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 45 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 significant 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 fin 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 judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, 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.

Judgements

In the process of applying the Company's accounting policies, management has not made any significant judgments, apart from those involving estimations and assumptions, which have a significant effect on the amounts recognised 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 Fulfillment 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 Life used these set of assumptions, split per non-economic and economic, as follows:

Non-economic

1. **Mortality**
   a. For the year end 2023 calculation of "FCF", the mortality assumptions have been derived based on the experience observed between January-2020 and June-2023 with full reflection of the Covid-19 loss experience and this represents approximately 30m of analyzed period.
   b. Observed mortality rates have been extracted by country and by age from 3,5 years history data, in order to reflect latest trends. Experience rates were then smoothed according to Whittaker-Henderson method to reach Best Estimates of mortality rates.

2. **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.

3. **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.

2.4 Significant accounting judgements, estimates and assumptions - continued

Estimates and assumptions - continued

<u>Non-Economic</u>

4. **General Expenses**
   a. General expenses assumptions have been based on the budget forecast of general expenses of RCI Life, split by nature.
   b. On this volume of general expenses, setting the expense assumptions consists in:
      i. Identification of fixed expense's 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.

<u>Economic</u>

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.

(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.

2.4 Significant accounting judgements, estimates and assumptions - continued

Estimates and assumptions - continued

(b) Liquidity premium

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

Liquidity risk premium = yield to maturity on reference portfolio – risk free rate – 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 Life'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.

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.

2.4 Significant accounting judgements, estimates and assumptions - continued

Estimates and assumptions - continued

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.

Valuation of insurance contract liabilities

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

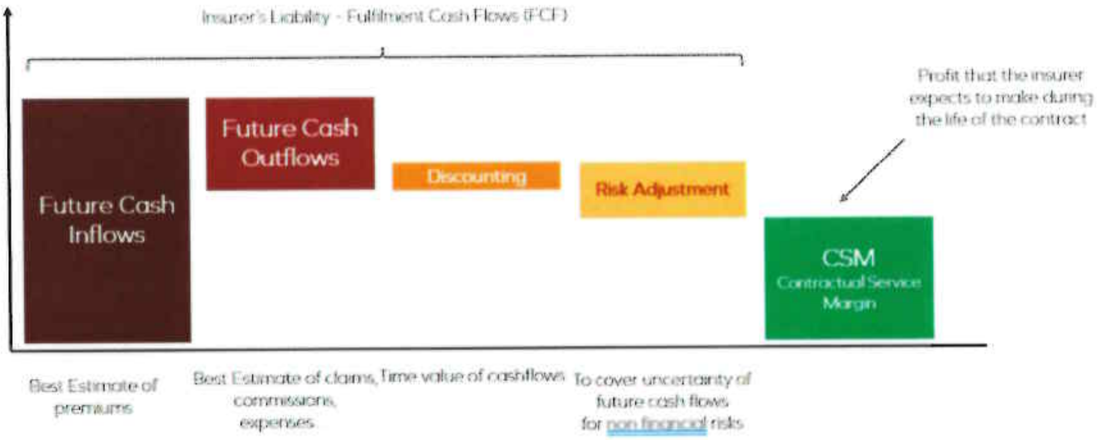
Life insurance and reinsurance contract liabilities are recognized accounted under a forward-looking Economical Value approach in IFRS17 vs. historical valuation in IFRS4 valid till the end of 2022.

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 Life.

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.

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 Life 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 Fulfilment 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 business – Reinsurance outwards)

2.5 Summary of material accounting policies - continued

(a) Product classification – continued

<u>Cash Flows **Not Included** in Fulfilment Cash Flows</u>

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

<u>Discounting</u>

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.

<u>Risk Adjustment ("RA")</u>

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 Life: **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).

<u>Contractual Service Margin ("CSM")</u>

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 Life are described below:

1) Best Estimate Liability
2) Risk Adjustment

} Fulfillment Cash-Flows

<u>LIC:</u>
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

<u>Fulfilment Cash Flows</u>
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.

<u>Discounting</u>

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.

<u>*Risk Adjustment ("RA")*</u>

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

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 life 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 recognised in the Income Statement when the asset is derecognised.

(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 by 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.

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 utilised except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition 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

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.5 Summary of material accounting policies - continued

(c) Taxes - continued

Deferred income tax - continued

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 equity is recognised in 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 recognised 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 directly attributable transaction costs. The Company's financial assets include cash and short-term deposits, trade and other receivables, loans 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 method. Gains and losses are recognised in the Income Statement when the investments are derecognised or impaired, as well as through the amortisation process.

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.

2.5 Summary of material accounting policies - continued

(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 fixed 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 financial investments are 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 financial investments are not recognised in the Income Statement.

Reversals of impairment losses on debt instruments classified at 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.
- 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 assets 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 capitalized 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:

Furniture, fixture and fittings: 8 years

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

2.5 Summary of material accounting policies - continued

(i) Equipment - continued

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. An item of property and 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 and other 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 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.

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.5(g), have been met.

(k) Cash and cash equivalents

Cash and cash equivalents comprise of 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 payables are recognised when due and measured on initial recognition at the fair value of the consideration received. 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.

2.5 Summary of material accounting policies - continued

(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.

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 Life 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 Life 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.

The Company also applies the OCI option.

2.5 Summary of material accounting policies - continued

(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.

(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.

