

ERB Cyprialife Limited

31 December 2025

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ERB Cyprialife Limited

Board of Directors and other officers

Board of Directors

Michalis Louis (appointed on 16 April 2025)
Xavier Antoine Vincent Larnaudie-Eiffel (resigned on 16 April 2025)
Demetris Shacallis (appointed on 23 December 2025)
Christos Adam (appointed on 23 December 2025)
Evgenios Evgeniou (appointed on 23 December 2025)
Marianna Politopoulou (appointed on 28 July 2025)
Evripides Polykarpou (appointed on 16 April 2025)
Oliver Bernard Ellingham (appointed on 16 April 2025)
Maria Drakos (appointed on 23 December 2025)
Ioannis Ioannou (appointed on 23 December 2025)
Haris Hambakis (appointed on 16 April 2025 and resigned on 23 December 2025)
Elena Y. Neophytou (appointed on 16 April 2025 and resigned on 23 December 2025)
Antonis Rouvas (appointed on 16 April 2025 and resigned on 23 December 2025)
Robert Anastassis Kyprianou (appointed on 16 April 2025 and resigned on 23 December 2025)
Takis Kleirides (resigned on 16 April 2025)
Stelios Stefanou (resigned on 16 April 2025)
Gabriel Ambizas (resigned on 16 April 2025)
Celine Byl (resigned on 16 April 2025)
Thierry Desvinges (resigned on 16 April 2025)
David Miseray (resigned on 16 April 2025)
Takis Phidia

Company Secretary

Nikianthi Teoulidou (appointed on 28 July 2025)
Dina Panayiotides (resigned on 28 July 2025)

General Manager

Andreani Kallimachou

Registered office

17 Akropoleos Avenue
CY-2006 Nicosia
Cyprus

Independent Auditors

KPMG Limited
14 Esperidon Street
CY-1087 Nicosia

ERB Cyprialife Limited

Management report

1 The Board of Directors presents the Management report together with the audited financial statements of ERB Cyprialife Limited (the “Company”) for the year ended 31 December 2025.

Principal activities and nature of operations of the Company

2 The principal activity of the Company, which is unchanged from last year, is the underwriting of life, accident and health insurance business.

Changes in Group Structure

3 On 16 April 2025, Eurobank Ltd (previously Hellenic Bank Public Company Limited) acquired 100% of the share capital of ERB Cyprus Insurance Holdings Limited (previously CNP Cyprus Insurance Holdings Limited), the sole shareholder of the Company. During the year there were changes in the structure of the Company. ERB Cyprialife Limited and Hellenic Life Insurance Company Limited merged by virtue of a Court Order issued on 8 October 2025 and published in the Official Gazette of the Republic of Cyprus on 10 October 2025, with ERB Cyprialife Limited being the surviving entity.

Review of developments, position and performance of the Company’s business

4 The Company’s results for the year are set out on pages 11-16.

Profit before tax was €27.122.045 (2024: €24.355.448). The tax expense for 2025 was €4.375.062 (2024: €4.146.418). The Company’s total comprehensive income for the year amounted to €25.268.436 (2024: €21.838.663).

During the year 2025, the Company achieved a profit after tax of €22.746.983 (2024: €20.209.030) mainly attributed to the ability of the Company to generate new insurance business, the portfolio development, and the contribution from the Hellenic Life Insurance Company Limited portfolio post-merger equal to €2.249.067 of profit before tax (note 2.1.1). Additionally, there was a positive impact from the Company’s investments in the financial markets.

Net assets transferred to the Company under the legal merger transaction with Hellenic Life Insurance Company Limited amounted to €34,4 million (note 2.1.1).

The capital position remained strong and for 2025 the Company adequately covered its Solvency II Capital requirements. At 31 December 2025, the Own Funds of the Company under IFRS amounted to €150.323.182 (2024: €138.672.463) and under Solvency II amounted to €188.712.353 (2024: €153.325.519). The Company’s SCR coverage ratio remained strong at 253% as at 31 December 2025 (2024: 259%).

The recent developments with the conflict between Iran and Israel/USA, shaking up the world and the Capital markets. Iran is attacking various pro-USA countries around the Gulf region (even the UK bases in Cyprus were a target) and it seems that this war is escalating for now with energy prices (oil and gas) increasing by over 40% in a few days.

Principal risks and uncertainties

5 The principal risks and uncertainties faced by the Company are disclosed in Notes 3 and 4 of the financial statements. The Company is exposed to Underwriting risk in relation to its insurance operations and business activities, which comprises primarily of insurance risk, policyholder behavior risk and expense risk. The Company's objective is to ensure that sufficient reserves are available to cover liabilities arising from insurance contracts and underwriting risk factors.

ERB Cyprialife Limited

Management report (continued)

The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. More information on the related risk exposures and objectives of the Company is included in note 4 of the financial statements.

Use of financial instruments by the Company

6 The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The risk management policies employed by the Company to manage these risks are discussed in detail in Note 4 of the financial statements.

Liquidity risk

7 Management monitors the current liquidity position of the Company based on expected cash flows and expected premium receipts from its principal activities.

Interest rate risk

8 Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company's key exposures to interest rate risk include exposures of insurance contract liabilities and reinsurance contract assets, and in relation to interest-bearing financial instruments, these relate mainly to fixed-rate instruments exposures and comprise of debt securities at FVTPL and FVOCI, loans and other receivables and cash and cash equivalents. The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

Currency risk

9 Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company's functional currency. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

Price risk

10 The Company is exposed to long-term insurance contracts with profit-participation, shareholder results are sensitive to price risk mostly through the indirect effect of investment performance on declared policyholder bonuses. The Company does not apply any hedge accounting for price risk.

Credit risk

11 Credit risk arises when a failure by the counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. Refer to Note 4 for further disclosures on credit risk of financial assets.

Future developments of the Company

12 The Board of Directors does not expect any significant changes of developments in the operations, financial position and performance of the Company in the foreseeable future.

ERB Cyprialife Limited

Management report (continued)

Dividends

13 The Company declared and paid during the year 2025 dividends amounting to €48.000.000 (2024: €2.400.000).

Share capital

14 On 10 October 2025, the Company issued 2.625.252 shares with a nominal value of €0,85 each due to changes in the Group structure, as disclosed in note 3 above.

Board of Directors

15 The members of the Board of Directors as at 31 December 2025 and on the date of this report are shown on page 1. Mr. Michalis Louis was appointed Chairman of the Board of Directors on 16 April 2025 and Mr. Xavier Antoine Vincent Larnaudie-Eiffel resigned as a member of the Board of Directors and from the Chairmanship of the Board of Directors on the same date. Mr. Evripides Polykarpou and Mr. Oliver Bernard Ellingham were appointed on 16 April 2025. Mr Haris Hambakis, Mrs. Elena Y. Neofytou, Mr. Antonis Rouvas and Mr. Robert Anastassis Kyprianou were appointed on 16 April 2025 and resigned on 23 December 2025. Mr. Takis Phidia, was a member of the Board of Directors throughout the year 2025. Mr. Demetris Shacallis, Mr. Christos Adam, Mrs. Maria Drakos, Mr. Evgenios Evgeniou and Mr. Ioannis Ioannou were appointed on 23 December 2025 and Ms. Marianna Politopoulou was appointed member of the Board of Directors on 28 July 2025. Mr. Takis Klerides, Mr. Stelios Stefanou, Mr. Gabriel Ambizas, Mrs. Celine Byl, Mr. Thierry Desvinges and Mr. David Miseray were resigned on 16 April 2025. In addition, on 28 July 2025, Mrs. Dina Panayiotides resigned and Mrs. Nikianthi Teoulidou was appointed as Company Secretary.

16 In accordance with the Company's Articles of Association, all Directors being eligible, offer themselves for re-election.

17 There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

Events after the balance sheet date

18 Further details regarding the geopolitical developments in the Middle East and their potential impact on the Group are disclosed in Note 31.

Branches

19 The Company did not operate through any branches during the year.

Independent auditors

20 The Independent auditors, KPMG Limited, have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By Order of the Board

Nikianthi Teoulidou
Secretary

Nicosia, 07 April 2026

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
ERB CYPRIALIFE LIMITED

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the accompanying separate financial statements of parent company ERB Cyprialife (the "Company"), which are presented on pages 11 to 148 and comprise the statement of financial position as at 31 December 2025, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the separate financial statements, including material accounting policy information.

In our opinion, the accompanying separate financial statements give a true and fair view of the financial position of the Company as at 31 December 2025, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113 (the "Companies Law, Cap.113").

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 Separate Financial Statements" section of our report. We are independent of the Company in accordance with the *International Code of Ethics (including International Independence Standards) for Professional Accountants of the International Ethics Standards Board for Accountants* ("IESBA Code") together with the ethical requirements in Cyprus that are relevant to our audit of the separate financial statements, 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 incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate 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.

Measurement of insurance contract liabilities relating to Savings and Protection long term business - LRC (BE, RA and CSM)	
Refer to note 18 of the financial statements	
Key audit matter	How the matter was addressed in our audit
<p>As at 31 December 2025, the Company's gross Insurance contract liabilities relating to Liabilities for remaining coverage ("LRC") for Savings and Protection long term business amounted to €574.138.682.</p> <p>Insurance contract liabilities are recognized and measured in accordance with IFRS 17 "Insurance Contracts".</p> <p>The following principles were applied by the Company to estimate these liabilities:</p> <ul style="list-style-type: none"> determination of the best estimate (BE) of the present value of future cash flows required to meet contractual obligations to policyholders. The projection of future cash flows takes into consideration a number of key assumptions and management decisions, which are then discounted to reflect the time value of money using a risk-free yield curve plus a liquidity premium; Definition of the risk adjustment (RA) (for non-financial risks) intended to cover the uncertainty over the amount and timing of future cash flows generated by these risks, which involves management judgment; Determination of the contractual service margin (CSM), corresponding to the present value of deferred future profits attributable to shareholders over the coverage period of profitable insurance contracts, which is subsequently released to profit or loss. 	<p>Our audit procedures in response to the key audit matter, with the support of our internal actuarial specialists, comprised, amongst others, of the below:</p> <ul style="list-style-type: none"> Obtained an understanding of the processes and methods defined by the Company's management, including the measurement approach; Assessed and evaluated the appropriateness and compliance of the material accounting policies and key decisions applied by the Company as per IFRS 17, including those related to new transactions during the year; Procedures performed by our actuarial specialists, by reference also to industry standard practices, included amongst others: (a) evaluation of the methodologies and models or methods used by management to derive the estimates supporting the calculation of the best estimate of the expected present value of future cash flows, (b) independent reperformance and/or recalculation of the actuarial models to evaluate the application, mathematical accuracy and output results relating to BE, discounting and RA, and (c) evaluation of the methodologies used by management to derive the key assumptions supporting the calculation of the best estimate of the present value of future cash flows and risk adjustment, including amongst others, the discount rates, mortality and morbidity rates, expenses, lapse and surrender rates and coverage units, and the respective application of these assumptions. Procedures performed by our actuarial specialists, included also procedures on the LRC of the long term business of the insurance contract liabilities transferred to and recognized by the Company during the

<p>Key judgments and assumptions used by management in the measurement of insurance liabilities for its long-term life contracts, and more specifically in estimating the present value of future cash flows, include amongst others, expected future mortality and morbidity rates, expenses, lapse and surrender rates, discount rates, as well as in determining the techniques for estimating risk adjustment for non-financial risk and the coverage units provided under insurance contracts.</p> <p>The measurement and reporting of insurance contract liabilities under IFRS 17, as described above, involves significant management judgment in selecting the most appropriate and relevant underlying methods/models, assumptions, data and other parameters to be applied in the estimate, including complex modelling techniques and actuarial expertise. Based on these factors and materiality considerations, we determined the measurement of these insurance contract liabilities to be a key audit matter.</p>	<p>year, as part of the business combination transaction.</p> <ul style="list-style-type: none"> • Performed direct testing, using sampling techniques and based on our risk assessment, on key data elements and assumptions used in the estimates prepared by management, such as in-force policy data, lapses and surrenders, death and other claims and benefits paid and expenses. • Performed procedures over the completeness, accuracy and reliability of the key input and output data of the LRC results, including information and data reconciliations, validations and other relevant checks. • Assessed and evaluated the appropriateness of the information presented and disclosed in the notes to the financial statements in accordance with IFRS 17 disclosure requirements.
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Reporting on Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management Report and the additional information of the separate financial statements, but does not include the separate financial statements and our auditor's report thereon.

Our opinion on the separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as required by the Companies Law, Cap.113.

In connection with our audit of the separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

With regards to the Management Report, our report is presented in the "Report on other legal and regulatory requirements" section.

Responsibilities of the Board of Directors and Those Charged with Governance for the Separate Financial Statements

The Board of Directors is responsible for the preparation of the separate financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the European Union and the requirements of the Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, the Board of Directors is 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 there is an intention to liquidate the Company or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors and those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of 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 separate 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 separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

Auditor's Responsibilities for the Audit of the Separate Financial Statements (cont.)

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters.

Report on Other Legal and Regulatory Requirements

Requirements of Article 10(2) of the EU Regulation 537/2014:

1. Date of appointment and period of engagement
We were first appointed auditors of the Company on 7th July 2022 by the General Meeting of the Company's members to audit the financial statements of the Company for the year ended 31 December 2024. Our total uninterrupted period of engagement, having been renewed annually by shareholders' resolution is 4 years covering the periods ending 31 December 2022 to 31 December 2025.
2. Consistency of auditor's report to the additional report to the Audit Committee
We confirm that our audit opinion on the financial statements expressed in this report is consistent with the additional report presented to the Audit Committee of the Company, which is dated 26 March 2026, in accordance with Article 11 of the EU Regulation 537/2014.
3. Provision of Non-audit Services ("NAS")

We have not provided any prohibited NAS referred to in Article 5 of EU Regulation 537/2014 as applied by Section 72 of the Auditors Law of 2017, L.53(I)/2017, as amended from time to time ("Law L.53(I)/2017")

Other Legal Requirements

Pursuant to the additional requirements of Law L.53(I)/2017, and based on the work undertaken in the course of our audit, we report the following:

- In our opinion, the Management Report, the preparation of which is the responsibility of the Board of Directors, has been prepared in accordance with the requirements of the Companies Law, Cap. 113, and the information given is consistent with the separate financial statements.
- In light of the knowledge and understanding of the business and the Company's environment obtained in the course of the audit, we have not identified material misstatements in the Management Report.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and Section 69 of Law L.53(I)/2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditor's report is Constantinos N. Kallis.

Constantinos N. Kallis, FCA
Certified Public Accountant and Registered Auditor
for and on behalf of

KPMG Limited
Certified Public Accountants and Registered Auditors
14 Esperidon Street
1087 Nicosia, Cyprus

07 April, 2026

ERB Cyprialife Limited

Statement of profit or loss for the year ended 31 December 2025

	Note	2025 €	2024 €
Insurance revenue	5	80.466.076	70.158.275
Insurance service expense	6	(52.265.674)	(43.397.119)
Insurance service result before reinsurance contracts held		28.200.402	26.761.156
Allocation of reinsurance premiums		(12.220.453)	(9.167.682)
Amounts recoverable from reinsurers for incurred claims		9.903.892	5.596.593
Net expenses from reinsurance contracts held	7	(2.316.561)	(3.571.089)
Insurance service result		25.883.841	23.190.067
Interest revenue calculated using the effective interest method		3.172.007	2.879.470
Other investment revenue		28.142.664	24.388.891
Net impairment loss on financial assets		(105.845)	(28.095)
Total net investment income	8	31.208.826	27.240.266
Net finance expenses from insurance contracts issued		(27.907.512)	(23.828.927)
Net finance income from reinsurance contracts held		506.604	171.643
Net financial result	8	(27.400.908)	(23.657.284)
Other income	9	264.952	342.689
Other expenses	10	(2.834.666)	(2.760.290)
Profit before income tax		27.122.045	24.355.448
Income tax expense	12	(4.375.062)	(4.146.418)
Profit for the year		22.746.983	20.209.030

The notes on pages 17 to 149 are an integral part of these financial statements.

ERB Cyprialife Limited

Statement of comprehensive income for the year ended 31 December 2025

	Note	2025 €	2024 €
Profit for the year		22.746.983	20.209.030
Other comprehensive income/(loss):			
Items that will not be reclassified to profit or loss			
Gains on revaluation of land and buildings net of tax	25	77.946	110.514
Fair value (losses)/ gains on Non-Recyclable financial assets at FVOCI	8	2.255.942	(169.884)
		2.333.888	(59.370)
Items that are or may be reclassified subsequently to profit or loss			
Fair value gains on Recyclable financial assets at FVOCI	8	370.499	828.692
Net (losses)/ gains on derecognition on Recyclable financial assets at FVOCI	8	(621.166)	202.648
Insurance finance income/ (expenses) for insurance contracts issued	8	168.738	(95.855)
Insurance finance (expenses) for insurance contracts issued -Deferred tax	8	(251.576)	-
Reinsurance finance income for reinsurance contracts held	8	521.070	753.518
		187.565	1.689.003
Other comprehensive income for the year, net of tax		2.521.453	1.629.633
Total comprehensive income		25.268.436	21.838.663

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in Note 12.

The notes on pages 17 to 149 are an integral part of these financial statements.

ERB Cyprialife Limited

Statement of financial position at 31 December 2025

	Note	2025 €	2024 €
Assets			
Intangible assets	15	2.481.768	1.617.234
Deferred tax asset	26	121.070	462.092
Right-of-use assets	30	7.728.074	8.135.940
Investments in subsidiaries	17	10.452.637	10.204.600
Property, plant and equipment	14	2.155.648	2.039.476
Investment property	16	29.710.766	28.943.681
Financial assets at fair value through profit or loss	20	620.953.859	484.813.054
Financial assets at fair value through other comprehensive income	21	83.867.882	84.759.417
Reinsurance contract assets	18	19.305.434	8.472.243
Loans to related companies	29(f)	2.796.803	3.179.169
Loans and other receivables	22	5.827.175	6.083.141
Receivables from related companies	29(b)	3.783.759	4.355.985
Cash and cash equivalents	23	44.538.444	24.467.782
Total assets		833.723.319	667.533.814
Equity and liabilities			
Capital and reserves			
Share capital	24	12.771.463	10.539.999
Share premium	24	11.200.469	11.200.469
Fair value reserves	25	4.488.098	2.892.654
Insurance/reinsurance finance reserve		2.528.938	2.090.705
Retained earnings		119.334.256	111.948.636
Total equity		150.323.224	138.672.463
Liabilities			
Insurance contracts liabilities	18	599.446.904	454.631.462
Investment contract liabilities	19	55.623.755	47.801.359
Lease liabilities	30	8.186.727	8.425.374
Current tax liabilities		3.270.500	2.558.054
Trade and other payables	27	16.695.209	15.327.388
Payables to related companies	29(c)	177.000	117.714
Total liabilities		683.400.095	528.861.351
Total equity and liabilities		833.723.319	667.533.814

On 07 April 2026, the Board of Directors of ERB Cyprialife Limited authorised these financial statements for issue.

Michalis Louis, Director

Takis Phidia, Director

The notes on pages 17 to 149 are an integral part of these financial statements.

ERB Cyprialife Limited

Statement of changes in equity for the year ended 31 December 2025

	Note	Share capital	Share premium	Fair value reserves	Insurance/ Reinsurance finance reserve	Retained earnings (1)	Total
		€	€	€	€	€	€
Balance at 1 January 2024		10,539,999	11,200,469	2,292,290	1,433,042	93,768,000	119,233,800
Comprehensive income							
Profit for the year		-	-	-	-	20,209,030	20,209,030
Other comprehensive income							
Revaluation of land and buildings	25	-	-	120,863	-	-	120,863
Revaluation land and buildings – deferred tax	25	-	-	(10,349)	-	-	(10,349)
Revaluation gains on financial assets at FVOCI	8	-	-	861,456	-	-	861,456
Insurance finance expenses for insurance contracts issued	8	-	-	-	(95,854)	-	(95,854)
Reinsurance finance income for reinsurance contracts held	8	-	-	-	753,517	-	753,517
Net gain/(losses) on derecognition of financial assets measured at FVOCI	8	-	-	(371,606)	-	371,606	-
Total other comprehensive income		-	-	600,364	657,663	371,606	1,629,633
Total comprehensive income for the year 2024		-	-	600,364	657,663	20,580,636	21,838,663
Transaction with owners							
Dividends	13	-	-	-	-	(2,400,000)	(2,400,000)
Total transactions with owners		-	-	-	-	(2,400,000)	(2,400,000)
Restated Balance at 31 December 2024/1 January 2025		10,539,999	11,200,469	2,892,654	2,090,705	111,948,636	138,672,463
Other Movements							
Issue of shares and net assets acquired from legal merger transaction		2,231,464	-	-	-	-	2,231,464
Balance arising at legal merge		-	-	(521,464)	-	32,672,325	32,150,861
Comprehensive income							
Profit for the year		-	-	-	-	22,746,983	22,746,983
Other comprehensive income							
Revaluation of land and buildings	25	-	-	89,378	-	-	89,378
Revaluation land and buildings – DT	25	-	-	(11,432)	-	-	(11,432)
Revaluation gains on financial assets at FVOCI	8	-	-	2,005,275	-	-	2,005,275
Insurance finance expenses for insurance contracts issued	8	-	-	-	168,738	-	168,738
Insurance finance expenses for insurance contracts issued -deferred tax	8	-	-	-	(251,576)	-	(251,576)
Reinsurance finance income for reinsurance contracts held	8	-	-	-	521,070	-	521,070
Net gain/(losses) on derecognition of financial assets measured at FVOCI	8	-	-	33,688	-	(33,688)	-
Total other comprehensive income		-	-	2,116,909	438,232	(33,688)	2,521,453
Total comprehensive income for the year 2025		-	-	2,116,909	438,232	22,713,295	25,268,436
Transaction with owners							
Dividends	13	-	-	-	-	(48,000,000)	(48,000,000)
Balance at 31 December 2025		12,771,463	11,200,469	4,488,099	2,528,937	119,334,256	150,323,224

ERB Cyprialife Limited

Statement of changes in equity for the year ended 31 December 2025

(1) Companies, which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, within two years after the end of the relevant tax year, will be deemed to have distributed this amount as dividend on the 31st of December of the second year. The amount of the deemed dividend distribution is reduced by any actual dividend already distributed by 31 December of the second year for the year the profits refer. The Company pays special defence contribution on behalf of the shareholders over the amount of the deemed dividend distribution at a rate of 17% (applicable since 2014) when the entitled shareholders are natural persons tax residents of Cyprus and have their domicile in Cyprus. In addition, the Company pays a General Health System (GHS) contribution on behalf of the shareholders at a rate of 2.65%, when the entitled shareholders are natural tax residents of Cyprus, regardless of their domicile.

The notes on pages 17 to 149 are an integral part of these financial statements.

ERB Cyprialife Limited

Statement of cash flows for the year ended 31 December 2025

		2025	2024
		€	€
	Note		
Cash flow from operating activities			
Profit before income tax		27.122.045	24.355.448
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	14	333.583	322.119
Amortization of intangible assets	15	682.764	408.670
Depreciation of right-of-use assets	30	819.739	906.921
Fair value gains on investment property	16	(494.190)	(927.786)
Fair value gains on investments in subsidiaries	17	(248.037)	(181.898)
Interest received	8	(10.349.001)	(6.623.453)
Dividend received	8	(2.823.664)	(2.296.114)
Interest expense	30	429.428	186.182
Impairment loss on financial assets	8	105.885	28.095
		<u>15.578.552</u>	<u>16.178.184</u>
<i>Changes in:</i>			
Financial assets at fair value through profit or loss		(37.101.883)	(73.695.019)
Financial assets at fair value through other comprehensive income		2.674.298	(11.618.801)
Allocation of assets for insurance acquisition cashflow	18.1	55.487	77.424
Loans and other receivables		503.750	169.941
Balances with related companies		1.171.513	459.240
Insurance contract Liabilities		60.457.458	47.787.911
Reinsurance contract Assets		(2.984.377)	(6.856.052)
Investment contract Liabilities		7.867.796	14.723.273
Trade and other payables		372.574	1.137.119
		<u>48.595.168</u>	<u>(11.636.780)</u>
Cash generated from/(used in) operating activities		48.595.168	(11.636.780)
Tax paid		(3.596.170)	(3.215.031)
		<u>44.998.998</u>	<u>(14.851.811)</u>
Net cash generated from/(used in) operating activities		44.998.998	(14.851.811)
Cash flow from investing activities			
Addition to investment property	16	(272.895)	(64.597)
Addition to property, plant and equipment and intangible assets	14,15	(731.782)	(935.875)
Interest received	8	10.349.001	6.623.453
Dividend received	8	2.823.664	2.296.114
Cash acquired from legal merger transaction	2.1.1	12.419.308	-
		<u>24.587.296</u>	<u>7.919.095</u>
Net cash generated from investing activities		24.587.296	7.919.095
Cash flow from financing activities			
Interest paid	30	(429.428)	(186.182)
Payment of lease liabilities	30	(1.086.204)	(1.051.097)
Dividends paid to Company's shareholders	13	(48.000.000)	(2.400.000)
		<u>(49.515.632)</u>	<u>(3.637.279)</u>
Net cash used in financing activities		(49.515.632)	(3.637.279)
Net (decrease) / increase in cash and cash equivalents		20.070.662	(10.569.995)
Cash and cash equivalents at beginning of year		24.467.782	35.037.777
		<u>44.538.444</u>	<u>24.467.782</u>
Cash and cash equivalents at end of year	23	44.538.444	24.467.782

The notes on pages 17 to 149 are an integral part of these financial statements.

ERB Cyprialife Limited

Notes to the financial statements

1 General information

1.1 Country of incorporation

The Company is incorporated and domiciled in Cyprus as a private limited liability company in accordance with the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at 17 Akropoleos Avenue, CY-2006 Nicosia, Cyprus.

1.2 Principal activities

The principal activity of the Company, which is unchanged from last year, is the transaction of life, accident and health insurance business.

1.3 Operating environment of the Company

The current economic environment remains significantly shaped by external geopolitical shocks and shifting global policy dynamics. The ongoing Russia-Ukraine conflict, which began in February 2022, continues to weigh on confidence and energy markets, while renewed tensions in the Middle East are adding to uncertainty at the start of 2026. Against this backdrop, the disinflation process since mid-2024 has allowed the European Central Bank (ECB) to begin easing monetary policy: Looking ahead, risks to the global outlook remain elevated, including the renewed rise of trade protectionism and the possibility of commodity-price shocks, both of which could transmit to Cyprus through trade, tourism and energy prices.

Cyprus' growth performance remained robust in 2025, confirming the economy as one of the stronger performers in the Eurozone. National accounts indicate that real GDP expanded by 3,8% year on year in 2025, while CySTAT's seasonally and working day adjusted data show growth of 4,5% in Q4 2025. The expansion was supported by resilient activity in trade, tourism and transport, alongside steady contributions from ICT, real estate and professional services. Tourism continued to be a key driver: tourist arrivals reached 4,5 mn in 2025 (from 4,0 mn in 2024), while tourism revenue in January-December 2025 is estimated at €3,7 bn (vs €3,2 bn in the corresponding period of 2024).

The outlook remains positive, albeit with growth expected to moderate from the strong pace of 2025. In its December 2025 forecast, the Central Bank of Cyprus (CBC) projects real GDP growth of 3,5% in 2025 and 3,0% in both 2026 and 2027, while the European Commission's Autumn 2025 forecast places growth at 3,4% in 2025, easing to 2,6% in 2026 and 2,4% in 2027. In the medium term, real activity is expected to be supported by EU funds under the Resilience and Recovery Facility (RRF), with Cyprus set to receive €1,2 billion during 2021-2026 to advance the green transition and digital transformation. Nonetheless, downside risks persist from geopolitical developments, potential trade restrictions and a less supportive external environment.

Labor market conditions strengthened further through 2025, consistent with near full-employment dynamics. According to CySTAT, the unemployment rate fell to 4,1% in Q3 2025 (the lowest level since 2008), while vacancy indicators remained elevated: the job vacancy rate averaged 3,1% in the first nine months of 2025, broadly in line with the 3,2% recorded in the first nine months of 2024, pointing to sustained labour demand. In its latest projections, the CBC expects unemployment to decline from 4,9% in 2024 to 4,5% in 2025 and remain around that level thereafter, while the European Commission forecasts 4,7% in 2025, easing to 4,5% in 2026 and 4,3% in 2027.

ERB Cyprialife Limited

Notes to the financial statements

1 General information (continued)

1.3 Operating environment of the Company (continued)

Inflation normalized further in 2025, supported mainly by lower energy prices and, to a lesser extent, moderating food prices. Headline inflation is estimated to have closed at 0,8% in 2025 (down from 2,3% in 2024). Looking ahead, the CBC expects inflation to rise to 1,7% in 2026 and 2,2% in 2027, while the European Commission forecasts 1,5% in 2026 and 1,7% in 2027, noting that underlying inflation excluding energy and food may remain slightly higher due to persistent services price pressures linked to strong tourism demand. Risks remain tilted to the upside if global trade disruptions, protectionist policies, or renewed commodity shocks intensify. Inflation in Cyprus averaged 1,1% in January-February 2026 (down from 2,6% in the same period of 2025), with monthly readings moderating to 1,2% in January and 0,9% in February. These readings, however, reflect conditions prior to the recent escalation in the MENA region, which may exert upward pressure on energy prices and alter the inflation outlook over the course of the year.

In the banking sector, the improvement in asset quality has continued, supporting financial stability alongside strong macro fundamentals. Total non-performing exposures (NPEs) declined significantly, reaching €1,6 billion or 6,5% of gross loans by the end of September 2024 (from 17,7% at end-2020), while the coverage ratio increased to 55,7% in September 2024 (from 46,2% at end-2020).

Cyprus' fiscal performance remained among the strongest in the Eurozone, supported by robust activity and prudent public-finance management. CySTAT's preliminary fiscal results show that the General Government balance for January-December 2025 recorded a surplus of €939,2 mn (2,6% of GDP), compared with a surplus of €1.439,3 mn (4,1% of GDP) in the same period of 2024. Public debt continued to ease: central government debt declined to €21,1 bn in Q3 2025 and remained broadly stable versus end-2024 (€21,2 bn). After falling steadily from the 2020 peak, the debt-to-GDP ratio reached 65,3% in 2024 and is expected by institutions to continue declining towards around 44% of GDP by 2028.

Cyprus' sovereign credit profile strengthened further in 2025, reflecting continued fiscal outperformance, declining public debt and resilient growth. Rating agencies maintained Cyprus firmly in the "A" category while improving their outlooks: Fitch Ratings (21/11/2025) revised the Outlook on Cyprus' Long-Term Foreign-Currency Issuer Default Rating (IDR) to Positive from Stable and affirmed the rating at "A-", while S&P (14/11/2025) revised the outlook on its long-term sovereign ratings on Cyprus to Positive from Stable, affirming the "A/A-2" ratings.

The recent escalation of regional conflict involving Iran has heightened economic uncertainty in Cyprus, adding to inflationary pressures and increasing downside risks for domestic activity. The magnitude of the impact will depend largely on the duration of the conflict: a swift resolution would likely limit the effects, whereas a prolonged escalation could exert more pronounced pressures on economic activity.

Geopolitical situation in Middle East

The geopolitical situation in Middle East escalated on 28 February 2026, with the actions taken by the United States and Israel against targets in Iran. Cyprus has experienced geopolitical sensitivity due to its proximity to the Middle East and the presence of the United Kingdom Sovereign Base Areas at Akrotiri and Dhekelia. As of the date of authorisation of the financial statements, the conflict continues to evolve in Middle East as military activity persists.

The conflict has caused volatility in global energy markets and disruptions to the supply of oil and gas, contributing to increased uncertainty in commodity prices and potential inflationary pressures.

ERB Cyprialife Limited

Notes to the financial statements

1 General information (continued)

1.3 Operating environment of the Company (continued)

Broader consequences have also been observed in financial markets and global supply chains, particularly affecting energy and transportation sectors, as heightened geopolitical tensions around key shipping routes add to market uncertainty.

The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty at this stage, due to the pace at which the conflict is evolving and the high level of uncertainties arising from the inability to reliably predict the outcome.

There are events that are indicative of conditions that arose after the reporting period. Therefore, these are considered as a non-adjusting event and thus, are not reflected in the recognition and measurement of the assets and liabilities in the financial statements as at 31 December 2025.

Although ERB Cyprialife Ltd has very limited direct exposure, the conflict may still create negative effects on the Cypriot economy. Rising energy prices, fluctuations in foreign exchange rates, increased financial market volatility, supply chain disruptions, potential adverse effects on the hospitality and tourism sector and intensified inflationary pressures may indirectly impact the operations of ERB Cyprialife Ltd. The indirect implications remain uncertain and will invariably depend on the extent and duration of the conflict.

Management has considered the unique circumstances and the risk exposures of ERB Cyprialife Ltd.

1.4 Standards issued but not yet effective

New and amended standards and interpretations

As from 1 January 2025, the Company adopted all changes to IFRS Accounting Standards as adopted by the European Union which are relevant to its operations. This adoption did not have a material effect on the financial statements of the Company.

The following new or amended accounting standards and interpretations have been issued by International Accounting Standards Board (“IASB”) (“IFRS Accounting Standards”) but are not yet effective for annual periods beginning on 1 January 2025. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these new or amended accounting standards and interpretations early.

- **IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* (Amendments): Classification and Measurement of Financial Instruments** (effective for annual periods beginning on or after 1 January 2026)

The IASB, following the post-implementation review of IFRS 9, issued on 30 May 2024 amendments to IFRS 9 and IFRS 7 to address identified issues.

These amendments address the recognition and derecognition of financial assets and financial liabilities and include an accounting policy option for the derecognition of financial liabilities settled through an electronic payment system, if certain conditions are met.

In addition, the amendments introduce an additional SPPI test for financial assets with environmental, social and governance (“ESG”)-linked features and other similar contingent features, which must be met to qualify for measurement at amortised cost. Additional disclosures will be required under IFRS 7 for those financial assets and liabilities with contingent features.

