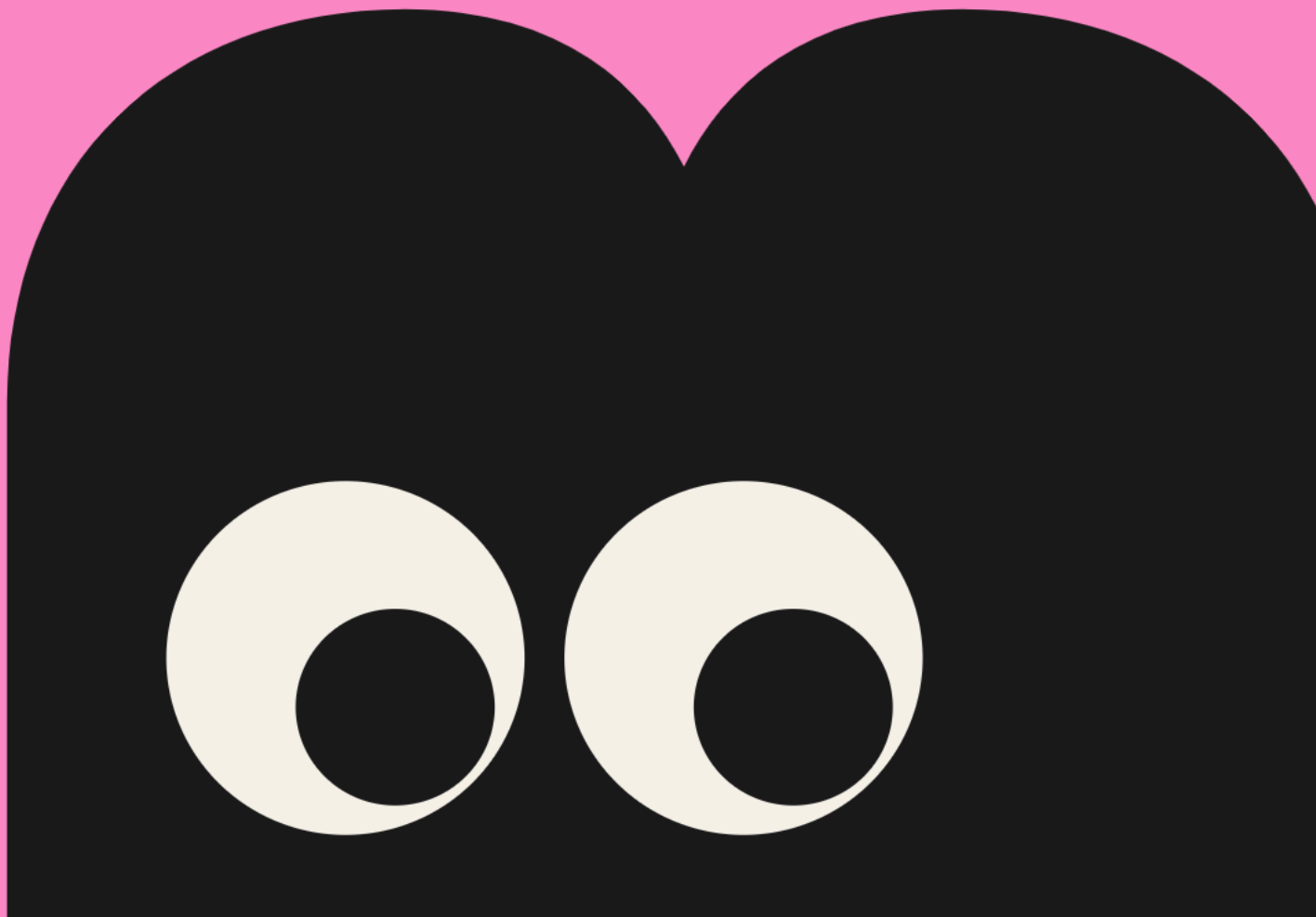


Solvency and Financial Condition Report FY25

Marshmallow Insurance Limited Group



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1. Introduction

This Solvency and Financial Condition Report ("SFCR") is an annual public disclosure and has been prepared in accordance with Section 52 of the Financial Services (Insurance Companies) Regulations 2020 (Gibraltar), which implements the requirements of EU Directive 2009/138/EC (Solvency II) as domesticated into Gibraltar law by virtue of the European Union (Withdrawal) Act 2019. This report covers the financial year ended 31 December 2025 ("FY25").

Marshmallow Insurance Limited ("MIL" or "the Company") is a Gibraltar-incorporated specialist motor insurer, licensed and regulated by the Gibraltar Financial Services Commission ("GFSC"). MIL underwrites personal motor insurance distributed exclusively in the United Kingdom through its affiliated broker, Marshmallow Financial Services Limited ("MFSL"), a UK entity authorised and regulated by the Financial Conduct Authority ("FCA"). MIL is a wholly-owned subsidiary of Marshmallow Technology Limited ("MTL"), the Group's ultimate UK holding company.

This SFCR is prepared on a Group basis in accordance with the Group Supervision requirements applicable to MIL under the GFSC's Solvency II framework. It therefore consolidates the positions of MTL, MIL and MFSL, with financial information presented at Group level unless otherwise stated. MIL is the sole insurance undertaking within the Group, and the report's primary focus is accordingly on MIL's controls, financial position and compliance with Solvency II requirements. Where information is equally applicable at both Group and Solo level, it is presented once; where it differs materially, this is highlighted.

FY25 was a year of transition for the UK motor insurance market. The significant rate increases seen in 2022 and 2023, driven by elevated claims inflation and supply chain pressures, began to unwind through 2025 as inflationary conditions normalised and claims frequency stabilised. Premium rates softened progressively across the market during the year, reflecting competitive pricing dynamics, particularly through price comparison websites, presenting a more challenging trading environment for specialist insurers. Uncertainty nonetheless remained across the broader environment, notably around the potential impact of US trade tariffs on vehicle parts and repair costs, the ongoing review of the Ogden discount rate, and evolving regulatory expectations around the responsible use of artificial intelligence in pricing and underwriting. Consumer Duty remained fully embedded as the regulatory baseline, with the FCA maintaining its focus on fair value outcomes and pricing transparency. For Marshmallow, FY25 represented a year of sustained profitability and financial strengthening, with a deliberate reduction in new business volumes in response to the softening market backdrop, building on the profitability milestone achieved in FY24. Further detail on MIL's performance and the market conditions that shaped it is set out in Section A.

MIL calculates its Solvency Capital Requirement ("SCR") using the Solvency II Standard Formula, which the Board considers an appropriate basis given the nature, scale and complexity of the

Group's operations. MIL has not applied any long-term guarantee measures, transitional measures, matching adjustments, or volatility adjustments in the preparation of this report. A Capital Add-On applied by the GFSC, reflecting risks associated with sliding scale commissions on the Group's reinsurance quota share arrangements, remains in place for FY25 and is reflected in the SCR figures reported herein.

The report is organised into five sections: Business and Performance (Section A), System of Governance (Section B), Risk Profile (Section C), Valuation for Solvency Purposes (Section D), and Capital Management (Section E) including the Directors' Responsibility Statement, followed by the Quantitative Reporting Templates.

2. Executive Summary

Marshmallow Insurance Limited ("MIL") launched in 2020 and continues to grow its UK personal motor insurance portfolio, with a target market of people who have moved to the UK and UK-born customers who are underserved by traditional insurers. MIL distributes solely through its affiliated broker, Marshmallow Financial Services Limited ("MFSL"), which distributes the Marshmallow product via all major UK price comparison websites. MIL uses the Group's technology infrastructure and MFSL to deliver pricing, underwriting, data management, counter-fraud and claims management, including complaints handling.

This SFCR covers the financial year ended 31 December 2025 ("FY25") and is organised into five sections, summarised below.

2.1 Section A: Business and Performance

Section A sets out the legal structure of the Group, details the related parties that support MIL's operations, and evaluates performance during the year.

MIL's underwriting activities are focused exclusively on UK personal motor insurance. Strong performance depends on the capability of MIL's underwriting, pricing and data teams, who work to mitigate adverse selection through rigorous data analysis and advanced modelling techniques. MIL's claims management arrangements, operated through MFSL, combine proactive claims handling with sophisticated fraud detection systems.

Our investments are managed by Union Bancaire Privée and Deutsche Bank. The core investment portfolio comprises government bonds, investment-grade corporate bonds and money market funds. Our investment strategy focuses on cash, government and low risk corporate bonds overseen by the named specialised investment banks.

In the ever-evolving landscape of the UK motor insurance market in 2025, customer outcomes remained at the forefront of Marshmallow's strategies. The implementation of Consumer Duty in

2023 continued to shape regulatory expectations throughout 2025, reinforcing the industry's focus on delivering fair value and improved customer experiences. Meanwhile, FY25 was a more challenging trading year for specialist motor insurers, as the market-wide softening of premium rates that gathered pace through the year created a more competitive environment. Against this backdrop, MIL maintained its focus on underwriting discipline, building on the profitability milestone achieved in FY24. Gross written premiums for the year were £230,617k (FY24: £248,693k), with an underwriting profit of £2,551k (FY24: profit of £4,075k). Further detail on underwriting and investment performance is set out in Section A.

Additionally, Operational Resilience remained a key area of focus, ensuring that Marshmallow could withstand, adapt to, and recover from disruptions, including supply chain constraints, evolving cyber threats, and regulatory changes. Investments in technology, process efficiencies, and contingency planning strengthened the company's ability to maintain seamless service delivery and protect policyholders in a dynamic and uncertain environment.

The Series C equity raise of £30 million and the £40 million debt facility from BlackRock/CLP, both secured in May 2025, have materially strengthened the Group's capital base and provide a platform for continued growth. Marshmallow's ambition is to become a one-stop financial services provider for newcomers to the UK.

Following the Tier 2 subordinated debt of £5,000k from Swiss Re in September 2024, MIL received a further Tier 2 subordinated debt of €18,000k from Cohen & Co. in October 2025.

2.2 Section B: System of Governance

Within Section B, we outline the governance frameworks employed by the Board to govern and supervise the Company's operations. MIL's Board delegates responsibility to a number of specialised committees and forums. Furthermore, we delve into the mandates and duties of these committees, along with detailing the function holders for Internal Audit, Risk, Compliance, Actuarial, Finance, Claims and Underwriting.

2.3 Section C: Risk Profile

The Board has ratified several policies to establish acceptable risk thresholds and provide operational guidance on a day-to-day basis. Risk assessment spans across various domains. The Audit, Risk and Compliance Committee (ARCC) conducts quarterly monitoring of risks, with any significant risk assessments also communicated to the Group. Additionally, the Board conducts the Own Risk and Solvency Assessment (ORSA) at least annually, using this document as a reference point throughout the year.

Section C sets out MIL's risk profile by reference to the contribution of each risk category to the Solvency Capital Requirement. The Board reviews and approves risk appetite on an annual basis

as part of the ORSA process. The Audit, Risk and Compliance Committee conducts quarterly monitoring of the risk profile, with material developments reported to the Group.

2.4 Section D: Valuation for Solvency Purposes

Section D provides a comprehensive summary of the methodologies used to value MIL's assets, technical provisions and other liabilities for Solvency II purposes, together with an explanation of any material differences compared to the UK GAAP financial statements. The Group reports under UK GAAP and the key differences between the two bases are explained in detail in this section.

2.5 Section E: Capital Management

It includes information on the capital structure of the Group and the Company, the solvency capital requirement and compliance with the internal and external capital requirements throughout the year. The Board considers the Group's risk appetite as part of the annual ORSA process and aims to maintain its solvency coverage at above 125% at Group level and 140% at Solo level.

Section E provides an overview of how the Group manages its capital to ensure adequate financial resources are in place at all times to meet policyholder obligations, regulatory requirements and maximise long term shareholder value.

The Board's capital risk appetite is to maintain solvency coverage at above 125% at Group level and above 140% at Solo level. At 31 December 2025, the Group's solvency coverage was 235% (FY24: 216%) with eligible own funds of £85,762k (FY24: £70,945k) and a Solvency Capital Requirement of £36,577k (FY24: £32,823k). MIL complied with both its SCR and its Minimum Capital Requirement throughout FY25.