3. Cash and cash equivalents

	2023 €	2022 €
Cash at bank and in hand	**83,518,612**	83,791,741
Total cash and cash equivalents	**83,518,612**	83,791,741

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 3% (2022: 0.3%). The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

4. Financial Investments

Financial Investments at fair value	2023 €	2022 €
Debt securities	**98,064,260**	87,075,681

(a) Financial investments mature as follows:

	2023 €	2022 €
Financial Investments		
Within one year	**8,283,084**	14,208,128
Between one and two years	**73,320,392**	44,605,283
Between two and five years	**16,460,784**	28,262,270
	98,064,260	87,075,681

(b) Reconciliation

	Notes	2023 €	2022 €
Balance at beginning of year		**87,075,681**	70,761,583
Purchases		**23,248,290**	46,570,580
Maturities		**(14,500,000)**	(24,550,000)
Amortisation of premiums	16	**141,588**	(553,984)
Fair value gain recorded in Other Comprehensive Income	13	**2,308,341**	(4,953,700)
Impairment		**(209,640)**	(198,798)
Balance at end of year		**98,064,260**	87,075,681

4. Financial Investments - continued

(c) Fair values 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	**98,064,260**	87,075,681

Included in the Level 1 category are financial assets that are measured in whole 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	**83,500,000**	77,000,000

The above deposits earn interest at an average fixed rate of 3% (2022: 1.6%).

Loans and receivables mature as follows:

	2023 €	2022 €
Loans and receivables		
Within one year	**16,000,000**	26,000,000
Between one and two years	**35,000,000**	16,000,000
Between two and five years	**32,500,000**	35,000,000
	83,500,000	77,000,000

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	29,106,878	-	14,126,764	43,233,642
Opening reinsurance contract liabilities	-	-	-	-
Net balance as at 1 January 2022	29,106,878	-	14,126,764	43,233,642
CSM recognized for services provided	(2,811,980)	-	-	(2,811,980)
Change in risk adjustment for non-financial risk for risk transferred	(468,509)	-	-	(468,509)
Expected recoveries of incurred claims and other insurance service expense	(3,239,075)	-	-	(3,239,075)
ALLOCATION OF PREMIUMS PAID	**(6,519,564)**	-	-	**(6,519,564)**
Recoveries of incurred claims and other insurance service expense	-	-	7,925,252	7,925,252
Changes related to past service (changes related to incurred claims component)	-	-	(4,151,962)	(4,151,962)
TOTAL AMOUNTS RECOVERED FROM REINSURANCE	-	-	**3,773,290**	**3,773,290**
TOTAL NET EXPENSES FROM REINSURANCE	**(6,519,564)**	-	**3,773,290**	**(2,746,274)**
The effect of and changes in time of time value of money and financial risk	72,583	-	87,938	160,522
TOTAL INSURANCE FINANCE INCOME OR EXPENSE	**72,583**	-	**87,938**	**160,522**
OTHER COMPREHENSIVE INCOME	**(841,426)**	-	**(373,436)**	**(1,214,862)**
TOTAL CHANGES IN THE STATEMENT OF FINANCIAL PERFORMANCE	**(7,288,407)**	-	**3,487,792**	**(3,800,615)**
Premiums paid net of ceding commissions and other directly attributable expenses paid	(6,162,108)	-	-	(6,162,108)
Recoveries from reinsurance	-	-	(9,712,060)	(9,712,060)
TOTAL CASH FLOWS	(6,162,108)	-	(9,172,060)	(15,874,167)
NET CLOSING BALANCE	**15,656,364**	-	**7,902,495**	**23,558,859**
Closing reinsurance contract assets	15,656,364	-	7,902,495	23,558,859
Closing insurance contract liabilities	-	-	-	-
Net balance as at 31 December 2022	**15,656,364**	-	**7,902,495**	**23,558,859**

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	15,656,364	-	7,902,495	23,558,859
Opening reinsurance contract liabilities	-	-	-	-
Net balance as at 1 January 2023	**15,656,364**	**-**	**7,902,495**	**23,558,859**
CSM recognized for services provided	(2,280,708)	-	-	(2,280,708)
Change in risk adjustment for non-financial risk for risk transferred	(327,481)	-	-	(327,481)
Expected recoveries of incurred claims and other insurance service expense	(2,333,292)	-	-	(2,333,292)
ALLOCATION OF PREMIUMS PAID	**(4,941,481)**	**-**	**-**	**(4,941,481)**
Recoveries of incurred claims and other insurance service expense	-	-	3,787,369	3,787,369
Changes related to past service (changes related to incurred claims component)	-	-	(2,340,580)	(2,340,580)
TOTAL AMOUNTS RECOVERED FROM REINSURANCE	**-**	**-**	**1,446,789**	**1,446,789**
TOTAL NET EXPENSES FROM REINSURANCE	**(4,941,481)**	**-**	**1,446,789**	**(3,494,692)**
The effect of and changes in time of time value of money and financial risk	56,450	-	49,765	106,185
TOTAL INSURANCE FINANCE INCOME OR EXPENSE	**56,450**	**-**	**49,765**	**106,185**
OTHER COMPREHENSIVE INCOME	**303,746**	**-**	**259,445**	**563,191**
TOTAL CHANGES IN THE STATEMENT OF FINANCIAL PERFORMANCE	**(4,581,314)**	**-**	**1,755,999**	**(2,825,315)**
Premiums paid net of ceding commissions and other directly attributable expenses paid	(3,570,501)	-	-	(3,599,501)
Recoveries from reinsurance	-	-	(6,254,354)	(6,254,354)
TOTAL CASH FLOWS	**(3,599,409)**	**-**	**(6,254,354)**	**(9,824,854)**
Net balance as at 31 December 2023	**7,504,548**	**-**	**3,404,141**	**10,908,689**
Closing reinsurance contract assets	7,504,548	-	3,404,141	10,908,689
Closing insurance contract liabilities	-	-	-	-
Net balance as at 31 December 2023	**7,504,548**	**-**	**3,404,141**	**10,908,689**