ERB Cyprialife Limited

Notes to the financial statements

1.4 Standards issued but not yet effective (continued)

New and amended standards and interpretations (continued)

The amendments clarify the key characteristics of contractually linked instruments (“CLIs”) and how they differ from financial assets with non-recourse features. The amendments also include factors that a company needs to consider when assessing the cash flows underlying a financial asset with non-recourse features (the “look through” test).

Finally, there are new disclosure requirements for investments in equity instruments that are measured at fair value with gains or losses presented in other comprehensive income.

The Company is currently assessing the impact of the adoption of the above amendments on its financial statements. However, the amendments are not expected to have a significant impact on the Company’s financial statements.

- **Annual Improvements to IFRS Accounting Standards - Volume 11** (effective for annual periods beginning on or after 1 January 2026)

On 18 July 2024, the IASB issued the Annual improvements to IFRS Accounting Standards - Volume 11. These improvements aim to improve clarity and enhance the internal consistency of IFRS Accounting Standards.

The amendments apply to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7. One of the key amendments resolves the existing conflict between IFRS 9 and IFRS 15 regarding the transaction price, by requiring companies to initially measure a trade receivable without significant financing component at the amount determined by applying IFRS 15. Additionally, amendments to IFRS 9 address the lack of clarity related to how a lessee accounts for the derecognition of a lease liability.

The Company is currently assessing the impact of the adoption of the above amendments on its financial statements. However, the amendments are not expected to have a significant impact on the Company’s financial statements.

- **IFRS 18 *Presentation and Disclosure in Financial Statements*** (effective for annual periods beginning on or after 1 January 2027)

On 9 April 2024, the IASB issued a new accounting standard that will replace IAS 1 Presentation of Financial Statements, with retrospective application. A significant change introduced by this new standard is the requirement for companies to present a more structured statement of profit or loss. This involves classifying income and expenses into five distinct categories: operating, investing, financing, income taxes, and discontinued operations.

With the adoption of IFRS 18, companies will also have to present two defined subtotals: the operating profit or loss and the profit or loss before finance expenses and income taxes. Companies’ net profit or loss will not change.

ERB Cyprialife Limited

Notes to the financial statements

1 General information (continued)

1.4 Standards issued but not yet effective (continued)

Additionally, companies will need to disclose management-defined performance measures (MPMs) in a single and separate note in the financial statements if they meet the following criteria: the MPMs consist of subtotals of income and expenses included in the financial statements, are used by management in their public communications outside the financial statements and reflect management's view in relation to the company's overall financial performance. For each MPM disclosed, management will have to inform users of the financial statements how it was calculated, why it is important for their understandability and provide a reconciliation to the most comparable subtotal either listed in IFRS 18 or required by other IFRS Accounting Standards.

Moreover, the new standard is expected to provide enhanced guidance on grouping of financial information in the primary financial statements or notes based on shared characteristics.

In addition, all companies are required to use the operating profit or loss subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

The Company is currently assessing the impact of the adoption of the above standard on its financial statements, and is not able to estimate the potential impact at this stage. However, the Company expects that the adoption will have an impact on its statement of profit or loss and statement of cash flows, as well as the MPM that will need to be identified and disclosed.

- **IFRS 19 Subsidiaries without Public Accountability: Disclosures (effective for annual periods beginning on or after 1 January 2027)**

On 9 May 2024, the IASB issued IFRS 19, allowing eligible subsidiaries to present reduced disclosures under IFRS 19 instead of the more extensive disclosure requirements in other IFRS Accounting Standards. In line with IFRS 18, a specific disclosure required by IFRS 19 can be omitted, if information resulting from that disclosure, is not material.

This election is available for subsidiaries preparing consolidated, separate, or individual financial statements, if and only if, at the end of the reporting period they do not have public accountability and have a parent company (ultimate or intermediary) that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.

If the election is made, the subsidiary must state in its statement of compliance that it has applied IFRS 19. A subsidiary applying IFRS 19 can later choose to revoke this election.

Further to the above, in August 2024 the IASB issued additional amendments to IFRS 19. These amendments extend the reduced disclosure requirements in IFRS 19 to Standards and amendments issued between February 2021 and May 2024.

The above standard is not expected to have an impact for the Company, as the Company is a Public Interest Entity (EU-PIE) and therefore has public accountability.

ERB Cyprialife Limited

Notes to the financial statements

2 Material accounting policies

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

2.1 Basis of accounting and preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and the requirements of the Cyprus Companies Law, Cap. 113.

The financial statements have been prepared on a going concern basis.

The financial statements have been prepared under the historical cost convention, except for the following which have been measured at fair value: land and buildings within property, plant and equipment, investment property, investments in subsidiaries, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and investment contract liabilities.

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

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Notes 3 and 4.

These separate financial statements contain information about ERB Cyprialife Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company has taken advantage of the exemption under IFRS 10 "Consolidated Financial Statements" and the Cyprus Companies Law, Cap. 113 from the requirement to prepare consolidated financial statements as the Company and its subsidiaries are included in the consolidated financial statements of Eurobank S.A., which prepares consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU that are available for public use. These consolidated financial statements can be obtained from the registered office of Eurobank S.A at 8 Othonos Street, Athens 105 57 and its consolidated financial statements are available at the website www.eurobank.gr.

2.1.1 Business combinations under common control transactions

Group restructuring transactions involving the transfer of businesses, assets and liabilities between entities under common control are accounted for using predecessor (book value) accounting, as the transactions do not constitute a business combination within the scope of IFRS 3 Business Combinations.

The assets and liabilities transferred are recognised by the transferee at the carrying amounts reported in the financial statements of the transferring entity immediately prior to the transaction. No goodwill or gain is recognised as a result of the transfer. The difference between the consideration paid (if any) and the net carrying amount of the assets and liabilities acquired is recognised directly in equity within retained earnings reserve.

ERB Cyprialife Limited

Notes to the financial statements

2 Material accounting policies

2.1.1 Business combinations under common control transactions (continued)

During the year ended 31 December 2025, as part of an internal group restructuring, the business and net assets of Hellenic Life Insurance Company Limited (“transferring entity”) were transferred to the Company through a legal merger transaction by virtue of a Court Order issued on 8 October 2025 and published in the Official Gazette of the Republic of Cyprus on 10 October 2025. Both entities were being ultimately controlled by Eurobank Ltd, before and after the transaction, and accordingly, the transfer constitutes a transaction under common control.

The transaction was effected at book values, and the assets and liabilities transferred were recognised by the Company at the carrying amounts reflected in the financial statements of the transferring entity immediately prior to the transfer date. As part of the legal merger transaction and group restructuring, the Company issued 2.625.252 ordinary shares at nominal value of €0,85 each to its direct parent entity, ERB Cyprus Insurance Holdings Limited, for a total consideration of €2.231.464. No gain arose as a result of the transaction in the Company’s financial statements. The difference of €32.150.861 between (i) the consideration of the issuance of new share capital and (ii) the net carrying amount of the assets and liabilities transferred of €34.382.325, has been recognised directly in equity, with an amount of €(521.464) recognized in Fair value reserve and €32.672.325 in Retained Earnings reserve. The transaction had no impact on the financial performance of the Company for the year, other than the post-transfer (post-merger) financial performance results of the transferred business. For the post transfer period, the transferred business contributed Insurance service result of €2.620.062 and Profit before income tax of €2.249.067 to the Company’s results in profit or loss.

The carrying amount of the assets and liabilities transferred at the transfer date were as follows:

	Net carrying amount on transfer date
Assets	
Property, plant and equipment and intangible assets	1.184.524
Financial assets at FVTPL	99.038.923
Reinsurance contract assets	9.322.948
Cash and cash equivalents	12.419.308
Other assets	247.785
Total assets	122.213.488
Liabilities	
Insurance contract liabilities	86.466.439
Other liabilities	1.364.724
Total liabilities	87.831.163
Net assets transferred	34.382.325

ERB Cyprialife Limited

Notes to the financial statements

2 Material accounting policies (continued)

2.2 Insurance, reinsurance and investment contracts

The Company presents disaggregated information about insurance contracts issued by major product line and has identified the below aggregation basis:

- Savings
- Protection Long Term
- Protection Short Term and Accident & Health

The following table summarizes the characteristics of the Company's insurance contracts that are measured under IFRS17 and the measurement methods.

IFRS17 aggregation basis	Contracts issued	Measurement method	Insurance finance income and expense
Savings	<p>Investment-linked insurance policies, which have life insurance coverage, an investment account balance and may also offer guaranteed returns or maturity values. The Company has an obligation to pay policyholders an amount equal to the value of specified underlying items, minus a variable fee for service. This category also covers Run-off whole life and endowment insurance contracts that provide life coverage and allow the policyholder to benefit by participating in the performance of specified underlying items.</p> <p>Under all above cases additional covers (riders) offered under the basic plan are also allowed for within the specific portfolio.</p>	Variable Free Approach	Disaggregated between profit or loss and other comprehensive income

ERB Cyprialife Limited

Notes to the financial statements

2 Material accounting policies (continued)

2.2 Insurance, reinsurance and investment contracts (continued)

IFRS17 aggregation basis	Contracts issued	Measurement method	Insurance finance income and expense
Protection Long term	<p>Term life insurance contracts that provide either level or decreasing sum assured coverage for a limited period of time in exchange for a single or renewable fixed premium. This category also covers Run-off whole life and endowment insurance contracts with and without direct participation features.</p> <p>Long-term credit life policies offering insurance protection to cover loan obligations of the policyholders.</p> <p>Under all above cases additional covers (riders) offered under the basic plan are also allowed for within the specific portfolio.</p>	General Measurement Model	Disaggregated between profit or loss and other comprehensive income
Protection Short Term & Accident and Health	<p>Accident and Health are non-life contracts to corporate and individual customers. Contracts are issued to provide coverage for health and personal accidents. This category also included the protection short term business, i.e. Group life contracts.</p> <p>Short-term credit life policies offering insurance protection to cover short – term loan obligations of the policyholders.</p> <p>Under all above cases additional covers (riders) offered under the basic plan are also allowed for within the specific portfolio.</p>	Premium Allocation Approach	Disaggregated between profit or loss and other comprehensive income

In addition to issuing insurance contracts, the Company holds reinsurance contracts to mitigate certain risk exposures. These are quota share, surplus and excess of loss reinsurance contracts. Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders, and are accounted for separately.

ERB Cyprialife Limited

Notes to the financial statements

2 Material accounting policies (continued)

2.2 Insurance, reinsurance and investment contracts (continued)

The Company presents disaggregated information about reinsurance contracts held by major product line and has identified the below aggregation basis:

- Reinsurance Long Term
- Reinsurance Short Term

The following table summarizes the characteristics of the Company's reinsurance contracts held and the measurement methods.

IFRS17 aggregation basis	Reinsurance contracts held (underlying risk covered)	Measurement Method	Insurance finance income and expense
<i>Reinsurance Long Term</i>	Life risk reinsurance contracts with underlying Unit Linked, Term, Endowment and Whole life insurance contracts (including run-off portfolio), as well as certain Group Life contracts. Reinsurance contracts covering Credit Life underlying insurance contracts.	General Measurement Model	Disaggregated between profit or loss and other comprehensive income
<i>Reinsurance -Short Term</i>	Non-life reinsurance contracts covering Accident and Health risks (individual and group) of the respective underlying contracts. Reinsurance treaties with underlying term life contracts issued on group basis. Catastrophe cover reinsurance contract covering the aggregate risk of the underlying contracts arising from catastrophic events.	Premium Allocation Approach	Disaggregated between profit or loss and other comprehensive income

Definition and classification of insurance and reinsurance contracts

Insurance contracts are contracts under which the Company accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.

In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered. The Company uses judgement to assess whether a contract transfers insurance risk (that is, if there is a scenario with commercial substance in which the Company has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant.

The Company determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event had not occurred.

The Company issues contracts under which it accepts significant insurance risk from its policyholders, which are classified as insurance contracts.

ERB Cyprialife Limited

Notes to the financial statements

2 Material accounting policies (continued)

2.2 Insurance, reinsurance and investment contracts (continued)

Definition and classification of insurance and reinsurance contracts (continued)

The Company holds reinsurance contracts that transfer significant insurance risk or are deemed to transfer significant insurance risk since they transfer to the reinsurer substantially all the insurance risk relating to the reinsured portions of the underlying insurance contracts.

Contracts that have a legal form of insurance but do not transfer significant insurance risk and expose the Company to financial risk are classified as investment contracts, and they follow financial instruments accounting under IFRS 9. These contracts are classified as financial liabilities and are measured at fair value, where the fair value is dependent on the fair value of underlying financial assets which are linked to these contracts (see also “Class 7 and Structured products” further below).

Some investment contracts contain discretionary participation features (“DPF”), whereby the investor has the right and is expected to receive, as a supplement to the amount not subject to the Company’s discretion, potentially significant additional benefits based on the return of specified pools of investment assets. The Company does not issue investment contracts with DPF.

Insurance contracts are classified as direct participating contracts or contracts without direct participation features.

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

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

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

The savings (unit-linked) contracts issued by the Company as well as the contracts under a run-off conventional portfolio are classified as direct participating contracts. Such contracts allow policyholders to participate in investment returns with the Company, in addition to compensation for losses from insured risk. These contracts are substantially investment service-related contracts where the return on the underlying items is shared with policyholders. Underlying items comprise specified portfolios of investment assets that determine amounts payable to policyholders.

Certain run-off contracts with profit sharing for which the above three criteria are not met are considered indirect participating contracts.

ERB Cyprialife Limited

Notes to the financial statements

2 Material accounting policies (continued)

2.2 Insurance, reinsurance and investment contracts (continued)

Definition and classification of insurance and reinsurance contracts (continued)

Class 7 and Structured products (investment contracts)

This category of contracts does not meet the definition of insurance contracts, and are accounted for as investment contracts. These include, amongst others, single premium structured products with death benefit equal to 101% of the fund value of the product. Class 7 contracts refer to contracts with corporate customers for the provision of management services of group pension/provident funds of the customers. For this type of business there is no insurance element, and thus no insurance risk, and no guarantees are provided. The Company performs purely the management of the funds and the administration of the units of the policyholders.

These investment contracts are financial liabilities whose fair value is dependent on the fair value of underlying financial assets, which are linked to these contracts. Management designates these investment contracts to be measured at fair value through profit and loss because such designation eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The fair value of financial liabilities for these contracts is determined using the current unit values in which the contractual benefits are denominated. These unit values reflect the fair values of the financial assets contained within the relevant investment funds linked to the financial liability. The fair value of the financial liabilities is obtained by multiplying the number of units attributed to the members/policyholders at the reporting date by the unit value for the same date.

Separating components from insurance and reinsurance contracts

The Company assesses its insurance contracts to determine whether they contain any derivatives or investment components or promises to transfer to policyholders' distinct goods or services other than insurance coverage and investment services which must be accounted for under a different IFRS than IFRS 17. An investment component comprises of the amounts that an insurance contract requires the Company to repay to a policyholder in all circumstances, regardless of whether an insured event occurs. Investment components which are highly interrelated with the insurance contract of which they form a part are considered non-distinct and are not separately accounted for. Based on the Company's technical assessment and application on its existing groups of insurance and reinsurance contracts, the Company does not separate components from insurance and reinsurance contracts.

The Company issues some contracts which include an embedded derivative (surrender option) and/or investment component (account balance) under which the surrender value is paid to the policyholder on maturity or earlier lapse of the contract. These components have been assessed to meet the definition of a highly related and/or non-distinct component. The surrender option is interrelated with the value of the insurance contract and as such, is not separated. Concerning the account balance, the Company is unable to measure the investment component separately from the contract and the policyholder is unable to benefit from the investment component unless the insurance component is also present and as such they are not separated.

The Company issues certain contracts which include a promise to transfer a good or non-insurance service. These transfers of a good or non-insurance service are not distinct and therefore not separated from the contracts.

ERB Cyprialife Limited

Notes to the financial statements

2 Material accounting policies (continued)

2.2 Insurance, reinsurance and investment contracts (continued)

Separating components from insurance and reinsurance contracts (continued)

Once the embedded derivatives, investment components and the goods and services components are separated, the Company assesses whether the contract should be separated into several insurance components that, in substance, should be treated as separate contracts.

To determine whether a single legal contract does not reflect the substance of the transaction and its insurance components recognized and measured separately instead, the Company considers whether there is an interdependency between the different risks covered, whether components can lapse independently of each other and whether the components can be priced and sold separately.

When the Company enters into one legal contract with different insurance components operating independently of each other, insurance components are recognized and measured separately applying IFRS 17.

Concerning the contracts with supplementary benefits (riders) the Company has determined that the legal contract reflects the substance of the transaction and as such the insurance components are not separated.

Reinsurance contracts held, may provide cover for underlying contracts whose risks are not similar. Notwithstanding, the Company concludes that the reinsurance contract's legal form of a single contract reflects the substance of the Company's contractual rights and obligations, considering that the different covers lapse together and are not sold separately. As a result, the reinsurance contract is not separated into multiple insurance components that relate to different underlying groups.

Aggregation level

For insurance contracts issued and reinsurance contracts held, the Company identifies and allocates these to portfolios of contracts for measurement purposes. A portfolio comprises contracts subject to similar risks and managed together.

The Company has defined portfolios of insurance contracts issued based on its product lines, due to the fact that the products are subject to similar risks and managed together. Reinsurance contracts held have been grouped into portfolios taking into consideration the nature of the risk and the type of reinsurance cover.

Each portfolio is sub-divided into groups of contracts (annual cohorts) to which the recognition and measurement requirements of IFRS 17 are applied. At initial recognition, the Company segregates contracts based on when they were issued. A portfolio contains all contracts that were issued within a 12-month period. Each annual cohort is then further disaggregated into three groups of contracts based on the profitability of contracts:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the annual cohort.

If insurance contracts within a portfolio would fall into different groups only because law or regulation specifically constrains the Company's practical ability to set a different price or level of benefits for policyholders with different characteristics, the Company may include those contracts in the same group.

ERB Cyprialife Limited

Notes to the financial statements

2 Material accounting policies (continued)

2.2 Insurance, reinsurance and investment contracts (continued)

Aggregation level (continued)

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the Company aggregates reinsurance contracts held into groups of contracts:

- contracts for which there is a net gain at initial recognition, if any;
- contracts for which, at initial recognition, there is no significant possibility of a net gain arising subsequently; and
- remaining contracts in the portfolio, if any.

The Company makes an evaluation of whether a set of contracts can be treated together in making the profitability assessment based on reasonable and supportable information. In the absence of such information the Company assesses each contract individually.

The determination of whether a contract or a group of insurance contracts issued is onerous is based on the expectations as at the date of initial recognition, with fulfilment cash flow expectations determined on a probability-weighted basis. The Company determines the appropriate level at which reasonable and supportable information is available to assess whether the contracts are onerous at initial recognition and whether the contracts not onerous at initial recognition have a significant possibility of becoming onerous subsequently. A similar assessment is done for reinsurance contracts held to determine the contracts for which there is a net gain at initial recognition or whether contracts for which there is not a net gain at initial recognition have a significant possibility of a net gain subsequently.

For contracts applying the Premium Allocation Approach ("PAA") the Company assumes that contracts are not onerous (for reinsurance contracts there is not a net gain) on initial recognition unless there are facts and circumstances indicating otherwise. The Company assesses the likelihood of changes in applicable facts and circumstances to determine whether contracts not onerous (for reinsurance contracts there is not a net gain) at initial recognition belong to a group with no significant possibility of becoming onerous (for reinsurance contracts no significant possibility of a net gain) in the future.

The composition of groups established at initial recognition is not subsequently reassessed.

Initial Recognition

The Company recognizes groups of insurance contracts that it issues from the earliest of the following:

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

Concerning onerous contracts such contracts expected on initial recognition to be loss-making are grouped together and such groups are measured and presented separately. Once contracts are allocated to a group, they are not re-allocated to another group, unless they are substantively modified.

ERB Cyprialife Limited

Notes to the financial statements

2 Material accounting policies (continued)

2.2 Insurance, reinsurance and investment contracts (continued)

Initial Recognition (continued)

The Company recognizes initially a group of reinsurance contracts held as follows:

- If the reinsurance contracts provide proportionate coverage, at the later of the beginning of the coverage period of the group, or the initial recognition of any underlying contract;
- In all other cases, from the beginning of the coverage period of the first contract in the group.

If the Company entered into the reinsurance contract held at or before the date when an onerous group of underlying contracts is recognized prior to the beginning of the coverage period of the group of reinsurance contracts held, the reinsurance contract held is recognized at the same time as the group of underlying insurance contracts is recognized.

The Company adds new contracts to the group when they meet the recognition criteria.

An insurance or reinsurance contract acquired in a transfer of contracts or a business combination is recognized on the date of acquisition.

Contract Boundaries

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group, determined as described below for insurance and reinsurance contracts.

Insurance Contracts

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

Cash flows within the boundary of an insurance contract are those that relate directly to the fulfilment of the contract, including cash flows for which the Company has discretion over the amount or timing.

A substantive obligation to provide services ends when:

- The Company has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or
- Both of the following criteria are satisfied:
 - the Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio, and
 - the pricing of the premiums for coverage up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

ERB Cyprialife Limited

Notes to the financial statements

2 Material accounting policies (continued)

2.2 Insurance, reinsurance and investment contracts (continued)

Contract Boundaries (continued)

Insurance Contracts (continued)

In determining whether all the risks have been reflected either in the premium or in the level of benefits, the Company considers all risks that policyholders would transfer had it issued the contracts (or portfolio of contracts) at the reassessment date. Similarly, the Company concludes on its practical ability to set a price that fully reflects the risks in the contract or portfolio at a renewal date by considering all the risks that it would assess when underwriting equivalent contracts on the renewal date for the remaining service. The assessment on the Company's practical ability to reprice existing contracts takes into account all contractual, legal and regulatory restrictions. In doing so, the Company disregards restrictions that have no commercial substance. The Company also considers the impact of market competitiveness and commercial considerations on its practical ability to price new contracts and repricing existing contracts. Judgement is required to decide whether such commercial considerations are relevant in concluding as to whether the practical ability exists at the reporting date.

The Company issues contracts that include an option to add insurance coverage at a future date so that the Company is obligated to provide additional coverage if the policyholder exercises the option.

The Company has no right to compel the policyholder to pay premiums and the option to add insurance coverage at a future date is an insurance component that is not measured separately from the insurance contract.

When the insurance option is not in substance a separate contract and the terms are guaranteed by the Company, the cash flows arising from the option are within the boundary of the contract. If the option is not a separate contract and the terms are not guaranteed by the Company, the cash flows arising from the option might be either within or outside the contract boundary, depending on whether the Company has the practical ability to set a price that fully reflects the reassessed risks of the whole contract. If the Company does not have the practical ability to reprice the whole contract when the policyholder exercises the option to add coverage, the expected cash flows arising from the additional premiums after the option exercise date would be within the original contract boundary.

In estimating expected future cash flows of the group of contracts the Company applies its judgement in assessing future policyholder behavior surrounding the exercise of options available to them such as surrenders options, and other options falling within the contract boundary.

The Company assesses the contract boundary at initial recognition and at each subsequent reporting date to include the effect of changes in circumstances on the Company's substantive rights and obligations.

Reinsurance contracts

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

ERB Cyprialife Limited

Notes to the financial statements

2 Material accounting policies (continued)

2.2 Insurance, reinsurance and investment contracts (continued)

Contract Boundaries (continued)

Reinsurance contracts (continued)

A substantive right to receive services from the reinsurer ends when the reinsurer:

- has the practical ability to reassess the risks transfer to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage.

The boundary of a reinsurance contract held includes cash flows resulting from the underlying contracts covered by the reinsurance contract. This includes cash flows from insurance contracts that are expected to be issued by the Company in the future if these contracts are expected to be issued within the boundary of the reinsurance contract held.

The Company holds proportional life reinsurance contracts which have an unlimited duration but which allow both the reinsurer and the Company to terminate the contract at three months' notice for new business ceded. The Company includes within the contracts boundary only cash flows arising from such three months' notice period because it does not have substantive rights or obligations beyond that point. Therefore, on initial recognition, the cash flows within the reinsurance contract boundary are determined to be those arising from underlying contracts that the Company expects to issue and cede under the reinsurance contract within the next three months. Subsequently, expected cash flows beyond the end of this initial notice period are considered cash flows of new reinsurance contracts and are recognized, separately from the initial contract, as they fall within the rolling three-month notice period. Other life reinsurance agreements have a cancellability clause for new business with three months' notice but this being effective at the next annual renewal of the agreement and hence, in this case, on initial recognition the cash flows within the reinsurance contract boundary are determined to be those arising from underlying contracts that the Company expects to issue and cede under the reinsurance contract within the year.

The Company treats all the above-mentioned reinsurance contracts as a series of contracts that form an annual group and cover underlying business issued within a year.

The Company holds proportional group life reinsurance contracts that have a long-term boundary and cover short-term underlying contracts issued within the term on a risk-attaching basis. All cash flows arising from claims incurred and expected to be incurred during the life of the underlying contracts are included in the measurement.

The Company also holds proportional group and individual personal accident and individual health reinsurance contracts with an annual term which cover underlying contracts on a loss occurring basis. All cashflows arising from claims incurred and expected to be incurred during the period of the reinsurance contract are included in the measurement.

Finally, the Company's non-proportional, excess of loss reinsurance contracts held, have an annual term and provide coverage for claims incurred during an accident year (i.e. loss occurring). Thus, all cash flows arising from claims incurred and expected to be incurred in the accident year are included in the measurement of the reinsurance contracts held.

ERB Cyprialife Limited

Notes to the financial statements

2 Material accounting policies (continued)

2.2 Insurance, reinsurance and investment contracts (continued)

Insurance acquisition cashflows

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs. Such cash flows include cash flows that are not directly attributable to individual contracts or groups of insurance contracts within the portfolio.

Insurance acquisition cash flows that are directly attributable to a group of insurance contracts are allocated to that group and to renewal groups of insurance contracts using a systematic and rational method and considering, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort.

A systematic and rational method is also used to allocate insurance acquisition cash flows directly attributable to a portfolio but not to groups of contracts to such groups in the portfolio.

Insurance acquisition cash flows arising before the recognition of the related group of contracts are recognized as an asset. Insurance acquisition cash flows arise when they are paid or when a liability is required to be recognized under a standard other than IFRS 17. Such an asset is recognized for each group of contracts to which the insurance acquisition cash flows are allocated. The asset is derecognized, fully or partially, when the insurance acquisition cash flows are included in the measurement of the group of contracts.

At each reporting date, the Company revises the amounts allocated to groups to reflect any changes in assumptions that determine the inputs to the allocation method used. Amounts allocated to a group are not revised once all contracts have been added to the group.

Recoverability assessment

At each reporting date, if facts and circumstances indicate that an asset for insurance acquisition cash flows may be impaired, then the Company:

- Recognizes an impairment loss in profit or loss so that the carrying amount of the asset does not exceed the expected net cash inflow for the related group; and
- If the asset relates to future renewals, recognizes an impairment loss in profit or loss to the extent that it expects those insurance acquisition cash flows to exceed the net cash inflow for the expected renewals and this excess has not already been recognized as an impairment loss as above.

The Company reverses an impairment loss in profit or loss and increases the carrying amount of the asset to the extent that the impairment conditions have improved.

Acquisition expenses

Acquisition expenses include (a) agent related expenses, comprising of commissions and other sales force expenses and (b) directly attributable administration expenses. These are part of the cash flows during the calculation of CSM and Best Estimate, Risk Adjustment Liabilities. Commission expenses are recognised on premiums received in line with the in-force insurance and investment contracts in place.

ERB Cyprialife Limited

Notes to the financial statements

2 Material accounting policies (continued)

2.2 Insurance, reinsurance and investment contracts (continued)

Insurance acquisition cashflows (continued)

Sales force expenses, which comprise of agent production and other related expenses other than commissions, are recognised on an accrual basis based on the agent contracts in place and the Company's sales policy. Directly attributable administration expenses comprise administration expenses which are considered as acquisition related expenses that can be allocated to IFRS 17 insurance portfolios.

Recoverability assessment and impairment

At each reporting date, if facts and circumstances indicate that an asset for insurance acquisition cash flows may be impaired, then the Company:

- recognizes an impairment loss in profit or loss so that the carrying amount of the asset does not exceed the expected net cash inflow for the related group; and
- if the asset relates to future renewals, recognizes an impairment loss in profit or loss to the extent that it expects those insurance acquisition cash flows to exceed the net cash inflow for the expected renewals and this excess has not already been recognized as an impairment loss as above.

The Company reverses any impairment losses in profit or loss and increases the carrying amount of the asset to the extent that the impairment conditions have improved.

Measurement of insurance contracts issued

The liability for remaining coverage ("LRC") represents the Company's obligation to investigate and pay valid claims under existing contracts for insured events that have not yet occurred (i.e. the obligation that relates to the unexpired portion of the coverage period), comprising (a) fulfilment cash flows relating to future service and (b) the contractual service margin yet to be earned.

The liability for incurred claims ("LIC") includes the Company's liability to pay valid claims for insured events that have already incurred, other incurred insurance expenses arising from past coverage service and includes the liability for claims incurred but not yet reported. It also includes the Company's liability to pay amounts the Company is obliged to pay the policyholder under the contract, including repayment of investment components, when a contract is derecognized. The current estimate of LIC comprises the fulfilment cash flows related to current and past service allocated to the group at the reporting date.

The carrying amount of a group of insurance contracts at each reporting date is the sum of the LRC and the LIC.

Measurement on initial recognition of contracts not measured under the PAA

In relation to the Company's Savings and Protection long term insurance contracts, which are measured under GMM and VFA models the Company measures a group of contracts on initial recognition as the sum of (a) the expected fulfilment cash flows within the contract boundary, and (b) the contractual service margin ("CSM").

ERB Cyprialife Limited

Notes to the financial statements

2 Material accounting policies (continued)

2.2 Insurance, reinsurance and investment contracts (continued)

Fulfilment Cashflows ("FCF")

FCF comprise unbiased and probability-weighted estimates of future cash flows, an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows, plus a risk adjustment for non-financial risk.

The Company's objective in estimating future cash flows is to determine the expected value, or the probability weighted mean, of the full range of possible outcomes, considering all reasonable and supportable information available at the reporting date without undue cost or effort, that reflect the timing and uncertainty of those future cash flows.

The Company estimates future cash flows considering a range of scenarios which have commercial substance and give a good representation of possible outcomes. The cash flows from each scenario are probability-weighted and discounted using current assumptions.

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

When estimating future cash flows, the Company includes all cash flows that are within the contract boundary including:

- Premiums and related cash flows
- Claims and benefits, including reported claims not yet paid, incurred claims not yet reported and expected future claims
- Payments to policyholders resulting from embedded surrender value options
- An allocation of insurance acquisition cash flows attributable to the portfolio to which the contract belongs
- Claims handling costs
- Policy administration and maintenance costs, including recurring commissions that are expected to be paid to intermediaries
- An allocation of fixed and variable overheads directly attributable to fulfilling insurance contracts
- Costs incurred for performing investment activities that enhance insurance coverage benefits for the policyholder
- Costs incurred for providing investment-related service to policyholders

The cash flow estimates include both market variables, which are consistent with observable market prices, and non-market variables, which are not contradictory with market information and based on internally and externally derived data.

The Company updates its estimates at the end of each reporting period using all newly available, as well as historic evidence and information about trends. The Company determines its current expectations of probabilities of future events occurring at the end of the reporting period. In developing new estimates, the Company considers the most recent experience and earlier experience, as well as other information.

ERB Cyprialife Limited

Notes to the financial statements

2 Material accounting policies (continued)

2.2 Insurance, reinsurance and investment contracts (continued)

Fulfilment Cashflows ("FCF") (continued)

Risk of the Company's non-performance is not included in the measurement of groups of insurance contracts issued.

Risk Adjustment ("RA")

The risk adjustment for non-financial risk for a group of insurance contracts, determined separately from the other estimates, is the compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk.

The risk adjustment also reflects the degree of diversification benefit the Company includes when determining the compensation it requires for bearing that risk; and both favorable and unfavorable outcomes, in a way that reflects the Company's degree of risk aversion.

The Company uses a risk-based capital approach which is closely linked to the Solvency II standard formula in estimating the risk adjustment.

Time value of money and Financial risks

The Company adjusts the estimates of future cash flows to reflect the time value of money and the financial risks related to those cash flows, to the extent that the financial risks are not included in the estimates of cash flows.

The discount rates applied to the estimates of the future cash flows:

- reflect the time value of money, the characteristics of the cash flows and the liquidity characteristics of the insurance contracts;
- are consistent with observable current market prices (if any) for financial instruments with cash flows whose characteristics are consistent with those of the insurance contracts, in terms of, for example, timing, currency and liquidity; and
- exclude the effect of factors that influence such observable market prices but do not affect the future cash flows of the insurance contracts.

In determining discount rates for cash flows that do not vary based on the returns of underlying items, the Company uses the 'bottom-up approach' to estimate discount rates. Methods and assumptions used to determine the discount rates are described in Note 3.

ERB Cyprialife Limited

Notes to the financial statements

2 Material accounting policies (continued)

2.2 Insurance, reinsurance and investment contracts (continued)

Contractual Service Margin (“CSM”)

The CSM is a component of the overall carrying amount of a group of insurance contracts representing unearned profit the Company will recognize as it provides insurance contract services over the coverage period.

On initial recognition of a group of insurance contracts, if the total of (a) the fulfilment cash flows, (b) any cash flows arising at that date and (c) any amount arising from the derecognition of any assets or liabilities previously recognized for cash flows related to the group (including assets for insurance acquisition cash flows) is a net inflow, the CSM is measured as the equal and opposite amount of the net inflow, which results in no gain no loss, arising on initial recognition.

If the total is a net outflow, then the group is onerous. In this case, the net outflow is recognized as a loss in profit or loss. A loss component is created to depict the amount of the net cash outflow, which determines the amounts that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue.

The Company determines, at initial recognition, the group's coverage units and allocates the group's CSM based on the coverage units provided in the period.

At the end of each reporting period, the Company updates the fulfilment cash flows for both LRC and LIC to reflect current estimates of the amounts, timing and uncertainty of future cash flows, as well as discount rates and other financial variables.