The Group's own funds comprise Tier 1 capital, being share capital, share premium and the reconciliation reserve, and Tier 2 capital in the form of the £5,000k subordinated loan facility provided by Swiss Re in September 2024, which matures in September 2034, and a further €18,000k Tier 2 capital subordinated loan facility provided by Cohen & Co. in October 2025 and maturing in January 2036. The capital strengthening effected through the Series C equity raise and the BlackRock/CLP debt facility in May 2025 has further enhanced the Group's financial resilience and capacity to support continued growth.

A. Business and Performance

A.1 General Information about the Business

This report sets out material information on the business, performance, systems of governance, risk profile, valuation for solvency purposes and capital management as required by Section 52(2)

of the Financial Services (Insurance Companies) Regulations 2020 and complies with Marshmallow's Disclosure and Reporting Policy.

Marshmallow Insurance Limited ("MIL" or the "Company") is a specialist motor insurer underwriting business sold in the United Kingdom ("UK"). MIL was incorporated in October 2020, licensed and regulated in December 2020 in Gibraltar and is directly owned by Marshmallow Technology Limited ("MTL" or the "Holding company") which was incorporated in the UK in November 2016. MIL's Solvency and Financial Condition Report ("SFCR") has been completed on a group basis by including the holding company and its other subsidiaries. MIL is the only insurance company in the Marshmallow group, consequently the SFCR mainly focuses on MIL's controls and compliance with the requirements of Section 52 of the Financial Services (Insurance Companies) Regulations 2020. All financial information reflects the position of Marshmallow Group (also referred to as the "Group" or "MTL Group"), unless otherwise stated.

MIL exists to underwrite business distributed by a UK subsidiary of MTL, Marshmallow Financial Services Ltd ("MFSL").

MFSL was incorporated in October 2017 and started selling policies in September 2018. MFSL is the sole distributor of policies underwritten by MIL. MFSL also distributes motor insurance policies for another insurer and other insurance products sold alongside motor policies underwritten by MIL, so called "add-ons" such as legal expenses, which are not underwritten by MIL.

The registered addresses of the principal entities relevant to this SFCR are as follows:

MIL

Fiduciary, PO Box 204, 23 Portland House, Glacis Road, Gibraltar, GX11 1AA.

MIL is incorporated in Gibraltar (120387) and is a private company limited by shares.

MFSL

66 City Road, London, England, EC1Y 1BD

MTL

66 City Road, London, England, EC1Y 1BD

Each company is a company limited by shares. MTL owns 100% of the shares of both MFSL and MIL.

MIL is supervised by the Gibraltar Financial Services Commission and MFSL is supervised by the Financial Conduct Authority in the UK.

MIL is permitted to underwrite the following classes of business in the United Kingdom: Class 3 (Land vehicles), Class 8 (Fire and Natural Forces), Class 9 (Damage to Property), Class 10 (Motor Vehicle Liability) and Class 13 (General Liability). MIL currently underwrites personal motor insurance only. The Company has obtained regulatory permission to write home insurance and is targeting a product launch in Q3 2026, initially on a co-insurance basis with an established insurance carrier.

MFSL is the broker and is regulated by the Financial Conduct Authority in the United Kingdom.

MTL is owned by a number of investors. Those investors with a significant (>10%) shareholding are listed below.

As at end of 2025:

Alexander Kent-Braham - 23%

Oliver Kent-Braham - 23%

Hedosophia - 12%

Passion Capital - 10%

Others - 32%

Supervisory Authority

Gibraltar Financial Services Commission
Suite 3, Ground Floor
Atlantic Suites
Europort Avenue
Gibraltar
GX11 1AA

Financial Conduct Authority
12 Endeavour Square
London
E20 1JN

Auditors

EY
PO Box 191
Suite 3C Ground Floor
Regal House
3 Queensway Gibraltar, GX11 1AA

A.2 Significant Business / Other Events

Market Overview

FY25 was a year of transition and increasing pressure for the UK motor insurance market. Following two consecutive years of significant rate hardening driven by elevated claims inflation, the market entered 2025 with premiums materially above prior year levels but facing growing competitive pressure as improved loss ratios encouraged insurers to reduce rates in order to retain and attract customers. Consumer premiums fell by approximately 10% during 2025, equating to an average saving of around £54 per policy, as firms lowered rates to keep pace with competition. As a result, the market is forecast to only break even in 2025 with a net combined ratio of around 101%, before moving into loss in 2026.

A significant and welcome development for the market at the start of the year was the conclusion of the long-running Ogden discount rate review. In December 2024, the Lord Chancellor announced an increase to the Personal Injury Discount Rate in England and Wales from minus 0.25% to plus 0.5%, effective from 11 January 2025, returning the rate to positive territory for the first time since 2017. The change triggered one-off reserve releases across the market's motor insurers, with the magnitude varying by company and most pronounced for those with the lowest levels of reinsurance utilisation. For motor insurers, the higher rate reduces the size of lump sum compensation payments for serious personal injury claims, providing a meaningful and long-awaited reduction in large bodily injury claims costs and bringing greater certainty to reserving across the market.

Notwithstanding this positive development, cost pressures re-emerged through the course of the year. High repair costs, more expensive vehicle technology and the return of claims inflation, combined with falling premium income, squeezed insurer margins through 2025. The introduction of US trade tariffs added further uncertainty around the cost of imported vehicle parts and repairs, creating an inflationary risk to claims costs that the market will need to absorb through 2026.

The regulatory environment continued to evolve throughout FY25. Consumer Duty remained fully embedded as the baseline standard, with the FCA maintaining close scrutiny of fair value outcomes, renewal pricing practices and product governance across the market. Algorithmic pricing and the responsible use of artificial intelligence in underwriting and claims handling remained areas of active regulatory focus. Operational resilience and cybersecurity continued to be board-level priorities across the industry, with firms required to evidence their ability to withstand, adapt to and recover from disruptions to their critical business services.

Focus on Marshmallow

Building on the profitability milestone achieved for the first time in FY24, Marshmallow continued to strengthen its financial position during FY25. The Group's performance reflects the sustained

benefits of underwriting discipline, ongoing improvements to pricing models, loss ratio, claims handling capabilities and fraud intelligence, and a continued focus on serving the core UK migrant market and underserved UK-born customers.

MIL required no capital contribution from MTL during FY25, reflecting the increasing financial self-sufficiency of the insurance company and the quality of its underlying underwriting performance. In addition, during FY25 MIL received €18,000k in Tier 2 subordinated debt from Cohen & Co., further strengthening MIL's balance sheet and providing additional capacity to support continued growth and resilience against trading headwinds.

During FY25, MTL raised £30 million through a Series C funding round, valuing the business at just over \$2 billion, and MFSL secured £40 million of debt funding from BlackRock/CLP, part of which was used to repay the existing TriplePoint facility. These transactions reflect the confidence of external investors in the Marshmallow business model and provide the Group with the financial platform to pursue its broader ambition of becoming a one-stop financial services provider for newcomers to the UK.

The Board was actively involved in monitoring and responding to the external environment throughout FY25. Strategic decisions, including pricing adaptations in response to market softening, continued investment in digital infrastructure and fraud detection capabilities, and preparation for the planned launch of the home insurance product, were reviewed and approved at Board level. Regular reporting was provided through the Audit, Risk and Compliance Committee and the Underwriting and Claims Committee. The Board's oversight ensured that these developments remained aligned with the Company's long-term objectives and regulatory expectations.

A.3 Underwriting Performance

MIL prepares its financial statements in accordance with UK Generally Accepted Accounting Principles ("UK GAAP") and the underwriting performance information given in this section is therefore on a UK GAAP basis. All business is written in the UK, and the underwriting performance of MIL is not materially different to that of the Group.

For the year ended 31 December 2025, MIL reported an underwriting profit of £2,551k (FY24: £4,075k). The reduction of £1,524k reflects a combination of higher net claims and increased technical expenses, partially offset by a significant increase in risk free income.

MIL 2025 (£000's)	2025	2024	Variance	Variance %
Gross written premium	230,617	248,693	(18,076)	(7%)
Reinsurers' share	(226,295)	(250,873)	24,578	(10%)
Net written premiums	4,322	(2,180)	6,502	298%
Gross earned premium	257,318	202,895	54,423	27%
Reinsurers' share	(256,049)	(206,449)	(49,600)	(24%)
Net earned premium	1,269	(3,554)	4,823	136%
Net claims	(34,460)	(29,931)	(4,529)	(15%)
Technical expenses	(9,529)	(6,866)	(2,663)	(39%)
Risk free income	7,176	296	6,880	2324%
Reinsurance commissions	38,095	44,130	(6,035)	(14%)
Underwriting result	2,551	4,075	(1,524)	(37%)

Gross written premiums reduced by 7% year-on-year to £230,617k (FY24: £248,693k), driven by lower new business volumes as MIL maintained underwriting discipline in response to market softening, while retention and renewal rates remained broadly in line with the prior year.

Net claims increased by £4,529k to £34,460k, driven primarily by deterioration in prior year Ultimate Loss Ratios across certain heads of damage.

Technical expenses increased by £2,663k to £9,529k, driven principally by the change in claims handling fee estimate applied during the year, with a smaller contribution from higher industry levies reflecting the increased levy percentage applicable in 2025.

Risk free income increased materially to £7,176k (FY24: £296k), reflecting income received under intra-group arrangements, which increased significantly during the year.

Reinsurance commission income decreased to £38,095k (FY24: £44,130k), consistent with higher Ultimate Loss Ratios reducing the profit commission accrual relative to the prior year.

The following tables show underwriting income for the years ended 31 December 2025 and 2024 by lines of business.

MIL 2025 (£000's)	Motor Vehicle Liability	Other Motor Insurance	Total
Gross written premium	57,654	172,963	230,617
Reinsurers' share	(56,574)	(169,721)	(226,295)
Net written premiums	1,081	3,242	4,322
Gross earned premium	64,330	192,989	257,318
Reinsurers' share	(64,012)	(192,037)	(256,049)
Net earned premium	317	952	1,269
Net claims	(8,615)	(25,845)	(34,460)
Technical expenses	(2,382)	(7,147)	(9,529)
Risk free income	1,794	5,382	7,176
Reinsurance commissions	9,524	28,571	38,095
Underwriting result	638	1,913	2,551

MIL 2024 (£000's)	Motor Vehicle Liability	Other Motor Insurance	Total
Gross written premium	62,173	186,520	248,693
Reinsurers' share	(62,718)	(188,155)	(250,873)
Net written premiums	(545)	(1,635)	(2,180)
Gross earned premium	50,724	152,171	202,895
Reinsurers' share	(51,612)	(154,837)	(206,449)
Net earned premium	(889)	(2,666)	(3,554)
Net claims	(7,483)	(22,448)	(29,931)
Technical expenses	(1,717)	(5,150)	(6,866)
Risk free income	74	222	296
Reinsurance commissions	11,033	33,098	44,130
Underwriting result	1,019	3,056	4,075

MIL premiums, claims and expenses are not typically allocated to these individual lines of business for the purposes of internal or external reporting and therefore simplifications have been used to allocate premiums, claims and expenses for the purposes of QRT disclosure.

A.4 Investment Performance

MIL's investment portfolio is managed in accordance with its Board-approved Investment Policy, which prioritises capital preservation over return and requires all investments to comply with the prudent person principle. The policy sets explicit limits on asset class, duration, credit quality and counterparty concentration. Investments are managed by Union Bancaire Privée and Deutsche Bank under mandates consistent with these parameters.

As at 31 December 2025, invested assets (fixed income bonds and collective investment undertakings (CIUs)) totalled £103,570k (FY24: £63,098k). The increase reflects the deployment

of the full proceeds of the €18,000k Tier 2 subordinated loan facility received from Cohen & Co. in October 2025 into CIUs, alongside continued organic cash generation. As a result, CIUs increased from 6% to 36% of the total portfolio, while fixed income bonds reduced from 58% to 42%. All fixed income bonds and CIUs are 100% investment grade, consistent with the investment policy credit quality requirements.

MIL 2025 (£000's)	2025	2024
Fixed income	55,230	57,474
Collective investment undertakings	48,340	5,624
Cash & deposits	29,071	35,400
Total	132,641	98,498

MIL's investment policy permits non-GBP investments where matched to existing or foreseeable non-GBP liabilities. The euro-denominated subordinated loan is economically matched by investment of the equivalent proceeds in euro-denominated assets, and the net foreign exchange exposure is not considered material to MIL's solvency position.