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	40,106,701	3,027,178	99,763	43,233,642
Opening reinsurance contract liabilities	-	-	-	-
Net balance as at 1 January 2022	**40,106,701**	**3,027,178**	**99,763**	**43,233,642**
CSM recognised for services received	-	-	(2,811,980)	(2,811,980)
Change in the risk adjustment for non-financial risk for the risk expired	-	97,066	-	97,066
Experience adjustments not related to future service	4,120,601	-	-	4,120,601
CHANGES THAT RELATE TO CURRENT SERVICES	**1,102,507**	**(176,801)**	**(2,259,700)**	**(1,333,995)**
Changes in estimates that adjust the CSM	(3,624,087)	170,864	3,453,223	-
Changes in estimates that adjust recoveries of losses on onerous underlying contracts	8,746	(8,746)	-	-
CHANGES THAT RELATE TO FUTURE SERVICES	**(3,615,342)**	**162,119**	**3,453,223**	**-**
Changes in fulfilment cash flows – adjustment to the LIC	(3,886,376)	(553,919)	-	(4,440,295)
Experience adjustments in claims and other insurance service expenses in LIC	1,112,447	(824,114)	-	288,333
CHANGES THAT RELATE TO PAST SERVICES	**(2,773,929)**	**(1,378,033)**	**-**	**(4,151,962)**
TOTAL NET EXPENSES FROM REINSURANCE	**(2,268,669)**	**(1,118,849)**	**641,243**	**(2,746,274)**
The effect of and changes in time of time value of money and financial risk	145,908	14,093	521	160,522
TOTAL INSURANCE FINANCE INCOME OR EXPENSE	**145,908**	**14,093**	**521**	**160,522**
OTHER COMPREHENSIVE INCOME	**(1,131,871)**	**(82,991)**	**-**	**(1,214,862)**
TOTAL CHANGES IN THE STATEMENT OF FINANCIAL PERFORMANCE	**(3,254,632)**	**(1,187,748)**	**641,764**	**(3,800,615)**
Premiums paid net of ceding commissions and other directly attributable expenses paid	(6,162,108)	-	-	(6,162,108)
Recoveries from reinsurance	(9,712,060)	-	-	(9,712,060)
TOTAL CASH FLOWS	**(15,874,167)**	**-**	**-**	**(15,874,167)**
NET CLOSING BALANCE	**20,977,901**	**1,839,430**	**741,528**	**23,558,859**
Closing reinsurance contract assets	20,977,901	1,839,430	741,528	23,558,859
Closing reinsurance contract liabilities	-	-	-	-
Net balance as at 31 December 2022	**20,977,901**	**1,839,430**	**741,528**	**23,558,859**

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	20,977,901	1,839,430	741,528	23,558,859
Opening reinsurance contract liabilities	-	-	-	-
Net balance as at 1 January 2023	**20,977,901**	**1,839,430**	**741,528**	**23,558,859**
CSM recognised for services received	-	-	(2,280,708)	(2,280,708)
Change in the risk adjustment for non-financial risk for the risk expired	-	(154,597)	-	(154,597)
Experience adjustments not related to future service	1,281,194	-	-	1,281,194
CHANGES THAT RELATE TO CURRENT SERVICES	**1,281,194**	**(154,597)**	**(2,280,708)**	**(1,154,111)**
Changes in estimates that adjust the CSM	(1,861,496)	(204,953)	2,066,449	-
Changes in estimates that adjust recoveries of losses on onerous underlying contracts	(130,578)	130,578	-	-
CHANGES THAT RELATE TO FUTURE SERVICES	**(1,992,074)**	**(74,375)**	**2,066,449**	**-**
Changes in fulfilment cash flows – adjustment to the LIC	(1,768,758)	(430,230)	-	(2,198,988)
Experience adjustments in claims and other insurance service expenses in LIC	379,348	(520,941)	-	(141,592)
CHANGES THAT RELATE TO PAST SERVICES	**(1,389,409)**	**(951,171)**	**-**	**(2,340,580)**
TOTAL NET EXPENSES FROM REINSURANCE	**(2,100,290)**	**(1,180,143)**	**(214,259)**	**(3,494,692)**
The effect of and changes in time of time value of money and financial risk	87,864	8,807	10,022	106,693
TOTAL INSURANCE FINANCE INCOME OR EXPENSE	**87,864**	**8,807**	**10,022**	**106,693**
OTHER COMPREHENSIVE INCOME	**510,412**	**52,779**	**-**	**563,191**
TOTAL CHANGES IN THE STATEMENT OF FINANCIAL PERFORMANCE	**(1,502,014)**	**(1,118,556)**	**(204,237)**	**(2,824,808)**
Premiums paid net of ceding commissions and other directly attributable expenses paid	(3,570,501)	-	-	(3,570,501)
Recoveries from reinsurance	(6,254,862)	-	-	(6,254,862)
TOTAL CASH FLOWS	**(9,825,362)**	**-**	**-**	**(9,825,362)**
NET CLOSING BALANCE	**9,650,525**	**720,874**	**537,291**	**10,908,689**
Closing reinsurance contract assets	9,650,525	720,874	537,291	10,908,689
Closing reinsurance contract liabilities	-	-	-	-
Net balance as at 31 December 2023	**9,650,525**	**720,874**	**537,291**	**10,908,689**