Experience adjustments are the difference between (a) the expected cash flow estimate at the beginning of the period and (b) the actual cash flows for premiums received in the period (and any related cash flows paid such as insurance acquisition cash flows).

Experience adjustments relating to current or past service are recognised in the profit or loss. For incurred claims (including incurred but not reported) and other incurred insurance service expenses, experience adjustments always relate to current or past service. They are included in profit or loss as part of insurance service expenses.

Experience adjustments relating to future service are included in the LRC by adjusting the CSM. The release of the CSM depends on whether the contract does not participate, participates indirectly or directly participates in the performance of the specified underlying items.

At the end of each reporting period, the Company re-estimates the LRC fulfilment cash flows, updating for changes in assumptions relating to financial and non-financial risks.

Measurement of contracts under the PAA

On initial recognition the Company applies the PAA to groups of contracts, that meet the below criteria, in order to simplify the measurement of such contracts:

- when the coverage period of each insurance contract in the group is one year or less; and
- for groups of insurance contracts, including contracts with a coverage period extending beyond one year, the Company reasonably expects that such simplification would produce a measurement of the LRC for the group that would not differ materially from the one that would be produced applying the requirements of the general measurement model.

ERB Cyprialife Limited

Notes to the financial statements

2 Material accounting policies (continued)

2.2 Insurance, reinsurance and investment contracts (continued)

Measurement of contracts under the PAA (continued)

On initial recognition, the Company measures the LRC for each group of contracts at the amount of premiums received at initial recognition. As all the issued insurance contracts to which the PAA is applied have coverage of a year or less, the Company has elected the policy of expensing insurance acquisition cash flows as they are incurred.

On initial recognition of each group of contracts, the Company expects that the time between providing each part of the services and the related premium due date is no more than a year. Accordingly, the Company has chosen not to adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk.

There are no investment components within insurance contracts issued that are measured under the PAA.

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of (a) the LRC and (b) the LIC, comprising the FCF related to past service allocated to the group at the reporting date. The carrying amount of the LRC for subsequent measurement purposes is increased by any premiums received and decreased by the amount recognized as insurance revenue for services provided.

The LIC for groups of insurance contracts under the PAA is recognized at the amount of the fulfilment cash flows relating to incurred claims. For claims that the Company expects to be paid within one year or less from the date of incurring the Company does not adjust future cash flows for the time value of money and the effect of financial risk. However, claims expected to take more than one year to settle are discounted.

If facts and circumstances indicate that a group of insurance contracts measured under the PAA is onerous on initial recognition or becomes onerous subsequently, the Company increases the carrying amount of the LRC to the amount of the FCF with the amount of such an increase recognized in profit or loss in insurance service expenses, and a loss component is established for the amount of the loss recognized. The fulfilment cash flows are discounted at current rates, as the liability for incurred claims is also discounted.

Measurement of reinsurance contracts held

Reinsurance contracts

The carrying amount of a group of reinsurance contracts at each reporting date is the sum of (a) the asset for remaining coverage ("ARC") and (b) the asset of incurred claims ("AIC"). The ARC comprises (a) the fulfilment cash flows that relate to services that will be received under the contracts in future periods and (b) any remaining CSM at that date.

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

ERB Cyprialife Limited

Notes to the financial statements

2 Material accounting policies (continued)

2.2 Insurance, reinsurance and investment contracts (continued)

Measurement of reinsurance contracts held (continued)

Reinsurance contracts (continued)

- The Company determines the risk adjustment for non-financial risk so that it represents the amount of risk being transferred to the reinsurer.
- The Company recognizes both day 1 gains and day 1 losses at initial recognition in the statement of financial position as a CSM and releases this to profit or loss as the reinsurer renders services, except for any portion of a day 1 loss that relates to events before initial recognition as described below.
- Changes in the fulfilment cash flows are recognized in profit or loss if the related charges arising from the underlying ceded contracts have been recognized in profit or loss. Alternatively, changes in the fulfilment cash flows adjust the CSM.

The Company measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts. No separate allowance on a probability-weighted basis is recognised, in measuring the present value of the future cash flows, for the effect of any non-performance by the reinsurers including the effects of collateral and losses from disputes, based on materiality considerations.

On initial recognition, the CSM of a group of reinsurance contracts represents a net cost or net gain on purchasing reinsurance. It is measured as the equal and opposite amount of the total of (a) the fulfilment cash flows, (b) any amount arising from the derecognition of any assets or liabilities previously recognized for cash flows related to the group, (c) any cash flows arising at that date and (d) any income recognized in profit or loss because of onerous underlying contracts recognized at that date.

However, if any net cost on purchasing reinsurance coverage relates to insured events that occurred before the purchase of the group, then the Company recognizes the cost immediately in profit or loss as an expense.

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the year, adjusted for:

- the CSM of any new contracts that are added to the group in the year;
- interest accreted on the carrying amount of the CSM during the year, measured at the discount rates determined on initial recognition;
- income recognised in profit or loss in the year on initial recognition of onerous underlying contracts;
- reversals of a loss-recovery component to the extent that they are not changes in the fulfilment cash flows of the group of reinsurance contracts;
- changes in fulfilment cash flows that relate to future services, measured at the discount rates determined on initial recognition, unless they result from changes in fulfilment cash flows of onerous underlying contracts, in which case they are recognised in profit or loss and create or adjust a loss-recovery component;
- the effect of any currency exchange differences on the CSM; and
- the amount recognised in profit or loss because of the services received in the year.

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Notes to the financial statements

2 Material accounting policies (continued)

2.2 Insurance, reinsurance and investment contracts (continued)

Measurement of reinsurance contracts held (continued)

Reinsurance of onerous underlying insurance contracts

For a group of reinsurance contracts covering onerous underlying insurance contracts, the Company establishes a loss-recovery component of the asset for remaining coverage, adjusts the CSM and as a result recognises income when it recognises a loss on initial recognition of onerous underlying contracts, if the reinsurance contract is entered into before or at the same time as the onerous underlying contracts are recognised. The adjustment to the CSM is determined by multiplying:

- the amount of the loss that relates to the underlying contracts; and
- the percentage of claims on the underlying contracts that the Company expects to recover from the reinsurance contracts.

The loss-recovery component is adjusted for changes in FCFs of the group of reinsurance contracts relating to future services that result from changes in FCFs of the onerous underlying contracts. If the reinsurance contract covers only some of the insurance contracts included in an onerous group of contracts, then the Company uses a systematic and rational method to determine the portion of losses recognised on the onerous group of contracts that relates to underlying contracts covered by the reinsurance contract. The loss-recovery component determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts and are excluded from the allocation of reinsurance premiums paid. It is adjusted to reflect changes in the loss component of the onerous group of underlying contracts, but it cannot exceed the portion of the loss component of the onerous group of underlying contracts that the Company expects to recover from the reinsurance contracts.

Reinsurance contracts measured under the PAA

The Company applies the PAA to measure a group of reinsurance contracts using the same accounting policies to the insurance contracts, as adapted where necessary to reflect the features of reinsurance contracts that differ from those of the insurance contracts.

The Company applies the PAA to reinsurance contracts that it holds, as follows:

- To quota share and excess of loss reinsurance contracts on loss occurring basis that provide coverage on the insurance contracts originated for claims incurred during an accident year.
- To proportional reinsurance contracts on risk attaching basis that provide coverage for short-term underlying insurance contracts and have an effective period of two years the Company elects to apply the PAA since at inception it expects it will provide an asset for remaining coverage that would not differ materially from the general model.

Under the PAA, the initial measurement of the asset for incurred claims equals the reinsurance premium paid. The Company measures the amount relating to remaining service by allocating the amount of expected reinsurance premium payments over the coverage period of receiving services for the group. For all reinsurance contracts held the allocation is based on the passage of time.

On initial recognition of each group of reinsurance contracts held, the Company expects that the time between receiving each part of the services and the related reinsurance premium due date is no more than a year. Accordingly, the Company has chosen not to adjust the asset for remaining coverage to reflect the time value of money and the effect of financial risk.

ERB Cyprialife Limited

Notes to the financial statements

2 Material accounting policies (continued)

2.2 Insurance, reinsurance and investment contracts (continued)

Reinsurance contracts measured under the PAA (continued)

Where the reinsurance contracts held cover a group of onerous underlying insurance contracts, the Company adjusts the carrying amount of the asset for remaining coverage and recognises a gain when, in the same period, it reports a loss on initial recognition of an onerous group of underlying insurance contracts or on additional loss from an already onerous group of underlying insurance contracts. The recognition of this gain results in the accounting for the loss recovery component of the asset for the remaining coverage of a group of reinsurance contracts held. The loss-recovery component is adjusted to reflect changes in the loss component of the onerous group of underlying contracts, but it cannot exceed the portion of the loss component of the onerous group of underlying contracts that the Company expects to recover from the reinsurance contracts.

Insurance contracts – modification and derecognition

The Company derecognises insurance contracts when:

- the rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired); or
- the contract is modified such that the modification results in:
 - o the contract being outside the scope of IFRS 17;
 - o a different insurance contract due to separating components from the host contract;
 - o a substantially different contract boundary;
 - o the contract being included in a different group of contracts.

If any of the modification criteria described above are met, the Company derecognises the initial contract and recognises the modified contract as a new contract. If the contract modification does not meet the above conditions the Company treats the effect of the modification as changes in the estimates of fulfilment cash flows.

On derecognition of a contract from within a group of contracts not measured under the PAA:

- the fulfilment cash flows allocated to the group are adjusted to eliminate those that relate to the rights and obligations derecognised;
- the CSM of the group is adjusted for the change in the fulfilment cash flows, except where such changes are allocated to a loss component or where the group has no remaining coverage period; and
- the number of coverage units for the expected remaining services is adjusted to reflect the coverage units derecognised from the group.

If a contract is derecognised because it is transferred to a third party, then the CSM is also adjusted for the premium charged by the third party, unless the group is onerous or the group has not remaining coverage period.

If a contract is derecognised because its terms are modified, then the CSM is also adjusted for the premium that would have been charged had the Company entered into a contract with the new contract's terms at the date of modification, less any additional premium charged for the modification. The new contract recognised is measured assuming that, at the date of modification, the Company received the premium that it would have charged less any additional premium charged for the modification.

ERB Cyprialife Limited

Notes to the financial statements

2 Material accounting policies (continued)

2.2 Insurance, reinsurance and investment contracts (continued)

Insurance contracts – modification and derecognition (continued)

For a group of insurance contracts measured under the PAA, the Company adjusts insurance revenue prospectively from the time of the contract modification.

Presentation

The Company presents separately in the statement of financial position the carrying amount of portfolios of insurance contracts that are assets and those that are liabilities, portfolios of reinsurance contracts held that are assets and those that are liabilities.

Any assets for insurance acquisition cash flows recognised before the corresponding insurance contracts are recognised are included in the carrying amount of the related groups of insurance contracts issued.

The Company disaggregates the amounts recognised in the statement of profit or loss and other comprehensive income into (a) an insurance service result, comprising insurance revenue and insurance service expenses, and (b) insurance finance income or expenses. The Company separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

The Company disaggregates the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the non-financial change as part of the insurance service result.

Insurance revenue contracts not measured under the PAA

The Company's insurance revenue depicts the provision of coverage and other services arising from a group of insurance contracts at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services, and is recognised as it satisfies its performance obligations i.e. as it provides services under groups of insurance contracts. Insurance revenue from a group of insurance contracts is therefore the relevant portion for the period of the total consideration for the contracts, (i.e., the amount of premiums paid to the Company adjusted for financing effect (the time value of money) and excluding any investment components).

The total consideration for a group of contracts covers amounts related to the provision of services and is comprised of:

- Claims and other insurance service expenses, excluding any amounts allocated to the loss component of the liability for remaining coverage.
- Changes in the risk adjustment for non-financial risk related to current services, excluding any amounts allocated to the loss component of the liability for remaining coverage.
- The CSM release measured based on coverage units provided.
- Other amounts, including experience adjustments for premium receipts for current or past services.

In addition, the Company allocates a portion of premiums that relate to recovering insurance acquisition cash flows to each period in a systematic way based on the passage of time. The Company recognises the allocated amount, as insurance service revenue and an equal amount as insurance service expenses.

ERB Cyprialife Limited

Notes to the financial statements

2 Material accounting policies (continued)

2.2 Insurance, reinsurance and investment contracts (continued)

CSM Release

The amount of the CSM of a group of insurance contracts that is recognised as insurance revenue in each year is determined by identifying the coverage units in the group, allocating the CSM remaining at the end of the year (before any allocation) equally to each coverage unit provided in the year and expected to be provided in future years, and recognising in profit or loss the amount of the CSM allocated to coverage units provided in the year. The number of coverage units is the quantity of services provided by the contracts in the group, determined by considering for each contract the quantity of benefits provided and its expected coverage period. The coverage units are reviewed and updated at each reporting date.

Services provided by insurance contracts include insurance coverage and, for all direct participating contracts, investment services for managing underlying items on behalf of policyholders. In addition, some contracts may also provide investment services for generating an investment return for the policyholder, but only if:

- an investment component exists or the policyholder has a right to withdraw an amount (e.g. the policyholder's right to receive a surrender value on cancellation of a contract);
- the investment component or withdrawal amount is expected to include an investment return; and
- the Company expects to perform investment activities to generate that investment return.

The expected coverage period reflects expectations of lapses and cancellations of contracts, as well as the likelihood of insured events occurring to the extent that they would affect the expected coverage period. The period of investment services ends no later than the date on which all amounts due to current policyholders relating to those services have been paid.

Insurance revenue contracts measured under the PAA

For contracts measured under the PAA, the insurance revenue for each period is the amount of expected premium receipts for providing services in the period. The Company recognises such insurance revenue based on the passage of time by allocating premium receipts including premium experience adjustments to each period of service.

Loss Component

The Company has not identified any onerous contracts as at the reporting date. In future periods, when and if any onerous contracts are identified at the point of initial recognition they will be grouped separately from contracts in the same portfolio that are not onerous.

Groups that were not onerous at initial recognition can also subsequently become onerous if assumptions and experience changes. The Company has established a loss component of the liability for remaining coverage for any onerous group depicting the future losses recognised.

A loss component represents a notional record of the losses attributable to each group of onerous insurance contracts (or contracts profitable at inception that have become onerous). The loss component is released based on a systematic allocation of the subsequent changes in the fulfilment cash flows to: (i) the loss component; and (ii) the liability for remaining coverage excluding the loss component. The loss component is also updated for subsequent changes in estimates of the fulfilment cash flows related to future service.

ERB Cyprialife Limited

Notes to the financial statements

2 Material accounting policies (continued)

2.2 Insurance, reinsurance and investment contracts (continued)

Loss Component (continued)

The systematic allocation of subsequent changes to the loss component results in the total amounts allocated to the loss component being equal to zero by the end of the coverage period of a group of contracts (since the loss component will have been materialised in the form of incurred claims). The Company uses the proportion on initial recognition to determine the systematic allocation of subsequent changes in future cash flows between the loss component and the liability for remaining coverage excluding the loss component.

Insurance Service Expenses

Insurance service expenses arising from insurance contracts are recognised in profit or loss generally as they are incurred. They exclude repayments of investment components and comprise the following items:

- Incurred claims and other insurance service expenses: For some life risk contracts, incurred claims also include premiums waived on detection of critical illness.
- Amortisation of insurance acquisition cash flows: For contracts not measured under the PAA, this is equal to the amount of insurance revenue recognised in the year that relates to recovering insurance acquisition cash flows. For contracts measured under the PAA, the Company has elected to expense insurance acquisition cash flows as incurred.
- Losses on onerous contracts and reversals of such losses.
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein.
- Impairment losses on assets for insurance acquisition cash flows and reversals of such impairment losses.

Net expenses from reinsurance contracts

Net expenses from reinsurance contracts comprise an allocation of reinsurance premiums paid less amounts recovered from reinsurers. The Company presents separately on the face of the statement of profit or loss and other comprehensive income the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid.

The Company treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held. Ceding commissions that are not contingent on claims of the underlying contracts are presented as a deduction in the premiums to be paid to the reinsurer which is then allocated to profit or loss.

Insurance Finance Income and Expenses

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance and reinsurance contracts arising from:

- The effects of the time value of money; and
- The effects of financial risks and changes therein.

ERB Cyprialife Limited

Notes to the financial statements

2 Material accounting policies (continued)

2.2 Insurance, reinsurance and investment contracts (continued)

Insurance Finance Income and Expenses (continued)

For contracts measured under the GMM insurance finance income or expenses reflect interest accreted on the future cash flows and the CSM and the effect of changes in interest rates and other financial assumptions. For contracts measured under the VFA insurance finance income or expenses comprise changes in the measurement of the groups of contracts caused by changes in the value of underlying items (excluding additions and withdrawals). For contracts measured under the PAA insurance finance income or expenses reflect interest accreted on the future cash flows under the LIC and the effect of changes in interest rates and other financial assumptions.

The Company disaggregates changes in the risk adjustment for non-financial risk between insurance service result and insurance financial income or expenses. The Company has an accounting policy choice to either present all of the period's insurance finance income or expenses in profit or loss or to split the amount between profit or loss and other comprehensive income (OCI). The accounting policy choice is applied on a portfolio-by-portfolio basis. The Company disaggregates insurance finance income or expenses between the profit or loss and the OCI for all its portfolios.

2.3 Financial assets and financial liabilities

Financial assets and liabilities – Recognition and initial measurement

The Company recognises deposits with financial institutions on the date on which they are originated. All other financial instruments are recognised on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for a financial asset or financial liability not measured at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

Financial assets – Classification

On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI").

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as measured at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are SPPI.

ERB Cyprialife Limited

Notes to the financial statements

2 Material accounting policies (continued)

2.3 Financial assets and financial liabilities (continued)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. The election is made on an instrument-by-instrument basis and is irrevocable.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. The Company designates certain debt investments in the participating and/or unit-linked insurance contracts and investment contracts issued as at FVTPL on initial recognition, because they relate to insurance and/or investment contracts that measured in a way that incorporates current information and all related insurance finance income and expenses are recognized in profit or loss.

Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Company holds financial assets to generate returns and provide a capital base to provide for settlement of claims and/or benefits to policyholders as they arise. The Company considers the timing, amount and volatility of cash flow requirements to support insurance liability portfolios in determining the business model for the assets as well as the potential to maximise return for shareholders and future business development.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios that is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Company's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)

The expected frequency, value and timing of asset sales are also important aspects of the Company's assessment. The Company also considers whether financial assets are related to unit-linked insurance and/or investment contracts, in determining the business model and appropriate classification. Therefore, portfolios of financial assets that are managed and whose performance is evaluated on a fair value basis, which include underlying items of participating contracts, are measured at FVTPL.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

ERB Cyprialife Limited

Notes to the financial statements

2 Material accounting policies (continued)

2.3 Financial assets and financial liabilities (continued)

Assessment of whether contractual cash flows are solely payments of principal and interest (“SPPI”)

‘Principal’ for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount). ‘Interest’ is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making this assessment, the Company considers, amongst others, the below:

- Contingent events that would change the amount or timing of cash flows;
- Leverage features;
- Prepayment and extension features;
- Terms that limit the Company’s claim to cash flows from specified assets; and
- Features that modify consideration for the time value of money.

Financial assets – Subsequent measurement

(a) Financial assets measured at fair value through profit and loss (“FVTPL”)

FVTPL financial assets are subsequently measured at fair value. Net gains and losses, including any interests or dividend income and foreign exchange gains and losses, are recognised in profit or loss. FVTPL assets are not subject to impairment assessment.

(b) Debt instruments measured at fair value through other comprehensive income (“FVOCI”)

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI and accumulated in the fair value reserves. Interest income calculated under the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Where the Company holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

(c) Equity instruments measured at fair value through other comprehensive income (“FVOCI”)

FVOCI equity instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI and accumulated in the fair value reserves. Dividend income is recognised in profit or loss when the Company’s right to receive payment is established, unless it clearly represents a recovery of part of the cost of the investment. Accumulated net gains and losses in OCI are never reclassified to profit or loss. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from fair value reserve to retained earnings reserve in equity.

ERB Cyprialife Limited

Notes to the financial statements

2 Material accounting policies (continued)

2.3 Financial assets and financial liabilities (continued)

Financial assets – Subsequent measurement (continued)

(d) Financial assets at amortised cost

These are measured at amortised cost under the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Reclassification of financial assets and liabilities

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line.

Financial assets – Derecognition and contract modification

(a) Financial assets - derecognition other than for substantial modification

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

The Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Company has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Company's continuing involvement, in which case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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 the Company could be required to pay.

On derecognition of a financial asset, the difference between the carrying amount at the date of the derecognition and the consideration received is recognised in profit or loss. For debt investments at FVOCI, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. The cumulative gain or loss on equity investments designated at FVOCI is not reclassified to profit or loss.

ERB Cyprialife Limited

Notes to the financial statements

2 Material accounting policies (continued)

2.3 Financial assets and financial liabilities (continued)

Financial assets – Derecognition and contract modification (continued)

(b) Derecognition due to substantial modification of terms and conditions

The Company derecognises a financial asset when the terms and conditions have been renegotiated and/or substantially modified to the extent that, substantially, it becomes a new instrument, with the difference recognised as a derecognition gain or loss.

When assessing whether or not to derecognise an instrument due to substantial modification, amongst others, the Company considers, amongst others, the following factors:

- Change in currency of the debt instrument;
- Introduction of an equity feature;
- Change in counterparty; and
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Company records a modification gain or loss in profit or loss. Where a modification of cash flows is due to financial difficulties of the debtor, and the objective is usually to maximise recovery of the original contractual cash flows rather than to originate a new asset with substantially different terms, and the modification may result in forgiveness of cash flows, then the Company first considers whether a portion of the asset should be written off before recording a modification adjustment.

Financial assets – Impairment and measurement of expected credit loss (“ECL”) allowance

The Company recognized loss allowances for ECL on:

- Financial assets measured at amortised cost;
- Debt investments measured at FVOCI; and
- Lease receivables.

The Company measures loss allowances at an amount equal to lifetime ECL, except in the following cases, for which the amount recognised will be 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) for which credit risk has not increased significantly since initial recognition.

Loss allowances for lease receivables will always be measured at an amount equal to lifetime ECL.

When determining whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company will consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both qualitative and quantitative information and analysis based on the Company’s experience, expert credit assessment and forward-looking information. As a backstop, the Company considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due.

ERB Cyprialife Limited

Notes to the financial statements

2 Material accounting policies (continued)

2.3 Financial assets and financial liabilities (continued)

Financial assets – Impairment and measurement of expected credit loss (“ECL”) allowance (continued)

Financial instruments for which 12-month ECL are recognised are referred to as ‘Stage 1 financial instruments’. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which lifetime ECL are recognised because of a significant increase in credit risk since initial recognition but that are not credit-impaired are referred to as ‘Stage 2 financial instruments’. Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as ‘Stage 3 financial instruments’.

In all cases, the maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

The key inputs into the measurement of ECL are the term structures of the probability of default (“PD”), loss given default (“LGD”) and exposure at default (“EAD”). ECL for financial assets for which credit risk has not significantly increased are calculated by multiplying the 12-month PD by the respective LGD and EAD. Lifetime ECL are calculated by multiplying the lifetime PD by the respective LGD and EAD.

- PD: an estimate of the likelihood of default over a given time horizon. It is estimated with consideration of economic scenarios and forward-looking information.
- LGD: the magnitude of the likely loss if there is a default. The Company will estimate LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models will consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. Where applicable, LGD estimates will be recalibrated for different economic scenarios and will be calculated considering current and forecast economic conditions on a discounted cash flow basis using the effective interest rate as the discount rate.
- EAD: represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments. The EAD of a financial asset is its gross carrying amount at the time of default.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, which include:

- instrument type;
- credit risk grade;
- collateral type;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

ERB Cyprialife Limited

Notes to the financial statements

2 Material accounting policies (continued)

2.3 Financial assets and financial liabilities (continued)

Financial assets – Impairment and measurement of expected credit loss (“ECL”) allowance (continued)

The groupings are subject to regular review to ensure that exposures within a particular Company remain appropriately homogeneous.

Presentation of ECL allowance in the statement of financial position

The ECL allowance for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI with a corresponding charge to profit or loss. The accumulated gain recognised in OCI is recycled to the profit or loss upon derecognition of the assets.

The ECL allowance for financial assets measured at amortised cost is deducted from the gross carrying amount of the assets.

Financial assets in default

The Company considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due. In assessing whether a debtor is in default, the Company considers indicators that are:
 - qualitative: e.g. breaches of covenant;
 - quantitative: e.g. overdue status and non-payment of another obligation of the same debtor to the Company; and
 - based on data developed internally and obtained from external sources. Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Credit-impaired financial assets

At each reporting date the Company assesses whether financial assets measured at amortised cost, debt investments at FVOCI and lease receivables are credit-impaired. A financial asset is credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or past-due event;
- the restructuring of an amount due to the Company on terms that the Company would not otherwise consider;
- the debtor entering bankruptcy or other financial reorganization becoming probable; or
- the disappearance of an active market for security because of financial difficulties.

In assessing whether an investment in a debt security is credit-impaired, the Company considers additional factors such as the available external credit ratings and other assessments of creditworthiness by rating agencies, market’s assessment of creditworthiness as reflected in bond yields and default on coupon contractual payments.

ERB Cyprialife Limited

Notes to the financial statements

2 Material accounting policies (continued)

2.3 Financial assets and financial liabilities (continued)

Financial assets - Write-offs

Financial assets are written off either partially or in their entirety only when the Company has no reasonable expectations of recovering either a portion or the entirety of the financial assets. This assessment is carried out at the individual financial asset level. Any subsequent recoveries of written off and derecognized financial assets are credited as income to profit or loss.

Although the Company expects no significant recovery from amounts written off, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due. Such amounts include long overdue receivable balances from terminated agents that were written off, but for which the Company continues its attempts for recovery through legal actions and legal handling of the cases.

Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents include cash in hand and deposits held at call with banks with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments. Deposits at call with banks with original maturities of more than three months are presented and classified within loans and other receivables. The Company does not have any bank overdraft balances at the reporting date.

Financial liabilities – Classification and subsequent measurement

The Company classifies its financial liabilities, other than financial guarantees, into one of the following categories:

- financial liabilities at FVTPL, as one of the below sub-categories:
 - held for trading (none as at the reporting date);
 - derivative hedging instruments (none as at the reporting date); or
 - designated as at FVTPL.
- financial liabilities at amortised cost.

The Company has designated investment contract liabilities as at FVTPL because these liabilities relate to unit-linked policies (including structured products and/or class 7 policies), for which the financial assets in the underlying funds are also designated at FVTPL and carried at fair value. These investment contract liabilities have a unit-linking feature whereby the amount due to contract holders is contractually determined on the basis of specified assets. The effect of the unit-linking feature on the fair value of the liability is asset-specific performance risk and not credit risk, and the liabilities are fully collateralized. No residual risk will have a significant impact on the fair value of the liabilities. Therefore, the fair value changes of investment contract liabilities is recognized and presented in profit or loss.

Financial liabilities at FVTPL – measured at fair value. Net gains and losses including interest expense and foreign exchange gains and losses are recognized in profit or loss.

Financial liabilities at amortised cost – measured at amortised cost under the effective interest rate method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

ERB Cyprialife Limited

Notes to the financial statements

2 Material accounting policies (continued)

2.3 Financial assets and financial liabilities (continued)

Interest on financial instruments

Interest income and expenses are recognised in profit or loss under the effective interest rate (“EIR”) method. The effective interest rate is calculated on initial recognition of a financial instrument and is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating-rate instruments to reflect movements in market rates of interest. The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation under the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The gross carrying amount of a financial asset is its amortised cost before adjusting for any loss allowance.

Interest revenue calculated under the effective interest rate method and other finance costs presented in profit or loss include interest on financial assets and financial liabilities measured at amortised cost and debt investments measured at FVOCI. Interest revenue on financial assets at FVTPL is presented within ‘other investment revenue’ along with net gains/losses from financial assets at FVTPL.

(i) Financial assets not credit-impaired on initial recognition

If the financial asset is not credit-impaired, then interest income is calculated by applying the effective interest rate to the gross carrying amount of the asset. When calculating the EIR, the Company estimates future cash flows considering all contractual terms of the asset, but not ECL. If the financial asset has become credit-impaired subsequent to initial recognition, then interest income is calculated by applying the EIR to the amortised cost of the asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis. Conditions of credit-impaired financial assets are described in “Financial assets – Impairment” section.

(ii) Financial assets credit-impaired on initial recognition

For such financial assets, interest income is calculated by applying a credit-adjusted EIR to the amortised cost of the asset. The credit-adjusted EIR is calculated using estimated future cash flows including ECL. The calculation of interest income does not revert to a gross basis, event if the credit risk of the asset improves.

(iii) Financial liabilities

Interest expenses are calculated by applying the EIR to the amortised cost of the liability. When calculating the EIR the Company estimates future cash flows considering all contractual terms of the liability.

ERB Cyprialife Limited

Notes to the financial statements

2 Material accounting policies (continued)

2.4 Revenues

Revenues of the Company comprise:

- (a) insurance revenue (see Note 2.3);
- (b) interest revenue calculated under the effective interest rate method, which includes:
 - interest on financial assets measured at amortised cost; and
 - interest on debt investments measured at FVOCI.
- (b) other investment revenue as follows:
 - Income from investment contracts;
 - Net gains on financial assets at FVTPL, including interest income from debt investments at FVTPL;
 - Net gains on derecognition of debt investments at FVOCI;
 - Dividend income on equity investments;
 - Lease income;
 - Net fair value gains on investment properties;
 - Net fair value gains on investments in subsidiaries; and
 - Other income.

2.5 Employee benefits

(a) Short-term employee benefits

Short-term employee benefits are expenses as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognized termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of IAS37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(c) Retirement benefit obligations

The Company and the employees contribute to the Government Social Insurance Fund based on employees' salaries. Furthermore, the Company operates a defined contribution scheme the assets of which are held in a separate administered fund. The scheme is funded by payments from employees and by the Company. The Company's contributions are expensed as incurred and are included in staff costs. The Company has no further payment obligations once the contributions have been paid. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

ERB Cyprialife Limited

Notes to the financial statements

2 Material accounting policies (continued)

2.6 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Changes in the fair value of monetary securities denominated in foreign currency and classified as financial assets at FVOCI are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in the income statement and other changes in the carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in other comprehensive income. The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.7 Current and deferred income tax

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the country in which the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. If applicable tax regulation is subject to interpretation, it establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit or loss. In accounting for the tax effects of on-balance sheet leases, the Company views the right-of-use asset and lease liability separately and considers that the temporary difference on each item does not give rise to deferred tax since the initial recognition exception applies.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

ERB Cyprialife Limited

Notes to the financial statements

2 Material accounting policies (continued)

2.7 Current and deferred income tax (continued)

Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

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

2.8 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the year in which the dividends are appropriately authorised and are no longer at the discretion of the Company. More specifically, interim dividends are recognised as a liability in the period in which these are authorised by the Board of Directors and paid and in the case of final dividends, these are recognised in the period in which these are approved by the Company's shareholders.

2.9 Property, plant and equipment

Land and buildings are shown at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Revaluations are carried out with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. All other property, plant and equipment are stated at historical cost less accumulated depreciation and less accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of property, plant and equipment.

Increases in the carrying amount arising on revaluation of land and buildings are recognised in other comprehensive income, and shown as other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against other reserves directly in equity. All other decreases are charged to the income statement.

Land is not depreciated. Depreciation on other property, plant and equipment is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values, over their estimated useful lives. The annual depreciation rates are as follows:

	%
Buildings	3 – 4
Plant and equipment	10 – 33,3
Motor vehicles	20

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

ERB Cyprialife Limited

Notes to the financial statements

2 Material accounting policies (continued)

2.9 Property, plant and equipment (continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Expenditure for repairs and maintenance of property, plant and equipment is charged to the income statement of the year in which they were incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and these are included in the income statement. When revalued assets are sold, the amounts included in the other reserves are transferred to retained earnings.

2.10 Intangible Assets

Intangible assets include computer software and projects in progress. Intangible assets 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.

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

Amortisation is calculated on a straight-line basis over the estimated useful life of the assets which is 5 years for computer software, and is recognised in profit or loss. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Project in progress, comprising mainly of computer software under development, are not subject to amortisation as they are not available for use. Once development is completed and the asset is ready for use as intended by management, the asset is reclassified to computer software category and amortisation commences.

Intangible assets are reviewed for impairment when events relating to changes in circumstances indicate that the carrying value may not be recoverable. If the carrying amount exceeds the recoverable amount then the intangible assets are written down to their recoverable amount.

2.11 Investment property

Investment property, principally comprising office buildings, is held for long-term rental yields and/or capital appreciation, and is not occupied by the Company. Investment property is initially measured at cost and subsequently carried at fair value, representing open market value adjusted if necessary, for any difference in the nature, location or condition of the specific asset. Valuations are determined annually by external valuers who hold recognised and relevant professional publications. Changes in fair values are recorded in the income statement and are included in "other investment revenue" line within Investment income in profit or loss. Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in the income statement.

Lease income from investment property is recognised as 'other investment revenue' on a straight-line basis over the lease term in profit or loss.

ERB Cyprialife Limited

Notes to the financial statements

2 Material accounting policies (continued)

2.12 Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than insurance and reinsurance contract assets, investment property, PPE: land and buildings, investments in subsidiaries and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amount is estimated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment losses are recognised in profit or loss, and are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.13 Investments in subsidiaries

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Company measures its investments in subsidiaries in its separate financial statements using the fair value model, in accordance with IFRS9.

Management classifies the investments in subsidiaries as financial assets at fair value through profit and loss in accordance with the accounting policy set out in 2.3 and any changes in their fair value are recognised directly in Profit or Loss in 'other investment revenue' line.

2.14 Loans and other receivables

(i) Mortgaged loans

Loans originated by the Company by providing money to the borrower for the purchase of a residence are classified as mortgaged loans and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment in accordance with IFRS 9. All loans are recognised when cash is advanced to the borrower. The Company has not originated any new mortgaged loans since 1999. These are presented within loans and other receivables in the statement of financial position.