MIL 2025 (£000's)	2025	2024	Variance	Variance %
Unrealised gains and losses	2,318	(34)	2,352	6918%
Net gains and losses	(164)	(64)	(100)	(156%)
Interest	2,019	1,985	34	2%
Investment expenses	(331)	(136)	(195)	143%
Total	3,842	1,751	2,091	119%

For the year ended 31 December 2025, the investment portfolio generated a net return of £3,842k (FY24: £1,751k), an increase of £2,091k. The portfolio moved from net unrealised losses of £34k in FY24 to net unrealised gains of £2,318k in FY25, reflecting mark-to-market appreciation as market interest rates eased during the year. Interest income of £2,019k remained broadly stable year-on-year (FY24: £1,985k), reflecting the transition in portfolio composition toward CIUs, which generate returns primarily through price appreciation rather than coupon income. Investment expenses increased to £331k (FY24: £136k), reflecting management fees associated with the larger portfolio.

A.5 Performance of Other Activities

Not Applicable.

A.6 Any other Information

There are no other material matters with regard to the Company's performance.

B. Systems of Governance

B.1. General Information on Systems of Governance

Marshmallow has a Systems of Governance designed to be effective and at the same time proportionate to the nature and scale of its operations. The System of Governance is aligned with the Group's business strategy and aids in the prudent management of the group and constituent companies without eroding the Marshmallow core values which are:

- We maximise impact, fast
- We relentlessly improve
- We have a low ego

These values are embedded in how the Board and management approach risk, governance and customer outcomes, and are considered alongside regulatory obligations in all material decisions.

B.1.1 The Group Structure

The Marshmallow Group consists of three material incorporated limited companies, each playing a distinct role in the Group's operations:

Marshmallow Technology Limited ("MTL") is registered in the United Kingdom and is the Group's ultimate holding company. MTL is the sole shareholder of both MIL and MFSL, and holds the Group's central capital and liquidity resources. MTL is not itself a regulated entity for insurance purposes.

Marshmallow Insurance Limited ("MIL") is incorporated in Gibraltar and regulated by the Gibraltar Financial Services Commission. MIL is the sole insurance undertaking within the Group, permitted to underwrite Class 3 (Land vehicles), Class 8 (Fire and Natural Forces), Class 9 (Damage to Property), Class 10 (Motor Vehicle Liability) and Class 13 (General Liability) in the United Kingdom. MIL currently underwrites personal motor insurance only, with a home insurance product planned for launch in Q3 2026, initially on a co-insurance basis.

Marshmallow Financial Services Limited ("MFSL") is registered in the United Kingdom and regulated by the Financial Conduct Authority. MFSL acts as the sole distributor of MIL's insurance products, marketing them exclusively through major UK price comparison websites. MFSL also handles policy administration, claims management and counter-fraud operations on behalf of MIL under a services agreement.



Principal entities relevant to this SFCR



★ MIL is the sole insurance undertaking within the Group and the primary focus of this SFCR

All entities are 100% owned by MTL - Shareholdings as at 31 December 2025

The three entities above are the principal entities relevant to this SFCR. Other entities within the wider MTL corporate structure have lower risk profiles and are not material to the Group's insurance operations or solvency position.

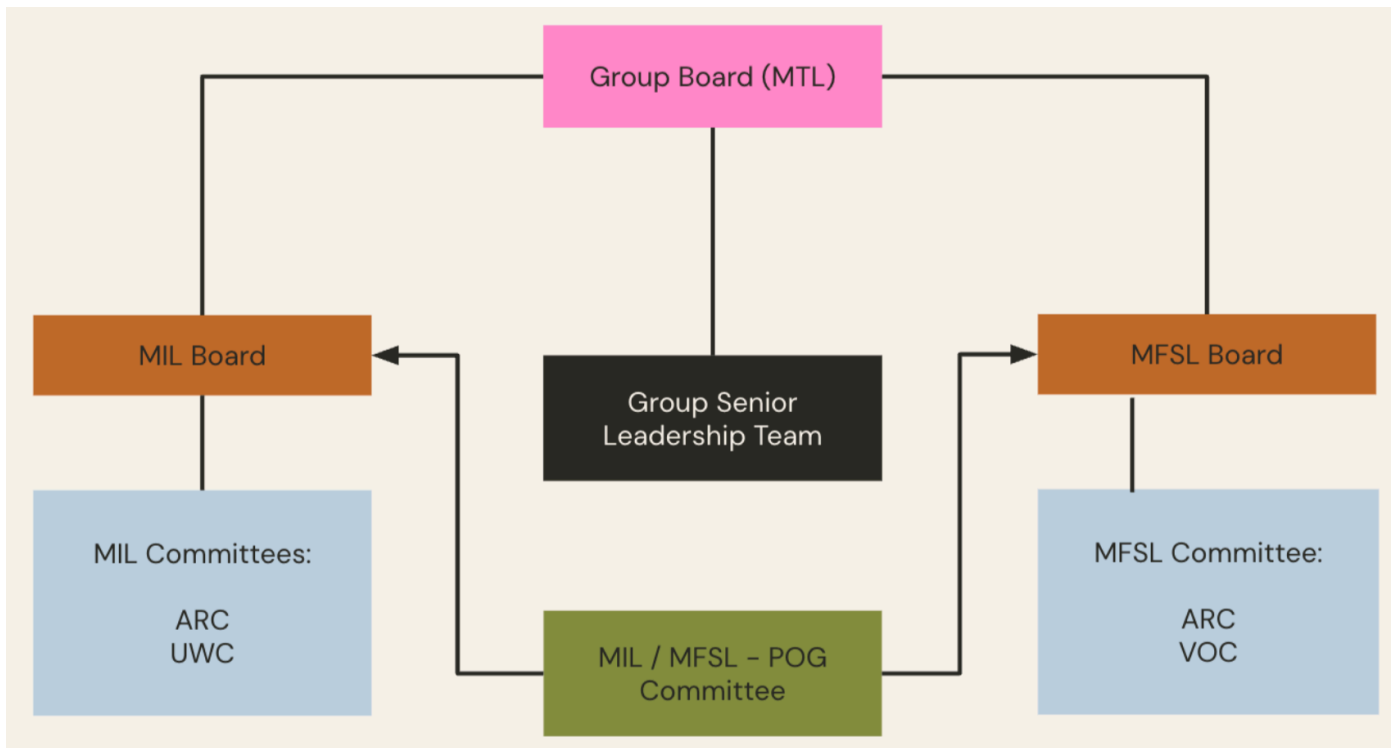
Group structure



B.1.2. Group Management and Leadership

The Group Structure has several organs of management which include the individual company's Boards of Directors and Board Committees and an overall Senior Leadership Team that sits between MTL, as the Group Holding Company, and the two subsidiaries MIL and MFSL.

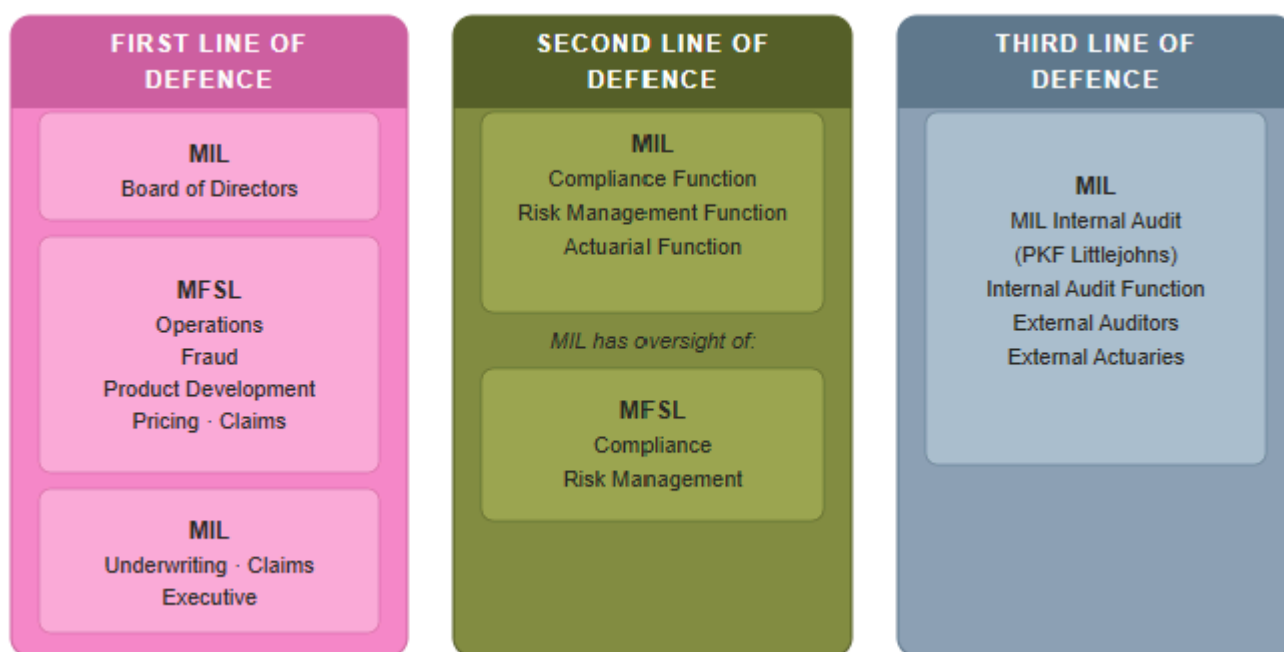
The diagram below illustrates the structure of Group Management and Leadership:



Given the co-manufacturing relationship between MIL and MFSL, Marshmallow has established a joint Product Oversight and Governance Committee, bringing together representatives from both entities to provide integrated oversight of product design, distribution and ongoing suitability. This structure ensures clear accountability across the full product lifecycle, from underwriting and pricing through to customer-facing distribution and outcomes monitoring, in line with both the GFSC and the FCA’s product governance requirements and Consumer Duty obligations.

B.1.3 MIL Governance

MIL has adopted a three lines of defence governance model, which provides a clear and structured framework for the identification, management, oversight and independent assurance of risk across the organisation. A diagrammatic representation of this model is set out below.



First Line of Defence

The First Line of Defence has ultimate decision making authority and responsibility and its focus is as follows:

- Operational decision making to execute and implement MIL's strategic objectives.
- Facilitation & oversight of the business plans of MIL and delivery against predetermined goals.
- Day to day management of business activities.
- Management of the risk profile of the business, in line with MIL Board and Stakeholders expectations.

The First Line of Defence includes the MIL Board of Directors.

Second Line of Defence

The Second Line of Defence operates independently of the First Line and provides oversight, challenge and assurance to the MIL Board that the risk management framework is operating effectively and that MIL's risk profile remains within Board-approved appetite. The Second Line encompasses the Compliance Function, the Risk Management Function and the Actuarial Function, supported by the Audit, Risk and Compliance Committee ("ARCC") which acts as the primary governance forum for Second Line activity. Key responsibilities include:

- Providing independent oversight and challenge of First Line risk management and decision making.

- Monitoring MIL's risk profile and reporting material risk exposures, emerging risks and risk events to the Board, with recommended actions, owners and timescales where risk appetite is breached.
- Maintaining and developing the risk management framework, compliance framework and actuarial function in line with regulatory requirements and best practice.
- Supporting the Board in the preparation and review of the ORSA, the SFCR and capital management decisions.