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	(32,674,057)	-	10,301,678	(22,372,379)
Opening insurance contract liabilities	101,492,906	-	26,570,942	128,063,848
Net balance as at 1 January 2022	**68,818,849**	**-**	**36,872,620**	**105,691,469**
CSM recongnized for services provided	**(63,484,632)**	-	-	**(63,484,632)**
Change in risk adjustment for non-financial risk for risk expired	**(3,203,336)**	-	-	**(3,203,336)**
Expected insurance service expenses incurred:	**(26,882,994)**	-	-	**(26,882,994)**
Claims	*(21,772,432)*	-	-	*(21,772,432)*
Expenses	*(5,110,561)*	-	-	*(5,110,561)*
Recovery of insurance acquisition cash flows	**(87,193,630)**	-	-	**(87,193,630)**
TOTAL INSURANCE REVENUE	**(180,764,592)**	**-**	**-**	**(180,764,592)**
Incurred insurance services expenses	-	**(31,389)**	**43,066,132**	**43,034,743**
Claims	-	*(31,389)*	*40,776,796*	*40,745,408*
Expenses	-	-	*5,949,501*	*5,949,501*
Other movements related to current service	-	-	*(3,660,165)*	*(3,660,165)*
Amortisation of insurance acquisition cash flows	**87,193,630**	-	-	**87,193,630**
Changes that relate to past service (changes in fulfilment cash flows re LIC)			**(5,637,238)**	**(5,637,238)**
Changes that relate to future service	-	**175,072**	-	**175,072**
Losses and reversal of losses on onerous contracts - subsequent measurement	-	*175,072*	-	*175,072*
INSURANCE SERVICE EXPENSES	**87,193,630**	**143,683**	**37,428,894**	**124,766,207**
TOTAL INSURANCE SERVICE RESULT	**(93,570,962)**	**143,683**	**37,428,894**	**(55,998,385)**
The effect of and changes in time of time value of money and financial risk	(305,404)	-	100,495	(204,909)
TOTAL INSURANCE FINANCE INCOME OR EXPENSE	**(305,404)**	**-**	**100,495**	**(204,909)**
OTHER COMPREHENSIVE INCOME	**1,924,132**	**-**	**(1,209,285)**	**714,847**
TOTAL CHANGES IN THE STATEMENT OF FINANCIAL PERFORMANCE	**(91,952,234)**	**143,683**	**36,320,104**	**(55,488,447)**
Premium received	199,483,205	-	-	199,483,205
Claims and other directly attributable expenses paid	-	-	(41,391,779)	(41,391,779)
Insurance acquisition cash flows	(91,895,844)	-	-	(91,895,844)
TOTAL CASH FLOWS	**107,587,361**	**-**	**(41,391,779)**	**66,195,582**
NET CLOSING BALANCE	**84,453,976**	**143,683**	**31,800,945**	**116,398,604**
Closing insurance contract assets	(20,722,623)	143,683	11,578,019	(9,000,920)
Closing insurance contract liabilities	105,176,599	-	20,222,926	125,399,524
Net balance as at 31 December 2022	**84,453,976**	**143,683**	**31,800,945**	**116,398,604**

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	(20,722,623)	143,683	11,578,019	(9,000,920)
Opening insurance contract liabilities	105,176,599	-	20,222,926	125,399,524
Net balance as at 1 January 2023	**84,453,976**	**143,683**	**31,800,945**	**116,398,604**
CSM recongnized for services provided	**(64,062,367)**	-	-	**(64,062,367)**
Change in risk adjustment for non-financial risk for risk expired	**(3,946,276)**	-	-	**(3,946,276)**
Expected insurance service expenses incurred:	**(36,435,642)**	-	-	**(36,435,642)**
Claims	*(31,448,538)*	-	-	*(31,448,538)*
Expenses	*(4,987,104)*	-	-	*(4,987,104)*
Recovery of insurance acquisition cash flows	**(89,182,198)**	-	-	**(89,182,198)**
TOTAL INSURANCE REVENUE	**(193,626,483)**	-	-	**(193,626,483)**
Incurred insurance services expenses	-	**(265,468)**	**39,669,979**	**39,404,511**
Claims	-	*(171,283)*	*34,352,988*	*34,181,705*
Expenses	-	*(94,184)*	*5,985,979*	*5,891,794*
Other movements related to current service	-	-	*(668,988)*	*(668,988)*
Amortisation of insurance acquisition cash flows	**89,182,198**	-	-	**89,182,198**
Changes that relate to past service (changes in fulfilment cash flows re LIC)	-	-	**(5,567,224)**	**(5,567,224)**
Changes that relate to future service	-	**532,254**	-	**532,254**
Losses and reversal of losses on onerous contracts - subsequent measurement	-	*532,254*	-	*532,254*
INSURANCE SERVICE EXPENSES	**89,182,198**	**266,787**	**34,102,755**	**123,551,740**
TOTAL INSURANCE SERVICE RESULT	**(104,444,285)**	**266,787**	**34,102,755**	**(70,074,744)**
The effect of and changes in time of time value of money and financial risk	1,160,987	489	185,005	1,346,481
TOTAL INSURANCE FINANCE INCOME OR EXPENSE	**1,160,987**	**489**	**185,005**	**1,346,481**
OTHER COMPREHENSIVE INCOME	**(1,071,642)**	-	**903,899**	**(167,743)**
TOTAL CHANGES IN THE STATEMENT OF FINANCIAL PERFORMANCE	**(104,354,941)**	**267,276**	**35,191,659**	**(68,896,005)**
Premium received	205,577,225	-	-	205,577,225
Claims and other directly attributable expenses paid	-	-	(46,445,578)	(46,445,578)
Insurance acquisition cash flows	(89,443,908)	-	-	(89,443,908)
TOTAL CASH FLOWS	**116,133,317**	-	**(46,445,578)**	**69,687,739**
NET CLOSING BALANCE	**96,232,352**	**410,959**	**20,547,026**	**117,190,338**
Closing insurance contract assets	(18,135,910)	410,959	4,282,393	(13,442,558)
Closing insurance contract liabilities	114,368,262	-	16,264,634	130,632,896
Net balance as at 31 December 2023	**96,232,352**	**410,959**	**20,547,026**	**117,190,338**