(ii) Debtors from the sale of land

The debtors from land sale are recognised initially at fair value (which is the original sale agreement amount) and subsequently measured at amortised cost using the effective interest method less provision for impairment of these debtors in accordance with IFRS 9. The title of the land sold is transferred to the buyer at the point of settlement of the loan. These are presented within loans and other receivables in the statement of financial position.

ERB Cyprialife Limited

Notes to the financial statements

2 Material accounting policies (continued)

2.14 Loans and other receivables (continued)

(iii) Other debtors and receivables

Debtors and other amounts receivable, including agent balances, are recognised when due initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment of these receivables. The provision for impairment is based on the ECL assessment as per IFRS 9. These are presented within loans and other receivables in the statement of financial position.

(iv) Loans to related companies

These comprise of loans granted to related and group companies, as part of the Group's treasury and financing strategy and policies in place, and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. These are presented in a separate line in the statement of financial position.

(v) Policy loans

Policy loans are loans provided to individuals for consumer financing and are directly linked to their insurance policies by way of collateral. They are originated by the Company by providing cash to the policy holder or by paying premiums due on behalf of the policyholder and are secured by the policy's surrender value. These are recognised when granted to the insured, initially at fair value and subsequently at amortised cost using the effective interest method, less provision for impairment of these loans. Provision is made for impairment in the value of policy loans when there is objective evidence that the Company will not be able to collect amounts due according to the original terms of the insurance contracts. The amount of the provision is the difference between the loan balance and the surrender value of the contract. The amount provided to the client is based on the Fund value of the policy, which is considered as the collateral of the loan provided.

Policy loans are considered as cashflows used in the measurement of IFRS 17 BEL, similar to the investment component and are in scope of IFRS 17. As such, the respective policy loans net carrying amount due is allocated to the IFRS 17 portfolios and classified within Insurance contract liabilities in the statement of financial position.

(vi) Outstanding Premiums

These relate to premiums written and due on insurance and investment contracts issued by the Company, not yet settled at the reporting date.

For Individual Life contracts any amount of outstanding premium not paid is settled through the reduction of the fund value of the policy. For Individual Health Contracts as well as Group Contracts which are annually renewable a cancellation of the policy is being made if credit terms are not met or extended. Outstanding premium debtors relating to savings products are secured by the surrender value of the associated insurance contract.

Outstanding premiums are considered cashflows used in the measurement of IFRS 17 BEL (or part of the balance of the liability for remaining coverage under the PAA) and are in scope of IFRS 17. As such the relevant receivable balances are allocated to IFRS 17 portfolios and classified within Insurance Contract Liabilities in the statement of financial position.

ERB Cyprialife Limited

Notes to the financial statements

2 Material accounting policies (continued)

2.15 Share capital

Ordinary shares are classified as equity.

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

Share premium is the difference between the fair value of the consideration receivable for the issue of shares and the nominal value of the shares. Share premium account can only be resorted to for limited purposes, which do not include the distribution of dividends, and is otherwise subject to the provisions of the Cyprus Companies Law on reduction of share capital.

2.16 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.17 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company as the lessee

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use and the Company, with limited exceptions as set out below. Contracts may contain both lease and non-lease components. The Company have elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Company's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

ERB Cyprialife Limited

Notes to the financial statements

2 Material accounting policies (continued)

2.18 Leases (continued)

The Company as the lessee (continued)

To determine the incremental borrowing rate, the Company uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by Company, which does not have recent third party financing. The Company also uses market available related information and data to the extent possible in determining the incremental borrowing rate.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

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

Any remeasurement of the lease liability arising if the cash flows change based on the original terms and conditions of the lease results in a corresponding adjustment to the right-of-use asset. The adjustment can be positive or negative.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are initially measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

In determining the lease term, management of the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it.

ERB Cyprialife Limited

Notes to the financial statements

2 Material accounting policies (continued)

2.18 Leases (continued)

The Company as the lessee (continued)

The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Company. Right-of-use assets are reviewed for impairment in accordance with the Company's accounting policy for impairment of non-financial assets.

As an exception to the above, payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less. The Company determines low-value assets based on their nature. Accordingly, the Company considers that low value assets include any insignificant IT equipment, office furniture, telephones or any other such similar items.

The Company presents right-of-use assets and lease liabilities separately on the face of the statement of financial position.

The Company as the lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. In performing this assessment, the Company considers certain indicators including as to whether the lease is for the major part of the economic life of the asset.

Rental income from operating leases where the Company is a lessor is recognised in income on a straight-line basis over the lease term, and presented within 'other investment revenue' in profit or loss. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

2.19 Uncertain tax provisions

The Company's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period. Adjustments for uncertain income tax positions, other than interest and fines, are recorded within the income tax charge. Adjustments for uncertain income tax positions in respect of interest and fines are recorded within finance costs and other gains/(losses), net, respectively.

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

ERB Cyprialife Limited

Notes to the financial statements

3 Critical accounting estimates and judgements (continued)

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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:

(i) Insurance contracts

- Insurance contract liabilities carrying amount as at the reporting date is €599.446.904 (2024: €454.631.462).

Classification

The Company has applied judgment to determine whether contracts are within the scope of IFRS 17 and, for contracts determined to be within the scope of IFRS 17, what measurement model is applicable, as explained below.

- The Company issues certain contracts that do not transfer significant insurance risk and classifies such contracts as investment contracts. In determining whether contracts transfer significant insurance risk the Company uses judgment to assess whether there is a scenario with commercial substance in which the Company has the possibility of a loss on a present value basis and in assessing whether the accepted insurance risk is significant.
- Contracts determined to be within the scope of IFRS 17 are assessed on whether they meet the definition of an insurance contract with direct participation features (subject to IFRS 17 criteria). The savings (unit-linked) contracts issued by the Company as well as the contracts under a run-off conventional portfolio are classified as direct participating contracts. For certain run-off contracts with profit sharing the Company applied judgment and concluded that these contracts do not meet the definition of an insurance contract with direct participation features.
- For (a) certain group life insurance contracts that have a coverage period extending beyond one year and (b) proportional group life reinsurance contracts on a risk-attaching basis the Company elects to apply the PAA if at the inception of the group the Company reasonably expects that it will provide a liability for remaining coverage that would not differ materially from the general model. The Company applies its judgment in determining whether the PAA eligibility criteria are met at initial recognition.

Level of aggregation and unit of account

The Company is required to aggregate insurance contracts issued on initial recognition into groups of onerous contracts, groups of contracts with no significant possibility of becoming onerous, and groups of other contracts. Concerning the life long-term contracts, the Company has applied its judgment to determine the appropriate level at which reasonable and supportable information is available on initial recognition to distinguish contracts between the three possible groups.

ERB Cyprialife Limited

Notes to the financial statements

3 Critical accounting estimates and judgements (continued)

Critical accounting estimates and assumptions (continued)

(i) Insurance contracts (continued)

For short-term accident and health and group life contracts measured under the PAA, management judgement is required to assess whether facts and circumstances indicate that a group of contracts is onerous at initial recognition or has become onerous subsequently and whether any loss component measurement is required. In 2025 and 2024, the Company did not identify any facts or circumstances that might have indicated that a group of contracts measured under the PAA had become onerous.

Measurement of future cash flows

The measurement of a group of insurance contracts includes all the future cash flows arising within the contract boundary. In determining which cash flows fall within a contract boundary, the Company considers its substantive rights and obligations arising from the terms of the contract, and also from applicable law and regulation. Cash flows are considered to be outside of the contract boundary if the Company has the practical ability to reprice existing contracts to reflect their reassessed risks and if the contract's pricing for coverage up to the date of reassessment considers only the risks till that next reassessment date. Judgment is also applied in determining the discount rate in discounting the expected future cash flows, as well as in determining the techniques for estimating risk adjustment for non-financial risk and the coverage units provided under a contract.

The following assumptions were used when estimating future cash flows with their corresponding sensitivity analysis been presented in Note 4.1.3:

- **Mortality and morbidity rates**

Mortality and morbidity risks are inherent in most lines of business. The Company performs an investigation, at least on an annual basis, to ensure the validity of the mortality assumptions, and when deemed necessary the assumptions are adjusted accordingly. The assumptions are set based on the internal experience of the Company when there are sufficient volumes of data to support a credible investigation.

When internal experience is not sufficient, the assumptions are set with reference to industry experience and commonly used tables.

Insurance and Reinsurance contracts	Mortality rates 2025
Males	70% AMC00
Females	70% AMC00 rated down by 4 years

- **Longevity (immediate annuity business)**

The annuity business is exposed to the risk that the policyholders live longer than anticipated, resulting in annuity payments for longer than expected. The Company will set the mortality assumptions for the annuity business by considering potential mortality improvements.

ERB Cyprialife Limited

Notes to the financial statements

3 Critical accounting estimates and judgements (continued)

(i) Insurance contracts (continued)

- **Expenses**

Assessment of directly attributable cash flows

The Company applies judgement in assessing whether cash flows are directly attributable to a specific portfolio of insurance contracts. Insurance acquisition cash flows are included in the measurement of a group of insurance contracts only if they are directly attributable to either the individual contracts in a group, or to the group itself, or the portfolio of insurance contracts to which the group belongs. The Company also considers as attributable cash flows fixed and variable overheads directly attributable to the fulfilment of insurance contracts.

Expense basis for cashflow projections

The Company performs a detailed expense investigation, at least on an annual basis, to determine the expense assumptions used in the cashflow projections. The expense basis is set in accordance with the budgeted attributable expenses and the projected volumes of business. The Company also determines an assumption for the future expense inflation.

- **Lapse and surrender rates**

Lapse and surrenders assumptions relate to the rate by which policyholders cancel/surrender their policies. The assumptions are set in line with recent Company experience, by adjusting for expected improvements/deteriorations where necessary. The rates vary by product and duration in force.

The table below is based on weighted average of surrender/lapse rate of the underlying products.

Percentage (%)	2025				
	1 year	5 year	10 year	15 year	20 year
Whole Life UL					
Full	6	4	4	4	3
Partial	0	6	6	6	3
Other UL					
Full	4	4	4	5	5
Partial	2	8	6	4	4
Single Premium UL					
Full	0	3	3	3	3
Partial	0	2	4	4	4
Term	10	12	9	5	4
Term Convertible	9	15	12	10	12
Term Decreasing	5	7	6	7	7
Annually renewable term	4	6	6	6	6
Riders Hellenic Life	6	11	11	8	8
Credit Life	4	7	9	9	9
Single Premium UL Hellenic Life	4	2	2	2	2
Protection Hellenic Life	5	12	5	5	5
Unit Linked Hellenic Life	6	11	11	7	7

For the runoff unit linked portfolio the average rate for full surrender was 4% for 2025 whereas the partial surrender rates was 5% for 2025. For the conventional with profit portfolio the rate remained stable at was 5%.

ERB Cyprialife Limited

Notes to the financial statements

3 Critical accounting estimates and judgements (continued)

(ii) Insurance contracts (continued)

- **Discount rates**

Life insurance contract liabilities are calculated by discounting expected future cash flows. The Company uses the bottom-up approach in determining the discount rates and hence uses a risk-free rate, plus an illiquidity premium. Risk free rates are determined by reference to the European Insurance and Occupational Pensions Authority (EIOPA) yields and the illiquidity premium is determined based on the Company's portfolio data, which makes the approach entity specific by reflecting the characteristics of the Company's portfolio.

As at 31 December 2025, the ranges of yield curves used to discount the cash flows of insurance contracts per portfolios' duration are presented below:

1 year	2 years	5 years	10 years	20 years
2,22%-2,64%	2,42%-2,85%	2,62%-3,05%	3%-3,43%	3,35%-3,78%

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk represents the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows arising from insurance risk and other non-financial risks such as lapse risk and expense risk.

It measures the degree of variability of expected future cash flows and the Company-specific price for bearing that risk and reflects the degree of the Company's risk aversion. The Company determines the risk adjustment for non-financial risk at the entity level and then allocates it to all the groups of insurance contracts.

The Company estimates the risk adjustment using a risk-based capital approach which is closely linked to the Solvency II standard formula.

The risk adjustment is determined subject to a confidence level of 85%.

CSM amortization

The CSM is a component of the measurement of the group of insurance contracts that represents the unearned profit the Company will recognise as it provides services in the future. An amount of the CSM for a group of insurance contracts is recognised in profit or loss as insurance revenue in each period to reflect the insurance contract services provided under the group of insurance contracts in that period. The amount is determined by:

ERB Cyprialife Limited

Notes to the financial statements

3 Critical accounting estimates and judgements (continued)

(i) Insurance contracts (continued)

CSM amortization (continued)

- Identifying the coverage units in the group
- Allocating the CSM at the end of the period (before recognising any amounts in profit or loss to reflect the insurance contract services provided in the period) equally to each coverage unit provided in the current period and expected to be provided in the future
- Recognising in profit or loss the amount allocated to coverage units provided in the period

The number of coverage units in a group is the quantity of insurance contract services provided by the contracts in the group, determined by considering the quantity of the benefits provided and the expected coverage period.

For direct participating contracts (Savings) coverage units are determined based on the quantity of benefits provided in case of death. For non-participating life contracts the quantity of benefits is the contractually agreed sum insured over the period of the contracts.

The total coverage units of each group of insurance contracts are reassessed at the end of each reporting period to adjust for the reduction of remaining coverage for claims paid, expectations of lapses and cancellation of contracts in the period. They are then allocated based on probability-weighted average duration of each coverage unit provided in the current period and expected to be provided in the future.

For reinsurance contracts held, the CSM amortisation reflects the level of service received and depends on the number of underlying contracts in-force.

The Company used significant judgement to determine adjustments required to reflect the market participant's view.

Accident and health liability for incurred claims

The ultimate cost of outstanding claims will be estimated by using a range of standard actuarial claims projection techniques such as Chain Ladder method. The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim numbers based on the observed development of earlier years and expected loss ratios.

(ii) Classification of financial assets

Business model assessment and SPPI

See note 2.2 for the application of the business model assessment and SPPI test.

(iii) Fair value of unlisted financial instruments

Unlisted financial instruments comprise primarily of both private equity funds and property funds with a total carrying amount of €6.464.262 (2024: €6.151.528) as at the reporting date, all of which are measured at fair value through profit and loss. The fair value of these unlisted financial instruments, is determined based on the latest net asset valuation as provided directly from the independent external fund managers. No significant unobservable inputs are used in the valuation process.

ERB Cyprialife Limited

Notes to the financial statements

3 Critical accounting estimates and judgements (continued)

(iii) Fair value of unlisted financial instruments (continued)

However estimation uncertainty arises as to the price that the investments in these funds could be redeemed, as they are not listed and no quoted market prices are available, and whether any discounts may be incurred on the actual redemption value as a result of lack of marketability or any restrictions on redemption of such funds. Such discounts if applied would result in a lower fair value of the investments.

The effect of market price changes on the fair value of the relevant financial instruments is shown in Note 4.2 of the financial statements.

(iv) Valuation of property, plant and equipment and investment properties

The Company has land and buildings (PPE) and investments properties that are measured at fair value with carrying amounts of €1.545.156 (2024: €1.548.578) and €29.710.768 (2024: €28.943.681) respectively at the reporting date.

For the valuation of land and buildings within property, plant and equipment and investment properties valuations are based on valuations prepared by independent external property valuers. For accounting estimates and assumptions used refer to Notes 14 and 16.

(v) Valuation of investment in subsidiaries

The Company has investments in subsidiaries with a carrying amount of €10.452.637 as at 31 December 2025 (2024: €10.204.600).

The fair value of the investment in subsidiaries is determined by reference to the net assets of each individual entity as at 31 December, adjusted where applicable. Investments in subsidiaries include (i) Investment property holding companies, for which the properties are measured at fair value, and (ii) Financing companies, which hold primarily cash and cash equivalents. For accounting estimates and assumptions used refer to Note 4.3.

4 Insurance and financial risk management

4.1 Insurance and underwriting risk factors

Underwriting risk comprises insurance risk, policyholder behavior risk and expense risk.

- Insurance risk: the risk transferred from the policyholder to the Company, other than financial risk. Insurance risk arises primarily from the inherent uncertainty about the occurrence, amount or timing of claims.
- Policyholder behavior risk: the risk that a policyholder, amongst others, will cancel a contract (i.e. lapse or persistency risk) and increase or reduce premiums.
- Expense risk: the risk of unexpected increases in the administrative costs associated with the servicing of a contract (rather than in the costs associated with insured events).

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Notes to the financial statements

4 Insurance and financial risk management (continued)

4.1 Insurance and underwriting risk factors (continued)

The Company issues contracts that transfer insurance risk. The Company's objective is to ensure that sufficient reserves are available to cover liabilities arising from insurance contracts and underwriting risk factors. The risk management policies employed by the Company to manage these risks are discussed below. The risk under any one insurance contract relates to the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, the risk is random and therefore unpredictable.

Reserves are created for the risks of insurance operations in order to sufficiently cover the liabilities of the Company under insurance contracts. For a portfolio of insurance contracts, the principal risk that the Company faces is that actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random, and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques. Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

4.1.1 Frequency and severity of claims

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

The underwriting strategy aims to ensure that only acceptable risks are assumed by the Company. Underwriting limits and directions are in place to enforce appropriate risk selection criteria.

The Company has set in place conservative reinsurance arrangements, which include excess, stop-loss and catastrophe cover. All reinsurance counterparties have been assessed by Standard & Poor's or similar rating agencies, receiving a grade AA- or higher. The aim of such reinsurance arrangements is to mitigate the risk the Company is exposed to within acceptable limits. The Board of Directors evaluates and approves the annual reinsurance program.

The claims handling strategy of the Company aims for efficient and effective handling of each claim from the point of notification, so as to proceed to quick settlement and avoid undesirable developments and increased costs.

4.1.2 Sources of uncertainty in the estimation of future claim payments

Uncertainty in the estimation of future benefit payments and premium receipts for long-term insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and variability in contract holder behaviour. The Company makes a best estimate of future mortality based on standard industry tables according to the type of contract being written, adjusted accordingly for Company's own experience.

Claims on insurance contracts are payable on an incurred basis. The Company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, certain liability claims are settled over a long period of time and the largest element of the claims provision represents incurred but not reported claims (IBNR).

ERB Cyprialife Limited

Notes to the financial statements

4.1 Insurance and underwriting risk factors (continued)

4.1.2 Sources of uncertainty in the estimation of future claim payments (continued)

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprises a provision for IBNR, a provision for reported claims not yet paid and a provision for unexpired risks at the reporting date.

In calculating the estimated cost of unpaid reported claims, the Company assesses each claim separately and makes an estimate based on the specific facts of each claim, and the available data and information about the settlement of claims with similar characteristics in prior periods.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where information about the claim event is available. IBNR claims may not be apparent to the insured until many years after the event that gave rise to the claims has happened.

4.1.3 Concentrations and sensitivities

The Company monitors insurance risk per class of business. An analysis of the Company's insurance and reinsurance risk concentrations per class of business is provided in the following table:

	31 December 2025	31 December 2024
Savings	(580.643.523)	(443.575.304)
Protection Long Term	(5.193.200)	(5.983.663)
Protection Short Term and Accident & Health*	(13.609.461)	(5.072.495)
Total Insurance contracts issued (note 18)	(599.446.904)	(454.631.462)
Reinsurance Long Term	16.644.046	6.396.963
Reinsurance Short Term	2.661.388	2.075.280
Total Reinsurance contracts held (note 18)	19.305.434	8.472.243

*The group business contracts that are renewed annually, issued to employers to insure their commitments to their employees for death or disability are also included under this category. The assumed insurance risk is affected by the same factors mentioned in long-term contracts above. In addition, it depends on the sector in which each employer operates.

The following table presents the total exposure to death risk in terms of sum insured, for group business insurance contracts issued, before and after reinsurance, as at the reporting date, grouped by business sector (the disability claims are, depending on the contract, equal or smaller than those for death cases):

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Notes to the financial statements

4 Insurance and financial risk management (continued)

4.1 Insurance and underwriting risk factors (continued)

4.1.3 Concentrations and sensitivities (continued)

Group business insurance contracts issued:

SECTOR	2025				2024			
	Sum insured		Sum insured		Sum insured		Sum insured	
	Before Reinsurance €	%	After Reinsurance €	%	Before Reinsurance €	%	After Reinsurance €	%
Government & Semi-governmental institutions	36.916.661	2,9	9.743.525	4,8	78.549.335	9,5	13.312.184	8,2
Financial	655.904.340	51,5	82.777.520	40,5	186.354.935	22,6	36.767.336	22,8
Retail	70.196.366	5,5	17.064.589	8,4	67.358.298	8,2	16.694.098	10,4
Tourism	8.380.215	0,7	1.679.005	0,8	7.056.583	0,9	1.574.005	1,0
Shipping	133.938.604	10,5	15.657.078	7,7	105.722.242	12,8	14.650.643	9,1
Industrial	16.128.740	1,3	7.396.822	3,6	15.298.740	1,9	6.981.822	4,3
Building & Construction	15.752.711	1,2	4.099.172	2,0	13.387.178	1,6	3.840.878	2,4
Other sectors	337.380.265	26,5	65.866.031	32,2	350.403.056	42,5	67.391.561	41,8
Total	1.274.597.902	100,00	204.283.742	100,00	824.130.367	100,0	161.212.527	100,0

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics or widespread changes in lifestyle, (such as eating, smoking and exercise habits) resulting in earlier or more deaths. This risk is considered during the periodical adjustment of mortality charges that are assumed by the insurance contracts.

The Company manages these risks through its reinsurance arrangements. Also the Company implements a conservative underwriting strategy that includes examination of medical history and dispersion of the type of risk and level of coverage.

The following table presents the total exposure to death risk before reinsurance, as at the reporting date, grouped according to the level of cover by insured person:

Level of coverage (thousands €)	2025		2024	
	Millions €	%	Millions €	%
0 – 340	5.757	67	5.211	67
340 – 680	1.816	22	1.676	22
680 – 1.360	693	8	653	8
1.360 – 1.700	84	1	77	1
Above 1.700	179	2	170	2
	8.529	100	7.787	100

The allocation of risks does not differ significantly from the previous year and continues to relate, in its majority, to risks under €340.000.

ERB Cyprialife Limited

Notes to the financial statements

4 Insurance and financial risk management (continued)

4.1 Insurance and underwriting risk factors (continued)

4.1.3 Concentrations and sensitivities (continued)

For insurance contracts an actuarial estimate is made for future liabilities arising from claims in accordance with the terms of the contract. The estimate, amongst other things, includes assumptions about the following:

Mortality

Details for the estimate of mortality is presented in Note 3.

Persistency

The estimate for persistency, which includes assumptions for lapse and surrender rates, is reassessed annually based on the past-experience of the Company for each type of contract.

Administrative expenses

Expense assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. The estimate for the level of administrative expenses is based on current costs, which is considered to be an appropriate expense base, adjusted with forecasts about the future inflation trends.

Life Riders experience tables

Based on reinsurance rates adjusted for own experience.

Commissions

Based on Company's specific commission structure and rates.

ULR

Based on past experience adjusted for Company's recent developments, actual performance, plans, changes and the general market and economic outlook.

Sensitivities

The table below analyses how the CSM, profit or loss before tax and non insurance income, and equity would have increased (decreased) if changes in underwriting risk variables that were reasonably possible at the reporting date had occurred for life business. This analysis presents the sensitivities of both gross insurance contracts issued liabilities and reinsurance held contract assets and is based on a change in one risk variable with all other variables held constant.

Sensitivity analysis assumes that changes to variables can be made independently, which is very unlikely to occur in practice.

Notes to the financial statements

4 Insurance and financial risk management (continued)

4.1 Insurance and underwriting risk factors (continued)

4.1.3 Concentrations and sensitivities (continued)

Insurance contract liabilities – Life business

31 December 2025

	Change in assumptions	Increase/(decrease) on CSM	Increase/(decrease) on profit before tax and non insurance income	Increase/(decrease) on equity
Insurance contract liabilities				
Base amount (€)		155.837.101	31.501.472	148.885.021
Mortality rate	+10.0%	-8,6%	-3,9%	-0,9%
Lapse rate	+10.0%	-4,6%	-1,7%	-0,5%
Expenses	+10.0%	-5,7%	-2,2%	-0,6%
Expense inflation	+1.0%	-2,1%	-0,7%	-0,2%
Mortality rate	-10.0%	8,8%	3,6%	0,9%
Lapse rate	-10.0%	4,8%	1,8%	0,5%
Expenses	-10.0%	5,7%	2,1%	0,5%
Expense inflation	-1.0%	1,8%	0,6%	0,2%
Reinsurance contract assets				
Base amount (€)		(9.968.149)	(1.809.958)	148.980.830
Mortality rate	+10.0%	-25,9%	-8,2%	-0,3%
Lapse rate	+10.0%	-1,1%	-1,2%	0,02%
Mortality rate	-10.0%	26,3%	8,3%	0,3%
Lapse rate	-10.0%	1,2%	1,4%	-0,01%

ERB Cyprialife Limited

Notes to the financial statements

4 Insurance and financial risk management (continued)

4.1 Insurance and underwriting risk factors (continued)

4.1.3 Concentrations and sensitivities (continued)

Insurance contract liabilities – Life business

31 December 2024

	Change in assumptions	Increase/(decrease) on CSM	Increase/(decrease) on profit before tax and non insurance income	Increase/(decrease) on equity
Insurance contract liabilities				
Base amount (€)		124.020.023	30.172.497	137.755.372
Mortality rate	+10.0%	-9,8%	-4,4%	-0,9%
Lapse rate	+10.0%	-5,1%	-2,0%	-0,5%
Expenses	+10.0%	-6,0%	-2,4%	-0,5%
Expense inflation	+1.0%	-2,4%	-0,9%	-0,2%
Mortality rate	-10.0%	9,8%	4,4%	0,9%
Lapse rate	-10.0%	5,5%	2,2%	0,5%
Expenses	-10.0%	5,7%	2,3%	0,5%
Expense inflation	-1.0%	2,0%	0,8%	0,2%
Reinsurance contract assets				
Base amount (€)		(4.806.426)	(3.399.446)	137.498.849
Mortality rate	+10.0%	-18,1%	-3,0%	-0,8%
Lapse rate	+10.0%	-1,7%	-0,3%	-1,1%
Mortality rate	-10.0%	18,4%	3,1%	-1,4%
Lapse rate	-10.0%	1,7%	0,3%	-1,1%

ERB Cyprialife Limited

Notes to the financial statements

4 Insurance and financial risk management (continued)

4.2 Financial risk factors

The Company's activities expose it to financial risks arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

The Company is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that in the long-term, its investment proceeds are not sufficient to fund the obligations arising from its insurance and investment contracts. The most important components of this financial risk are interest rate risk, equity price risk, foreign currency risk, liquidity risk and credit risk.

These risks arise from open positions in interest rate, currency, and equity instruments, all of which are exposed to general and specific market movements. The risks that the Company primarily faces due to the nature of its investments and liabilities are interest rate risk and equity price risk.

The Company manages these positions within a risk management framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance and investment contracts. Within this framework, periodic reports are produced and circulated to the Company's key management personnel. For each distinct class of liabilities, a separate portfolio of assets is maintained. The Company has not changed the processes used to manage its risks from previous periods.

ERB Cyprialife ensures that it maintains sufficient liquid financial resources to meet its obligations as they fall due through. There is a liquidity risk appetite which requires that sufficient resources are maintained for the Company to manage its day-to-day operations in the short, medium and long term as well as sufficient buffer of liquid assets for covering sudden liquidity demands that may arise. In accordance with the Company's risk appetite, the Company maintains a pool of liquid assets in bonds, cash and mutual funds that represents a predefined percentage of its total assets that is used to meet short term liquidity demands as well as a buffer for unexpected cash demands. The Company performs Asset Liability Matching (ALM) to monitor this risk and specific thresholds and stresses are performed.

The duration of the Company's liabilities is considered in the investment decisions. An Asset Liability Matching Policy dashboard for normal and stressed market conditions is prepared and monitored in line with the Company's ALM Policy and presented quarterly to the Risk & Reserving Committee and the Audit & Risk Committee.

Risks arising from investments are monitored and controlled through the use of risk limits and via robust governance. ERB Cyprialife uses its Tactical Asset Allocation to match assets and liabilities in the best possible way allowing for the different objectives (return vs risk) and controlling the market SCRs.

Monitoring investment risk exposures is a joint responsibility between the three lines of defense in the Investment risk management framework, consisting of prudent and regular review of risk metrics and exposures. All risk monitoring is undertaken in the context of the overarching limit structure, and any limit breaches are quickly and promptly escalated to the required parties. The Board of Directors bears ultimate responsibility for setting the investment risk strategy and appetite and for the management of the investment risk, taking into consideration the investment profile of each fund. The Investment Committee is the Board of Director's delegated authority to develop and oversee the implementation of the Company's investment strategy, policies and procedures as well as for ensuring the investment decisions are made in a prudent manner and are within the Board of Director's risk appetite.

ERB Cyprialife Limited

Notes to the financial statements

4 Insurance and financial risk management (continued)

4.2 Financial risk factors (continued)

The committee provides challenge on investment decisions and on the risks associated with them.

In addition the Company has policies to limit the counterparty default risk by reviewing the credit standing of its reinsurers as well as the level of deposits in reputable financial institutions with good credit standing. Cash exposures are diversified in order to ensure that the counterparty risk remains at acceptable low levels. Any unrated exposures comprise of cash and bank deposits with Cyprus banking institutions that are assessed by the Investment Committee to be of adequate credit quality and no credit losses are anticipated from these placements. Receivables are assessed on an ongoing basis for impairment and where deemed necessary a provision is recognised in the Company's financial statements.

4.2.1 Market risk sensitivity analysis

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument or insurance contract or reinsurance contract will fluctuate because of changes in market interest rates. The Company has no significant concentration of interest rate risk. The Company's exposure to interest rate risk sensitive insurance and reinsurance contracts and debt instruments are, as follows:

Financial assets

Carrying amount of the interest rate sensitive financial assets, other than unit-linked, which are measured at fair value through profit and loss amounted to €14.120.427 (2024: €24.230.280) as at the reporting date.

A 100-basis point increase/decrease in interest yields would result in a loss/gain for the period directly recognized in the income statement of €525.697 (2024: €639.955) as a result of the estimated price movement on interest rate sensitive assets such as government bonds, corporate bonds and bond funds.

Carrying amount of the interest rate sensitive financial assets, other than unit-linked, which are measured at fair value through other comprehensive income amounted to €67.307.491 (2024: €70.516.820) as at the reporting date.

A 100-basis point increase/decrease in interest yields would result in a loss/gain for the period recognized in other comprehensive income of €3.618.739 (2024: €3.265.692) as a result of the estimated price movement on interest rate sensitive assets such as government bonds, corporate bonds and bond funds.

Insurance Liabilities and Reinsurance contract assets

	Change in assumptions	2025 Impact on PBT €	Impact on equity €	2024 Impact on PBT €	Impact on equity €
Insurance contract liabilities		31.501.472	148.885.021	30.172.497	137.755.372
Interest rate risk	+100 bps	0,4%	-2,7%	1,4%	-2,6%
Interest rate risk	-100 bps	-0,6%	2,6%	-1,1%	2,7%
Reinsurance contract liabilities		(1.809.958)	148.980.830	(3.399.446)	137.498.849
Interest rate risk	+100 bps	4,9%	-0,03%	-0,2%	-1,0%
Interest rate risk	-100 bps	-5,7%	0,02%	0,1%	-1,2%

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Notes to the financial statements

4 Insurance and financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.1 Market Risk Sensitivity Analysis (continued)

The following tables present the exposure of the Company to interest rate risk. The below tables show the interest rate profile of the Company's interest-bearing financial instruments as at the reporting date as reported to the Company's management:

	Fixed-rate instruments €	Variable rate instruments €	Non-interest bearing instruments €	Total €
31 December 2025				
<i>Financial assets</i>				
Financial assets at fair value through profit or loss	325.174.212	1.773.937	294.005.710	620.953.859
Financial assets at fair value through OCI	66.065.233	1.242.255	16.560.394	83.867.882
Loans to related companies	2.796.803	-	-	2.796.803
Loans and other receivables	4.665.853	-	1.161.322	5.827.175
Receivables from related companies	1.337.018	1.758.790	687.951	3.783.759
Cash and cash equivalents	31.010.278	-	13.528.166	44.538.444
<i>Non financial assets</i>				
Reinsurance contract assets	-	-	19.305.434	19.305.434
Total assets	431.049.397	4.774.982	345.248.977	781.073.356
<i>Non Insurance liabilities</i>				
Investment contract liabilities	-	-	55.623.755	55.623.755
Trade and other payables	-	-	16.695.251	16.695.251
Payables to related companies	-	-	177.000	177.000
<i>Insurance liabilities</i>				
Insurance contract liabilities	-	-	599.446.904	599.446.904
Total liabilities	-	-	671.942.910	671.942.910
Net exposure	431.049.397	4.774.982	(326.693.933)	109.130.446
	Fixed-rate instruments €	Variable rate instruments €	Non-interest bearing instruments €	Total €
31 December 2024				
<i>Financial assets</i>				
Financial assets at fair value through profit or loss	278.603.073	9.409.303	196.800.678	484.813.054
Financial assets at fair value through OCI	67.812.692	2.704.128	14.242.597	84.759.417
Loans to related companies	3.179.169	-	-	3.179.169
Loans and other receivables	4.728.908	-	1.354.233	6.083.141
Receivables from related companies	1.382.113	1.935.881	1.037.991	4.355.985
Cash and cash equivalents	23.023.066	-	1.444.716	24.467.782
<i>Non financial assets</i>				
Reinsurance contract assets	-	-	8.472.243	8.472.243
Total assets	358.008.321	14.049.312	244.073.158	616.130.791
<i>Non Insurance liabilities</i>				
Investment contract liabilities	-	-	47.801.359	47.801.359
Trade and other payables	-	-	15.327.388	15.327.388
Payables to related companies	-	-	117.714	117.714
<i>Insurance liabilities</i>				
Insurance contract liabilities	-	-	454.631.462	454.631.462
Total liabilities	-	-	517.877.923	517.877.923
Net exposure	358.008.321	14.049.312	(273.804.765)	98.252.868

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Notes to the financial statements

4 Insurance and financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.1 Market Risk Sensitivity Analysis (continued)

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company's functional currency. The Company is not significantly exposed to foreign exchange risk arising from various currency exposures.