The MIL Audit, Risk and Compliance Committee is the main component of the Second Line of Defence. However, it also encompasses other governance and support functions including (but not restricted to) the following:

- Compliance Function supported by robust Compliance Policy and Procedures;
- Actuarial Function
- Risk Management Function

Third Line of Defence

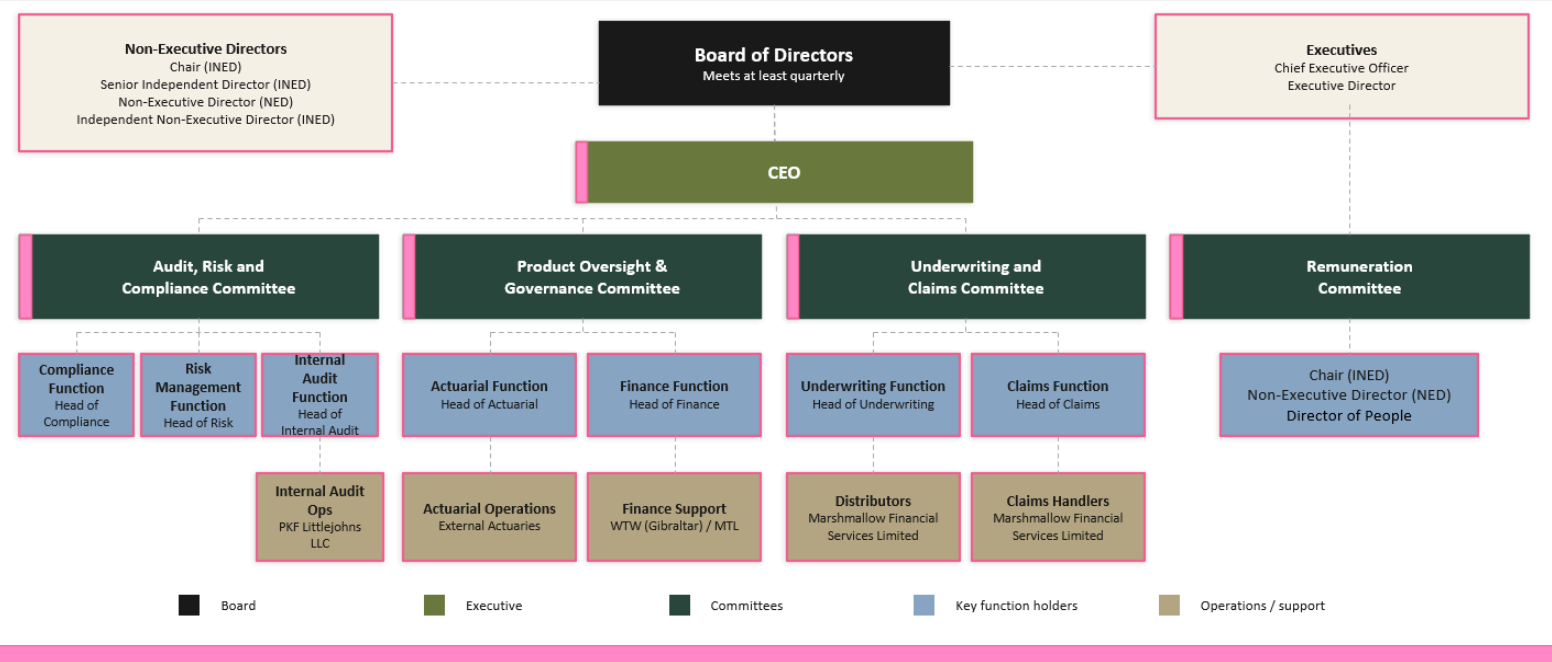
The Third Line of Defence provides wholly independent assurance to the MIL Board and the ARCC on the adequacy and effectiveness of the First and Second Lines of Defence, including the integrity of the risk management framework and the system of internal controls. The Internal Audit function is outsourced to PKF Littlejohns LLC, a third party professional services firm, bringing independent and objective assessment of MIL's governance, processes and controls. Internal Audit reports directly to the ARCC, preserving its independence from executive management. Audit activity is conducted in accordance with an annually agreed audit plan, which is risk-based and approved by the ARCC prior to commencement.

Key Functions

MIL currently operates via a Board and three committees together with a number of Key Functions as required by the Financial Services Act 2019 Part 8 and Schedule 14 and 15 as listed below:

- Chief Executive Officer
- Compliance Function Holder
- Risk Management Function Holder
- Actuarial Function Holder
- Internal Audit Function Holder
- Underwriting Function Holder
- Claims Function Holder
- Finance Function Holder
- COO (MIL was granted a regulatory waiver in respect of this function in October 2023, which remains in place)

As at 31 December 2025, the relationship between the Board, Committees and Key Functions is detailed in the diagram below:



These key functions work within MIL’s “three lines of defence”.

Board of Directors

The principal role of the Board of Directors is to set and determine the strategic direction of the company.

The MIL Board as at 31 December 2025 consisted of six directors whose roles were as follows:

Non-Executives

- Karl Bedlow: Chair and Independent Non-Executive Director (INED)
- Kathryn Morgan: Independent Non-Executive Director (INED)
- Tanis Crosby: Non-Executive Director (Shareholder representative)
- Peter Isola: Independent Non-Executive Director (INED)

Executives

- Paula Coulthard Griffiths - Chief Executive Officer and Executive Director

- David Coughlan: Executive Director¹

The Board will continue to consist of six Directors, 50% of whom are Independent Non-Executive directors.

Subsequent to 31 December 2025, a number of changes to Board composition took effect. Karl Bedlow stepped down as Chair and Independent Non-Executive Director, with Peter Isola assuming the role of Chairman in the interim, subject to GFSC regulatory approval. Oksana Duyunova appointed as Executive Director (Head of Finance). Donovan Schembri was appointed as Independent Non-Executive Director, subject to GFSC regulatory approval. The Board considers its composition to remain appropriate and proportionate to the nature and scale of the Company's operations following these changes.

According to its constitution and Terms of Reference, the Board appoints and delegates operational responsibilities to the Chief Executive Officer (CEO) as contained in the relevant CEO Statement of Responsibilities. The CEO has the Board's authority to set out responsibilities and objectives of all executive directors and managers of the company as recorded in their respective Statements of Responsibilities.

Through delegated authorities approved by the Board, the CEO delegates some of their responsibilities and powers to the executive directors in order for them to exercise their responsibilities effectively.

The Board Terms of Reference also limits the authority of the CEO where they may not, without Board approval:

- Change the business plan where the change would mean an increase or decrease of 10% of Gross Written Premium or operating expenses;
- Introduce new underwritten products;
- Bind MIL on any contract with a financial cost of over £100,000;
- Appoint a new director.

The Board Terms of Reference, the Statements of Responsibilities and the CEO Delegated Authorities are reviewed on an annual basis for applicability and efficiency or whenever a change to the Governance control framework or structure is implemented.

The Board's responsibilities, as set out by its Terms of reference are as follows:

- Strategy & Management

¹David Coughlan stepped down as Chief Executive Officer and was succeeded by Paula Coulthard Griffiths in December 2025.

- Set and approve the Company's strategy, business plan, objectives and annual budget, any material changes to them and once approved by the Board ensure their successful implementation.
 - Approve the annual operating and capital expenditure budget and any material changes to them.
- Financial
 - Approve the Company's statutory accounts and the Company's representation letter addressed to the external auditors, following review and recommendation for the Audit, Risk and Compliance Committee (the **ARCC**).
 - Monitor and manage the Company's Financial Performance.
 - Approve the Company's Dividend Policy and proposals of interim dividend payments and recommending payment of the final dividends to be paid by the Company or any other distributions by the Company.
- Risk Management and Internal Controls
 - Constitute the ARCC to manage and discharge its responsibilities as set out in its Terms of Reference.
 - Set and approve the Company's Risk Management Policy including risk appetite and risk threshold levels and risk limits;
 - Manage any new or existing Conflicts of Interests;
 - Ensure the Company's oversight functions, Internal Audit, Risk Management and Compliance, are sufficiently resourced;
 - Obtain updates via the Chair of the ARCC;
 - On advice from the ARCC, consider the appointment and re-appointment of both external and internal auditors;
 - Appoint the Chair of the ARCC as the Internal Audit function holder;
 - Appoint the Compliance and Risk Management Function Holder.
 - Notes and approve changes to policies.
 - Monitor adherence to Consumer Duty and Operational Resilience requirements.
 - Review performance of the Board.
 - Monitor Service Level Agreement performance of MTL delegated services
- Regulatory
 - Supervise and manage the Own Risk and Solvency Assessment (ORSA) Process;
 - Review and approve the SFCR;
 - Approve the Annual Quantitative Reporting (AQRTs) to the regulator. Approval of Quarterly Quantitative Reporting (QRTs) is delegated to the ARCC;
 - Consider and approve MTL Reserved matters for the Board.

- Underwriting, Pricing and Claims
 - Constitute the Underwriting and Claims Committee (UWCC) to manage the Underwriting, Pricing and Claims Functions.
 - Review and approve the Underwriting Policies and guidelines;
 - Review and approve the Claims Philosophy and related claims procedural documentation;
 - Appoint the Claims and Underwriting function holders.

- Actuarial and Reserving
 - Appoint the Actuarial Function Holder;
 - Approve the following after consideration of the recommendations of the ARCC and the report of the Actuarial Function Holder:
 - The level of claims provisions it believes to be appropriate;
 - The amount of reserving margin.
 - Approval of the AQRT

- Products and Third-Party Relationships
 - Maintain oversight of the material contracts;
 - Maintain oversight of material outsourced and contractual relationships after consideration of the UWCC;
 - Maintain oversight of material changes to existing services, products and launch of new services and products;
 - Maintain oversight of Fair Value Assessments and Customer Outcomes.

- Investments
 - Retain responsibility for the management of investments.
 - Approve the investment policy and manage investments in accordance with it.
 - Approve the appointment of Investment Managers.
 - Maintain oversight of adherence to the investment mandate.

- Reinsurance
 - The board considers the recommendations of the ARCC and receives the related report or proposals from the Reinsurance & Capacity Manager.
 - Review and approve the Reinsurance Policy on an annual basis.

- Review and approve the reinsurance programme including the reinsurance purchase.

The Board is directly responsible for overseeing the Company's risk, capital and compliance strategy. Directors receive regular updates from key function holders and meet quarterly to review progress against the business plan, performance metrics, risk appetite thresholds and regulatory compliance. The Board also reviews stress scenarios and reverse stress testing outputs as part of its annual ORSA review.

Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee (ARCC) as at 31 December 2025 consisted of two INEDs (Kathryn Morgan and Karl Bedlow) and one NED (Tanis Crosby). The Chair of the committee was Kathryn Morgan, an INED who is not the Board Chair. She also held responsibility for the Internal Audit Function and served as the Board Consumer Duty Champion and SID.

The ARCC's main role is to assist the Board in meeting its responsibilities with respect to the following:

- Regulatory matters;
- Financial reporting;
- The maintenance of effective internal controls;
- The maintenance of an effective risk management system;
- Direct liaison with external auditors.
- Approving QRTs
- Review claims reserves as reported by the Actuarial Function and externally by PwC.

The ARCC also ensures the independence of the Company's external auditors by providing a direct channel of communication between the external auditors and the independent non-executive directors.

The ARCC is also attended by the CEO, the Head of Risk and Compliance, The Head of Actuarial, the Head of Finance, Head of Claims / Insurance Director as invitees of the committee with no voting rights. The External Auditors and Internal Auditors also attend upon invitation. In addition, a Compliance representative from MFSL is invited to provide updates on matters that may impact MIL, supporting MIL in exercising its oversight responsibilities over outsourced and intercompany activities.

The main duties of the ARCC are as detailed below.

Compliance and Conduct Risk

- Monitors and reviews the effectiveness of the Company's Compliance function and Conduct Risk Framework.



- Considers and approves the remit of the Compliance function and validates that it has sufficient resources and appropriate access to information and management to allow it to perform its function effectively.
- Considers the scope and detail of the Compliance Risk Management Plan and the Annual Governance and Compliance Schedule.
- Monitors progress against the Compliance Risk Management Plan and the Annual Governance and Compliance Schedule, considers the major findings and assesses the adequacy of management's response.
- Reviews and monitors management's responsiveness to the findings and recommendations of the Compliance function.
- On an annual basis, reviews and recommends the Compliance Policy to the MIL Board for approval.
- Monitors through committee reporting that the business remains within its stated Regulatory Risk appetite, to ensure senior management decision making demonstrates appropriate consideration of conduct and regulatory risk.
- Provides independent challenge to the business regarding the alignment of controls, actions, decisions and behaviours.
- Monitors material Compliance Risk breaches of appetite or other material Regulatory Risk events and ensures that any remedial actions deliver the right customer outcomes.
- Meets the Compliance Function Holder at least once a year, without management present, to discuss their remit and any issues arising from their work.
- Monitors Consumer Duty Outcomes escalated by the POGC.
- Monitors Operational Resilience and escalates to the Board.