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	(66,452,740)	2,791,145	41,289,216	(22,372,379)
Opening reinsurance contract liabilities	54,430,390	7,333,900	62,299,558	128,063,848
Net balance as at 1 January 2022	**(8,022,350)**	**10,125,045**	**103,588,774**	**105,691,469**
CSM recognised for services received	-	-	(63,484,632)	(63,484,632)
Change in the risk adjustment for non-financial risk for the risk expired	-	(368,007)	-	(368,007)
Experience adjustments not related to future service	13,316,421	-	-	13,316,421
CHANGES THAT RELATE TO CURRENT SERVICES	**13,316,421**	**(368,007)**	**(63,484,632)**	**(50,536,219)**
Contracts initially recognised in the year	(84,135,995)	4,891,989	79,244,006	-
Changes in estimates that adjust the CSM	(300,670)	1,093,991	(793,321)	-
Changes in estimates that adjust recoveries of losses on onerous underlying contracts	175,234	(162)	-	175,072
CHANGES THAT RELATE TO FUTURE SERVICES	**(84,261,431)**	**5,985,818**	**78,450,685**	**175,072**
Changes in fulfilment cash flows – adjustment to the LIC	(6,504,071)	(575,697)	-	(7,079,767)
Experience adjustments in claims and other insurance service expenses in LIC	3,781,545	(2,339,016)	-	1,442,529
CHANGES THAT RELATE TO PAST SERVICES	**(2,722,526)**	**(2,914,713)**	**-**	**(5,637,238)**
TOTAL NET EXPENSES FROM REINSURANCE	**(73,667,536)**	**2,703,098**	**14,966,053**	**(55,998,385)**
The effect of and changes in time of time value of money and financial risk	422,197	(17,113)	(609,994)	(204,909)
TOTAL INSURANCE FINANCE INCOME OR EXPENSE	**422,197**	**(17,113)**	**(609,994)**	**(204,909)**
OTHER COMPREHENSIVE INCOME	**1,256,386**	**(541,539)**	**-**	**714,847**
TOTAL CHANGES IN THE STATEMENT OF FINANCIAL PERFORMANCE	**(71,988,952)**	**2,144,446**	**14,356,059**	**(55,488,447)**
Premiums and premium tax received	199,483,205	-	-	199,483,205
Claims and other insurance service expenses paid, including investment components	(41,391,779)	-	-	(41,391,779)
Insurance acquisition cash flows	(91,895,844)	-	-	(91,895,844)
TOTAL CASH FLOWS	**66,195,582**	**-**	**-**	**66,195,582**
NET CLOSING BALANCE	**(13,815,721)**	**12,269,492**	**117,944,833**	**116,398,604**
Closing reinsurance contract assets	(58,979,421)	5,473,194	44,505,306	(9,000,920)
Closing reinsurance contract liabilities	45,163,700	6,796,297	73,439,527	125,399,524
Net balance as at 31 December 2022	**(13,815,721)**	**12,269,492**	**117,944,833**	**116,398,604**