Price risk

In the case of long-term insurance contracts with-profit participation, shareholder results are sensitive to price risk mostly through the indirect effect of investment performance on declared policyholder bonuses. Due to the "smoothed" basis of bonus declaration applying to many of these products, the sensitivity to investment performance in a single year tends to be low. However, over multiple periods it is important. For assets backing non-profit and term insurance products as well as surplus assets, price risk has a direct effect on shareholder results.

Measures for managing price risk include sensitivity analysis carried out as part of the statutory resilience test, as well as the setting and regular review of formal exposure limits.

Financial assets

An increase/decrease of 15% in the index of the Cyprus Stock Exchange or International Financial markets would lead to profit/(losses) for the period directly recognized in the income statement and equity of €190.759 (2024: €163.277) as a result of the price movement on single line equities, mutual fund equities and private equities measured at Fair Value Through Profit and Loss with a total carrying amount of €1.271.729 (2024: €1.088.515).

An increase/decrease of 15% in the index of the Cyprus Stock Exchange or International Financial markets would lead to profit/(losses) for the period recognized in other comprehensive income of €2.484.059 (2024: €2.136.390) as a result of the price movement on single line equities, mutual fund equities and private equities classified as financial assets at FVOCI with a total carrying amount of €16.560.395 (2024: €14.242.601).

Insurance contract liabilities

	Change in assumptions	2025 Impact on PBT €	Impact on equity €	2024 Impact on PBT €	Impact on equity €
Insurance contract liabilities		31.501.472	148.885.021	30.172.497	137.755.372
Equity	+10%	-0,2%	1,4%	-0,4%	1,3%
Equity	-10%	0,2%	-1,4%	0,4%	-1,3%
Reinsurance contract liabilities		(1.809.958)	148.980.830	(3.399.446)	137.498.849
Equity	+10%	0,05%	0,004%	0,02%	-1,1%
Equity	-10%	-0,02%	-0,002%	-0,01%	-1,1%

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Notes to the financial statements

4 Insurance and financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.2 Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a reinsurance contract or financial instrument fails to meet its contractual obligations, and arises principally from the reinsurance contract assets and investments in debt securities. For risk management reporting purposes, the Company considers and consolidates all elements of credit risk exposures – e.g. individual obligor default risk, country risk and sector risk.

Key areas where the Company is exposed to credit risk are:

- Loans and other receivables from related parties;
- amounts due from reinsurers in respect of the share on insurance contract liabilities;
- amounts due from insurance contract holders (outstanding premiums);
- amounts due from insurance intermediaries;
- cash and cash equivalents;
- investments in debt securities; and
- other loans and receivables

The Company continuously monitors all assets subject to ECLs, by assessing whether there has been a significant increase in credit risks since initial recognition. The relevant process is described in detailed in Note 2.

The Company structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties. Such risks are subject to an annual review.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by assessing their financial strength prior to finalization of any contract. This assessment includes a review of credit grades provided by rating agencies and other publicly available financial information.

The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Company.

Exposures to individual policyholders and groups of policyholders are collected within the ongoing monitoring of the controls associated with regulatory solvency.

	2025	2024
	€	€
Cash and cash equivalents (Note 23)	44.538.444	24.467.782
Financial assets at FVTPL: Debt securities (Note 20)	326.948.152	288.012.385
Financial assets at FVTOCI: Debt securities (Note 21)	67.307.487	70.516.820
Loans and other receivables (Note 22)	5.827.175	6.083.141
Loans to related companies (Note 29)	2.796.803	3.179.169
Receivables from related parties (Note 29(b))	3.783.759	4.355.985
	451.201.820	396.615.282
Reinsurance contract assets	19.305.434	8.472.243
Total assets exposed to credit risk	470.507.254	405.087.525

ERB Cyprialife Limited

Notes to the financial statements

4 Insurance and financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.2 Credit risk (continued)

The below table shows the distribution of external ratings of the above assets, as determined by Moody's, Standard & Poor's and Fitch. If ratings are available by all three rating agencies the median rating is used, otherwise the Company uses the lowest available external rating.

2025	Stage 1	Stage 2	Stage 3	Total
	€	€	€	€
AAA	12.602.962	-	-	12.602.962
AA	65.635.031	-	-	65.635.031
A	216.125.978	-	-	216.125.978
BBB	139.287.545	-	-	139.287.545
BB and below	4.892.362	-	-	4.892.362
Unrated (1)				-
– banking institutions	250.209	-	-	250.209
– related parties	4.909.125	1.671.437	-	6.580.562
– other counterparties	4.540.006	-	1.287.169	5.827.175
Net carrying amount	<u>448.243.218</u>	<u>1.671.437</u>	<u>1.287.169</u>	<u>451.201.824</u>
Loss allowance included in the above categories	<u>24.911</u>	<u>250.000</u>	<u>4.268.495</u>	<u>4.543.406</u>
2024	Stage 1	Stage 2	Stage 3	Total
	€	€	€	€
AAA	1.689.916	-	-	1.689.916
AA	42.882.316	-	-	42.882.316
A	199.719.188	-	-	199.719.188
BBB	94.156.703	-	-	94.156.703
BB and below	44.304.116	-	-	44.304.116
Unrated (1)				
– banking institutions	244.748	-	-	244.748
– related parties	5.599.273	1.935.881	-	7.535.154
– other counterparties	4.858.487	-	1.224.654	6.083.141
Net carrying amount	<u>393.454.747</u>	<u>1.935.881</u>	<u>1.224.654</u>	<u>396.615.282</u>
Loss allowance included in the above categories	<u>169.027</u>	=	<u>3.896.316</u>	<u>4.065.343</u>

(1) The unrated balances include cash and bank deposits with Cyprus Banking Institutions. Management assesses that these institutions are of adequate credit quality and that no credit losses are anticipated from placements with them. In addition, loans and receivables and receivables from related parties are also included as unrated as they represent balances from individuals or related companies with no formal external credit quality assessment. Due to the relatively diversified portfolio and lack of concentration of exposure to any individual policyholder, management assesses that there is limited risk of significant loss from this portfolio. Furthermore, the related parties represent entities with a sound financial position for which the management assesses there is limited risk of default. Additional information on the credit quality assessment for these balances is presented in the tables further below.

ERB Cyprialife Limited

Notes to the financial statements

4 Insurance and financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.2 Credit risk (continued)

The assets reported above include €340.995.639 (2024: €282.475.191) relating to unit-linked insurance and investment contracts. The holders of these contracts bear the credit risk (as well as all other financial risks) arising from these assets.

The assets above include the entire discretionary participation feature (“DPF”) funds where the Company is able to transfer part of the credit risk arising from these assets to holders of insurance contracts with DPF to the extent that the future level of discretionary bonuses can be reduced to absorb any associated credit losses (as well as losses arising from all other financial risks).

The assets reported above include €67.307.491 (2024: €70.516.820) relating to Financial assets at fair value through OCI – Debt Securities the total amount of which is classified as stage 1.

Loss allowance

The tables below show reconciliations from the opening balance to the closing balance of the loss allowance by class of financial instrument. Transfers due to changes in credit risk are determined in accordance with the Company’s accounting policies.

Financial assets at FV through OCI	2025				2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	169.027	-	-	169.027	140.931	-	-	140.931
Transfer to Stage 1	-	-	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
Net remeasurement of loss allowance	(78.460)	-	-	(78.460)	28.096	-	-	28.096
New financial assets acquired	7.239	-	-	7.239	-	-	-	-
Financial assets derecognised	(72.895)	-	-	(72.895)	-	-	-	-
Balance 31 December	24.911	-	-	24.911	169.027	-	-	169.027

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4 Insurance and financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.2 Credit risk (continued)

Loss allowance (continued)

Financial assets at amortised cost	2025				2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	-	-	3,896,316	3,896,316	-	-	5,308,452	5,308,452
Transfer to Stage 1	-	-	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
Net remeasurement of loss allowance	-	250,000	372,179	622,179	-	-	(21,731)	(21,731)
Financial assets derecognised	-	-	-	-	-	-	(1,390,405)	(1,390,405)
Balance 31 December	-	250,000	4,268,495	4,518,495	-	-	3,896,316	3,896,316

Credit quality of financial assets at amortised cost

The financial assets at amortised cost comprise mainly of the below categories:

- Land Debtors & Mortgage Loans: The financial assets have as collateral mortgages of the relevant properties.
- Agents balances: Such amounts have as collateral 2 additional guarantors (in addition to the agent) in line with the signed contracts in place. Receivable balances provided are also in line with agent's production. Management monitors the outstanding agent balances and has strict policies in place to prevent overdue balances. Where balances with agents are significantly overdue, management evaluates whether the business relations with such agents should be re-assessed and even terminated.
- Cash at bank: Fixed Term deposits, as well as cash and cash equivalents, are held with Banking Institutions approved by the Investment Committee.
- Balances due from related parties: These are analyzed in Note 28 and comprise of loans provided to intragroup companies and intercompany current accounts for which no significant credit risk exposures are considered to exist. Management assesses periodically the financial and liquidity position and performance of counterparties, as part of credit risk monitoring.

Maximum exposure to credit risk before collateral held or other credit enhancements

The following table presents the maximum exposure to credit risk due to the financial assets which are presented on the statement of financial position, without taking into account any collateral held or other credit enhancements attached. For the financial assets which are presented on the statement of financial position, the exposure to credit risk is equal to their carrying amounts

All debt securities at fair value through profit or loss and financial assets at fair value through OCI are neither past due nor impaired. For items classified in the loans and receivables IFRS 9 category refer to the analysis further below.

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Notes to the financial statements

4 Insurance and financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.2 Credit risk (continued)

Maximum exposure to credit risk before collateral held or other credit enhancements

	Maximum exposure			
	2025	2025	2024	2024
	€	%	€	%
Credit risk exposures relating to financial assets per the statement of financial position:				
Cash and cash equivalents (Note 23)	44.538.444	9,5	24.467.782	6,0
Financial assets at FVTPL: Debt securities (Note 20)	326.948.152	69,5	288.012.385	71,1
Financial assets at FVTOCI: Debt securities (Note 21)	67.307.487	14,3	70.516.819	17,4
Loans and other receivables (Note 22)	5.827.175	1,2	6.083.141	1,5
Loans to related companies (Note 29 (e))	2.796.803	0,6	3.179.169	0,8
Receivables from related companies (Note 29(b))	3.783.759	0,8	4.355.985	1,1
Reinsurance contract assets (Note 18)	19.305.434	4,1	8.472.243	2,1
	470.507.254	100	405.087.524	100

Financial assets at amortised cost

	Neither past due nor credit-impaired	Past due but not credit-impaired	Credit-impaired	Total
2025				
Net carrying amounts				
	€	€	€	€
Loans and other receivables	4.540.006	-	1.287.169	5.827.175
Loans to related companies	2.796.803	-	-	2.796.803
Receivables from related companies	3.783.759	-	-	3.783.759
Cash and cash equivalents	44.538.444	-	-	44.538.444
Total net carrying amounts	55.659.012	-	1.287.169	56.946.181
2024				
Net carrying amounts				
	€	€	€	€
Loans and other receivables	4.858.487	-	1.224.654	6.083.141
Loans to related companies	3.179.169	-	-	3.179.169
Receivables from related companies	4.355.985	-	-	4.355.985
Cash and cash equivalents	24.467.782	-	-	24.467.782
Total net carrying amounts	36.861423	-	1.224.654	38.086.077

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Notes to the financial statements

4 Insurance and financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.2 Credit risk (continued)

Financial assets at amortised cost (continued)

	2025 €	2024 €
Gross financial assets at amortised cost	61.214.676	41.982.394
Impairment loss allowance	(4.518.495)	(3.896.317)
Net financial assets at amortised cost	<u>56.696.181</u>	<u>38.086.077</u>

Any collaterals held in respect to the provided loans and receivables adequately cover the respective outstanding balances, and are further analyzed below:

- *Mortgaged/Land Loans*: The receivable balances amounting to €1.287.169 at the reporting date (2024: €1.242.654) have as collateral mortgages of the relevant properties.
- *Agents balances*: Agents balances amounting to €3.378.684 at the reporting date (2024: €3.486.254) have 2 guarantors (in addition to the agent) in line with the contracts in place signed. Receivable balances provided are also in line with agent's production

a) Financial assets at amortised cost neither past due nor impaired

The following table presents the Company's loans and receivables and cash at bank classified as neither past due nor impaired, categorised by type of debtor, at each reporting date:

	Loans and receivables and cash at bank			
	Individuals €	Corporations €	Due from banks €	Total €
2025	<u>5.827.175</u>	<u>6.580.562</u>	<u>44.538.444</u>	<u>56.946.181</u>
2024	<u>6.083.141</u>	<u>7.535.154</u>	<u>24.467.782</u>	<u>38.086.077</u>

b) Financial assets at amortised cost individually impaired

The following table presents loans and receivables which have been individually impaired. Loans and receivables included in this table are more than 90 days past due and are classified as non-performing and credit-impaired.

ERB Cyprialife Limited

Notes to the financial statements

4 Insurance and financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.2 Credit risk (continued)

Financial assets at amortised cost (continued)

	Net carrying amount
	€
2025	
Individually impaired loans and receivables	1.287.169
ECL Interest Received - LCYL Kiti Properties Ltd	250.000
	1.537.169
2024	
Individually impaired loans and receivables	1.242.654
	<u>1.242.654</u>

In relation to the above receivables the Company holds collaterals which comprise primarily the underlying properties on which the relevant loans are secured.

Concentration of risks of financial assets with credit exposure

a) Geographical sectors

The table below analyses the Company's main credit exposures from financial assets at carrying amount, as categorised by geographical region. For the purposes of this table, the Company has allocated exposures to regions, based on the country of domicile of the counterparties.

2025	Cyprus €	Greece €	France €	Other Eurozone member states €	U.S.A	Other countries (mainly UK) €	Total €
Cash and cash equivalents (Note 23)	33.280.545	92.888	-	5.325.870	-	5.839.141	44.538.444
Financial assets at fair value through profit or loss:							
Debt securities (Note 20)	90.296.048	-	91.892.076	114.245.623	8.857.731	21.656.674	326.948.152
Financial assets at fair value through OCI:							
Debt securities (Note 21)	11.620.074	-	24.315.328	20.118.418	7.820.388	3.433.283	67.307.491
Loans and other receivables (Note 22)	5.472.071	17.842	-	-	-	337.262	5.827.175
Receivables from related companies (Note 29(b))	2.446.741	1.337.018	-	-	-	-	3.783.759
Loans to related companies (Note 29 (e))	2.796.803	-	-	-	-	-	2.796.803
31 December 2025	<u>153.912.282</u>	<u>1.447.748</u>	<u>116.207.404</u>	<u>139.689.911</u>	<u>16.678.119</u>	<u>31.266.360</u>	<u>451.201.824</u>

ERB Cyprialife Limited

Notes to the financial statements

4 Insurance and financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.2 Credit risk (continued)

Concentration of risks of financial assets with credit exposure (continued)

a) Geographical sectors (continued)

2024	Cyprus €	Greece €	France €	Other Eurozone member states €	U.S.A	Other countries (mainly UK) €	Total €
Cash and cash equivalents (Note 23)	19.245.680	80.378	-	4.316.724	-	825.000	24.467.782
Financial assets at fair value through profit or loss:							
Debt securities (Note 20)	98.249.575	-	60.541.398	96.668.777	11.834.361	20.718.274	288.012.385
Financial assets at fair value through OCI:							
Debt securities (Note 21)	19.513.230	-	16.737.357	26.261.220	6.868.132	1.136.881	70.516.819
Loans and other receivables (Note 22)	5.393.310	159.135	-	-	-	530.695	6.083.141
Receivables from related companies (Note 29(b))	2.973.873	1.382.113	-	-	-	-	4.355.986
Loans to related companies (Note 29 (e))	3.179.168	-	-	-	-	-	3.179.168
31 December 2024	146.754.836	1.621.626	77.278.755	127.246.721	18.702.493	23.210.850	396.615.281

Concentration of risks of financial assets with credit exposure (continued)

(b) Industry sector

The table below analyses the Company's main credit exposures for financial assets at carrying amount, as categorised by the industry sectors of the counterparties.

2025	Sovereign €	Financial €	Utilities €	Industrial €	Other corporates €	Total €
Cash and cash equivalents (Note 23)	-	44.538.444	-	-	-	44.538.444
Financial assets at fair value through profit & loss:						
- Debt securities (Note 20)	184.878.746	114.063.711	15.794.187	1.807.638	10.403.870	326.948.152
Financial assets at fair value through OCI:						
- Debt securities (Note 21)	26.025.244	32.422.873	3.832.309	-	5.027.065	67.307.491
Loans and other receivables (Note 22)	-	-	-	-	5.827.175	5.827.175
Receivables from related companies (Note 29(b))	-	-	-	-	3.783.759	3.783.759
Loans to related companies (Note 29(e))	-	-	-	-	2.796.803	2.796.803
31 December 2025	210.903.990	191.025.028	19.626.496	1.807.638	27.838.672	451.201.824

ERB Cyprialife Limited

Notes to the financial statements

4 Insurance and financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.2 Credit risk (continued)

Concentration of risks of financial assets with credit exposure (continued)

(b) Industry sector (continued)

2024	Sovereign €	Financial €	Utilities €	Industrial €	Other corporates €	Total €
Cash and cash equivalents (Note 23)	-	24.467.782	-	-	-	24.467.782
Financial assets at fair value through profit & loss:						
- Debt securities (Note 20)	155.918.026	102.048.918	13.840.385	1.804.187	14.400.869	288.012.385
Financial assets at fair value through OCI:						
- Debt securities (Note 21)	33.794.187	27.679.801	4.361.986	-	4.680.845	70.516.819
Loans and other receivables (Note 22)					6.083.141	6.083.141
Receivables from related companies (Note 29(b))	-	-	-	-	4.355.986	4.355.986
Loans to related companies (Note 29(f))	-	-	-	-	3.179.168	3.179.168
31 December 2024	<u>189.712.213</u>	<u>154.196.501</u>	<u>18.202.371</u>	<u>1.804.187</u>	<u>32.700.009</u>	<u>396.615.281</u>

4.2.3 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability but can also increase the risk of losses. The Company has procedures with the object of minimizing such losses such as maintaining enough cash and other highly liquid current assets. Liquidity risk also arises when the Company does not have the ability to repay its current and future liabilities in full or in time. This risk also includes the possibility that the Company will need to refinance amounts at higher interest rates or to sell assets at a discount due to a liquidity need.

The Company maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow.

The analysis of the balance sheet position of assets and liabilities at 31 December 2025 and 31 December 2024, based on the contractual maturity date, is shown in tables below. For insurance contracts liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognized insurance liabilities. Reinsurance assets have been presented on the same basis as insurance liabilities. Loans and receivables include contractual interest receivable

CNP Cyprialife Limited

Notes to the financial statements

4 Insurance and financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.3 Liquidity risk (continued)

	On demand	Less than three months	Between three months and one year	Between one and five years	More than five years	With no stated maturity	Total
	€	€	€	€	€	€	€
31 December 2025							
<i>Non insurance assets</i>							
Intangible assets	-	-	-	-	-	2.481.768	2.481.768
Deferred tax assets	-	-	-	-	-	121.070	121.070
Right-of-use assets	-	-	-	-	-	7.728.074	7.728.074
Investments in subsidiaries	-	-	-	-	-	10.452.637	10.452.637
Property, plant and equipment	-	-	-	-	-	2.155.648	2.155.648
Investment property	-	-	-	-	-	29.710.766	29.710.766
Financial assets at fair value through profit or loss	-	41.907.827	621.711	123.153.014	161.265.599	294.005.708	620.953.859
Financial assets at fair value through OCI	-	1.194.465	1.983.698	19.081.868	45.047.458	16.560.393	83.867.882
Loans to related companies	-	-	540.000	2.256.803	-	-	2.796.803
Loans and other receivables	4.540.006	-	1.287.169	-	-	-	5.827.175
Receivables from related companies	3.783.759	-	-	-	-	-	3.783.759
Cash and cash equivalents	-	44.538.444	-	-	-	-	44.538.444
<i>Insurance assets</i>							
Reinsurance contract assets	-	-	525.635	-	-	18.779.799	19.305.434
Total assets	8.323.765	87.640.736	4.958.213	144.491.685	206.313.057	381.995.863	833.723.319
<i>Non insurance liabilities</i>							
Deferred tax liabilities	-	-	-	-	-	-	-
Investment contract liabilities	-	17.994.758	-	36.523.411	1.065.585	-	55.623.754
Lease liabilities	-	202.906	466.619	2.152.656	5.364.546	-	8.186.727
Current tax liabilities	-	-	-	-	-	3.270.500	3.270.500
Trade and other payables	-	16.695.251	-	-	-	-	16.695.251
Payables to related companies	-	177.000	-	-	-	-	177.000
<i>Insurance liabilities</i>							
Insurance contract liabilities	-	(10.612.013)	(733.606)	(1.029.978)	(2.052.283)	613.874.784	599.446.904
Total liabilities	-	24.457.902	(266.987)	37.646.089	4.377.848	617.145.284	683.400.137
Net position at 31 December 2025	8.323.765	63.182.834	5.225.200	106.845.596	201.935.209	(235.149.421)	150.323.182

*

Management classifies loans and other receivables from related and group companies as repayable on demand, irrespective of the contractual maturities of the underlying transactions, based on the ability of the Company to request such repayment.

CNP Cyprialife Limited

Notes to the financial statements

4 Insurance and financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.3 Liquidity risk (continued)

	On demand	Less than three months	Between three months and one year	Between one and five years	More than five years	With no stated maturity	Total
	€	€	€	€	€	€	€
31 December 2024							
<i>Non insurance assets</i>							
Intangible assets	-	-	-	-	-	1.617.234	1.617.234
Deferred tax assets	-	-	-	-	-	462.092	462.092
Right-of-use assets	-	-	-	-	-	8.135.940	8.135.940
Investments in subsidiaries	-	-	-	-	-	10.204.600	10.204.600
Property, plant and equipment	-	-	-	-	-	2.039.476	2.039.476
Investment property	-	-	-	-	-	28.943.681	28.943.681
Financial assets at fair value through profit or loss	-	10.696.816	31.816.495	118.479.019	127.076.661	196.744.063	484.813.054
Financial assets at fair value through OCI	-	2.357.114	14.729.773	19.300.584	34.129.345	14.242.601	84.759.417
Loans to related companies	-	-	3.179.169	-	-	-	3.179.169
Loans and other receivables	4.840.487	-	1.242.654	-	-	-	6.083.141
Receivables from related companies	4.355.985	-	-	-	-	-	4.355.985
Cash and cash equivalents	-	24.467.782	-	-	-	-	24.467.782
<i>Insurance assets</i>							
Reinsurance contract assets	-	-	421.674	-	-	8.050.569	8.472.243
Total assets	9.196.472	37.521.712	51.389.765	137.779.603	161.206.006	270.440.256	667.533.814
<i>Non insurance liabilities</i>							
Deferred tax liabilities	-	-	-	-	-	-	-
Investment contract liabilities	-	14.878.565	13.733.186	17.373.015	1.861.593	-	47.801.359
Lease liabilities	-	261.287	789.811	3.969.655	3.404.621	-	8.425.374
Current tax liabilities	-	-	-	-	-	2.558.054	2.558.054
Trade and other payables	-	15.327.388	-	-	-	-	15.327.388
Payables to related companies	-	117.714	-	-	-	-	117.714
<i>Insurance liabilities</i>							
Insurance contract liabilities	-	(9.611.849)	(415.069)	(439.785)	(3.032.367)	468.130.532	454.631.462
Total liabilities	-	20.973.105	14.107.928	10.902.885	2.233.847	470.688.586	528.861.351
Net position at 31 December 2024	9.196.472	16.548.607	37.281.837	126.876.718	158.972.159	(200.248.330)	138.672.463

CNP Cyprialife Limited

Notes to the financial statements

4 Insurance and financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.3 Liquidity risk (continued)

The analysis of the balance sheet position of assets and liabilities at 31 December 2025 and 31 December 2024, based on the expected utilization or settlement of assets and liabilities, is shown in tables below.

	Less than 12 months	More than 12 months	Total
	€	€	€
31 December 2025			
<i>Financial assets</i>			
Investments in subsidiaries	-	10.452.637	10.452.637
Financial assets at fair value through profit or loss	336.535.246	284.418.613	620.953.859
Financial assets at fair value through OCI	19.738.557	64.129.325	83.867.882
Loans to related companies	540.000	2.256.803	2.796.803
Loans and other receivables	5.827.175	-	5.827.175
Receivables from related companies	3.783.759	-	3.783.759
Cash and cash equivalents	44.538.444	-	44.538.444
<i>Other assets</i>			
Intangible assets	-	2.481.768	2.481.768
Deferred tax assets	-	121.070	121.070
Right-of-use assets	-	7.728.074	7.728.074
Property, plant and equipment	-	2.155.648	2.155.648
Investment property	-	29.710.766	29.710.766
Reinsurance contract assets	4.025.568	15.279.866	19.305.434
Total assets	414.988.749	418.734.570	833.723.319
Insurance contract liabilities	(25.869.207)	625.316.111	599.446.904
<i>Other liabilities</i>			
Deferred tax liabilities	-	-	-
Investment contract liabilities	17.994.758	37.628.997	55.623.755
Lease liabilities	669.525	7.517.202	8.186.727
Current tax liabilities	3.270.500	-	3.270.500
Trade and other payables	16.695.251	-	16.695.251
Payables to related companies	177.000	-	177.000
Total liabilities	12.937.827	670.462.310	683.400.137
Net position at 31 December 2025	402.050.922	(251.727.740)	150.323.182
	=====	=====	=====

CNP Cyprialife Limited

Notes to the financial statements

4 Insurance and financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.3 Liquidity risk (continued)

	Less than 12 months	More than 12 months	Total
	€	€	€
31 December 2024			
<i>Financial assets</i>			
Investments in subsidiaries	-	10.204.600	10.204.600
Financial assets at fair value through profit or loss	239.257.374	245.555.680	484.813.054
Financial assets at fair value through OCI	31.329.492	53.429.925	84.759.417
Loans to related companies	3.179.169	-	3.179.169
Loans and other receivables	6.083.141	-	6.083.141
Receivables from related companies	4.355.985	-	4.355.985
Cash and cash equivalents	24.467.782	-	24.467.782
<i>Other assets</i>			
Intangible assets	-	1.617.234	1.617.234
Deferred tax assets	-	462.092	462.092
Right-of-use assets	-	8.135.940	8.135.940
Property, plant and equipment	-	2.039.476	2.039.476
Investment property	-	28.943.681	28.943.681
Reinsurance contract assets	3.692.523	4.779.720	8.472.243
Total assets	312.365.466	355.168.351	667.533.817
Insurance contract liabilities	(17.146.333)	471.777.795	454.631.462
<i>Other liabilities</i>			
Deferred tax liabilities	-	-	-
Investment contract liabilities	28.611.750	19.189.609	47.801.359
Lease liabilities	1.051.098	7.374.276	8.425.374
Current tax liabilities	2.558.054	-	2.558.054
Trade and other payables	15.327.388	-	15.327.388
Payables to related companies	117.714	-	117.714
Total liabilities	30.519.671	459.962.462	528.861.351
Net position at 31 December 2024	281.845.795	(104.794.111)	138.672.466
	=====	=====	=====

ERB Cyprialife Limited

Notes to the financial statements

4 Insurance and financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.3 Liquidity risk (continued)

The following table summarises the maturity profile of portfolios of insurance contract issued and portfolios of reinsurance contracts held that are liabilities of the Company based on the estimates of the future cash flows expected to be paid out in the periods presented.

	Contractual cash flows (undiscounted)						Total €
	Less than 1 year €	Between 1 and 2 years €	Between 2 and 3 years €	Between 3 and 4 years €	Between 4 and 5 years €	More than 5 years €	
31 December 2025							
Insurance contract							
Savings	(33.983.500)	(32.986.600)	(20.901.696)	(5.789.152)	8.262.641	807.110.978	721.712.671
Protection Long Term	(539.220)	(1.114.275)	(929.517)	(757.975)	(598.842)	1.064.594	(2.875.235)
Protection Short Term and Accident & Health	4.012.300	1.250.655	388.397	38.042	7.845	9.150	5.706.389
Total	(30.510.420)	(32.850.220)	(21.442.816)	(6.509.085)	7.671.644	808.184.722	724.543.825
Reinsurance contracts							
Long term	1.079.795	(257.449)	(411.965)	(550.965)	(593.273)	(8.481.973)	(9.245.830)
Short term	1.142.746	620.617	275.352	21.024	4.376	3.926	2.068.040
Total	2.222.541	363.168	(136.613)	(529.941)	(588.897)	(8.478.047)	(7.177.790)
31 December 2024							
Insurance contract							
Savings	(26.717.915)	(25.047.494)	(17.700.047)	(9.462.499)	2.624.931	586.473.501	510.170.477
Protection Long Term	(87.828)	(989.679)	(856.479)	(746.813)	(591.664)	985.463	(2.287.000)
Protection Short Term and Accident & Health	4.008.432	1.342.266	388.977	44.934	10.875	3.140	5.798.624
Total	(22.797.311)	(24.694.907)	(18.167.549)	(10.164.378)	2.044.142	587.462.104	513.682.101
Reinsurance contracts							
Long term	1.352.245	(84.054)	(250.177)	(459.721)	(489.622)	(5.489.433)	(5.420.762)
Short term	837.597	635.358	259.357	22.834	5.459	1.259	1.761.864
Total	2.189.842	551.304	9.180	(436.887)	(484.163)	(5.488.174)	(3.658.898)

ERB Cyprialife Limited

Notes to the financial statements

4 Insurance and financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.3 Liquidity risk (continued)

The Company's insurance and investment contracts can be surrendered before maturity for a cash surrender value specified in the contractual terms and conditions. This surrender value is lower than the carrying amount of the insurance liabilities as a result of the application of surrender penalties set out in the contracts. The range of such penalties is between 5% and 30% of the carrying amount of investment contracts, and between 10% and 30% of the carrying amount of insurance contracts.

A maturity analysis based on the earliest contractual repayment date would present all insurance and investment liabilities as due on the earliest period of the table because these options can be exercised immediately by all policyholders. The value of these liabilities would be lower than stated in the above table as the Company would be contractually entitled to deduct a surrender charge.

4.2.4 Capital management

ERB Cyprialife has a simple share capital structure. It is a wholly owned subsidiary of ERB CIH which is owned 100% by Eurobank S.A. since April 2025.

The excess of Capital over Liabilities (Own funds) of the Company under IFRS amounts to €150.323.182 (2024: €138.672.463) as at the reporting date and consist of:

- Share capital and Share premium. The share capital is comprised of issued and fully paid ordinary shares. The share premium is the difference between the fair value of the consideration receivable for the issue of share and the nominal value of shares. Share premium cannot be used for dividend distribution.
- Retained earnings which is the cumulative net income not distributed to its shareholders as dividend.
- Other Reserves, not distributable as dividends (e.g. OCI and Owner Occupied Revaluation reserve)
- Insurance/Reinsurance finance reserve

The Excess of assets over liabilities under SII amounts to €188.712.353 (2024: €153.325.519) as at the reporting date. The primary differences compared to IFRS figures is due to the differences in the valuation and reporting of:

- Intangible assets which are valued at nil based on SII valuation principles;
- The calculation of Technical Reserves which is based on SII principles; and
- The tax base (temporary) differences created affecting the Deferred Tax amount due to adjustments.

ERB Cyprialife Limited

Notes to the financial statements

4 Insurance and financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.4 Capital management (continued)

The table below illustrates the split of Basic Own Funds under IFRS and Solvency II as at the end of the year ended 31 December 2025 compared to the year ended 31 December 2024:

	2025		2024	
	SII	IFRS	SII	IFRS
	€	€	€	€
Ordinary Share Capital	12.771.463	12.771.463	10.539.999	10.539.999
Additional paid-in capital	11.200.469	11.200.469	11.200.469	11.200.469
Reconciliation Reserve	164.740.421	-	131.585.051	-
Other Reserves	-	4.488.099	-	2.892.654
Insurance/Reinsurance finance reserve	-	2.528.937	-	2.090.705
Retained Earnings	-	119.334.214	-	111.948.636
Own Funds	<u>188.712.353</u>	<u>150.323.182</u>	<u>153.325.519</u>	<u>138.672.463</u>

The reconciliation of difference between IFRS and SII amounts are as follows:

	2025	2024
	€	€
Own funds under IFRS	150.323.182	138.672.463
Elimination of Intangible assets	(2.481.768)	(1.617.234)
Deferred Tax difference	(7.146.825)	(2.093.295)
Technical reserves difference	48.017.764	18.363.585
Own Funds under SII	<u>188.712.353</u>	<u>153.325.519</u>

The Company's objectives when managing capital are:

- The compliance with capital requirements imposed by insurance regulators of the markets where the Company operates.
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

The Company currently operates only in the Cypriot market. The Company's lead regulator, Superintendent of Insurance in Cyprus, monitors the capital requirements of the Company. The local insurance regulator and Solvency II European Directive specify the minimum amount and type of capital that must be held in addition to insurance liabilities. This minimum capital requirement is the highest of the €6,2 million absolute minimum set by legislation based on the Company's operations and an amount varying with among other factors the size of insurance liabilities, the premiums and the solvency capital requirement of the Company. The solvency capital requirement (SCR) must always be maintained throughout the year with the overall EIOPA SCR coverage ratio defined at 100% with however a 115% minimum defined by the local regulator. The Company has embedded in its risk management framework the necessary tests and control procedures to ensure continuous and full compliance with solvency capital requirements. Breaching this minimum capital requirement, would result in supervisory intervention by local regulator and remedial actions designed to restore the SCR level of capital. The Company was fully compliant throughout the years 2025 and 2024.