External Audit

- Considers and makes recommendations to the Board in relation to the appointment, re-appointment and removal of the Company's external auditor.
- Reviews the Company's annual audit plan.
- Appoints actuaries in respect of an independent review of the actuarial reserves.
- Oversees the relationship with the external auditor, including the scope of the audit.
- Assesses annually the external auditor's independence and objectivity, as well as the thoroughness, efficiency and effectiveness of the audit process, ensuring that the MIL Conflicts of Interest Policy is not transgressed through the use of the auditors.
- Meets regularly with the external auditor.
- Reviews the findings of the audit with the external auditor and any response from management, including a discussion of any major issues arising during the audit, any accounting and audit judgements, and levels of errors identified.
- Reviews and monitors management's responsiveness to the findings and recommendations of the external auditors.
- Reviews any representation letters requested by the external auditor before they are signed by management.

- Reviews the management letter and management's response to the auditor's findings and recommendations.

Financial Reporting

- Monitors the integrity of the financial statements of the Company, including its annual reports and accounts.
- Evaluates the adequacy of financial reporting.
- Reviews the Company's key financial controls, including the reconciliation of all financial reporting measures.
- Monitors the Company's procedures for ensuring compliance with regulatory and financial reporting requirements and its relationship with the relevant regulatory authorities.
- Reviews, discusses and approves the Solvency II Quarterly Quantitative Reporting Templates before submission to the regulator.
- Keeps under review the Company's statutory accounts and other published financial information, including reviewing and challenging where necessary the consistency of, and any changes to, accounting policies; the methods used to account for significant or unusual transactions; all material information presented with the financial statements; any significant adjustments resulting from the audit; the going concern assumption; and compliance with legal or regulatory requirements.

Internal Audit

- Monitors and reviews the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system.
- Considers and approves the remit of the internal audit function and validates that it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards.
- Considers the scope and detail of the Annual Internal Audit Plan, including a full review of the methodology used to construct the plan together with the risk assessment documentation.
- Ensures that the Company adheres to the requirements stipulated in the MIL Internal Control Policy, to those things required by the MIL Board and at all times in compliance with the Company's regulator.
- Reviews Internal Audit reports detailing key issues arising through their work and keeps under review the findings of Internal Audit and improvements made in response to those findings.
- Reviews and monitors management's responsiveness to the findings and recommendations of the Internal Auditor.

Actuarial and Reserving



- Reviews the quarterly actuarial reserve report produced by the Actuarial Function Holder and, where an independent external reserve review has been conducted, considers the findings of that review prior to final reporting to the Board.
- Recommends to the Board the level of reserves to be booked, based on input from the Actuarial Function Holder and, where applicable, the independent external actuarial review.
- Reviews the assumptions and methodology underlying the technical provisions under Solvency II, including the best estimate of liabilities, risk margin and any material changes to the valuation approach.

Internal Control Environment and Governance

- Assesses, on an annual basis, the internal control environment of the Company and makes recommendations to the Board as to the adequacy and robustness of the processes used.
- Comments as necessary on the maintenance of the Corporate Governance procedures.

Risk Management Systems

- Monitors and reviews the effectiveness of the Company's Risk Management Framework.
- Regularly reviews and appraises all Company risk management activities for the Board.
- Considers and recommends to the Board the nature and extent of the principal risks the Company is willing to take in achieving its strategic objectives.
- Reviews the risk landscape and the Company's capability to identify and manage new risk types, and ensures that a supportive risk management culture is embedded and maintained throughout the Company.
- Assesses the overall appropriateness and effectiveness of risk systems, management information and the development of any risk frameworks or models within the business, including review of scenario assumptions where used.
- Reviews at least annually a report from the Risk Management Function Holder and Compliance Function Holder on the effectiveness of risk management operations.
- Reviews and approves the Company Risk Appetite and Tolerance statements and submits recommendations to the Board for discussion and approval.
- Monitors and reviews the use of management information relating to the management of risk issues across the Company.
- Monitors and reviews all material outsourcing arrangements.
- Performs a supporting role in developing and maintaining Board-level awareness of risk management practices and monitors the effective use of those practices by senior and executive management.
- Assists the Board in the management of the ORSA process, taking responsibility for its compilation and assessing, on a forward-looking basis, the risks that the Company may face within the ORSA horizon, advising the Board accordingly.
- Monitors compliance with the conditions attached to the Capital Add-On imposed by the GFSC and reports to the Board on progress towards meeting the conditions for its removal.



- Meets the Risk and Compliance Function Holder at least once a year, without management present, to discuss their remit and any issues arising from their work.

Whistleblowing

- Reviews the Company's whistleblowing policy and arrangements for employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters, and ensures that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action.
- Reviews the Company's procedures for detecting fraud and the systems and controls for prevention of bribery, and receives reports on non-compliance and considers appropriate action.

Reinsurance

- Annually reviews the Reinsurance Policy and recommends it to the Board for approval.
- Reviews the reinsurance programme proposed by the executive directors ahead of any reinsurance purchase and makes recommendations to the Board about the suitability of the programme.
- Reviews the reinsurance purchase to ensure it is in line with the agreed reinsurance strategy and policy.
- Ensures compliance with the purchased reinsurance programme through reports from the executive directors and the Underwriting Quality Review activity undertaken by the Underwriting Function Holder.

Regulation

- Ensures adherence to all applicable UK and Gibraltar regulatory and legislative matters.

Reporting to the MIL Board

- The Chair of the Committee reports formally to the Board on matters discussed, addresses and highlights any issues raised in the ARCC following each committee meeting. Relevant information is provided at the following Board meeting, or immediately if considered of high importance.
- The Chair maintains regular dialogue with the Chairs of the Board and the other Board Committees.

Underwriting and Claims Committee

As at 31 December 2025, the membership of the Underwriting and Claims Committee (UWCC) consisted of the following:

- Chair (Chair of the Board)



- INED (Consumer Duty champion)
- Chief Executive Officer
- Claims Function Holder
- Underwriting Function Holder

The purpose of the UWCC is to assist the Board in meeting its responsibilities to deliver the strategic aims of the Company while managing risk arising from the key activities of underwriting, including pricing, and claims handling.

The main responsibilities of the UWCC are detailed below:

- Underwriting and Pricing
 - Annually reviews the Underwriting Policy and recommends it to the Board for approval.
 - Ensures compliance with Underwriting Policy via oversight of the Underwriting Quality Review process implemented by the Head of Underwriting.
 - Considers for approval all business opportunities or underwriting proposals brought by the Executive Directors which are outside the CEO's underwriting authority or outside the agreed underwriting policy.
 - Reviews and discusses reports from the Executive Directors on the actual and projected performance of the business including KPIs relating to volumes and loss ratios and provides guidance to the Executive Directors if warranted.
 - Reviews and discusses rate changes, underwriting acceptance changes, product changes, etc. made in the previous quarter and provides guidance to the Executive Directors if warranted.
 - Reviews and discusses any emerging areas of Underwriting Risk such as market trends or legislative changes and their potential impact and provides guidance to the Executive Directors as necessary.
- Claims and Reserving
 - Annually reviews the Claims Handling and Reserving policy and recommends it to the Board for approval.
 - Ensures compliance with the policy via oversight of Claims Quality Review activity undertaken by the Insurance Directors.

- Reviews and discusses reports from the Executive Director summarising the performance of the claims function and any emerging trends and provides guidance to the Executive Directors as warranted.
 - Receives a report from the Executive Directors on reported large claims to ensure that the claims are being adequately reserved.
 - Reviews annual Finalta benchmarking claims reports.
- Risk Management
 - Assists the Board in setting insurance risk strategy.
 - Assists the Board in setting insurance risk appetite and limits.
 - Ensures the insurance risk strategy is adhered to via the Underwriting and Claims policies, with suitable controls and assurance.
 - Provides input into the calculation of the Solvency Capital Requirement (SCR) and technical provisions relating to premium and reserving risk.
 - Provides input into the Own Risk and Solvency Assessment (ORSA) process relating to Insurance and operational risk.
- Delegated Authorities
 - Reviews and approves the delegated underwriting and claims authorities granted to MFSL, ensuring that the scope of delegation remains appropriate to MIL's risk appetite and regulatory obligations.
 - Monitors MFSL's exercise of its delegated authorities through regular management information and quality assurance reporting from the Underwriting and Claims Function Holders.
- Customer Outcomes
 - Monitors underwriting and claims performance against Consumer Duty obligations, reviewing data on customer outcomes, complaints trends and claims handling quality provided by the Executive Directors.
 - Ensures that pricing, underwriting and claims practices deliver fair value and appropriate outcomes for MIL's target market, in line with FCA Consumer Duty requirements applicable to MFSL as distributor.
- Reporting to the MIL Board

- The Chair of the Committee reports formally to the Board on the matters discussed, addressed, and highlights any issues raised in the UWCC following each Committee meeting. Relevant information is to be provided at the following meeting of the Company's Board, or immediately if considered of high importance.

Product Oversight and Governance Committee

Due to the co-manufacturing relationship between Marshmallow Insurance Limited and its distributor, Marshmallow Financial Services Limited it was decided to establish a joint Product Oversight and Governance Committee.

As at 31 December 2025, the membership of the Product Oversight and Governance Committee (POGC) was comprised of the following:

From MIL:

- Chief Executive Officer
- Head of Underwriting
- Head of Risk & Compliance

From MFSL

- Chief Executive Officer
- Claims Team representative
- Compliance representative

The committee's main role is to assist the MIL and MFSL Boards in meeting its responsibilities with respect to the following:

1. Ensuring that the products manufactured and distributed do not cause customer detriment.
2. Ensuring that the products manufactured and distributed offer fair value to customers.
3. Ensuring that the products are designed and manufactured to address the requirements of the target market.
4. Ensuring that customers understand the products they are buying and that the right level of support is available to them
5. Ensuring that there is a proportional Product Oversight and Governance process ensuring that all products are reviewed, following an annual or trigger event, before it is distributed to the target market.
6. Ensuring that GIPP rules are adhered to and Consumer Duty outcomes are effectively embedded within pricing strategies, product design, and customer communications to promote fairness, transparency, and good consumer outcomes across the insurance lifecycle.

The committee:

- Establishes, implements and reviews the product approval process
- Verifies Internal compliance with that process
- Sets procedures for the:
 - Designing;
 - Monitoring;
 - Reviewing;
 - Distributing &
 - Taking corrective action for products that are detrimental to customers

Related to insurance products in accordance with PROD 4.2.25 UK (applicable to MFSL as FCA-regulated distributor) and Consumer Duty requirements.

The main duties of the Committee are detailed below:

- Product Governance Policy
 - The committee reviews the Product Governance Policy, on an annual basis and recommends to the Board of MIL and MFSL any updates or changes to the said policy that are required because of such a review.
 - The committee commissions, as part of its review, an audit to determine the level of compliance of the different functions of Marshmallow with the policy and communicate its results to MIL's Audit, Risk and Compliance Committee.
- New Products
 - The committee implements, manages, and reviews the New Product Development Process.
 - The committee reviews all submissions of the Insurance Product Approval Paper by Project Managers and return one of the following decisions:
 - a. Approve the roll out of the insurance product.
 - b. Approve the roll out of the insurance product once its recommendations and conditions have been met.
 - c. Request the Project Manager to address its findings, recommendations and conditions and resubmit these to the committee for approval.
 - d. Reject the project citing reasons.
 - Upon approving a product to be rolled out, the committee determines the frequency at which the insurance product shall be reviewed which must be proportional and according to the level of risks that the target market or customers are exposed to by using this product.
- Changes to Products

- o In accordance with the Product Governance Policy, the Head of Underwriting will refer to this committee all product changes where significant changes, as defined by the Product Governance Policy, are being proposed. The proposal for significant changes to the changes to the products will be submitted via the Insurance Product Governance slack channel.
 - o The committee reviews all submissions for a significant change in the existing insurance product and return one of the following decisions:
 - a. Approve the significant changes to the insurance product.
 - b. Approve the significant changes to the insurance product once its recommendations and conditions have been met.
 - c. Request the Head of Underwriting to address its findings, recommendations and conditions and resubmit these to the committee for approval.
 - d. Reject the proposed significant changes to the product citing reasons.
- Product Reviews
 - o The committee ensures that all existing products are reviewed on a periodical basis in accordance with the review frequency set by this committee on each of the existing products.
 - o The committee considers the Insurance Product Review Paper produced by the MIL's Head of Underwriting and determine whether the product, in question, still:
 - remains consistent with the needs of the identified target market.
 - remains consistent with the fair value assessment required under PROD 4.2.14A R and where relevant PROD 4.2.14B R. and Consumer Duty
 - remains appropriate for the intended distribution strategy.
 - o The committee sets out its findings and takes corrective measures, in accordance with the Product Governance Policy, where necessary.
- Monitoring Products
 - o The committee monitors all existing products monthly through submission of MI on each existing product through the #insurance_product_governance channel and reports to the MIL Board.
 - o The committee determines the appropriate MI that requires to be submitted for this purpose.
- Consumer Duty
 - o The committee plays a central role in ensuring compliance with the Consumer Duty, focusing on delivering good outcomes for customers across the four key outcomes defined by the FCA:
 - Products & Services
 - The committee ensures that products and services are designed to meet the needs, characteristics, and objectives of the target market.