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	(58,979,421)	5,473,194	44,505,306	(9,000,920)
Opening reinsurance contract liabilities	45,163,700	6,796,297	73,439,527	125,399,524
Net balance as at 1 January 2023	**(13,815,721)**	**12,269,492**	**117,944,833**	**116,398,604**
CSM recognised for services received	-	-	(64,062,367)	(64,062,367)
Change in the risk adjustment for non-financial risk for the risk expired	-	(2,540,647)	-	(2,540,647)
Experience adjustments not related to future service	1,563,240	-	-	1,563,240
CHANGES THAT RELATE TO CURRENT SERVICES	**1,563,240**	**(2,540,647)**	**(64,062,367)**	**(65,039,774)**
Contracts initially recognised in the year	(72,705,728)	2,755,676	69,950,052	-
Changes in estimates that adjust the CSM	4,798,880	(1,546,661)	(3,252,219)	-
Changes in estimates that adjust recoveries of losses on onerous underlying contracts	516,536	15,718	-	532,254
CHANGES THAT RELATE TO FUTURE SERVICES	**(67,391,311)**	**1,224,732**	**66,697,833**	**532,254**
Changes in fulfilment cash flows – adjustment to the LIC	(4,045,316)	(1,082,602)	-	(5,127,918)
Experience adjustments in claims and other insurance service expenses in LIC	1,846,720	(2,286,026)	-	(439,306)
CHANGES THAT RELATE TO PAST SERVICES	**(2,198,596)**	**(3,368,628)**	-	**(5,567,224)**
TOTAL NET EXPENSES FROM REINSURANCE	**(68,025,667)**	**(4,684,542)**	**2,635,466**	**(70,074,744)**
The effect of and changes in time of time value of money and financial risk	(915,899)	96,868	2,172,124	1,353,092
TOTAL INSURANCE FINANCE INCOME OR EXPENSE	**(915,899)**	**96,868**	**2,172,124**	**1,353,092**
OTHER COMPREHENSIVE INCOME	**(514,200)**	**346,458**	-	**(167,743)**
TOTAL CHANGES IN THE STATEMENT OF FINANCIAL PERFORMANCE	**(69,461,363)**	**(4,242,232)**	**4,807,589**	**(68,896,005)**
Premiums paid and premium tax received	205,577,225	-	-	205,577,225
Claims and other insurance service expenses paid, including investment components	(46,452,190)	-	-	(46,452,190)
Insurance acquisition cash flows	(89,443,911)	-	-	(89,443,911)
TOTAL CASH FLOWS	**69,681,124**	-	-	**69,681,124**
NET CLOSING BALANCE	**(13,590,364)**	**8,028,275**	**122,752,422**	**117,190,334**
Closing reinsurance contract assets	(57,969,397)	2,864,305	41,662,534	(13,442,558)
Closing reinsurance contract liabilities	44,379,033	5,163,971	81,089,889	130,632,893
Net balance as at 31 December 2023	**(13,590,364)**	**8,028,276**	**122,752,423**	**117,190,335**

8. Insurance and other receivables

	2023 €	2022 €
Receivables arising from direct insurance operations		
- due from group undertaking	**25,180,215**	19,360,252
Other receivables		
- accrued interest from group undertaking	**860,131**	472,877
- other accrued interest income	**482,428**	397,149
- due from others	**111,264**	822,132
	26,634,038	21,052,410

Insurance and other receivables are classified as current assets.

9. Deferred Taxation

(a) Movement in deferred tax

	2023 €	2022 re-stated €
At beginning of year	**2,474,345**	27,214
IFRS 17 transition impact (Profit and Loss)	**(21,023,648)**	-
Movement recorded during the year:		
- in Profit and Loss (note 17)	**21,027,443**	37,937
- in Other Comprehensive Income (note 13)	**(1,063,746)**	2,409,195
At end of year	**1,414,394**	2,474,345

(b) 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 re-stated €
Temporary differences attributable to unrealised fair value	**925,875**	1,729,365
Temporary differences attributable to other provisions	**68,945**	69,580
Temporary differences attributable to OCI impact on IFRS17	**419,574**	675,401
Balance at 31 December	**1,414,394**	2,474,345

The following amounts are shown in the statement of financial position:

	2023 €	2022 re-stated €
Deferred tax asset	**1,414,394**	2,474,345

10. Equipment

	2022
	€
Furniture, fixtures and fittings	
Opening carrying amount	11,306
Depreciation charge	(3,769)
Closing carrying amount	7,537
At 31 December	
Cost	51,928
Accumulated depreciation	(44,391)
Carrying amount	7,537

	2023
	€
Furniture, fixtures and fittings	
Opening carrying amount	**7,537**
Depreciation charge	**(7,223)**
Closing carrying amount	**314**
At 31 December	
Cost	**51,928**
Accumulated depreciation	**(51,614)**
Carrying amount	**314**

11. Share capital

	2023	2022
	€	€
Authorised ordinary shares		
59,000 (2022: 59,000) ordinary shares of €100 each	**5,900,000**	5,900,000
Ordinary shares issued and fully paid		
59,000 (2022: 59,000) ordinary shares of €100 each	**5,900,000**	5,900,000

12. Capital contribution

	2023	2022
	€	€
Balance at 1 January	**6,052,515**	-
Additions	**4,539,965**	6,052,515
Balance at 31 December	**10,592,480**	6,052,515

During the year ender review, a capital contribution of €4,539,965 was made on the 4th April 2023. (2022: €6,052,515).

13. Other reserves

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

	2023 €	2022 re-stated €
Balance at 1 January	**(4,465,994)**	8,226
Gross movement in revaluation (Note 4)	**2,308,341**	(4,953,700)
Gross movement in insurance and reinsurance	**730,934**	(1,929,716)
Deferred tax (Note 9)	**(1,063,746)**	2,409,196
Balance at 31 December	**(2,490,467)**	(4,465,994)

14. Insurance and other payables

	2023 €	2022 €
Creditors arising out of direct insurance operations		
- parent company	**679,230**	577,281
- group undertaking	**14,579,809**	7,103,995
- others	**15,285,588**	27,903,047
Accruals and other payables	**214,806**	529,270
Other tax payables	**682,519**	487,107
	31,441,952	36,600,700

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 €
Investment income		
Financial investments interest income	**998,430**	741,506
Interest income on loans and receivables	**1,489,326**	486,672
Other interest income	**2,503,389**	211,645
Financial investments, amortisation of discount (note 11)	**581,751**	95,842
Total investment income	**5,572,895**	1,535,665
Investment expenses and charges		
Amortisation of premium (note 4)	**(440,162)**	(649,825)
Impairment allowance	**(10,842)**	(108,388)
Total investment expenses and charges	**(451,004)**	(758,213)
Total Investment Income	**5,121,891**	777,452