ERB Cyprialife Limited

Notes to the financial statements

4 Insurance and financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.4 Capital management (continued)

The table below summarises the minimum required capital and the regulatory capital held against it.

	2025	2024
	€'000	€'000
Solvency II Solvency Capital Requirement	74.579	59.309
Solvency II Own Funds (Regulatory Capital held)	188.712	153.326
SCR coverage ratio	253%	259%

4.3 Fair value estimation

The Company has established control framework with respect to the measurement of fair values. This includes a dedicated valuation department that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the relevant established committees and chief financial officer. The valuation team regularly reviews valuation methods and models, assumptions and significant unobservable inputs or adjustments. If third party information, such as broker quotes or pricing from external fund managers, is used to measure fair values, then the valuation team assess the evidence obtained from the third parties to support the conclusion that the valuations meet the requirements of the relevant IFRSs and accounting standards, including the level in the fair value hierarchy in which the valuations should be classified. Significant valuations matters are reported to the Company’s audit committee.

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been identified as follows:

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

For financial assets not measured at fair value, their carrying amount at the reporting date approximates their fair value.

ERB Cyprialife Limited

Notes to the financial statements

4 Insurance and financial risk management (continued)

4.3 Fair value estimation (continued)

The following table presents the Company's financial assets and financial liabilities that are measured at fair value on 31 December 2025.

	Level 1 €	Level 2 €	Level 3 €	Total carrying amount €
Financial assets				
<i>Financial assets at fair value through profit or loss</i>				
- Government bonds	184.089.895	788.845	-	184.878.740
- Corporate bonds	142.069.411	-	-	142.069.412
- Mutual Funds, ETFs and private equity funds	119.700.021	155.774.364	6.464.242	281.938.627
- Equities	2.683.449	9.378.810	4.822	12.067.081
<i>Financial assets at fair value through OCI</i>				
- Government bonds	25.510.024	515.220	-	26.025.244
- Corporate bonds	41.282.243	-	-	41.282.243
- Equities	16.560.395	-	-	16.560.395
Investment in subsidiaries	-	-	10.452.637	10.452.637
Total financial assets measured at fair value	531.895.438	166.457.239	16.921.701	715.274.378
Financial liabilities				
Investment contract liabilities	51.990.106	3.633.649	-	55.623.755
Total financial liabilities measured at fair value	51.990.106	3.633.649	-	55.623.755

The following table presents the Company's financial assets and liabilities that are measured at fair value on 31 December 2024.

	Level 1 €	Level 2 €	Level 3 €	Total carrying amount €
Financial assets				
<i>Financial assets at fair value through profit or loss</i>				
- Government bonds	120.917.914	35.000.112	-	155.918.026
- Corporate bonds	132.094.358	-	-	132.094.358
- Mutual Funds, ETFs and private equity funds	82.378.174	98.596.301	6.151.528	187.126.003
- Equities	9.572.429	97.418	4.822	9.674.669
<i>Financial assets at fair value through OCI</i>				
- Government bonds	20.736.212	13.057.975	-	33.794.187
- Corporate bonds	36.722.632	-	-	36.722.632
- Equities	14.242.601	-	-	14.242.601
Investment in subsidiaries	-	-	10.204.600	10.204.600
Total financial assets measured at fair value	416.664.320	146.751.806	16.360.950	579.777.076
Financial liabilities				
Investment contract liabilities	43.690.979	4.110.380	-	47.801.359
Total financial liabilities measured at fair value	43.690.979	4.110.380	-	47.801.359

Specific valuation techniques and methods used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Net asset values of the related funds or private companies.
- Market yields of securities with comparable characteristics for illiquid Cyprus government bonds (none as at 31 December 2025)
- Other techniques, such as discounted cash flow analysis and accounting book value, are used to determine fair value for the remaining financial instruments.

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Notes to the financial statements

4 Insurance and financial risk management (continued)

4.3 Fair value estimation (continued)

The fair value of other financial instruments that are not traded in an active market is determined by using valuation techniques. Such techniques are periodically reviewed and validated by qualified personnel. The valuation techniques are, to the extent possible, based on market data, as well as on factors like the determination of credit risk and volatility that require management's estimates and assumptions. Changes in these estimates and assumptions could affect the fair value of the relevant financial instruments.

Valuation models reflect current market conditions at the measurement date, which may not be representative of market conditions either before or after the measurement date. As at the reporting date management has reviewed its models to ensure they appropriately reflect current market conditions, including the relative liquidity of the market and credit spreads.

The fair value of financial instruments traded in active markets is based on quoted (listed) market prices at the reporting date. A market is regarded as active 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. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1. Quoted instruments for which the market is assessed not to be active are classified in level 2.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

For assets and liabilities that are measured at fair value in the financial statements on a recurring basis, the Company determines whether the transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

Transfers between levels

Transfers from level 2 at 31 December 2024 to level 1 at 31 December 2025 represent:

- quoted securities at FVTPL and financial assets at FVOCI with carrying amounts of €26.106.946 and €4.042.576 as at 31 December 2025 for which the market was assessed to be active as at the reporting date.

Transfers from level 1 at 31 December 2024 to level 2 at 31 December 2025 represent:

- quoted securities at FVTPL and financial assets at FVOCI with carrying amounts of €86.604.153 and €515.220 as at 31 December 2025 for which observable quoted prices were available but the market was assessed not to be active as at the reporting date.

Level 1 fair value measurements

(i) Listed securities

Financial assets included in level 1 comprise equity and debt securities listed primarily in international stock exchanges for which the market was assessed to be active. They are classified either as financial assets at fair value through profit or loss or as financial assets at fair value through OCI.

ERB Cyprialife Limited

Notes to the financial statements

4 Insurance and financial risk management (continued)

4.3 Fair value estimation (continued)

(ii) Investment contract liabilities

Investment contracts liabilities comprise of (i) liabilities for contracts that do not meet the insurance contract definition as per IFRS 17 and are therefore accounted for under IFRS 9 , and (ii) Class 7 contracts liabilities. These liabilities represent unit-linked liabilities, primarily of structured products liabilities, whose fair value is based on published unit prices of the underlying funds. Investment contract liabilities classified in level 1 as at the reporting date represent unit-linked liabilities valued using market prices of the underlying quoted securities for which the market was assessed as active.

Level 2 fair value measurements

(i) Listed securities

Financial assets included in level 2 comprise equity and debt securities listed primarily in international stock exchanges for which observable market prices were available but the market was assessed to be not active. They are classified either as financial assets at fair value through profit or loss or financial assets at fair value through OCI.

(ii) Investment contract liabilities

These represent unit-linked liabilities valued using market prices of the underlying quoted securities for which, while observable market prices were available, the market was assessed as not active.

Level 3 fair value measurements

(i) Unlisted equity securities

These represent local equity securities which are measured at fair value, as per IFRS 9, and are classified in level 3. The carrying amount at the reporting date is €4.822.

(ii) Unlisted financial instruments

These comprise of both private equity funds and property funds, classified as FVTPL financial assets with carrying amounts of €6.464.242 (2024: €6.151.528) at the reporting date, which are not traded in an active market, and which are valued using the net asset values obtained directly from the fund managers, with no significant unobservable inputs applied. Based on the characteristics of the funds and their underlying investments, as well as the valuation methods used by the funds to value the investments, management classified these as level 3 fair value.

(iii) Investments in subsidiaries

The fair value of the investment in subsidiaries was determined based on the adjusted net assets of each individual entity at the reporting date. Changes in fair value are recorded in the income statement.

The fair value of the subsidiaries as at 31 December 2025 was €10.452.637 (€10.204.600).

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Notes to the financial statements

4 Insurance and financial risk management (continued)

4.3 Fair value estimation (continued)

1) Investment property holding companies

For subsidiaries which are holding investment properties, the key input in the net asset valuation is the fair value of the underlying property. An independent valuation of the subsidiaries' underlying properties was performed by valuers to determine the fair value as at 31 December 2025 and 2024. The key valuation methods used are the Comparative and Income methods. This method considers the comparable data for market price of property per square meter taking into account the physical and legal characteristics of the property market and of the economy. The valuation technique uses significant unobservable inputs. Accordingly, the fair value was classified as level 3. The movement of the investment in subsidiaries with level 3 fair value measurement is disclosed in Note 17.

The key significant input in determining the fair value of the investment properties held by the subsidiaries are the price per square meter of the underlying property. A 20% (2024: 20%) decrease in the price per square meter of the underlying property will cause the net assets of the subsidiaries and consequently the investments in subsidiaries amount to decrease by €2.090.527 (2024: €2.040.920). A 20% increase in price per square meter would result in an increase in the fair value of the investments in subsidiaries in the same amount. The lower the price per square meter the lower the fair value of the investment in subsidiaries.

2) Financing companies

For subsidiaries which are financing companies the key input in the net asset valuation is the fair value of the underlying cash and cash equivalents. These are held with financial institutions with acceptable credit rating. As the elements of the net assets do not entail any actively traded instruments but are specific to the entities the resulting fair value was classified as level 3.

Reconciliation of recurring Level 3 fair value measurements

2025 EUR	Unlisted funds	Equity securities	Investments in subsidiaries
Balance at 1 January	6.151.528	4.822	10.204.600
Total gains (losses)			
Recognised in profit or loss	(74.563)	-	248.037
Additions	537.529	-	-
Disposals	(150.252)	-	-
Balance at 31 December	6.464.242	4.822	10.452.637

2024 EUR	Unlisted funds	Equity securities	Investments in subsidiaries
Balance at 1 January	5.783.879	4822	10.022.702
Total gains (losses)			
Recognised in profit or loss	(24.403)	-	181.898
Additions	526.826	-	-
Disposals	(134.774)	0	-
Balance at 31 December	6.151.528	4.822	10.204.600

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Notes to the financial statements

5 Insurance revenue

2025	Savings	Protection Long Term	Protection Short Term & Accident and Health	Total
	€	€	€	€
Contracts not measured under the PAA				
Amounts relating to changes in liabilities for remaining coverage				
- CSM recognised for services provided	12.560.143	2.292.736	-	14.852.879
- Change in risk adjustment for non-financial risk for risk expired	2.346.326	635.795	-	2.982.121
- Expected incurred claims and other insurance service expenses	25.649.656	4.839.065	-	30.488.721
Recovery of insurance acquisition cash flows	770.362	219.146	-	989.508
	41.326.488	7.986.741	-	31.152.847
Contracts measured under the PAA	-	-	31.152.847	31.152.847
Total insurance revenue	41.326.488	7.986.741	31.152.847	80.466.076

2024	Savings	Protection Long Term	Protection Short Term & Accident and Health	Total
	€	€	€	€
Contracts not measured under the PAA				
Amounts relating to changes in liabilities for remaining coverage				
- CSM recognised for services provided	11.425.516	1.456.540	-	12.882.056
- Change in risk adjustment for non-financial risk for risk expired	1.697.404	649.170	-	2.346.574
- Expected incurred claims and other insurance service expenses	23.640.098	3.994.359	-	27.634.457
Recovery of insurance acquisition cash flows	682.147	140.679	-	822.826
	37.445.165	6.240.748	-	43.685.913
Contracts measured under the PAA	-	-	26.472.362	26.472.362
Total insurance revenue	37.445.165	6.240.748	26.472.362	70.158.275

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Notes to the financial statements

6 Insurance service expenses

2025	Savings €	Protection Long Term €	Protection Short Term & Accident and Health €	Total €
Incurring claims and other insurance service expenses	21.034.762	3.296.532	21.557.763	45.889.057
Changes that relate to past service: changes to liabilities for incurred claims	2.240.292	(516.933)	2.928	1.726.287
Amortisation of insurance acquisition cash flows	770.362	219.146	3.678.905	4.668.413
Changes that relate to future service: losses on onerous contracts and reversals of those losses	(27.769)	9.686	-	(18.083)
Total insurance service expenses	24.017.647	3.008.431	25.239.597	52.265.674
2024				
Incurring claims and other insurance service expenses	17.496.278	2.389.956	15.602.386	35.488.620
Changes that relate to past service: changes to liabilities for incurred claims	1.071.688	616.097	2.230.596	3.918.381
Amortisation of insurance acquisition cash flows	682.147	140.679	3.167.656	3.990.482
Changes that relate to future service: losses on onerous contracts and reversals of those losses	(364)	-	-	(364)
Total insurance service expenses	19.249.749	3.146.732	21.000.638	43.397.119

7 Net expense from reinsurance contracts held

2025	Long Term €	Short Term €	Total €
Amounts related to liabilities for remaining coverage:			
- CSM for the service received	1.441.517	-	1.441.517
- Risk adjustment for the risk expired	581.812	-	581.812
- Recoveries for expected incurred claims and other expenses	7.643.612	-	7.643.612
Contracts not measured under the PAA	9.666.941	-	9.666.941
Contracts measured under the PAA	-	2.553.512	2.553.512
Allocation of reinsurance premiums	9.666.941	2.553.512	12.220.453
Recoveries for incurred claims and other expenses	(3.862.297)	(1.966.678)	(5.828.975)
Changes that relate to past service: changes to liabilities for incurred claims	(3.151.483)	(923.434)	(4.074.917)
Amounts recovered from reinsurers	(7.013.780)	(2.890.112)	(9.903.892)
Net expense from reinsurance contracts held	2.653.161	(336.600)	2.316.561

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Notes to the financial statements

7 Net expense from reinsurance contracts held (continued)

2024	Long Term	Short Term	Total
	€	€	€
Amounts related to liabilities for remaining coverage:			
- CSM for the service received	542.739	-	542.739
- Risk adjustment for the risk expired	502.284	-	502.284
- Recoveries for expected incurred claims and other expenses	5.761.669	-	5.761.669
Contracts not measured under the PAA	<u>6.806.692</u>	<u>-</u>	<u>6.806.692</u>
Contracts measured under the PAA	-	2.360.990	2.360.990
Allocation of reinsurance premiums	<u>6.806.692</u>	<u>2.360.990</u>	<u>9.167.682</u>
Recoveries for incurred claims and other expenses	(1.364.147)	(1.269.724)	(2.633.871)
Changes that relate to past service: changes to liabilities for incurred claims	<u>(2.711.490)</u>	<u>(251.232)</u>	<u>(2.962.722)</u>
Amounts recovered from reinsurers	<u>(4.075.637)</u>	<u>(1.520.956)</u>	<u>(5.596.593)</u>
Net expense from reinsurance contracts held	<u>2.731.055</u>	<u>840.034</u>	<u>3.571.089</u>

8 Total investment income and net insurance finance result

As at 31 December 2025	Savings	Insurance related Protection Long Term	Short Term & Accident and health	Non Insurance related	Total
Investment Income					
<i>Amounts recognized in Profit and Loss</i>					
Interest revenue calculated using the effective interest method					
Debt investments at FVOCI	155.651	74.383	90.574	1.914.968	2.235.576
<i>Financial assets at amortised cost:</i>					
Cash and Cash equivalents	173.846	4.132	18.883	149.006	345.867
Loans and other receivables	<u>263.289</u>	<u>29.218</u>	<u>20.645</u>	<u>277.412</u>	<u>590.564</u>
	592.786	107.733	130.102	2.341.386	3.172.007
Other investment revenue					
Net gains on financial assets at FVTPL	16.532.237	28.327	27.588	(72.786)	16.515.366
Interest income on debt investments at FVTPL	6.712.969	11.989	845	451.231	7.177.034
Dividend income on equity investments at FVTPL	1.881.747	4.645	5.108	327.302	2.218.802
Dividend income on equity investments at FVOCI	71.392	20.580	19.473	493.417	604.862
Lease income	1.048.248	61.310	53.203	(278.348)	884.413
Impairment gain on debt instruments at FVOCI	10.402	4.379	5.752	123.582	144.115
Impairment loss on financial assets at amortised cost	-	-	-	(250.000)	(250.000)
Net fair value gains on investments in subsidiaries	(137.521)	(658)	(685)	386.901	248.037
Net fair value gains on investment properties	471.664	(2.489)	-	25.015	494.190
Total amounts recognized in Profit and Loss	27.183.924	235.816	241.386	3.547.700	31.208.826
Amounts recognized in OCI	(86.350)	(78.436)	(68.428)	(1.805.749)	(2.038.963)
Total net investment Income	<u>27.097.574</u>	<u>157.380</u>	<u>172.958</u>	<u>1.741.951</u>	<u>29.169.863</u>

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Notes to the financial statements

8 Total investment income and net insurance finance result (continued)

As at 31 December 2025	Insurance related			Total
	Savings	Protection Long Term	Protection Short Term & Accident and health	
<i>Insurance finance income/ (expenses) from insurance contracts issued</i>				
Interest accreted	199.906	72.073	136.398	408.377
Effect of changes in interest rates and other financial assumptions	(44.731)	359.817	128	315.214
Changes in fair value of underlying items of direct participating contracts	27.183.919	-	-	27.183.919
Total insurance finance income from insurance contracts issued recognised in P&L	27.339.094	431.890	136.526	27.907.510
Total insurance finance income from insurance contracts issued recognised in OCI	(86.350)	258.197	(3.109)	168.738
	Long Term	Short Term		Total
<i>Finance income/(expenses) from reinsurance contracts held</i>				
Interest accreted	(158.990)	(34.873)		(193.863)
Effect of changes in interest rates and other financial assumptions	(312.740)	-		(312.740)
Total finance income/(expenses) from reinsurance contracts held recognised in P&L	(471.730)	(34.873)		(506.603)
Total insurance finance income/(expenses) from insurance contracts issued recognised in OCI	519.501	1.569		521.070
Net insurance finance income or (expenses) recognised in P&L				27.400.908
Net insurance finance income or (expenses) recognised in OCI				689.808

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Notes to the financial statements

8 Total investment income and net insurance finance result (continued)

As at 31 December 2024	Savings	Insurance related Protection Long Term	Protection Short Term & Accident and health	Non Insurance related	Total
Investment Income					
<i>Amounts recognized in Profit and Loss</i>					
Interest revenue calculated using the effective interest method					
Debt investments at FVOCI	106.200	49.789	47.895	1.688.749	1.892.633
<i>Financial assets at amortised cost:</i>					
Cash and Cash equivalents	293.334	3.774	6.896	63.142	367.146
Loans and other receivables	<u>400.628</u>	<u>31.788</u>	<u>19.993</u>	<u>167.282</u>	<u>619.691</u>
	800.162	85.351	74.784	1.919.173	2.879.470
Other investment revenue					
Net gains on financial assets at FVTPL	12.996.905	1.806	1.537	505.849	13.506.097
Interest income on debt investments at FVTPL	6.248.911	20.712	18.650	344.180	6.632.453
Dividend income on equity investments at FVTPL	1.518.467	7.918	6.546	217.000	1.749.931
Dividend income on equity investments at FVOCI	60.997	18.440	14.853	451.893	546.183
Lease income	992.222	43.605	37.504	(228.785)	844.546
Impairment loss on debt instruments at FVOCI	-	-	-	(28.095)	(28.095)
Net fair value gains on investments in subsidiaries	112.085	4.309	2.864	62.639	181.898
Net fair value gains on investment properties	544.648	30.296	16.541	336.299	927.784
	22.474.235	127.086	98.495	1.660.980	24.360.796
Total amounts recognized in Profit and Loss	23.274.397	212.437	173.279	3.580.153	27.240.266
Amounts recognized in OCI	(11.444)	10.277	14.330	848.293	861.456
Total net investment Income	<u>23.262.953</u>	<u>222.714</u>	<u>187.609</u>	<u>4.428.446</u>	<u>28.101.722</u>

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Notes to the financial statements

8 Total investment income and net insurance finance result (continued)

As at 31 December 2024	Insurance related			Total
	Savings	Protection Long Term	Protection Short Term & Accident and health	
<i>Insurance finance income/ (expenses) from insurance contracts issued</i>				
Interest accreted	(299.630)	(88.590)	(169.163)	(557.383)
Effect of changes in interest rates and other financial assumptions	2.855	-	-	2.855
Changes in fair value of underlying items of direct participating contracts	(23.274.399)	-	-	(23.274.399)
Total insurance finance income from insurance contracts issued recognised in P&L	(23.571.174)	(88.590)	(169.163)	(23.828.927)
Total insurance finance income from insurance contracts issued recognised in OCI	11.446	(93.082)	(14.218)	(95.854)
	Long Term	Short Term		Total
<i>Finance income/expenses from reinsurance contracts held</i>				
Interest accreted	135.495	36.148		171.643
Effect of changes in interest rates and other financial assumptions	-	-		-
Total finance income/(expenses) from reinsurance contracts held recognised in P&L	135.495	36.148		171.643
Total insurance finance income/(expenses) from insurance contracts issued recognised in OCI	744.557	8.961		753.518
Net insurance finance income or (expenses) recognised in P&L				(23.657.284)
Net insurance finance income or (expenses) recognised in OCI				657.664

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Notes to the financial statements

8 Total investment income and net insurance finance result (continued)

	2025 €	2024 €
(1) Other interest and similar income		
Dividend income	2.823.664	2.296.114
Interest income (A)	10.728.277	9.952.381
Rental income from investment property (Note 16)	844.414	844.546
Other investment related expenses	(373.099)	(305.923)
	<u>14.023.256</u>	<u>12.787.118</u>

(A) An amount of €7.527.420 (2024: €6.929.153) arises from debt securities at fair value through profit or loss of which €7.019.637 (2024: €6.580.562) arises from debt securities under Unit Linked portfolios.

9 Other income

	2025 €	2024 €
Other commission income	147.299	120.871
Net Income from Investment contract liabilities	65.236	63.239
Net (expense)/income from Structured products	(19.835)	37.854
Other non-trading income	72.252	120.725
	<u>264.952</u>	<u>342.689</u>

10 Expenses analysis

	2025 €	2024 €
Depreciation of property, plant, and equipment (Note 14)	323.583	322.250
Amortization of intangible assets (Note 15)	682.764	408.670
Depreciation of right-of-use-assets (Note 30)	819.739	906.921
Auditors' remuneration – statutory audit services	279.000	130.000
Auditors' remuneration – regulatory reporting assurance services	24.500	17.500
Auditors' remuneration – agreed upon procedures engagements	1.500	1.500
Staff costs (Note 11)	11.747.435	10.632.317
Advertising and promotion expenses	624.885	520.757
Professional fees	278.989	617.544
Rent expenses (Note 30)	216.920	252.377
Electricity	265.193	303.367
Cleaning, water, insurance and other building expenses	377.859	416.439
Maintenance and repairs of property, plant and equipment	233.927	384.212
Postages and telephones	101.103	129.910
Travelling and transportation expenses	105.390	145.049
Printing and stationery	154.954	143.403
Doctors' expenses	181.086	170.039
Stamp duty	241.500	224.064
Expenses relating to outsourcing archiving storage	71.871	65.777
Computer maintenance and other IT related expenses	2.526.429	2.046.912
Other promotion and administrative expenses	1.191.849	666.815
Integration expenses	415.051	-
Total expenses	<u>20.865.527</u>	<u>18.505.823</u>
Expenses for the acquisition of contracts – commissions and sales force expenses during the year	<u>20.380.821</u>	<u>18.706.178</u>
Total cost for the acquisition of contracts and selling, marketing and administrative expenses	<u>41.246.348</u>	<u>37.212.001</u>

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Notes to the financial statements

10 Expenses by nature (continued)

Represented by:

Portion allocated to insurance service expenses	38.411.682	34.451.711
Other operating expenses	2.834.666	2.760.290
	<u>41.246.348</u>	<u>37.212.001</u>

11 Staff costs

	2025 €	2024 €
Wages and salaries	10.372.741	9.345.570
Social insurance costs	651.240	613.420
Provident fund contributions	723.454	673.327
	<u>11.747.435</u>	<u>10.632.317</u>
Average number of staff employed during the year	<u>185</u>	<u>171</u>

The Company maintains a life and medical insurance scheme for its staff, the expense for which is included in wages and salaries above.

12 Income tax expense

	2025 €	2024 €
Corporation tax	4.277.268	3.924.655
Special contribution for defence	19.780	21.980
Deferred tax:		
• Land and buildings and Investment property – current year (Note 26)	78.014	199.783
	<u>4.375.062</u>	<u>4.146.418</u>

The tax on the Company's profit before income tax differs from the theoretical amounts that would arise using the applicable tax rates as follows:

	2025 €	2024 €
Profit before income tax	27.122.045	24.355.448
Tax calculated at the applicable rate of corporation tax of 12,5%	3.888.356	3.614.430
Tax effect of expenses not deductible for tax purposes	386.211	378.542
Tax effect of allowances and income not subject to tax	(519.290)	(395.157)
Top up tax	190.708	-
Insurance premium tax for the year	331.283	326.840
Special contribution for defence	19.780	21.980
Deferred tax:		
• Land and buildings and Investment property (Note 26)	78.014	199.783
Prior year corporation tax (1)	-	-
	<u>4.375.062</u>	<u>4.146.418</u>

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Notes to the financial statements

12 Income tax expense (continued)

The tax payable in relation to the Life Business is the greater of:

- (a) the tax payable computed at the rates which apply for the year on the taxable profit attributable to the company's shareholders; and
- (b) 1,5% on the gross premiums.

The corporation tax payable in relation to the general business is computed at a tax rate of 12,5%. On 22 December 2025, the Cyprus House of Representatives approved a tax reform package enacted on 31 December 2025, effective from 1 January 2026. The reform amends key tax laws, including the Income Tax Law and Special Defence Contribution Law.

Key changes affecting the Company include: an increase in the corporate tax rate from 12.5% to 15%, extension of tax loss carry-forward from 5 to 7 years, and abolition of the 1.5% insurance premium tax for life insurers.

The Company has assessed the impact in accordance with IAS 12, and the new tax rate has been applied to deferred tax balances at the reporting date.

For the current financial year, the Group has performed an initial assessment of the Company's potential exposure to top-up tax. Based on this assessment a top-up tax liability of €190.708 has been recognised in the financial statements.

Brought forward losses of only five years may be utilized.

Under certain conditions, interest may be exempt from income tax and be subject only to special contribution for defense at the rate of 30%.

In certain cases, dividends received from abroad may be subject to special contribution for defense at the rate of 17%. In certain cases, dividends received from other Cyprus tax resident companies may also be subject to special contribution for defense.

Gains on disposal of qualifying titles (including shares, bonds, debentures, rights thereon etc) are exempt from Cyprus income tax.

The tax charge relating to components of other comprehensive income is as follows:

Tax effects of components of other comprehensive income

	Year ended 31 December					
	2025		2024			
	Before tax	Tax charge	After tax	Before tax	Tax charge	After tax
	€	€	€	€	€	€
Items that will not be reclassified to profit and loss:						
Gains/(Losses) on revaluation of land and buildings (Note 14)	89.378	(11.432)	77.946	120.863	(10.349)	110.514
Recyclable financial assets at FVOCI (Note 8)	370.498	-	370.498	828.692	-	828.692
Items that are or may be reclassified subsequently to profit or loss:						
Non-Recyclable financial assets at FVOCI (Note 8)	2.222.254	-	2.222.254	(169.884)	-	(169.884)
Net gain/(losses) on derecognition on Non Recyclable OCI financial assets	33.688	-	33.688	-	-	-
Net gain/(losses) on derecognition on Recyclable OCI financial assets	(621.166)	-	(621.166)	202.648	-	202.648
	<u>2.094.652</u>	<u>(11.432)</u>	<u>2.083.220</u>	<u>982.319</u>	<u>(10.349)</u>	<u>971.970</u>

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Notes to the financial statements

13 Dividends

On 10 December 2025 the Board of Directors proposed the payment of a dividend amounting to €48.000.000. The proposal was approved by the shareholders on the same day. (2024: The Company proposed and approved the payment of a dividend amounting to €2.400.000).

14 Property, plant and equipment

	Land and buildings €	Plant and equipment €	Motor vehicles €	Total €
At 1 January 2024				
Cost or valuation	2.056.799	2.238.863	369.351	4.665.013
Accumulated depreciation	(537.593)	(1.997.219)	(294.371)	(2.829.183)
Net book amount	<u>1.519.206</u>	<u>241.644</u>	<u>74.980</u>	<u>1.835.830</u>
Year ended 31 December 2024				
Opening net book amount	1.519.206	241.644	74.980	1.835.830
Additions (1)	7.158	120.423	277.319	404.901
Write-offs -cost	-	-	(203.900)	(203.900)
Write-offs – accumulated depreciation	-	-	203.900	203.900
Depreciation charge (Note 10)	(98.649)	(150.647)	(72.822)	(322.118)
Revaluation gain (Note 25)	120.863	-	-	120.863
Closing net book amount	<u>1.548.578</u>	<u>211.420</u>	<u>279.478</u>	<u>2.039.476</u>
At 31 December 2024				
Cost or valuation	2.184.820	2.359.286	442.771	5.190.777
Accumulated depreciation	(636.242)	(2.147.866)	(163.293)	(3.151.301)
Net book amount	<u>1.548.578</u>	<u>211.420</u>	<u>279.478</u>	<u>2.039.476</u>
Year ended 31 December 2025				
Opening net book amount	1.548.578	211.421	279.478	2.039.476
Assets acquired under business combination	-	48.363	8.167	56.530
Additions (1)	27.483	284.996	-	312.479
Disposals –cost	-	-	(18.099)	(18.099)
Disposals – accumulated depreciation	-	-	18.099	18.099
Depreciation charge (Note 10)	(111.650)	(140.874)	(81.060)	(333.584)
Revaluation gain (Note 25)	80.746	-	-	80.746
Closing net book amount	<u>1.545.157</u>	<u>403.906</u>	<u>206.585</u>	<u>2.155.648</u>
At 31 December 2025				
Cost or valuation	2.293.051	2.692.645	681.671	5.667.367
Accumulated depreciation	(747.894)	(2.288.739)	(475.086)	(3.511.719)
Net book amount	<u>1.545.157</u>	<u>403.906</u>	<u>206.585</u>	<u>2.155.648</u>

(1) The additions during 2025 and 2024 relate to the acquisition of new computers, furniture and fittings and motor vehicles.

An independent valuation of the Company's land and buildings was performed by valuers to determine the fair value of the land and buildings as at 31 December 2025. The revaluation gain net of applicable deferred income taxes, was credited to other comprehensive income and is shown in 'other reserves' in shareholders' equity (Note 25). The following table analyses the owner-occupied land and buildings by district carried at fair value, by fair value levelling.

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Notes to the financial statements

14 Property, plant and equipment (continued)

	2025 €	2024 €
Recurring fair value measurements		
Land and buildings		
- Larnaca District	895.157	898.577
- Paphos District	650.000	650.001
Total	1.545.157	1.548.578

Reconciliation of fair value measurements using significant unobservable inputs (Level 3)

	Larnaca District €	Paphos District €	Total €
At 1 January 2024	921.706	597.500	1.519.206
Additions in 2024	7.158	-	7.158
Depreciation charge	(43.315)	(55.334)	(98.649)
Unrealized fair value gains recognized in other comprehensive income (Note 25)	13.028	107.835	120.863
At 31 December 2024/1 January 2025	898.577	650.001	1.548.578
Additions in 2025	27.483	-	27.483
Depreciation charge	(45.309)	(66.340)	(111.650)
Unrealised fair value gains recognised in other comprehensive income (Note 25)	14.406	66.340	80.746
At 31 December 2025	895.157	650.000	1.545.157

Fair values of land and buildings

The valuation technique used for the items of property included within “Land and Buildings” as at 31 December 2024 and 2025 is the Comparative Method. This method considers the comparable data for market price of property per square meter taking into account the physical and legal characteristics of the properties, the trends and the prospects of the property market and of the economy. The valuation technique uses significant unobservable inputs. Accordingly, the fair value was classified as level 3.

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no such transfers during the current year.

Valuation processes

On an annual basis, the Company engages external, independent and qualified valuers to determine the fair value of the Company's land and buildings. As at 31 December 2025, the fair values of the land and buildings were determined by Rois Nicolaidis, K. Talattinis, Ph. Christodoulou and Landtourist Valuations LLC.

The external valuations of the level 3 land and buildings have been performed using the comparative method approach. The external valuers have determined the inputs in the valuation model based on the size, age and condition of the land and buildings, the state of the local economy and comparable prices in the corresponding national economy.

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Notes to the financial statements

14 Property, plant and equipment (continued)

In case that two different methods used for the assessment of the fair value of a property by the valuer then the weight allocated to each valuation method is 50%-50%.