- Price and Value
The committee evaluates whether products provide fair value for customers by reviewing pricing structures, costs, and benefits.
 - Customer Understanding
The committee reviews all customer metrics to ensure clarity, transparency, and accessibility.
 - Customer Support
The committee oversees the adequacy of customer support services, ensuring they are accessible, responsive, and capable of addressing customer queries or concerns. The committee monitors complaint trends, customer feedback, and service-level agreements to identify and address potential issues that could hinder positive customer experiences.
- The committee monitors adherence to Consumer Duty requirements through the regular submission of MI and reports to the MIL Board.
 - The committee determines the key MI metrics required to assess all four customer outcomes, this includes monitoring data on customer complaints, claims handling performance, product value assessments, and vulnerable customer support.
 - Regular reviews ensure that Consumer Duty obligations are being met and that necessary interventions are made where risks to fair customer outcomes are identified.
- Reporting to the MIL Board

The Chair of the Committee reports formally to the Board on the matters discussed, addressed, and highlights any issues raised in the POGC following each Committee meeting. Relevant information is to be provided at the following meeting of the Company's Board, or immediately if considered of high importance.

Remuneration Committee

During the year, the MIL Board approved the establishment of a Remuneration Committee (RemCo) as a formal sub-committee of the Board.

The RemCo is chaired by an Independent Non-Executive Director and is responsible for overseeing remuneration structures, policies and practices across the Company. Its remit includes ensuring that variable pay is aligned to risk appetite, long-term business objectives, and good customer outcomes.

The membership of the Remuneration Committee (RemCo) is comprised of the following:

- At least two members, all of whom shall be independent Non-Executive Directors.
- One guest - MTL People team representative.

The committee's main role is to assist the Board in ratifying that the company's remuneration policies and practices set by MTL:

- Satisfy appropriate remuneration so that there is no adverse impact to MIL.
- Ensure that remuneration is considered in conjunction with the GFSC's expectation that insurers comply with the remuneration requirements of Article 275 of the Commission Delegated Regulation (EU) 2015/35 and with the EIOPA Guidelines.
- Promote a performance-oriented culture while ensuring that remuneration practices are consistent with the company's strategic objectives and values, and aligned with safeguarding customers and preventing customer detriment.

The Committee shall in general:

1. Ratify the remuneration, including salary, bonuses, benefits, and pension arrangements, of Executive Directors.
2. Set appropriate performance-related elements and ensure rewards are aligned with measurable performance criteria.
3. Monitor the effectiveness of such incentive schemes and ensure compliance with regulatory requirements.
4. Ensure compliance with relevant regulations and guidelines, including EIOPA Systems of Governance, UK Corporate Governance Code and Consumer Duty.
5. Raise any elements of the above which are not satisfied from a MIL perspective, with Marshmallow Group.

The establishment of RemCo enhances MIL's governance framework by strengthening independent oversight and reinforcing the link between remuneration, prudent risk-taking and sustainable growth. This development supports MIL's overall risk culture and is consistent with both Solvency II and the GFSC's expectations for sound governance.

Operational (First Line) Governance Support

The governance structure is further supported by a number of First Line (Operational) Meeting forums which include:

- Monthly MIL Executive meetings.
- Quarterly INEDs and Risk & Compliance meetings - MIL.
- Monthly MIL/MFSL Underwriting and Claims Management Reporting Pack.
- Insights to Action Forum - MFSL.

B.2. Fit and Proper Requirements

MIL has a Fitness and Propriety Policy which is reviewed on an annual basis and based on the Fitness and Propriety principles set by the regulator.

Fitness and propriety requirements for regulated individuals are set out under the Financial Services Act 2019 and the Financial Services (Insurance Companies) Regulations 2020, which

require that all persons performing key functions are fit and proper at the time of appointment and on an ongoing basis. The GFSC's fitness and propriety criteria assess competence and capability, financial soundness, and honesty, integrity and reputation.

All regulator authorised personnel are required to demonstrate and maintain their fitness and propriety. In accordance with the policy, prior to appointment the candidate follows a stringent screening process carried out by Marshmallow People's Team and an external background screening service. Candidates also undergo preliminary, Technical and Cultural interviews before being appointed.

On an annual basis each regulated individual is required to complete a Fitness & Proprietary self attesting questionnaire confirming their fitness and propriety to remain in role and are further subject to a background check.

A Board Skills matrix is maintained to ensure that the Board and Committees have the appropriate mix of skills to manage and administer an insurance company. The Board Skills Matrix is reviewed on an annual basis or upon the appointment or resignation of a member of the Board of Directors.

B.3. Risk Management Systems

The Board appointed the Risk Management Function holder who has direct reporting lines to the CEO, the ARCC and the INEDs.

Risk Management processes are detailed in the Risk Management Strategy and Policy document which is reviewed on an annual basis by the ARCC and approved by the Board of Directors.

MIL's risk management system is maintained in accordance with Part 4 of the Financial Services (Insurance Companies) Regulations 2020, which implements the Solvency II requirements for general governance, risk management and the Own Risk and Solvency Assessment as applicable to Gibraltar insurers, as shown in the diagram below:



The objectives of MIL's Risk Management Framework is to:

- Promptly identify and where possible mitigate material risks and issues at a cost appropriate to the level of such exposure.
- Enhance value creation by recognising opportunities where risk levels may be increased, commensurate with stakeholders' risk appetite, in order to optimise returns.
- Support decision making and improve and maintain transparency and accountability for risk throughout the Group by way of risk reporting and control.
- Protect MIL's capital by supporting the implementation of a Solvency II / UK compliant framework where appropriate.
- Protect the Marshmallow Brand and product range.
- Ensure successful implementation and on-going compliance, for The Consumer Duty and implement risk strategies to deliver better customer outcomes.

- Ensure successful implementation and ongoing compliance with Operational Resilience requirements, embedding risk strategies to strengthen business continuity, mitigate disruptions, and maintain critical services.

To achieve its objectives, MIL manages risk according to a framework and governance structure that define clear responsibilities and accountability for risk taking including;

- Documented Policies and Procedures;
- A culture of disciplined risk taking through use of common terminology and systems creating a consistent approach to risk;
- Assignment of key roles and responsibilities across the Risk Management Framework.
- Risk Appetite Statements
- Risk Register
- Compliance Risk Monitoring Plan

Everybody in the company has a responsibility to identify risks in their own areas and raise incidents to the business, and this framework gives them the support to do that.

MIL aligns all identified risks within its risk framework to a defined set of Solvency II (SII) risk categories, which are subsequently classified into Tier 1 and Tier 2 corresponding risk levels.

Solvency II Risks

- Underwriting & Reserving (Non-life)
- Operational
- Market
- Counterparty Default

Tier 1 Risks

- Conduct
- Strategy
- Operational
- Financial
- Legal & regulatory

Tier 2 Risks

- Customer
- Product Design & Management
- Culture
- Business Strategy & performance
- Group Risk
- People
- Systems - Information Security
- Third Party Procurement Relationships
- Financial Crime
- Operational Resilience & Business Continuity
- Business Process
- Systems - Info technology
- Underwriting & Reserving
- Market
- Concentration
- Credit
- Liquidity
- Regulatory
- Legal

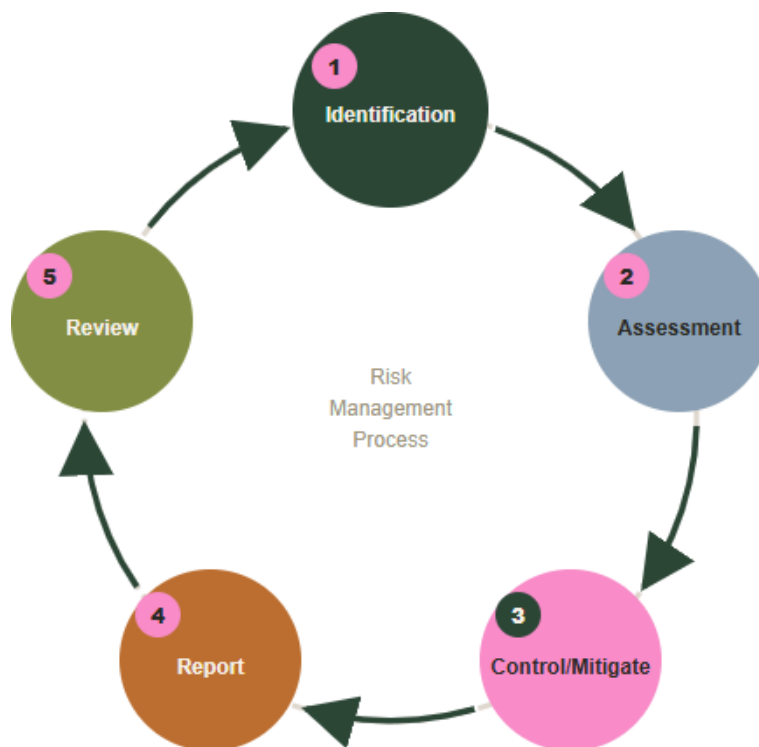
Risk Management Process

MIL maintains a comprehensive Risk Register, which is integral to its Risk Management Framework. This register is reviewed quarterly by the respective risk owners and the Head of Risk & Compliance. Any changes to risk ratings or any risks that fall outside of target levels are reported to the ARCC, along with a remediation plan that is monitored until the risk is mitigated.

MIL employs a structured risk taxonomy and a categorisation system designed to identify, assess, and manage risks across various business functions and operational areas. Risks are systematically mapped to Solvency II (SII) risk categories and further aligned with Tier 1 and Tier 2 risk levels.

The following diagram shows the Risk Management Cycle in respect of each individual risk:





The identification, assessment, control/mitigation and monitoring of risk is a continuous process.

Risk Identification

Everyone within the organisation is encouraged to be risk aware in relation to the overall business objectives and are encouraged to highlight any new risks that may be developing over time in their respective areas to their line managers. Line managers then evaluate and escalate this information to the Senior Lead in their area who in turn escalate to the Risk Owner / Function holder.

Risk Assessment

Following on is the assessment of the likely frequency and severity of risks, by means of qualitative or quantitative measurement. This stage of the cycle involves the participation of the risk owners.

Risk Control/Mitigation

Once risks have been identified and assessed, appropriate treatment measures are implemented to reduce exposure to within acceptable tolerance levels. This involves the relevant risk and control owners implementing controls, whether preventative or detective, to manage the likelihood and/or impact of each risk. Controls are documented within the Risk Register alongside the relevant risk owner and target risk rating. Where residual risk remains above appetite following the application of controls, escalation to senior management and the ARCC is required, with a remediation plan agreed and tracked to closure.

Reporting

It is critical that the relevant information for each key risk is seen by the “right people at the right time” across the business. This information is most likely to be provided by risk and control owners as they are closest to the issues and is reported on a regular, timely and consistent basis. Reporting is often consolidated or reviewed by the person responsible for Risk & Compliance and then escalated up to senior management.

Review

Once the key business risks have been identified, assessed and are subject to controls throughout various parts of the business, it is important to review that these control/mitigation activities are operating effectively and that the risk and control scoring is valid. Assurance is provided over risks and controls by resources which are independent of line management, e.g. Risk Management or Internal Audit.