16. Expenses by nature

	2023	2022
	€	€
Annual statutory audit	**69,431**	56,493

17. Employee benefit expenses

	2023	2022
	€	€
Wages and salaries	**818,055**	716,565
Social security	**46,305**	38,676
Total employee benefit expenses	**864,360**	755,232

The average number of persons employed during the year was:

Managerial	**1**	2
Technical	**3**	4
Administrative	14	10
Total Investment Income	18	16

18. Income tax expense

(a) Current tax expense for the year

	2023 €	2022 re-stated €
Current tax expense	**45,685,225**	19,076,184
Deferred tax expenses	**(21,027,443)**	(37,937)
Total income tax expense	**24,657,782**	19,038,247

(b) Tax recorded in Other Comprehensive Income (Note 9)

	2023 €	2022 re-stated €
Deferred tax movement	**(1,063,746)**	1,729,365
Total tax credit/charge to Other Comprehensive Income	**(1,063,746)**	1,729,365

(c) Tax recorded in Profit and Loss (Note 9)

	2023 €	2022 re-stated €
Deferred tax movement	**(21,027,443)**	37,937
Total tax credit/charge to Profit and Loss	**(21,027,443)**	37,937

(d) Reconciliation of tax expense

	2023 €	2022 re-stated €
Profit before tax	**70,461,647**	54,394,993
Tax charge at Malta's statutory income tax rate of 35%	**24,661,576**	19,038,247
Unrecognised deferred tax from prior year	**(3,795)**	-
	24,657,782	19,038,247

19. Risk management framework

Capital management objectives, policies and approach

The Company has established the following capital management objectives, policies and approach to managing 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 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 Life 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 €16,058,179 (2022: €16,113,192). 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

The Company issues contracts that transfer insurance and/or financial risks. This section summarises these risks and the way in which the Company manages them.

(a) Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or 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 contracts provide insurance cover to customers to repay outstanding financial commitments in respect of car lease/loan agreements up to specified maximum amounts in the event of death.

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 principally underwrites payment protection insurance covering death 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, Portugal and Austria.

The variability of risks is improved by careful selection and implementation of underwriting strategies. 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. The cover provided is limited by factors such as age, term of the lease/loan, benefit amount and cause of death. Furthermore, 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. An independent actuary determines the life insurance contract liabilities at each reporting date.

20. Insurance and financial risk - continued

(a) Insurance risk - continued

For PPI business, the Company purchases reinsurance 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.

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.

Sensitivities scenarios

	Central Scenario	*Scenario 1 – Discount Rate*	*Scenario 2 – Claims*	*Scenario 3 – New Production*
	€	*€*	*€*	*€*
Total Insurance Revenues	*193,626,483*	*193,626,483*	*190,651,674*	*187,269,080*
Total Insurance Services	*(127,046,431)*	*(127,046,431)*	*(133,676,437)*	*(123,334,134)*
INSURANCE SERVICE RESULT	*66,580,052*	*66,580,052*	*56,975,237*	*63,934,945*
Net financial result	*(1,240,296)*	*(1,240,296)*	*(1,222,366)*	*(1,047,510)*
Investment income	*5,121,891*	*5,121,891*	*5,121,891*	*5,121,891*
PROFIT BEFORE TAX	*70,461,647*	*70,461,647*	*60,874,762*	*68,009,327*
OTHER COMPREHENSIVE INCOME BEFORE TAX	*730,934*	*288,436*	*1,022,585*	*731,222*

20. Insurance and financial risk - continued

(a) Insurance risk - continued

Sensitivities scenarios – continued

Scenario 1 – Discount Rate:

- Market – Interest rate shock: This includes a +100bp in discount rate curve for each projection year.
- Based on the RCI Life 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 €442,498 has been reported in the Balance Sheet for RCI Life as an impact of increasing the discount rate as of the reporting period.

Scenario 2 – Claims:

- Insurance risk shock: This is a permanent increase of the claim frequency by +20% for the Death Coverage.
- 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 Life.
- No breaching of risk appetite rule was observed on profit (< 20% of Central Scenario), but the negative impact of (€9,586,885) (-13.6%) caused the Alert threshold to be exceeded (<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 (€2,452,320) (-3.5%) it did not reach the Alert threshold level (< 10%) during the reporting period.

(b) Financial risks

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, and 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.

20. Insurance and financial risk- continued

(b) Financial risks- continued

(1) Credit risk- continued

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 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 period specified in the policy document or trust deed until expiry, when the policy is either paid up or terminated. Commission paid to intermediaries are only settled once premium has been received thereby reducing the overall credit exposure.

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.

		31 December	
		2023	2022 re-stated
	Notes	€	€
Loans and receivables	5	**83,500,000**	77,000,000
Financial investments - debt securities	4	**98,064,260**	87,075,681
Reinsurance contract assets	6	**10,908,689**	23,558,859
Insurance and other receivables	8	**20,737,963**	14,445,466
Cash and cash equivalents	3	**83,518,612**	83,791,741
Total credit risk exposure		**296,729,525**	285,871,749

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 classified as not rated.