Description	Fair value at 31 December 2025 €	Valuation technique(s)	Unobservable inputs	Relationship of unobservable inputs to fair values
Larnaca District	895.157	Comparative method	Price per square metre	The higher the price per square metre, the higher the fair value
Paphos District	650.000	Comparative method	Price per square metre	The higher the price per square metre, the higher the fair value
	1.545.157			

Description	Fair value at 31 December 2024 €	Valuation technique(s)	Unobservable inputs	Relationship of unobservable inputs to fair values
Larnaca District	898.577	Comparative method	Price per square metre	The higher the price per square metre, the higher the fair value
Paphos District	650.001	Comparative method	Price per square metre	The higher the price per square metre, the higher the fair value
	1.548.578			

If the land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2025 €	2024 €
Cost	1.824.148	1.816.987
Additions	27.483	7.158
Accumulated depreciation	(999.867)	(888.218)
Net book amount	851.764	935.927

Notes to the financial statements

14 Property, plant and equipment (continued)

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

As at 31 December 2025:

District	Valuation €	Valuation technique	Level 3 – Significant unobservable inputs			Sensitivity analysis – Fair values resulting from the following reasonable possible changes in significant inputs, holding other inputs constant.						
			Weighted Average Price per Square Meter €	Annual Rent (Weighted average) €	Range of Discount Rates (weighted average discount rate) %	Increase of 15% in the weighted average price per square meter €	Decrease of 15% in the weighted average price per square meter €	Increase of 15% in the annual rent €	Decrease of 15% in the annual rent €	Increase of 15% in the discount rate €	Decrease of 15% in the discount rate €	
Paphos District												
-Megaron Paphos 2 nd floor	650.000	Comparative method	1.639	Not applicable	Not applicable	747.500	552.500	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Larnaca District												
-Artemidos –2nd floor	895.157	Comparative method	1.736	Not applicable	Not applicable	1.029.431	760.884	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Fair value at 31 December 2025	<u>1.545.157</u>					<u>1.776.931</u>	<u>1.313.384</u>					
Impact on Other Comprehensive income and Equity						<u>231.774</u>	<u>(231.774)</u>					

Notes to the financial statements

14 Property, plant and equipment (continued)

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

As at 31 December 2024:

District	Valuation €	Valuation technique	Level 3 – Significant unobservable inputs			Sensitivity analysis – Fair values resulting from the following reasonable possible changes in significant inputs, holding other inputs constant.						
			Weighted Average Price per Square Meter €	Annual Rent (Weighted average) €	Range of Discount Rates (weighted average discount rate) %	Increase of 15% in the weighted average price per square meter €	Decrease of 15% in the weighted average price per square meter €	Increase of 15% in the annual rent €	Decrease of 15% in the annual rent €	Increase of 15% in the discount rate €	Decrease of 15% in the discount rate €	
Paphos District												
-Megaron Paphos 2 nd floor	650.001	Comparative method	1.639	Not applicable	Not applicable	747.500	552.500	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Larnaca District												
-Artemidos –2nd floor	898.577	Comparative method	1.743	Not applicable	Not applicable	1.033.365	763.791	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Fair value at 31 December 2024	<u>1.548.578</u>					<u>1.780.865</u>	<u>1.316.291</u>					
Impact on Other Comprehensive income and Equity						<u>232.288</u>	<u>(232.286)</u>					

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Notes to the financial statements

15 Intangible assets

	Computer Software €	Projects in progress (1) €	Total €
At 1 January 2024			
Cost	2.674.237	788.661	3.462.898
Accumulated amortization or impairment	(1.967.967)	-	(1.967.967)
Net book amount	<u>706.270</u>	<u>788.661</u>	<u>1.494.931</u>
Year ended 31 December 2024			
Opening net book amount	706.270	788.661	1.494.931
Additions	456.120	74.853	530.973
Amortization charge (Note 10)	(408.670)	-	(408.670)
Transfer to Computer software	590.002	(590.002)	-
Closing net book amount	<u>1.343.722</u>	<u>273.512</u>	<u>1.617.234</u>
At 31 December 2024			
Cost	3.720.359	273.512	3.993.871
Accumulated Amortization	(2.376.637)	-	(2.376.637)
Net book amount	<u>1.343.722</u>	<u>273.512</u>	<u>1.617.234</u>
Year ended 31 December 2025			
Opening net book amount	1.343.722	273.512	1.617.234
Acquisition of assets under business combination	1.127.994	-	1.127.994
Additions	95.494	323.810	419.304
Amortization charge (Note 10)	(682.764)	-	(682.764)
Transfer to Computer software	467.732	(467.732)	-
Closing net book amount	<u>2.352.178</u>	<u>129.590</u>	<u>2.481.768</u>
At 31 December 2025			
Cost	7.797.661	129.590	7.927.251
Accumulated amortization	(5.445.483)	-	(5.445.483)
Net book amount	<u>2.352.178</u>	<u>129.590</u>	<u>2.481.768</u>

(1) Projects in progress include projects under development such as new requirements for new systems are not ready for use and can be specifically identified. Once the projects are fully implemented, they are reclassified as intangible assets and amortization charges will apply.

16 Investment property

The Company's investment property is measured at fair value. Fair value is based on active market process, adjusted, if necessary, for any differences in the nature, location or condition of the specific asset. If the information is not available, the Company uses alternative valuation methods such as recent prices or less active markets or discounted cash flow projections. Changes in fair values are recorded in the income statement and are included in "other investment revenue" line.

The Company holds four classes of investment property being land and buildings in each of the following districts: 1) Nicosia District, 2) Larnaca District, 3) Paphos District and 4) Limassol District.

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Notes to the financial statements

16 Investment property (continued)

	Note	Limassol District €	Nicosia District €	Larnaca District €	Paphos District €	2024 Total €
Fair Value hierarchy		Level 3	Level 3	Level 3	Level 3	
Fair Value at 1 January 2024		7.655.000	11.387.999	8.315.299	593.000	27.951.298
Additions:				64.597	-	64.597
Fair value adjustments on investment property	8	497.500	261.500	123.286	45.500	927.786
Fair value at 31 December 2024		8.152.500	11.649.499	8.503.182	638.500	28.943.681
	Note	Limassol District €	Nicosia District €	Larnaca District €	Paphos District €	2025 Total €
Fair Value hierarchy		Level 3	Level 3	Level 3	Level 3	
Fair Value at 1 January 2025		8.152.500	11.649.499	8.503.182	638.500	28.943.681
		24.955				
Additions:				247.940	-	272.895
Fair value adjustments on investment property	8	72.545	278.500	143.145	-	494.190
Fair value at 31 December 2025		8.250.000	11.927.999	8.894.267	638.500	29.710.766

The Company's policy is to recognize transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no such transfers during the current year. During the year, the Company transferred properties held to two subsidiary entities under a re-organization scheme.

Valuation processes

The Company's investment properties were valued at 31 December 2025 and 2024 by independent professionally qualified valuers who hold a recognized relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

In case that two different methods used for the assessment of the fair value of a property by the valuer then the weight allocated to each valuation method is 50%-50%.

Notes to the financial statements

16 Investment property (continued)

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

As at 31 December 2025:

District	Valuation €	Valuation technique	Level 3 – Significant unobservable inputs			Sensitivity analysis – Fair values resulting from the following reasonable possible changes in significant inputs, holding other inputs constant.					
			Weighted Average Price per Square Meter €	Annual Rent (Weighted average) €	Range of Discount Rates (weighted average discount rate) %	Increase of 15% in the weighted average price per square meter €	Decrease of 15% in the weighted average price per square meter €	Increase of 15% in the annual rent €	Decrease of 15% in the annual rent €	Increase of 15% in the discount rate €	Decrease of 15% in the discount rate €
Nicosia District											
-Strovolos municipality – Bonesta	4.675.000	Comparative and investment method	3.036	316.800	6,8	5.376.250	3.973.750	5.376.250	3.973.750	4.065.217	5.500.000
-Strovolos municipality – Anastasio – 2nd & 3rd floors	4.510.000	Comparative method	3.091	Not applicable	Not applicable	5.186.500	3.833.500	Not Applicable	Not applicable	Not Applicable	Not applicable
-Strovolos municipality – Anastasio – 4th floor	2.490.500	Comparative and investment method	3.414	167.913	6,7	2.864.075	2.116.925	2.864.075	2.116.925	2.165.652	2.930.000
-Strovolos municipality – Anastasio – parking spaces	252.500	Investment method	n/a	12.810	5,1	n/a	n/a	290.375	214.625	219.565	297.059
Larnaca District											
-Artemidos – Shop 1 on ground floor	1.286.816	Comparative and investment method	2.872	72.000	5,6	1.479.838	1.093.794	1.479.838	1.093.794	1.118.970	1.513.901
-Artemidos – Shop 2 on ground floor (vacant)	1.329.816	Comparative and investment method	2.988	68.400	5,1	1.529.288	1.130.344	1.529.288	1.130.344	1.156.362	1.564.489
-Artemidos –4th floor	1.306.317	Comparative and investment method	2.517	Not applicable	Not applicable	1.502.265	1.110.369	Not applicable	Not applicable	Not applicable	Not applicable

Notes to the financial statements

16 Investment property (continued)

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

As at 31 December 2025 (continued):

District	Valuation €	Valuation technique	Weighted Average Price per Square Meter €	Annual Rent (Weighted average) €	Range of Discount Rates (weighted average discount rate) %	Increase of 15% in the weighted average price per square meter €	Decrease of 15% in the weighted average price per square meter €	Increase of 15% in the annual rent €	Decrease of 15% in the annual rent €	Increase of 15% in the discount rate €	Decrease of 15% in the discount rate €
Larnaca District											
-Artemidos – 1st floor (part)	577.500	Comparative and investment method	2.319	28.008	4,8	664.126	490.875	664.126	490.875	502.174	679.412
-Artemidos – 1 st floor (part)	622.000	Comparative and investment method	2.295	33.048	5,3	715.300	528.700	715.300	528.700	540.870	731.765
-Artemidos – 3 rd ,5 th floors	2.503.500	Comparative method	2.412	Not applicable	Not applicable	2.879.025	2.127.975	Not Applicable	Not Applicable	Not Applicable	Not Applicable
-Artemidos – 6 th floor	1.268.317	Comparative and investment method	2.439	52.920	4,2	1.458.563	1.078.069	1.458.563	1.078.069	1.102.883	1.492.136
Paphos District											
-Megaron Paphos – 1 st floor	638.500	Comparative method	1.598	Not Applicable	Not applicable	734.275	542.725	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Limassol District											
-PSB building	5.870.000	Comparative method	4.800	Not Applicable	Not Applicable	6.750.500	4.989.500	Not Applicable	Not Applicable	Not Applicable	Not Applicable
-Unicars building	2.380.000	Comparative method	1.249	Not Applicable	Not Applicable	2.737.000	2.023.000	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Fair value at 31 December 2025	<u>29.710.766</u>			<u>751.899</u>		<u>33.877.005</u>	<u>25.039.526</u>	<u>14.377.815</u>	<u>10.627.082</u>	<u>10.871.693</u>	<u>14.708.762</u>
Impact on P&L and Equity						<u>4.418.740</u>	<u>(4.418.740)</u>	<u>1.875.367</u>	<u>(1.875.3167)</u>	<u>(1.630.754)</u>	<u>2.206.314</u>

Notes to the financial statements

16 Investment property (continued)

Information about fair value measurements using significant unobservable inputs (Level 3) (continued)
As at 31 December 2024:

District	Valuation €	Valuation technique	Level 3 – Significant unobservable inputs			Sensitivity analysis – Fair values resulting from the following reasonable possible changes in significant inputs, holding other inputs constant.					
			Weighted Average Price per Square Meter €	Annual Rent (Weighted average) €	Range of Discount Rates (weighted average discount rate) %	Increase of 15% in the weighted average price per square meter €	Decrease of 15% in the weighted average price per square meter €	Increase of 15% in the annual rent €	Decrease of 15% in the annual rent €	Increase of 15% in the discount rate €	Decrease of 15% in the discount rate €
Nicosia District											
-Strovolos municipality – Bonesta	4.452.500	Comparative and investment method	2.409	272.050	6,1	5.120.375	3.784.625	5.120.375	3.784.625	3.871.739	5.238.235
-Strovolos municipality – Anastasio – 2nd & 3rd floors	4.494.000	Comparative method	3.080	Not applicable	Not applicable	5.168.100	3.819.900	Not applicable	Not applicable	Not applicable	Not applicable
-Strovolos municipality – Anastasio – 4th floor	2.450.500	Comparative and investment method	3.359	137.376	5,6	2.818.075	2.082.925	2.818.075	2.082.925	2.130.870	2.882.941
-Strovolos municipality – Anastasio – parking spaces	252.500	Investment method	n/a	12.250	4,9	n/a	n/a	290.375	214.625	219.565	297.059
Larnaka District											
-Artemidos – Shop 1 on ground floor	1.226.000	Comparative and investment method	2.737	72.000	5,9	1.409.900	1.042.100	1.409.900	1.042.100	1.066.087	1.442.353
-Artemidos – Shop 2 on ground floor (vacant)	1.258.500	Comparative and investment method	2.828	68.400	5,4	1.447.275	1.069.725	1.447.275	1.069.725	1.094.348	1.480.588
-Artemidos – 4th floor	1.200.500	Comparative and investment method	2.340	56.400	4,7	1.380.575	1.020.425	1.380.575	1.020.425	1.043.913	1.412.353

Notes to the financial statements

16 Investment property (continued)

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

As at 31 December 2024 (continued):

District	Valuation €	Valuation technique	Weighted Average Price per Square Meter €	Annual Rent (Weighted average) €	Range of Discount Rates (weighted average discount rate) %	Increase of 15% in the weighted average price per square meter €	Decrease of 15% in the weighted average price per square meter €	Increase of 15% in the annual rent €	Decrease of 15% in the annual rent €	Increase of 15% in the discount rate €	Decrease of 15% in the discount rate €
Larnaka District											
-Artemidos – 1st floor (part)	566.500	Comparative and investment method	2.222	26.928	4,8	651.475	481.525	651.475	481.525	492.609	666.471
-Artemidos – 1 st floor (part)	612.000	Comparative and investment method	2.368	33.048	5.4	703.800	520.200	703.800	520.200	532.174	720.000
-Artemidos – 3 rd ,5 th floors	2.452.000	Comparative method	2.390	Not applicable	Not applicable	2.819.800	2.084.200	Not Applicable	Not Applicable	Not Applicable	Not Applicable
-Artemidos – 6 th floor	1.187.681	Comparative and investment method	2.313	50.400	4,2	1.365.833	1.009.529	1.365.833	1.009.529	1.032.766	1.397.272
Paphos District											
-Megaron Paphos – 1 st floor	638.500	Comparative method	1.598	Not Applicable	Not Applicable	734.275	542.725	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Limassol District											
-PSB building	5.870.000	Comparative method	4.800	Not Applicable	Not Applicable	6.750.500	4.989.500	Not Applicable	Not Applicable	Not Applicable	Not Applicable
-Unicars building	2.282.500	Comparative method	1.198	Not Applicable	Not Applicable	2.624.875	1.940.125	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Fair value at 31 December 2024	<u>28.943.681</u>			<u>728.852</u>		<u>32.994.858</u>	<u>24.387.503</u>	<u>15.187.683</u>	<u>11.225.679</u>	<u>11.484.700</u>	<u>15.537.272</u>
Impact on P&L and Equity						<u>4.303.677</u>	<u>(4.303.677)</u>	<u>1.981.002</u>	<u>(1.981.002)</u>	<u>(1.722.611)</u>	<u>2.330.591</u>

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Notes to the financial statements

16 Investment property (continued)

Revenues are derived from a large number of tenants and no single tenant or group under common control contributes more than 10% of the Company's revenues.

There are interrelationships between unobservable inputs. Expected vacancy rates may impact the yield with higher vacancy rates resulting in higher yields. An increase in the future rental income may be linked with higher costs. If the remaining lease term increases the yield may decrease.

Valuation techniques and inputs underlying management's estimation of fair value

Valuation technique inputs	Description	Inter-relationship between input and fair value measurement
Future rental cash inflow	based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties.	if future rental cash flows increase then the fair value will increase
Discount rates	reflecting current market assessments of the uncertainty in the amount and timing of cash flows.	If discount rates increase, then the fair value will decrease
Estimated vacancy rate	based on current and expected future market conditions after expiry of any current lease.	If estimated vacancy rates increase, then the fair value will decrease
Capitalization rates	based on actual location, size and quality of the properties and taking into account market data at the valuation date.	If capitalization rates increase, then the fair value will decrease
Terminal value	taking into account assumptions regarding maintenance costs, vacancy rates and market rents.	Based on all the above
Price per square meter	Based on the value of the property	If the value of the property increase, then the price per square meter will increase

The following valuation techniques were used for the valuation of the investment properties by the professional valuers.

- Comparative method: This method considers the comparable data, for market price of property per square meter taking into account the physical and legal characteristics of the properties, the trends and the prospects of the property market and of the economy. The valuation technique uses significant unobservable inputs. Accordingly, the fair value was classified as level 3.
- Investment method: This method is calculated using the rental income from the property to perpetuity. The significant unobservable input in this method is therefore the rental income, given that there is an assumption that it will continue at perpetuity. Accordingly, the fair value was classified as level 3.
- Comparative method in conjunction with capitalization method: This method considers the comparable data, for market price of property per square meter taking into account the physical and legal characteristics of the properties, the trends and the prospects of the property market and of the economy. Moreover, it considers the rental income at annuity and the reversion to vacant possession discounted at present value. The significant unobservable inputs in this method are therefore the price per square meter, the rental income and the discount rates. Accordingly, the fair value was classified as level 3.

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Notes to the financial statements

17 Investments in subsidiaries

	2025 €	2024 €
At beginning of year	10.204.600	10.022.702
Additions and capital contributions	-	-
Unrealised fair value gains (Note 8)	248.037	181.898
At end of year	<u>10.452.637</u>	<u>10.204.600</u>

The Company's investments in its principal subsidiaries, all of which are unlisted, were as follows:

Name	Country of incorporation	2025 % holding	2024 % holding
LCYL Properties Limited	Cyprus	100	100
LCYL Kiti Properties Limited	Cyprus	100	100
LCYL Karpenisiou Properties Limited	Cyprus	100	100
LCYL Dramas Properties Limited	Cyprus	100	100
Montper Enterprises Limited	Cyprus	100	100
CL (Mesa Geitonia) Properties Ltd	Cyprus	100	100
CL Archangelos Properties Ltd	Cyprus	100	100
CL Archangelos Anaptyxis Ltd	Cyprus	100	100
ERB Cyprialife Insurance Brokers	Cyprus	100	100

During the year, the investments in subsidiaries were measured at fair value in these separate financial statements, in accordance with the provisions of IFRS 9. Their fair value has been estimated on the basis of their net asset valuation at 31 December 2025 and 2024. Investment in subsidiaries was classified as level 3 financial assets, refer to Note 4.3.

The management assessed that reported net asset values of the investees constitute an appropriate basis for the fair values based on the evaluation of the operating profile and the composition of the asset/liability portfolio of the investees. In particular, the subsidiaries do not carry any trading activities per se but rather act purely as direct or indirect property-holding or financing entities. In all cases the principal assets and liabilities on their respective balance sheets (e.g. investment property, loans etc) have themselves been fair valued and as a result their net asset value at the year-end is a reasonable proxy of their fair value.

Notes to the financial statements

18 Insurance and reinsurance contracts

The table below sets out the carrying amounts of groups of insurance and reinsurance contracts assets and liabilities at the end of reporting date.

	31 December 2025			31 December 2024		
	Assets €	Liabilities €	Net €	Assets €	Liabilities €	Net €
Insurance contracts issued						
Savings	-	(580.643.523)	(580.643.523)	-	(443.575.304)	(443.575.304)
Protection Long Term	-	(5.193.920)	(5.193.920)	-	(5.983.663)	(5.983.663)
Protection Short Term & Accident and health	-	(13.609.461)	(13.609.461)	-	(5.072.495)	(5.072.495)
Total insurance contracts issued	-	(599.446.904)	(599.446.904)	-	(454.631.462)	(454.631.462)
Reinsurance contracts held						
Long Term	16.644.046	-	16.644.046	6.396.963	-	6.396.963
Short Term	2.661.388	-	2.661.388	2.075.280	-	2.075.280
Total reinsurance contracts held	19.305.434	-	19.305.434	8.472.243	-	8.472.243

	31 December 2025				31 December 2024			
	Assets for insurance acquisition cash flows €	Liabilities for remaining coverage €	Liabilities for incurred claims €	Total €	Assets for insurance acquisition cash flows €	Liabilities for remaining coverage €	Liabilities for incurred claims €	Total €
Insurance contracts issued								
Savings	110.538	(572.026.347)	(8.727.714)	(580.643.523)	150.034	(437.247.149)	(6.478.189)	(443.575.304)
Protection Long Term	7.589	(2.112.335)	(3.089.172)	(5.193.918)	15.514	(3.619.243)	(2.379.934)	(5.983.663)
Protection Short Term & Accident and health	20.095	(318.863)	(13.310.695)	(13.609.463)	28.161	536.209	(5.636.865)	(5.072.495)
Total insurance contracts issued	138.222	(574.457.545)	(25.127.581)	(599.446.904)	193.709	(440.330.183)	(14.494.988)	(454.631.462)

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Notes to the financial statements

18 Insurance and reinsurance contracts (continued)

18.1 Asset for insurance acquisition cash flows

2025	Savings	Protection Long Term	Protection Short Term & Accident and health	Total
	€	€	€	€
Opening balance	150.034	15.514	28.161	193.709
Additions	-	-	-	0
Amount derecognised during the period due to allocation to the related group of contracts	(39.496)	(7.925)	(8.066)	(55.487)
Impairment losses	-	-	-	-
Reversal of impairment losses	-	-	-	-
Closing balance	110.538	7.589	20.095	138.222

2024	Savings	Protection Long Term	Protection Short Term & Accident and health	Total
	€	€	€	€
Opening balance	207.998	23.322	39.813	271.133
Additions	-	-	-	-
Amount derecognised during the period due to allocation to the related group of contracts	(57.964)	(7.808)	(11.652)	(77.424)
Impairment losses	-	-	-	-
Reversal of impairment losses	-	-	-	-
Closing balance	150.034	15.514	28.161	193.709

Assets for insurance acquisition cash flows are presented in the carrying amount of related portfolio of insurance contracts, under Insurance contract liabilities.

Expected timing of derecognition of insurance acquisition cash flows asset

The following table shows the expected timing of derecognition of the asset for insurance acquisition cash flows and its inclusion in the measurement of the group of insurance contracts it will be allocated to.

	31 December 2025	31 December 2024
	€	€
Within one year	112.719	55.494
In 1-3 years	25.503	138.215
In 4-5 years	-	-
Beyond 5 years	-	-
Closing balance	138.222	193.709

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Notes to the financial statements

18 Insurance and reinsurance contracts (continued)

18.2 Reconciliation of changes in insurance contracts by remaining coverage and claims incurred

The tables below represent the reconciliation from the opening to the closing balances of the liabilities for the remaining coverage and the liabilities for incurred claims for insurance contracts (applicable for Savings and Protection Long Term).

2025	Liabilities for remaining coverage		Liabilities for incurred claims	Total
	Excluding loss component	Loss component		
Opening liabilities	(440.826.874)	(39.517)	(8.858.123)	(449.724.514)
Net opening balance	(440.826.874)	(39.517)	(8.858.123)	(449.724.514)
Acquired under business combination (note 2.1.1) <i>Changes in the statement of profit or loss and comprehensive income</i>	(72.480.075)	-	(2.859.124)	(75.339.199)
Insurance revenue	49.095.470	-	-	49.095.470
Insurance service expenses	(857.197)	(114.678)	(25.941.868)	(26.913.743)
Incurred claims and other insurance service expenses	-	2.701	(24.218.509)	(24.215.808)
Acquisition expenses	(989.507)	-	-	(989.507)
Losses and reversal of losses on onerous contracts	132.310	(117.379)	-	14.931
Adjustments to liabilities for incurred claims	-	-	(1.723.359)	(1.723.359)
Total Insurance service expenses	(857.197)	(114.678)	(25.941.868)	(26.913.743)
Investment components	61.732.285	-	(61.732.285)	-
Insurance service result	109.970.558	(114.678)	(87.674.153)	22.181.727
Insurance finance expense	(27.435.371)	-	(163.766)	(27.599.137)
Total changes in the statement of profit and loss and comprehensive income	82.535.187	(114.678)	(87.837.919)	(5.417.410)
<i>Cash flows</i>				
Premium received	(160.124.850)	-	-	(160.124.850)
Cash flows relating to Non-Actuarial Claims and other insurance service expenses paid, including investment components	1.227.102	-	-	1.227.102
Insurance acquisition cash flows	-	-	87.738.282	87.738.282
Insurance acquisition cash flows	15.685.022	-	-	15.685.022
Total cash flows	(143.212.726)	-	87.738.282	(55.474.444)
Net closing balance 31.12.2025	(573.984.488)	(154.195)	(11.816.884)	(585.955.567)

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Notes to the financial statements

18 Insurance and reinsurance contracts (continued)

18.2 Reconciliation of changes in insurance contracts by remaining coverage and claims incurred (continued)

2024	Liabilities for remaining coverage		Liabilities for incurred claims	Total
	Excluding loss component	Loss component		
Opening liabilities	(398.623.287)	(43.182)	(9.995.620)	(408.662.089)
Net opening balance	(398.623.287)	(43.182)	(9.995.620)	(408.662.089)
<i>Changes in the statement of profit or loss and comprehensive income</i>				
Insurance revenue	43.682.612	-	-	43.682.612
Insurance service expenses				
Incurred claims and other insurance service expenses	-	3.301	(19.886.235)	(19.882.934)
Acquisition expenses	(822.826)	-	-	(822.826)
Losses and reversal of losses on onerous contracts	-	364	-	364
Adjustments to liabilities for incurred claims	-	-	(1.687.785)	(1.687.785)
Total Insurance service expenses	(822.826)	3.665	(21.574.020)	(22.393.181)
Investment components	54.770.448	-	(54.770.448)	-
Insurance service result	97.630.234	3.665	(76.344.468)	21.289.431
Insurance finance expense	(23.335.035)	-	(406.366)	(23.741.401)
Total changes in the statement of profit and loss and comprehensive income	74.295.200	3.665	(76.750.834)	(2.451.969)
<i>Cash flows</i>				
Premium received	(131.594.540)	-	-	(131.594.540)
Cash flows relating to Non-Actuarial Claims and other insurance service expenses paid, including investment components	1.123.165	-	-	1.123.165
Insurance acquisition cash flows	-	-	77.888.331	77.888.331
Insurance acquisition cash flows	13.972.586	-	-	13.972.586
Total cash flows	(116.498.789)	-	77.888.331	(38.610.458)
Net closing balance 31.12.2024	(440.826.876)	(39.517)	(8.858.123)	(449.724.514)

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Notes to the financial statements

18 Insurance and reinsurance contracts (continued)

18.2 Reconciliation of changes in insurance contracts by remaining coverage and claims incurred (continued)

The table below is applicable for Protection Short Term and Accident and Health.

2025	Liabilities for remaining coverage		Liabilities for incurred claims		Total
	Excluding loss component	Loss component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
Opening assets	536.209	-	-	-	536.209
Opening liabilities	-	-	(5.592.204)	(44.662)	(5.636.866)
Net opening balance	536.209	-	(5.592.204)	(44.662)	(5.100.657)
Acquired under business combination (note 2.1.1)	(3.277.474)	-	(7.463.130)	(386.636)	(11.127.240)
<i>Changes in the statement of profit and loss and comprehensive income</i>					
Insurance revenue	31.152.847	-	-	-	31.152.847
Insurance service expenses	(3.678.905)	-	(20.991.406)	(567.783)	(25.238.094)
Incurring claims and other insurance service expenses	-	-	(21.249.772)	(306.488)	(21.556.260)
Acquisition expenses	(3.678.905)	-	-	-	(3.678.905)
Losses and reversal of losses on onerous contracts	-	-	-	-	-
Adjustments to liabilities for incurred claims	-	-	258.366	(261.295)	(2.929)
Total insurance service expenses	(3.678.905)	-	(20.991.406)	(567.783)	(25.238.094)
Investment components	-	-	-	-	-
Insurance service result	27.473.942	-	(20.991.406)	(567.783)	5.914.753
<i>Insurance finance expense</i>	-	-	(137.836)	(1.800)	(139.636)
Total changes in the statement of profit and loss and comprehensive income	27.473.942	-	(21.129.242)	(569.283)	5.775.117
<i>Cash flows</i>					
Premium received	(27.661.348)	-	-	-	(27.661.348)
Cash flows relating to Non Actuarial Claims and other insurance service expenses paid, including investment components	(746.213)	-	-	-	(746.213)
Insurance acquisition cash flows	-	-	21.874.763	-	21.874.763
Insurance acquisition cash flows	3.356.021	-	-	-	3.356.021
Total cash flows	(25.051.540)	-	21.874.763	-	(3.176.777)
Net closing balance 31.12.2025	(318.863)	-	(12.309.813)	(1.000.881)	(13.629.557)

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Notes to the financial statements

18 Insurance and reinsurance contracts (continued)

18.2 Reconciliation of changes in insurance contracts by remaining coverage and claims incurred (continued)

2024	Liabilities for remaining coverage		Liabilities for incurred claims		Total
	Excluding loss component	Loss component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
Opening assets	711.880	-	-	-	711.880
Opening liabilities	-	-	(5.280.536)	(42.337)	(5.322.873)
Net opening balance	711.880	-	(5.280.536)	(42.337)	(4.610.993)
<i>Changes in the statement of profit and loss and comprehensive income</i>					
Insurance revenue	26.472.362	-	-	-	26.472.362
Insurance service expenses					
Incurring claims and other insurance service expenses	-	-	(15.603.322)	936	(15.602.386)
Acquisition expenses	(3.167.656)	-	-	-	(3.167.656)
Losses and reversal of losses on onerous contracts	-	-	-	-	-
Adjustments to liabilities for incurred claims	-	-	(2.228.794)	(1.802)	(2.230.596)
Total insurance service expenses	(3.167.656)	-	(17.832.116)	(866)	(21.000.638)
Investment components	-	-	-	-	-
Insurance service result	23.304.706	-	(17.832.116)	(866)	5.471.724
Insurance finance expense	-	-	(181.922)	(1.459)	(183.381)
Total changes in the statement of profit and loss and comprehensive income	23.304.706	-	(18.014.038)	(2.325)	5.288.344
<i>Cash flows</i>					
Premium received	(26.471.656)	-	-	-	(26.471.656)
Cash flows relating to Non Actuarial Claims and other insurance service expenses paid, including investment components	(176.376)	-	-	-	(176.376)
Insurance acquisition cash flows	-	-	17.702.369	-	17.702.369
Insurance acquisition cash flows	3.167.656	-	-	-	3.167.656
Total cash flows	(23.480.376)	-	17.702.369	-	(5.778.007)
Net closing balance 31.12.2024	536.209	-	(5.592.204)	(44.662)	(5.100.656)

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Notes to the financial statements

18 Insurance and reinsurance contracts (continued)

18.3 Reconciliation of measurement components of insurance contracts not measured under the PAA

The tables below represent the reconciliation from the opening to the closing balances for each measurement component of insurance contracts (other than those measured under the PAA).

2025	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM for Contracts under fair value approach	Total
Opening liabilities	(291.251.420)	(34.453.072)	(124.020.023)	(449.724.515)
Net opening balance	(291.251.420)	(34.453.072)	(124.020.023)	(449.724.515)
Acquired under business combination	(52.753.733)	(2.070.665)	(20.514.801)	(75.339.199)
Changes in the statement of profit and loss and comprehensive income				
Changes that relate to current services	6.318.887	2.971.175	14.847.785	24.137.847
CSM recognised for services provided	-	-	14.847.785	14.847.785
Risk adjustment recognised for the risk expired	-	2.971.175	-	2.971.175
Experience adjustments	6.318.887	-	-	6.318.887
Changes that relate to future services	34.839.934	(9.042.554)	(26.030.141)	(232.761)
Contracts initially recognised in the year	6.282.127	(3.606.928)	(2.978.170)	(302.971)
Changes in estimates that adjust the CSM	28.279.010	(5.461.521)	(23.051.971)	(234.482)
Changes in estimates that result in losses and reversal of losses on onerous contracts	278.796	25.895	-	304.691
Changes that relate to past services	(1726.252)	2.893	-	(1.723.359)
Adjustments to liabilities for incurred claims	(1.726.252)	2.893	-	(1.723.359)
Insurance service result				
Insurance finance expenses	(27.664.769)	180.485	(114.853)	(27.599.137)
	11.767.800	(5.888.001)	(11.297.209)	(5.417.411)
Total changes in the statement of profit and loss and comprehensive income	(55.474.444)	-	-	(55.474.444)
Cash flows	(55.474.444)	-	-	(55.474.444)
Net closing balance 31.12.2025	(387.711.798)	(42.411.737)	(155.832.033)	(585.955.569)

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18 Insurance and reinsurance contracts (continued)

18.3 Reconciliation of measurement components of insurance contracts not measured under the PAA (continued)

2024	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM for Contracts under fair value approach	Total
Opening liabilities	(266.150.869)	(29.137.539)	(113.373.681)	(408.662.089)
Net opening balance	(266.150.869)	(29.137.539)	(113.373.681)	(408.662.089)
<i>Changes in the statement of profit and loss and comprehensive income</i>				
Changes that relate to current services	7.753.495	2.341.303	12.882.055	22.976.853
CSM recognised for services provided	-	-	12.882.055	12.882.055
Risk adjustment recognised for the risk expired	-	2.341.303	-	2.341.303
Experience adjustments	7.753.495	-	-	7.753.495
Changes that relate to future services	30.980.940	(7.496.688)	(23.483.888)	364
Contracts initially recognised in the year	8.065.495	(2.749.556)	(5.315.939)	-
Changes in estimates that adjust the CSM	22.915.469	(4.747.520)	(18.167.949)	-
Changes in estimates that result in losses and reversal of losses on onerous contracts	(24)	388	-	364
Changes that relate to past services	(1.696.290)	8.505	-	(1.687.785)
Adjustments to liabilities for incurred claims	(1.696.290)	8.505	-	(1.687.785)
Insurance service result				
Insurance finance expenses from insurance contracts	(23.528.239)	(168.652)	(44.509)	(23.741.401)
Total changes in the statement of profit and loss and comprehensive income	13.509.906	(5.315.532)	(10.646.342)	(2.451.968)
Cash flows	(38.610.457)	-	-	(38.610.457)
Net closing balance	(291.251.420)	(34.453.071)	(124.020.023)	(449.724.514)

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Notes to the financial statements

18 Insurance and reinsurance contracts (continued)

18.4 Reconciliation of changes in reinsurance contracts held by remaining coverage and incurred claims

The tables below represent the reconciliation from the opening to the closing balances of the assets for the remaining coverage and the assets for incurred claims for reinsurance contracts held (Note: the table below is applicable for Short Term reinsurance contracts).