Risk Events

Risk events are recorded in the Risk Event Register as they arise. Each event triggers an investigation to identify any control failures and to develop an appropriate remediation plan. The incident is then mapped to the relevant risk(s) in the Risk Register and reported to the ARCC.

Material events (rated Amber or above) have the potential to influence the residual risk rating.

Risk events arising from outsourced partners are also closely monitored and managed within the Outsourcing Risk framework. Regular communication is maintained with the relevant departments of the outsourced entity to ensure that adequate controls are implemented or enhanced. MIL requires evidence of these measures to confirm the effective closure of each risk event.

Risk Appetite

Apart from identifying and classifying the risks that the firm faces, MIL also has a set of Risk Appetite Statements which apply a tolerance to each of these risks.

Risk Appetite reflects the amount of risk taking which is acceptable to MIL. Accordingly, risk appetite refers to MIL’s attitude to risk taking and whether it is willing or able to tolerate a high or low level of exposure to specific risks or risk categories.

Risk Tolerance represents MIL’s ability and willingness to bear risk. When considering this, factors such as the availability of capital, ability to raise capital, strength of underlying operational processes and procedures and strength of the organisation’s operational culture are all relevant.

Risk Treatment



Once the key business risks have been identified and assessed, the level of risk is transferred or controlled down to a level considered satisfactory by management. This will inevitably entail the Risk and Control owners and also other members of staff involved in undertaking relevant control activities.

The main forms of Risk Treatment are as follows:

- Risk Avoidance – where the risk taking activity is deemed to be outside the tolerances of the business and the activity is discontinued;
- Risk Retention – where the risk taking activity is deemed to be within tolerable limits (for example where the probability is very low but the potential impact high, or the probability high but the impact very low), that the risk can be retained with no further mitigating action;
- Risk Mitigation – where the impact and/or likelihood are mitigated by additional internal controls or other treatment;
- Risk Transfer – where the risk bearing activity is transferred to a third party, usually for consideration (for example insurance, for a premium).

MIL deploys a combination of Risk Treatment measures as it sees fit (in common with most other organisations).

Following this, it is important to obtain confirmation that these activities are being performed as expected and that the risk and control scoring is valid. With MIL, this assurance is provided by the First Line of Defence (Risk and Control Owners) by way of the quarterly Risk Workshop process, the Second Line of Defence (Risk Management Function) by way of constructive review and challenge and by the Third line of defence (Internal Audit) by way of independent review and reporting.

The MIL Risk Appetite Statements are reviewed annually by the Board at the ORSA Workshop.

B.4 Own Risk and Solvency Assessment (ORSA)

The ORSA can be described as “the entirety of the processes and procedures employed to identify, assess, monitor, manage and report the short and long term risks a (re)insurance undertaking faces or may face and to determine the own funds necessary to ensure that the undertaking’s overall solvency needs are met at all times”.

Although the principal output from an assessment of capital under the ORSA process will be an ORSA report; the ORSA is fundamentally a continuous, embedded, forward- looking process, requiring the assessment of the entity’s capital requirements, Risk Appetite and Business Strategy, over a 3 to 5 year planning horizon. The ORSA also considers a range of outcomes in addition to the 1 in 200 return period.

The ORSA policy addresses the key elements of the ORSA process by defining the scope of the MIL ORSA process, the details of the Governance over the ORSA process and the requirement for the production of an ORSA Report on at least an annual basis.

The ownership of the ORSA process and its reports rests with the MIL Board of Directors.

The ORSA Policy details that the ARCC is responsible for on-going oversight of the ORSA framework. Coordination of the ORSA process is the responsibility of the Head of Risk Management.

MIL has established a formal ORSA framework which integrates risk identification, assessment, monitoring and capital planning into a single structured process. The framework links the Risk Management Framework, Business Strategy and Capital Management Policy, ensuring that strategic decisions are informed by risk and solvency considerations. It sets out clear roles and responsibilities, the timetable of activities (workshops, stress testing, capital projections), and the escalation process through management, ARCC, and Board. This framework ensures that the ORSA is not treated as a standalone report, but as a continuous discipline embedded into business planning and decision-making.

The Board receives quarterly reporting on the company's risk profile via the ARCC and reviews any material changes to risk exposures or control effectiveness. The risk appetite and tolerance levels are reviewed annually by the Board as part of the annual strategic planning cycle. The Board also receives risk updates from the Risk Management Function Holder and provides direct feedback on emerging risks and mitigations.

Stress Tests

As part of the ORSA process, the Board conducted a comprehensive programme of stress and scenario testing across the key risk categories facing MIL. The testing covered a range of underwriting scenarios, including variations in gross written premium volumes both above and below the base plan, and stresses to the ultimate loss ratio to reflect higher than expected claims inflation. Large loss scenarios were also modelled, covering both a single significant loss event and multiple attritional large losses within a single underwriting year. Reinsurance-related stresses included a reduction in the quota share cession rate, an increase in the cost of excess of loss cover, and the credit downgrade of a key reinsurer. Market and counterparty stresses tested the impact of a material reduction in investment returns and the downgrade of a banking counterparty. Operational and expense stresses were also included.

In addition to individual stresses, combined scenarios were modelled to assess the impact of multiple adverse developments occurring simultaneously, reflecting the potential for correlated risks to crystallise together.

Reverse stress testing was carried out at both MIL and Group level to identify the conditions under which MIL's solvency coverage would breach its internal capital appetite thresholds and, in an extreme scenario, the point at which MIL would become insolvent on a Solvency II basis. The GFSC specifically requested a reverse stress test identifying the loss ratio deterioration that would cause the Group solvency ratio to breach 140% at year two of the projection period.

Stress test outcomes

The Board reviewed the results of the stress and scenario tests and concluded that MIL maintains adequate capital resilience across all scenarios modelled, with the exception of the most severe reverse stress test scenarios which are by design intended to identify breaking points rather than plausible outcomes.

ORSA Triggers

The following thresholds will require the Board to consider the need for a revised ORSA to be carried out:

- Volumes increasing by more than 10% above budget, and the forecast performance of the business being such that management feel this will continue;
- Ultimate loss ratio (ULR) in any current / prior year deteriorating by more than 10% compared to ORSA budget;
- New material line of business being entered into;
- SCR buffer falling below 10% and forecast performance of the business being such that management feels the buffer will continue to be eroded post the 10% breach;
- A material change in the reinsurance structure; or
- A material change to internal financial arrangements over £200k (51B).

B.5 Internal Control System and Compliance Function

The objectives of the Compliance Function are to ensure that MIL complies with all relevant rules, regulations, guidance and legislation both in Gibraltar and the UK. The Head of Compliance reports to the ARCC in respect of regulatory and legal matters.

The Internal Control and Compliance framework is maintained in accordance with the requirements of Part 4 of the Financial Services (Insurance Companies) Regulations 2020, and the applicable EIOPA Guidelines on System of Governance as applied in Gibraltar.

The Board maintains oversight of the compliance function through the ARCC, which receives updates on regulatory developments, conduct risk, and results of the Compliance Monitoring Programme. The Board also receives an annual assurance report on the effectiveness of internal controls and risk mitigation from the Compliance Function Holder.

The Compliance Function, applies a risk based approach in setting its annual Compliance monitoring programme, which is called the Compliance Risk Management Plan (CRMP).

The CRMP primarily establishes the MIL Compliance framework. This is the whole set of rules, regulations, guidelines and legislation that MIL is required to comply with. Having established this, it risks rates for each component part of the framework, setting the likelihood of breaching (before applying controls) and the impact of such a breach. Having identified the risk rate for each component part of the framework, high risk rated components receive higher monitoring activities from the Compliance Function whereas Low risk rated components are monitored on an annual basis.

MIL's Compliance Function also maintains an overview of the state of compliance matters in MFSL, the UK distributor. Weekly meetings with MIL, MFSL and MTL compliance and risk functions take place. The Head of MIL Compliance also has direct line access to personnel in the UK and systems used by MFSL. MIL's Head of Risk and Compliance also has direct line communications with the INED Chair of the ARCC and the INED Chair of the Board.

B.6 Internal Audit Function

The Internal Audit function is outsourced to PKF Littlejohns LLC. The Internal Audit function is maintained in accordance with the requirements of Part 4 of the Financial Services (Insurance Companies) Regulations 2020, which requires that insurance undertakings have an effective internal audit function that is objective and independent of operational functions.

The Internal Audit Function seeks to evaluate the adequacy and effectiveness of business controls focusing on the following areas:

- Governance
- Claims
- Underwriting
- IT Systems
- Compliance
- Risk Management
- Finance and Investments
- Specific areas as identified by the ARCC.
- Consumer Duty
- Operational Resilience

The Chair of the ARCC is the Internal Audit Function Holder. The ARCC has responsibility over the management of the Internal Audit function, whose operational responsibilities are outsourced to PKF Littlejohns.

The independence of the outsourced service providers, PKF Littlejohns, enables the Internal Audit function to act as a third line of defence. Representatives of PKF Littlejohns attend the ARCC meetings on invitation from the Chair.

Internal Audit cycles are planned on an annual basis in Q4 and are allocated using a risk-based approach. The ARCC develops the annual internal audit plan and recommends it to the Board for approval.

To safeguard the independence and objectivity of the function, the continued appointment of the outsourced provider is subject to formal ARCC review at least every five years. The review will consider the length of the provider's tenure, the quality and consistency of audit output, and any factors that may affect objectivity. The ARCC may require an earlier review or competitive tender at any time. There is no regulatory requirement mandating firm rotation at a fixed interval; the five-year review cycle reflects market practice and the ARCC retains discretion on whether rotation is warranted following each review.

B.7 Actuarial Function

In accordance with Part 4 of the Financial Services (Insurance Companies) Regulations 2020, which implements the requirements of the Solvency II Directive in Gibraltar, the Actuarial Function's duties and responsibilities include:

- Producing best estimates of the firm's technical provisions for the Board in line with actuarial standards;
- Reporting to the Board on the adequacy and appropriateness of the analysis and methods used to estimate the technical provisions;
- Assessment of the sufficiency and quality of the data and consistency with data quality standards;
- Providing an opinion on the underwriting approach;
- Providing an opinion on the suitability of the reinsurance arrangements;
- Producing an annual report to the Board, supported by a programme of quarterly capital and reserving work, independent reserve reviews and contributions to the ORSA and SFCR processes.

The Actuarial Function Holder provides a report to the Board each year which may include recommendations on improvements the Board should consider. As a further control the Board may request reviews of the best estimates of the technical provisions from an external actuarial firm.

The Board considers the annual Actuarial Function Holder report, including any recommendations related to reserving or pricing. As an additional layer of independent assurance, MIL commissions an external actuarial reserving review on a biannual basis. This review provides the Board and the GFSC with an independent perspective on the adequacy of technical provisions and is complementary to, and does not replace, the work of the Actuarial Function.

B.8 Other Key Roles

During 2025, accounting services and solvency calculations were provided to MIL by Willis Towers Watson ("WTW") under an insurance management services agreement. Following the year end, MIL appointed a dedicated Head of Finance as an Executive Director of the Company. The finance function is being brought in-house during 2026, at which point WTW's accounting services role will conclude. MIL will retain WTW for specific technical support as required during the transition period.

Fiduciary Group is contracted to provide company secretarial services.

B.9. Outsourcing

MIL outsources certain activities to service providers to enable the effective conduct of operations and enhance customer interaction and satisfaction. All material outsourced services are managed in accordance with MIL's Outsourcing Policy to ensure that the service is carried out in a responsible, diligent manner and the service providers are maintaining services to the required level of delivery and quality as agreed in the Service Level Agreements. In this way it ensures that any outsourced services do not negatively impact on its legal and regulatory obligations and its customers.

The following table sets out the Key Functions outsourced by MIL in 2025:

Provider	Function / Services	Jurisdiction
MFSL	Policy administration and processing including provision of management information	United Kingdom, Hungary
MFSL	Claims handling, reserving and settlement	United Kingdom, Hungary
MTL	Accounting services, IT services, IT support, legal and compliance	Gibraltar / United Kingdom
MRL	Non-fault claims handling	United Kingdom
WTW	Accounting services	Gibraltar
Fiduciary Group	Company secretarial services	Gibraltar
Union Bancaire Privée	Investment management	Gibraltar / United Kingdom
Deutsche Bank	Investment management	United Kingdom
PwC	Actuarial function services	United Kingdom
PKF Littlejohns	Internal audit	United Kingdom

Following the reporting period, MIL has commenced the process of insourcing its finance function. The accounting services currently provided by WTW are being transitioned to an internal Finance team, with effect from 2026. This reflects MIL's ongoing development as a regulated insurer and the Board's strategy to strengthen direct ownership of financial reporting and solvency processes. The outsourcing table above reflects the position as at 31 December 2025; the insourcing transition will be disclosed in full in the FY26 SFCR.