31 December 2023				Neither past due nor impaired		
	AA	AA-	A+/A/A-	BBB/BBB+	Not rated	Total
	€	€	€	€	€	€
Loans and receivables	-	-	-	83,500,000	-	83,500,000
Financial investments - debt securities	4,736,534	11,983,218	49,175,922	32,168,587	-	98,064,260
Reinsurance contract assets	-	10,908,689	-	-	-	10,908,689
Insurance receivables	18,784	22,191	263,194	20,314,426	8,900	20,737,963
Cash and cash equivalents	-	-	-	77,017,000	6,500,912	83,518,612
Total	4,755,318	22,914,098	49,439,116	213,111,181	6,509,812	296,729,524

20. Insurance and financial risk- continued

(1) Credit risk- continued

Credit exposure by credit rating - continued

31 December 2022 re-stated	AA	AA-	A+/A/A-	Neither past due nor impaired BBB/BBB+	Not rated	Total
	€	€	€	€	€	€
Loans and receivables	-	-	-	77,000,000	-	77,000,000
Financial investments - debt securities	4,573,900	9,385,338	46,023,897	27,092,546	-	87,075,681
Reinsurance contract assets	-	23,558,859	-	-	-	23,558,859
Insurance receivables	18,836	22,252	243,958	14,151,520	8,900	14,445,466
Cash and cash equivalents	-	-	-	68,770,188	15,021,553	83,791,741
Total	4,592,736	32,966,449	46,267,855	187,014,254	15,030,453	285,871,749

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, €209,640 (2022: €198,798) of the Company's assets were considered to be impaired in accordance with IFRS 9 'Financial Instruments'.

(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 investment committee. 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.

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	**52,920,594**	**63,669,853**	**599,891**	**117,190,338**
Insurance and other payables	**26,346,756**	**5,095,196**	**-**	**31,441,952**
Income tax payable	**45,674,999**	**-**	**-**	**45,674,999**
Total	**111,085,201**	**44,158,642**	**39,063,446**	**194,307,289**

31 December 2022 re-stated	0-1 year	1-5 years	>5 years	Total
	€	€	€	€
Insurance contract liabilities	52,563,064	63,239,702	595,838	116,398,604
Insurance and other payables	19,511,654	16,606,300	482,746	36,600,700
Income tax payable	22,251,555	-	-	22,251,555
Deferred taxation	21,023,648	-	-	21,023,648
Total	101,586,391	55,405,834	39,282,281	196,274,506

20. Insurance and financial risk- continued

(b) Financial risks- continued

(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.

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.

(4) Interest rate risk

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

	Note	2023 €	2022 - restated €
Profit before tax		**70,461,647**	54,394,993
Adjustment for:			
Depreciation of fixed assets	10	**7,223**	3,769
Interest income		**(4,984,912)**	(1,691,038)
Amortisation of premium on financial investments	4b	**(141,588)**	553,984
Impairment allowance	4b	**209,640**	198,798
Movements in items on the Statement of Financial Position:			
Reinsurance contract assets		**12,650,170**	19,674,784
Insurance and other receivables		**(5,109,096)**	(5,734,381)
Insurance contract liabilities		**1,522,667**	8,777,420
Insurance and other payables		**(5,158,748)**	(17,662,606)
Cash generated from operating activities		**69,457,003**	58,515,723

22. Contingencies and commitments

The Company does not have any contingencies or commitments 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. The sales to and purchases from related parties are made at normal market prices.

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

	Notes	2023 €	2022 €
(a) Sale of insurance contracts and other services			
Investment income from parent	16	**3,992,715**	698,317
(b) Purchase of insurance and other services			
Commission paid to group undertaking		**89,474,384**	85,891,935
Claim handling fee paid to group undertaking		**1,808,721**	1,911,670
Recharge of expenses for back-office services provided		**3,001,860**	2,713,715
Dividends paid	24	**41,272,406**	40,350,098

Director's fees have been disclosed in Note 17. The Chief Financial Officer and the Operations Manager are considered by the Company to be Key Management Personnel. The total payments to Key Management Personal were €117,600 (2022: €135,683).

(b) Balances with related parties

Receivables from and payables to related parties are as follows:

	Notes	2023 €	2022 re-stated €
Receivables from related parties			
Receivable arising out of direct insurance operations			
- group undertakings	8	**19,386,504**	13,566,540
Deposits held with intermediate parent	5	**83,500,000**	77,000,000
Interest income due from intermediate parent	8	**860,131**	472,877
Cash and cash equivalents held with intermediate parent	3	**77,017,700**	68,770,188
Payables to related parties			
Payable arising out of direct insurance operations			
- group undertakings	15	**14,408,240**	7,103,995
- parent company	15	**657,230**	577,281

Loans and receivables are unsecured and earn an average fixed interest of 3% (2022: 1.6%) (Note 5). Deposits held with group undertakings earn an average fixed interest of 3% (2022: 0.3%) (Note 3). 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 in the year (2022: Nil).

24. Dividends

	2023 €	2022 €
Dividends paid on ordinary shares net	**41,272,406**	40,350,098
Dividends per ordinary share	**699,53**	683,90

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The Watercourse, Level 2,
Mdina Road, Zone 2,
Central Business District,
Birkirkara CBD2010
Malta

Tel: +356 213 45 760
www.mazars.com.mt

INDEPENDENT AUDITORS' REPORT

To the members of RCI Life Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of RCI Life Limited (the Company), set out on pages 6 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.

The Watercourse, Level 2,
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Birkirkara CBD2010
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INDEPENDENT AUDITORS' REPORT

To the members of RCI Life 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	96,232,352
Loss Component	410,959
Liability for Incurred Claims	20,547,026

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.

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INDEPENDENT AUDITORS' REPORT

To the members of RCI Life 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.

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INDEPENDENT AUDITORS' REPORT

To the members of RCI Life 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.

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INDEPENDENT AUDITORS' REPORT

To the members of RCI Life 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.

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INDEPENDENT AUDITORS' REPORT

To the members of RCI Life 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 that 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 Life 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