2025	Assets for remaining coverage		Assets for incurred claims		Total
	Excluding loss-recovery component	Loss-recovery component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
Opening assets	(5.329.278)	-	7.404.559	-	2.075.281
Net opening balance	(5.329.278)	-	7.404.559	-	2.075.281
Acquired under business combination (note 2.1.1)	(230.273)	-	440.000	11.302	221.029
<i>Changes in the statement of profit or loss and other comprehensive income</i>					
Net expenses from reinsurance contracts	(2.553.513)	-	2.516.708	68.288	31.483
Reinsurance expenses	(2.553.513)	-	-	-	(2.553.513)
Recoveries of claims incurred and other insurance service expenses	-	-	2.027.914	68.288	2.096.202
Adjustment to assets for incurred claims	-	-	488.794	-	488.794
Finance income from reinsurance contracts held recognised in P&L	-	-	36.442	-	36.442
Total changes in the statement of profit and loss and other comprehensive income	(2.553.513)	-	2.553.150	68.288	67.925
Cash flows					
Premiums paid	2.545.475	-	-	-	2.545.475
Cash flows relating to Non Actuarial Amounts received	(1.879.656)	-	1.787.047	-	(92.609)
	-	-	(2.155.714)	-	(2.155.714)
Total cash flows	665.819	-	(368.667)	-	297.152
Net closing balance	(7.447.245)	-	10.029.042	79.590	2.661.387

Notes to the financial statements

18 Insurance and reinsurance contracts (continued)

18.4 Reconciliation of changes in reinsurance contracts held by remaining coverage and incurred claims (continued)

2024	Assets for remaining coverage		Assets for incurred claims	Total
	Excluding loss-recovery component	Loss-recovery component		
Opening assets	(3.517.436)	-	5.727.868	2.210.432
Net opening balance	(3.517.436)	-	5.727.868	2.210.432
<i>Changes in the statement of profit or loss and other comprehensive income</i>				
Net expenses from reinsurance contracts	(2.360.990)	-	1.520.956	(840.034)
Reinsurance expenses	(2.360.990)	-	-	(2.360.990)
Recoveries of claims incurred and other insurance service expenses	-	-	1.269.724	1.269.724
Adjustment to assets for incurred claims	-	-	251.232	251.232
Finance income from reinsurance contracts held recognised in P&L	-	-	45.109	45.109
Total changes in the statement of profit and loss and other comprehensive income	(2.360.990)	-	1.566.065	(794.925)
Cash flows				
Premiums paid	2.317.941	-	-	2.317.941
Cash flows relating to Non Actuarial Amounts received	(1.768.793)	-	1.455.634	(313.1590)
	-	-	(1.345.008)	(1.345.008)
Total cash flows	549.148	-	110.626	659.774
Net closing balance	(5.329.278)	-	7.404.559	2.075.281

In presenting reinsurance premiums paid and amounts recoverable from reinsurers, an entity treats:

- cash flows that are contingent on the claims experience on the underlying contracts as part of the claims expected to be reimbursed.
- amounts that it expects to receive from reinsurers that are not contingent on the claims experience of the underlying contracts (e.g. some types of ceding commissions) as a reduction in reinsurance premiums paid; and
- amounts recognised relating to recovery of losses on underlying contracts as amounts recoverable from reinsurers.

Notes to the financial statements

18 Insurance and reinsurance contracts (continued)

18.5 Reconciliation of measurement components of reinsurance contracts held not measured under the PAA

The table below represents the reconciliation from the opening to the closing balance for each measurement component of reinsurance contracts held (other than those measured under the PAA). (Note: the table below is applicable for Long Term reinsurance contracts)

2025	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM Contracts under fair value approach	Total
Opening assets	(3.464.624)	5.055.160	4.806.426	6.396.962
Net opening balance	(3.464.624)	5.055.160	4.806.426	6.396.962
Acquired under business combination (note 2.1.1)	9.370.277	1.111.134	(1.379.492)	9.101.919
<i>Changes in the statement of profit and loss and comprehensive income</i>				
Changes that relate to current services	(4.040.981)	(322.147)	(1.441.517)	(5.804.645)
<i>CSM recognised for services received</i>	-	-	(1.441.517)	(1.441.517)
<i>Risk adjustment recognised for the risk expired</i>	-	(581.812)	-	(581.812)
<i>Experience adjustments</i>	(4.040.981)	259.665	-	(3.781.316)
Changes that relate to future services	(7.876.419)	(88.212)	7.964.631	-
<i>Contracts initially recognised in the period</i>	(333.535)	551.078	(217.543)	-
<i>Changes in estimates that adjust the CSM</i>	(3.634.518)	(552.312)	4.186.830	-
<i>Changes in RA that adjusts the CSM</i>	-	73.179	(73.179)	-
<i>Experience adjustments</i>	(3.908.366)	(160.157)	4.068.523	-
Changes that relate to past services	3.236.716	223.606	-	3.460.322
<i>Adjustments to assets for incurred claims</i>	3.291.947	-	-	3.291.947
Net expense from reinsurance contracts	-	-	-	-
<i>Net finance income from reinsurance contracts</i>	1.182.716	(209.586)	18.101	991.231
Total changes in the statement of profit and loss and other comprehensive income	(7.497.968)	(396.339)	6.541.215	(1.353.092)
Total cash flows	2.498.255	-	-	2.498.255
Net closing balance	905.941	5.769.955	9.968.149	16.644.044

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Notes to the financial statements

18 Insurance and reinsurance contracts (continued)

18.5 Reconciliation of measurement components of reinsurance contracts held not measured under the PAA (continued)

2024	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM Contracts under fair value approach	Total
Opening assets	(1.286.281)	4.955.978	1.314.219	4.983.917
Net opening balance	(1.286.281)	4.955.978	1.314.219	4.983.917
<i>Changes in the statement of profit and loss and comprehensive income</i>				
Changes that relate to current services	(4.397.522)	(502.284)	(542.740)	(5.442.546)
CSM recognised for services received	-	-	(542.740)	(542.740)
Risk adjustment recognised for the risk expired	-	(502.284)	-	(502.284)
Experience adjustments	(4.397.522)	-	-	(4.397.522)
Changes that relate to future services	(4.279.280)	237.615	4.041.665	-
Contracts initially recognised in the period	(534.280)	473.985	60.295	-
Changes in estimates that adjust the CSM	(3.744.999)	(236.370)	3.981.369	-
Changes in estimates that relate to losses and reversals of losses on onerous underlying contracts	-	-	-	-
Changes that relate to past services	2.711.490	-	-	2.711.490
Adjustments to assets for incurred claims	2.711.490	-	-	2.711.490
Net expense from reinsurance contracts	-	-	-	-
Net finance income from reinsurance contracts	522.919	363.851	(6.718)	880.052
Total changes in the statement of profit and loss and other comprehensive income	(5.442.392)	99.182	3.492.207	(1.851.003)
Total cash flows	3.264.049	-	-	3.264.049
Net closing balance	(3.464.624)	5.055.160	4.806.426	6.396.962

Notes to the financial statements

18 Insurance and reinsurance contracts (continued)

18.6 Effect of contracts initially recognised in the year

2025

Insurance contracts issued	Profitable contracts	Onerous Contracts
Estimates of PV of future cash inflows	(215.728.540)	(160.338)
Estimates of PV of future cash outflows	209.430.513	176.238
- Insurance acquisition cash flows	3.871.859	13.795
- Claims payable and other expenses	205.558.654	162.443
Risk adjustment for non-financial risk	3.608.829	(1.901)
CSM	2.978.170	-

2024

Insurance contracts issued	Profitable contracts	Onerous Contracts
Estimates of PV of future cash inflows	(181.081.680)	-
Estimates of PV of future cash outflows	173.016.186	-
- Insurance acquisition cash flows	3.992.716	-
- Claims payable and other expenses	169.023.470	-
Risk adjustment for non-financial risk	2.749.555	-
CSM	5.315.939	-

2025

Reinsurance contracts held

	Long Term contracts initiated without loss recovery component	Short Term contracts initiated without loss recovery component
Estimates of PV of future cash inflows	(4.419.203)	-
Estimates of PV of future cash outflows	4.085.668	-
Risk adjustment	551.078	-
Income recognised on initial recognition	-	-
CSM	(217.544)	-

2024

Reinsurance contracts held

	Long Term contracts initiated without loss recovery component	Short Term contracts initiated without loss recovery component
Estimates of PV of future cash inflows	(4.135.928)	-
Estimates of PV of future cash outflows	3.601.648	-
Risk adjustment	473.985	-
Income recognised on initial recognition	-	-
CSM	60.295	-

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18 Insurance and reinsurance contracts (continued)

18.7 Expected recognition of the contractual service margin

The following table shows an analysis of the expected recognition of the CSM remaining at the end of reporting period in profit or loss, for contracts not measured under PAA.

2025	Less than 1 year	In 1 to 3 years	In 4 to 5 years	> 5 years	Total
Insurance contracts					
Savings	11.377.252	30.011.399	8.651.358	84.921.410	134.961.419
Protection Long Term	2.967.561	6.792.975	1.692.479	9.417.600	20.870.615
Total CSM for insurance contracts	14.344.812	36.804.374	10.343.837	94.339.010	155.832.034
Reinsurance contracts					
Long Term	1.083.030	2.609.877	685.019	5.590.224	9.968.149
Total CSM for reinsurance contracts	1.083.030	2.609.877	685.019	5.590.224	9.968.149
2024	Less than 1 year	In 1 to 3 years	In 4 to 5 years	> 5 years	Total
Insurance contracts					
Savings	10.042.824	26.554.389	14.853.762	66.415.535	117.866.510
Protection Long Term	913.819	1.996.671	881.444	2.361.578	6.153.513
Total CSM for insurance contracts	10.956.643	28.551.061	15.735.205	68.777.114	124.020.023
Reinsurance contracts					
Long Term	448.308	1.143.607	616.267	2.598.244	4.806.426
Total CSM for reinsurance contracts	448.308	1.143.607	616.267	2.598.244	4.806.426

19 Investment contract liabilities

The below analysis includes presents the Non-Insurance contracts (contracts that do not meet the definition of insurance contracts as per IFRS 17) and Class 7 contracts.

	2025 €	2024 €
Balance 1 January	47.801.359	33.078.086
Amounts recognised in profit and loss:		
Other Income (note 9)	(45.402)	(101.093)
Cash flows:		
Contributions received	20.190.594	23.548.398
Benefits paid	(14.544.083)	(10.158.890)
Reserve movement related to the underlying asset	2.221.287	1.434.858
Balance 31 December	55.623.755	47.801.359

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20 Financial assets measured at fair value through profit or loss

	2025 €	2024 €
<i>Fair value (mandatory):</i>		
Equity securities	12.067.081	9.674.667
Government debt instruments	183.603.662	146.867.483
Corporate debt instruments	135.354.533	126.606.546
Mutual funds, ETFs and private equity funds	281.938.627	187.126.003
<i>Fair value (designated):</i>		
Government debt instruments	1.275.078	9.050.543
Corporate debt instrument	6.714.878	5.487.812
Total financial assets at FVTPL	<u>620.953.859</u>	<u>484.813.054</u>

The maximum exposure to credit risk of the debt instruments at FVTPL was their carrying amount as the reporting date. Such risk has not being hedged by the use of credit derivatives or similar instruments.

For contracts with direct participation features (Savings, Savings – Run-off and Participating – Run-off contracts) the underlying items and their fair value is shown in the table below:

	2025 €	2024 €
Government bonds	177.869.522	146.867.483
Corporate debt instruments	133.958.542	116.914.614
Mutual funds, ETFs and private equity funds	265.366.487	177.258.505
Equity securities	12.021.977	9.627.402
Total fair value for contracts with direct participation	<u>589.216.528</u>	<u>450.668.004</u>

Financial assets at fair value through profit or loss are presented in the statement of cash flows within the section of operating activities as part of changes in working capital. The maturity profile of financial assets at fair value through profit or loss is disclosed in the liquidity risk table (Note 4.2.3).

Changes in fair values of financial assets at fair value through profit or loss are recorded in “Net fair value gains/(losses) on financial assets at fair value through profit or loss” in the income statement in “other insurance revenue line”.

Measurement of assets recognized at fair value

The fair value of the above financial assets is based on quoted bid prices in an active market or where unavailable:

- (a) discounted cash flow models making maximum use of market inputs and relying as little as possible on entity specific inputs, or
- (b) prices provided by product arrangers, or
- (c) accounting book value.

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Notes to the financial statements

20 Financial assets measured at fair value through profit or loss (continued)

The following table analyses assets by measurement method:

	2025 €	2024 €
Debt and equity securities traded on a market, valued at the most recent quoted bid price observable in an active market (level 1 and 2)	614.484.795	478.656.706
Unlisted funds, valued at the most recent net assets value price provided by the arranger	6.464.242	6.151.528
Unlisted equities, valued at the most recent accounting book value	4.822	4.822
	<u>620.953.859</u>	<u>484.813.056</u>

Valuation techniques for pricing Cyprus Government Bonds that are illiquid rely on the Cyprus yield curve which entails yields, derived from liquid Cyprus sovereign bonds listed in international markets. This is consistent with the valuation methodology used in prior year end. Estimated prices do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holding of a particular financial instrument. Valuation techniques for structured products typically involve separate pricing of the underlying capital guarantee and embedded option using market observable information. In both above categories, valuation parameters used are readily observable in the market, and are therefore not subject to interpretation.

21 Financial assets measured at fair value through other comprehensive income

	2025 €	2024 €
At beginning of year	84.759.417	72.307.255
Additions	22.640.091	22.650.194
Disposals/Redemption	(25.570.589)	(11.087.583)
Amortization for the year	256.178	134.536
Fair value gains recognised in OCI income	1.926.900	726.920
ECL movement for the year in profit or loss	(144.115)	28.095
At the end of year	<u>83.867.882</u>	<u>84.759.417</u>

The breakdown of debt instruments measured at Fair Value through OCI is as follows:

	2025 €	2024 €
Government debt instruments	26.025.244	33.794.183
Other debt instruments:		
Financial institutions	32.422.869	27.679.801
Non-financial institutions	8.859.374	9.042.832
Equity instruments (Non recycled)	16.560.395	14.242.601
	<u>83.867.882</u>	<u>84.759.417</u>
Total financial assets measured at FVOCI	<u>83.867.882</u>	<u>84.759.417</u>

The Company has designated equity investments as at FVOCI because it intends to hold them for the long term for strategic purposes.

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Notes to the financial statements

21 Financial assets measured at fair value through other comprehensive income (continued)

During 2025, the Company disposed of a single-line equity investment classified as FVTOCI (non-recyclable), resulting in a loss of €33.688. In accordance with the Company's accounting policies, IFRS9 this gain was transferred directly to retained earnings, as such equity instruments are measured at FVTOCI with no recycling to profit and loss. Apart from this transaction, no other strategic investments were disposed of during 2025 and 2024.

The loss allowance for debt investments at FVOCI of €24.911 (2024: €169.027) does not reduce the carrying amount of these investments (which are measured at fair value) but gives rise to an equal and opposite gain in OCI.

The maximum exposure to credit risk at the reporting date is the carrying value of the debt securities classified as FVTOCI. None of these is either past due or impaired.

The maturity profile of financial assets measured at FVOCI is disclosed in the liquidity risk table (Note 4.2.3).

22 Loans and other receivables

	2025	2024
	€	€
Land debtors	840.736	779.103
Less: Provision for impairment of doubtful land debtors	(528.798)	(484.848)
	<u>311.938</u>	<u>294.255</u>
Mortgaged loans	4.458.887	4.121.827
Less: Provision for impairment of doubtful mortgaged loans	(3.483.656)	(3.173.428)
	<u>975.231</u>	<u>948.399</u>
Agent balances	3.634.725	3.724.295
Less: Provision for impairment of agent balances	(256.041)	(238.041)
	<u>3.378.684</u>	<u>3.486.254</u>
Other accounts receivable (1)	1.161.322	1.354.233
	<u>5.827.175</u>	<u>6.083.141</u>

(1) Other accounts receivable includes tender deposits and EAC letters of guarantee amounting to €116.325 (2024: €111.000) and claims deposits amounting to €355.104 (2024: €689.831).

The above loans and other receivables are due within one year and the fair value of the above loans and receivables approximates their carrying amount. The credit risk profile of Loans and other receivables is disclosed in note 4.2.2.

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23 Cash and cash equivalents

	2025 €	2024 €
Cash at bank and in hand	<u>44.538.444</u>	<u>24.467.782</u>

As at 31 December 2025 and 2024 minor amounts were kept as guarantee mainly for tenders.

Cash and cash equivalents allocated to Unit Linked portfolios amount to 2025: €29.129.329 (2024: €18.636.489)

24 Share capital and share premium

	Number of issued ordinary shares	Issued ordinary share capital €	Share premium €	Total €
At 1 January 2025	12 400 000	10.539.999	11.200.469	21.740.468
Issue of share capital	2.625.252	2.231.464	-	2.231.464
At 31 December 2025	<u>15.025.252</u>	<u>12.771.463</u>	<u>11.200.469</u>	<u>23.971.932</u>

The holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

The total number of authorized ordinary shares is 130 000 000 shares (2024: 130 000 000) with a nominal value of €0,85 each share. All issued shares are fully paid. The share premium is not available for distribution to equity holders.

On 10 October 2025, the Company issued 2.625.252 shares with a nominal value of €0,85 each due to changes in Group structure and the merger of ERB Cyprialife Ltd with Hellenic Life Insurance Company Ltd (note 2.1.1).

25 Fair value reserves

	Land and buildings €	Difference from conversion of share capital into Euro €	Reorganisati on reserve €	OCI financial assets €	Total €
At 1 January 2024	774.793	53.329	-	1.464.167	2.292.290
Revaluation – gross (Note 14)	120.863	-	-	-	120.863
Revaluation – deferred tax (Note 26)	(10.349)	-	-	-	(10.349)
Revaluation losses on OCI financial assets (Note 8)	-	-	-	489.850	489.850
At 31 December 2024/1 January 2025	<u>885.307</u>	<u>53.329</u>	<u>-</u>	<u>1.954.017</u>	<u>2.892.653</u>
Revaluation – gross (Note 14)	89.378	-	-	-	89.378
Revaluation – deferred tax (Note 26)	(11.432)	-	-	-	(11.432)
Revaluation gains on OCI financial assets (Note 8)	-	-	-	2.038.963	2.038.963
Balance arising at legal merge	-	-	(521.464)	-	(521.464)
At 31 December 2025	<u>963.253</u>	<u>53.329</u>	<u>(521.464)</u>	<u>3.992.980</u>	<u>4.488.098</u>

ERB Cyprialife Limited

Notes to the financial statements

25 Fair value reserves (continued)

Nature and purpose of reserves:

- Fair value reserves relate to:
 - (i) the revaluation of owner-occupied properties. The temporary tax differences of those assets are also recognized as equity and its tax will become payable when the assets will be sold.
 - (ii) the revaluation of financial assets at FVOCI financial being the cumulative net change in the fair value of financial assets at FVOCI which are recognized as equity until the assets are derecognized or reclassified.

26 Deferred income tax assets/(liabilities)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority. Deferred tax has been calculated using a tax rate of 15% (2024: 12,5%).

The movement on the deferred income taxation account is as follows:

	Insurance finance equity reserve	Fair value gains on land and buildings and investment property	Total
	€	€	€
At 1 January 2024	-	672.224	672.224
Credited to:			
Income statement (Note 12)	-	(199.783)	(199.783)
Credited to:			
Other comprehensive income (Note 25)	-	(10.349)	(10.349)
At 31 December 2024	<u>-</u>	<u>462.092</u>	<u>462.092</u>
Credited to:			
Income statement (Note 12)	-	(78.014)	(78.014)
Credited to:			
Other comprehensive income (Note 25)	(263.008)	-	(263.008)
At 31 December 2025	<u>(263.008)</u>	<u>384.078</u>	<u>121.070</u>

All deferred income tax assets and liabilities, which are classified as non-current, will be recovered or settled after more than twelve months. Deferred Tax is expected to be materialized when the relevant properties will be sold (not expected within the forthcoming period) and for deferred tax on the insurance finance equity upon the reversal of the underlying temporary differences, in line with the run-off of the related insurance liabilities.

27 Trade and other payables

	2025 €	2024
Deferred income	1.997.673	1.322.810
Reinsurance payable	2.074.872	3.426.100
Other creditors	4.689.955	4.750.448
Commissions payable	2.366.237	1.607.238
Accruals and other provisions	5.566.472	4.220.792
	<u>16.695.209</u>	<u>15.327.388</u>

The maturity profile of other liabilities and provisions is presented in the liquidity tables of note 4.2.3.

ERB Cyprialife Limited

Notes to the financial statements

28 Defined contribution pension fund scheme for agents

The Company operates a defined contribution pension fund scheme for its agents. The cost to the Company for 2025 was €411.807 (2024: €407.571).

29 Related party transactions

The Company is controlled by Eurobank Limited, which owns 100% of the Company's shares. The ultimate parent entity of the group is Eurobank Ergasias Services and Holdings S.A, which is active in retail, corporate and private banking, asset management, treasury, capital markets and other services

As at 31 December 2025 Eurobank S.A. a company which owns the 100% of the share capital of ERB Cyprus Insurance Holdings Limited prepares consolidated financial statements in which the Company forms part as a subsidiary undertaking. Eurobank S.A., is incorporated in Greece, with its registered office at 8 Othonos Street, Athens 105 57 and its consolidated financial statements are available at the website www.eurobank.gr.

Transactions related to group restructuring and legal merger transaction during the current year are disclosed in note 2.1.1.

ERB Cyprialife Limited

Notes to the financial statements

29 Related party transactions (continued)

The following transactions were carried out with related parties:

(a) Amounts credited to the income statement

	2025 €	2024 €
Rental income:		
Rental income – Artemidos Larnaca ERB Asfalistiki Ltd	40.026	36.540
Rental income – Athinon Paphos ERB Asfalistiki Ltd	14.217	12.600
	<u>54.243</u>	<u>49.140</u>
	=====	=====
Interest income:		
LCYL Kiti Properties Limited (subsidiary)	72.909	87.804
Anaptyxis Plagias A.E. (indirect subsidiary)	110.602	111.085
ERB Cyprus Tower Ltd (commonly controlled entity)	157.635	172.313
Placements with banks (intermediate parent entities)	297.743	-
	<u>638.889</u>	<u>371.202</u>
	=====	=====
Purchases of other services:		
Commissions expenses	1.111.985	-
Recharges	43.822	-
	<u>1.155.807</u>	<u>-</u>
	=====	=====

(b) Amounts due from related parties

	Nature of transactions	2025 €	2024 €
LCYL Properties Limited (subsidiary)	Settlement of invoices on behalf	75	-
LCYL Kiti Properties Limited (subsidiary)	Settlement of invoices on behalf	(87.353)	(90.370)
LCYL Kiti Properties Limited (subsidiary)	Advances for purchase of land, incl. interest receivable	2.008.790	1.935.881
LCYL Kiti Properties Limited (subsidiary)	Impairment recorded	(250.000)	-
Montper Enterprises Limited (subsidiary)	Settlement of invoices on behalf	32.492	29.256
Anaptyxis Plagias A.E. (indirect subsidiary)	Advances for purchase of land, incl. interest receivable	1.337.018	1.382.113
LCYL Dramas Properties Ltd (subsidiary)	Settlement of invoices on behalf	2.196	6.935
ERB Asfalistiki Limited (entity under common control)	General Business commissions to staff	177.780	110.264
LCYL Karpenisiou Properties Limited (subsidiary)	Settlement of invoices on behalf and payment of rent	390.676	577.487
ERB Cyprus Properties Limited (entity under common control)	Settlement of invoices on behalf	75	-
CL Archangelos Properties Ltd (subsidiary)	Settlement of invoices on behalf	35.097	26.794
ERB Cyprus Tower Limited (entity under common control)	Settlement of invoices on behalf and payment of rent	-	264.733
CL Archangelos Anaptyxis Ltd (subsidiary)	Settlement of invoices on behalf	21.051	17.124
CL (Mesa Geitonia) Properties Ltd (subsidiary)	Settlement of invoices on behalf	115.862	95.768
		<u>3.783.759</u>	<u>4.355.985</u>
		=====	=====

ERB Cyprialife Limited

Notes to the financial statements

29 Related party transactions(continued)

(b) Amounts due from related parties (continued)

The amounts due from related parties also include the amounts due to related companies in relation to leases arrangements as disclosed in note 29(f) below.

(i) The amount due from LCYL Kiti Properties Limited carries annual interest at the rate of the twelve-month Euribor plus 1% and is repayable at 31/12/2025.

(ii) The amount due from Anaptyxis Playias A.E. carries annual fixed interest rate of 9,75% and is repayable at 22/07/2041.

The remaining balances do not carry any interest and are repayable on demand.

(c) Amounts due to related parties

	Nature of transactions	2025 €	2024 €
ERB Asfalistiki Limited (fellow subsidiary)	Settlement of invoices on behalf	(174.652)	(110.894)
ERB Cyprialife Insurance Brokers (fellow subsidiary)	Settlement of invoices on behalf	(2.348)	(6.820)
		<u>(177.000)</u>	<u>(117.714)</u>

All the above balances do not carry interest and are repayable on demand.

(d) Directors' remuneration

	2025 €	2024 €
The total amount of directors' remuneration is:	53.286	38.038
	<u>53.286</u>	<u>38.038</u>

(e) Key management compensation

	2025 €	2024 €
Salaries and other short-term payments	1.421.611	1.407.831
Other employer's contributions	237.550	215.594
Provident fund expenses	132.423	117.872
	<u>1.791.584</u>	<u>1.741.297</u>

ERB Cyprialife Limited

Notes to the financial statements

29 Related party transactions(continued)

(f) Loans to related companies

	2025	2024
	€	€
Loan to ERB Cyprus Tower Limited (entity under common control)		
At beginning of year	3.179.169	3.546.856
Interest charged	157.635	172.313
Repayments	(540.000)	(540.000)
At end of year	<u>2.796.803</u>	<u>3.179.169</u>

The loan bears fixed interest rate of 5% per annum and is repayable within one year from notice from the lender. The loan is guaranteed by ERB Cyprus Properties Ltd by the pledge of 54% of its shareholding in ERB Cyprus Tower Limited.

The loan to related company is denominated in Euro and is neither past due nor impaired.

(g) Placements of cash and cash equivalents and other provisions

	2025	2024
	€	€
<i>Eurobank Ltd (intermediate parent entity)</i>		
Placements of cash and cash equivalents	27.263.331	-
Provision of services/Other accruals	(207.722)	-
	<u>27.055.609</u>	<u>-</u>

(h) Leases due to related companies

	2025	2024
	€	€
<i>Lease payments due at nominal value:</i>		
LCYL Karpenisiou Properties Limited (subsidiary)	113.148	112.087
ERB Cyprus Tower Limited (entity under common control)	640.220	605.480
	<u>753.368</u>	<u>717.567</u>
<i>Lease liabilities due at carrying amounts</i>		
LCYL Karpenisiou Properties Limited (subsidiary)	1.272.487	1.313.398
ERB Cyprus Tower Limited (entity under common control)	6.484.755	7.371.558
	<u>7.707.242</u>	<u>8.684.956</u>

The lease agreement between the Company and LCYL Karpenisiou Properties Limited has been extended on 12/02/2024 for 2 years with a monthly rent of €9.429. (Note 30)

The lease agreement between the Company and ERB Cyprus Tower Limited has been extended on 01/11/2025 for 1 year with a monthly rent of €53.352. (Note 30)

ERB Cyprialife Limited

Notes to the financial statements

30 Leases

Leases as lessee

(i) The Company's leasing arrangements

The Company leases various offices. Rental contracts are typically made for fixed periods of 1 to 6 years but may have extension options.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. Leased assets may not be used as security for borrowing purposes.

(ii) Amounts recognized in the Company's balance sheet

	2025 €	2024 €
Right-of-use assets		
Building	7.728.074	8.135.940
Total	<u>7.728.074</u>	<u>8.135.940</u>
Lease liabilities		
Current	615.120	567.164
Non - current	7.571.607	7.858.210
Total	<u>8.186.727</u>	<u>8.425.374</u>

(ii) Amounts recognized in the Company's balance sheet

No additions to the right-of-use assets occurred during the 2025 financial year (2024: nil).

	2025 €	2024 €
Lease Liabilities		
Opening balance	(8.425.374)	(11.051.554)
Rent payments during the year	1.086.204	1.051.097
Interest expense on lease liabilities	(429.428)	(186.182)
Modification adjustments	(418.129)	1.761.265
Total	<u>(8.186.727)</u>	<u>(8.425.374)</u>

Modifications

- 1) During the year, the Company proceeded with remeasurement in the right-of use asset and lease liability of offices leased in Nicosia so as to reflect changes in yearly rent payments or duration of leases. The modification adjustment was €411.873 (2024: (€1.783.444)).

Terminations

- 1) During the year the Company has not terminated any tenancy agreement.

ERB Cyprialife Limited

Notes to the financial statements

30 Leases

Leases as lessee

(iii) Amounts recognized in the Company's income statement

The income statement shows the following amounts relating to leases:

	2025 €	2024 €
Depreciation charge of right-of-use assets		
Buildings (Note 10)	(819.739)	(906.921)
Total	<u>(819.739)</u>	<u>(906.921)</u>
Interest expense on lease liabilities (Note 29)	(429.428)	(186.182)
Total	<u>(429.428)</u>	<u>(186.182)</u>

The total cash out flow for lease payments in 2025 was €1.086.204 (2024: €1.051.097).

The rent expenses recognized in the statement of profit or loss for short-term and low values leases, as permitted by the exemption of IFRS16, amounted to €216.920 for 2025 (2024: €252.377) (Note 10).

(iv) Impairment of right of use assets

Management considered the prevailing economic conditions and the impact that these had on the Company's operations, results and cash flows, in determining whether there are any indications of impairment of Right of use assets. The company notes that no such indications arise.

Leases as lessor

The Company leases out its investment properties consisting of its owned commercial properties. All leases are classified as operating leases.

Rental income recognised by the Company during 2025 was €864.633 (2024: €844.546).

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

	2025 €	2024 €
Less than one year	560.136	567.042
One to two years	459.105	302.768
Two to three years	218.898	218.838
Three to four years	134.128	212.478
	<u>1.372.267</u>	<u>1.301.126</u>

ERB Cyprialife Limited

Notes to the financial statements

31 Events after the reporting date

The geopolitical situation in Middle East escalated on 28 February 2026, with the actions taken by the United States and Israel against targets in Iran. Cyprus has experienced geopolitical sensitivity due to its proximity to the Middle East and the presence of the United Kingdom Sovereign Base Areas at Akrotiri and Dhekelia. As of the date of authorization of the financial statements, the conflict continues to evolve in Middle East as military activity persists.

The conflict has caused volatility in global energy markets and disruptions to the supply of oil and gas, contributing to increased uncertainty in commodity prices and potential inflationary pressures. Broader consequences have also been observed in financial markets and global supply chains, particularly affecting energy and transportation sectors, as heightened geopolitical tensions around key shipping routes add to market uncertainty.

The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty at this stage, due to the pace at which the conflict is evolving and the high level of uncertainties arising from the inability to reliably predict the outcome.

There are events that are indicative of conditions that arose after the reporting period. Therefore, these are considered as a non-adjusting event and thus, are not reflected in the recognition and measurement of the assets and liabilities in the financial statements as at 31 December 2025.

Although the Group has very limited direct exposure, the conflict may still create negative effects on the Cypriot economy. Rising energy prices, fluctuations in foreign exchange rates, increased financial market volatility, supply chain disruptions and intensified inflationary pressures may indirectly impact the operations and financial results of the Group. In addition, any potential adverse effects on the hospitality sector, may further influence economic activity and business conditions. The indirect implications remain uncertain and will invariably depend on the extent and duration of the conflict.

Management has considered the unique circumstances and the risk exposures of the Group.

Independent auditor's report on pages 5 to 10.

These financial statements were authorized for issue by the Company's board of directors on 7th April 2026.

Notes to the financial statements

32 Additional information as per Cyprus Superintendent of Insurance directive

The tables below provide financial information in accordance with the requirements of order no. 7 of the accounting and reporting orders directive for the annual financial statements of insurance and reinsurance entities as issued by the Cyprus Superintendent of Insurance, in addition to requirements of Cyprus Companies' Law, Cap. 113 and IFRSs. The figures for 2025 disclosed in tables below include the results of Hellenic Life Insurance Company Limited (merged entity – note 2.1.1) for the whole 12 months of 2025, and not just for the post-merger period, consistent with the reporting made by the Company to the regulator and with the basis of preparation of solvency results and annual SFCR for 31 December 2025.

A)		2025	2025	2024	2024
		Gross premiums	Premiums ceded to reinsurers	Gross premiums	Premiums ceded to reinsurers
a) i)	Individual policies	200.049.303	7.967.857	143.169.039	5.983.434
a) ii)	Group policies	27.450.162	6.812.103	14.843.766	1.201.122
		227.499.465	14.779.960	158.012.805	7.184.556
b) i)	Periodic premiums policies	208.108.262	14.779.960	155.029.449	7.184.556
b) ii)	One-off premiums policies	19.391.203	-	2.983.356	-
		227.499.465	14.779.960	158.012.805	7.184.556
c) i)	Policies without profit participation	76.538.678	12.970.374	52.838.584	5.201.994
c) ii)	Policies with profit participation	166.094	68.209	192.768	66.201
c) iii)	Policies for which investment risk is borne by policyholders (unit-linked)	150.794.693	1.741.377	104.981.452	1.916.361
		227.499.465	14.779.960	158.012.804	7.184.556
Other					
	Non insurance contracts	20.190.594	-	23.548.396	-
	Unearned premium reserve	64.098	-	53.391	-
		247.754.157	14.779.960	181.614.591	7.184.556
B)		2025	2025	2024	2024
		Gross premiums	Premiums ceded to reinsurers	Gross premiums	Premiums ceded to reinsurers
1)	Non-Life	47.349.842	3.428.963	37.442.670	1.190.084
2)	Unit linked (Life)	150.960.786	1.809.586	105.174.220	1.982.562
3)	Terms and riders (Life)	14.234.642	3.052.374	12.921.269	3.150.146
4)	Other policies (Life)	14.954.195	6.489.037	2.474.645	861.764
		227.499.465	14.779.960	158.012.804	7.184.556
Other					
	Non insurance contracts	20.190.594	-	23.548.396	-
	Unearned premium reserve	64.098	-	53.391	-
		247.754.157	14.779.960	181.614.591	7.184.556

The total gross earned premiums amount to €227.499.465 (2024: €158.012.805), split between Life business €180.149.623 (2024: €120.570.134) and Non-Life business €47.349.842 (2024: €37.442.670).

The total gross written premiums amount to €227.563.563 (2024: €158.066.195), split between Life business €180.149.623 (2024: €120.570.134) and Non-Life business €47.413.940 (2024: €37.496.061).