B.10. Any other information

Subsequent to 31 December 2025, responsibility for monitoring the reinsurance programme was transferred from the ARCC to the UWCC, reflecting the operational nature of reinsurance oversight and its closer alignment with the UWCC's underwriting and risk management remit.

There is no other material information to include.

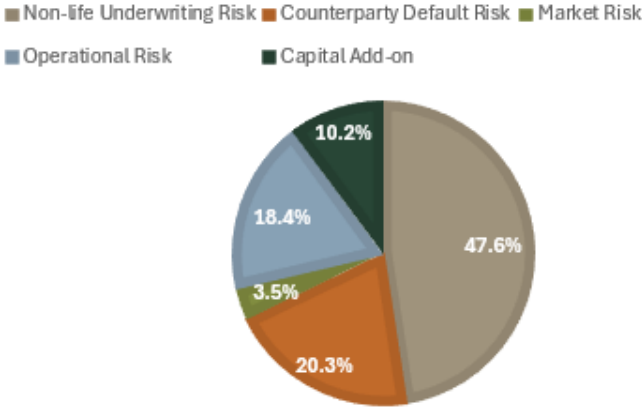
C. Risk Profile

As part of MIL's governance framework the MIL Board has considered the types of risk that the Company is subject to and has determined the level of risk it is willing to accept in order to achieve its objectives. These risks are quantified and categorised into the headings of underwriting and reserving risk, market (investment) risk, counterparty default risk and operational risk.

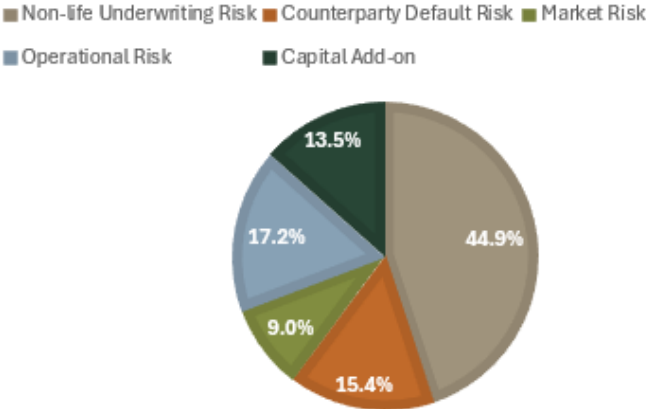
The table below articulates the risk profile at 31 December 2025 by reference to the contribution of each risk category to the SCR with FY24 comparatives. Note that both MTL and MIL report a Capital Add-On which accounts for a significant share of the SCR. This was imposed by the GFSC during 2024 and reflects the risks associated with sliding scale commissions that are present on reinsurer QS arrangements. The share of the SCR for the Capital Add-On has reduced since FY24 reflecting increases in underlying Ultimate Loss Ratios.

Risk Category	FY25 % of SCR	FY24 % of SCR
Non-life Underwriting Risk	47.6%	44.9%
Counterparty Default Risk	20.3%	15.4%
Market Risk	3.5%	9%
Operational Risk	18.4%	17.2%
Capital Add-on	10.2%	13.5%
Total	100.0%	100.0%

MIL Solvency II Capital by Risk 2025



MIL Solvency II Capital by Risk 2024

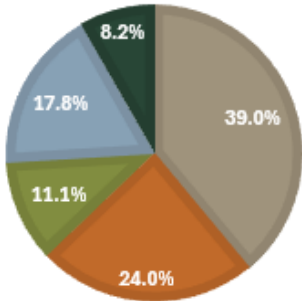


MTL

Risk Category	FY25 % of SCR	FY24 % of SCR
Non-life Underwriting Risk	39.0%	38.5%
Counterparty Default Risk	24.0%	16.2%
Market Risk	11.1%	5.4%
Operational Risk	17.8%	15.1%
Capital Add-on	8.2%	24.8%
Total	100.0%	100.0%

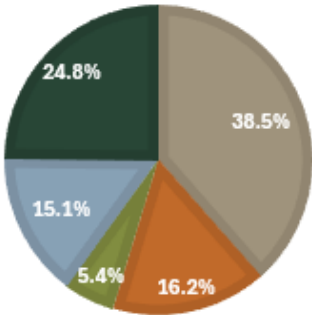
MTL Solvency II Capital by Risk 2025

■ Non-life Underwriting Risk ■ Counterparty Default Risk ■ Market Risk
 ■ Operational Risk ■ Capital Add-on



MTL Solvency II Capital by Risk 2024

■ Non-life Underwriting Risk ■ Counterparty Default Risk ■ Market Risk
 ■ Operational Risk ■ Capital Add-on



From a Group perspective the most significant risks fall within MIL, with the exception of strategic risk which represents the risk of making strategic decisions which might expose the Group to losses. Currently the Group is focused primarily on underwriting and distributing business in the UK, and within that primarily motor business, which minimises strategic risk. Strategic risk is further controlled by the Group's Board which exercises oversight over strategic decisions and contains non-executive directors with significant experience in senior strategic roles including financial services experience.

However, the MIL Board also conducts its own discussions on strategic risk specific to MIL, ensuring that strategic decision-making aligns with MIL's operational and market context while remaining within the broader Group framework. This allows MIL to assess and manage strategic risks that directly impact its business, while benefiting from Group oversight and governance.

C.1. Underwriting and Reserving Risk

Material Risks

Underwriting risk is the risk that liabilities from policies underwritten by MIL exceed the expected cost, arising from premium risk, reserving risk and catastrophe risk. MIL underwrites UK motor insurance for personal lines customers, with a small proportion of commercial vehicle (non-fleet) policies. The UK motor market is highly competitive and subject to legislative and regulatory change, both of which can affect claims costs.

The key underwriting and reserving risks identified by the Board are inadequate pricing, unexpected increases in claims frequency and/or severity, inadequate claims reserves including IBNR and IBNER, and an inappropriate or inadequate reinsurance programme.

Material Risk Concentrations

MIL's sole class of business is UK motor insurance, which represents a degree of concentration risk. Policies are written across a wide range of policyholder characteristics and the Directors do not consider there to be a material underwriting risk concentration. Subsequent to the year end, MIL received regulatory approval to expand into home insurance on a co-insurance basis, and the Board will monitor concentration risk across both classes as the book develops.

Risk Mitigations

MIL mitigates underwriting risk through quota share and excess of loss reinsurance, and through regular management information reporting, independent actuarial reserve reviews, annual reinsurance strategy review, and ongoing oversight of claims handlers and outsourced suppliers.

Stress and Sensitivity Testing



As part of the ORSA process, MIL carries out stress and sensitivity testing at least annually, including stresses to premium volumes, loss ratios and claims development on existing reserves. The solvency position remained robust under the scenarios tested.

C.2. Market Risk

Material Risks

Market risk is the risk of variation in the value of MIL's assets due to adverse movements in financial variables such as interest rates and credit spreads. MIL follows a low risk investment policy focused on capital preservation. Investments are managed by Union Bancaire Privée and Deutsche Bank and comprise primarily UK gilts, corporate bonds and money market funds, giving rise to interest rate risk and spread risk.

Following the receipt of the €18,000k Tier 2 subordinated loan facility in October 2025, MIL holds euro-denominated liabilities matched by investment of the equivalent proceeds in euro-denominated assets. The Board does not consider the net foreign exchange exposure to be material to MIL's solvency position.

MIL holds no property or equity investments and underwrites solely in UK sterling, so has no exposure to property or equity risk.

Material Risk Concentrations

MIL holds a well-diversified investment portfolio. The key market risk exposures are interest rate risk and credit spread risk arising from the fixed income portfolio, which the Directors do not consider to be material.

Risk Mitigations

MIL's investment policy requires all investments to be made in line with the prudent person principle, with capital preservation as the primary objective. The policy sets limits relating to asset class, duration and credit rating, and incorporates consideration of liquidity, market and credit spread risk.

Stress and Sensitivity Testing

As part of the ORSA process, MIL carries out market stress testing at least annually. The Board considered a scenario assuming a reduction in investment return, and the solvency position remained robust under this stress.

C.3. Counterparty Default Risk

Material Risks



Counterparty default risk is the risk that a third party fails to meet its financial obligations to MIL. The key counterparty exposures are MIL's quota share and excess of loss reinsurers, and its banking and investment counterparties.

Material Risk Concentrations

MIL has four quota share partners, all rated A or above. The quota share arrangement operates on a pay-as-paid basis for both premiums and claims, which reduces net exposure. The Directors do not consider there to be a material counterparty concentration risk.

Risk Mitigations

Counterparty default risk is mitigated through MIL's risk management framework, including diversification across counterparties, regular monitoring of credit ratings and financial health, exposure limits for individual counterparties, and engagement exclusively with highly rated reinsurers and financial institutions.

Stress and Sensitivity Testing

Counterparty default risk is considered as part of the annual ORSA process, including scenarios involving the default of a reinsurance counterparty. The solvency position remained robust under the scenarios tested.

C.4. Operational Risk

Material Risks

Operational risk is the risk of loss arising from inadequate or failed internal processes, personnel, systems or external events, including failure to meet regulatory or legal requirements.

The key operational risks identified by the Board are conduct and regulatory risk, outsourcing and third-party dependency risk, financial crime and fraud, cyber and data security risk, technology and systems risk, business continuity and operational resilience risk, and people and key person risk. These are monitored through MIL's risk register and reported to the ARCC quarterly.

Material Risk Concentrations

The outsourced nature of several key functions is a key consideration for operational risk concentration. The Board receives regular updates on operational risk incidents and control effectiveness, and any significant operational failures are subject to Board-led remediation.

Risk Mitigations

Operational risks are mitigated through MIL's internal control framework, including compliance monitoring, four-eyes approval and authorisation, segregation of duties, reconciliations, Consumer

Duty monitoring overseen by the Consumer Duty Champion, operational resilience monitoring reported to the ARCC, and data and IT security controls. Business continuity and disaster recovery plans are maintained and reviewed regularly.

Stress and Sensitivity Testing

Operational risk is captured within the Standard Formula SCR calculation. Additional scenarios not covered by the Standard Formula are considered during the ORSA process, with particular focus on outsourced service provider exposure. As part of the most recent ORSA, the Board considered an operational stress of £0.5m and an expense overrun of £0.5m.

C.5. Other Material Risks

Liquidity Risk

Material Risks

Liquidity risk is the risk that MIL is unable to meet its financial obligations as they fall due. This may arise where reinsurance recoveries or intermediary settlements are not received in time to meet claims payments, or where cash is tied up in illiquid assets.

Material Risk Concentrations

The Directors do not consider there to be any material concentrations of liquidity risk. Large bodily injury claims, the most likely source of a significant cash outflow, typically take several years to settle, providing sufficient time to liquidate assets and coordinate reinsurance recoveries ahead of settlement.

Risk Mitigations

MIL maintains significant cash balances and invests only in highly liquid assets such as gilts and investment grade corporate bonds. The quota share treaty operates on a pay-as-paid basis, ensuring premiums are collected before settlement with reinsurers. MIL also has the ability to make cash calls from reinsurers in the event of a large claim, and funds from MFSL are remitted within agreed timeframes.

Stress and Sensitivity Testing

As part of the ORSA process, liquidity stress testing is carried out at least annually, including scenarios covering large losses, reduced investment returns, bank downgrade and reinsurance counterparty failure. The solvency position remained robust under the scenarios tested.

Other Risks



There are also several external environmental and political events that are impacting the economy that are creating emerging risks to the insurance market generally.

Marshmallow recognises that the unfolding global socio and geopolitical emerging risks could significantly impact operations, financial stability and risk management strategies.

1. Political Instability and regulatory changes - changes in government policies and regulatory frameworks can affect risk and compliance strategies.
2. Climate change and extreme weather events - increasing severity and frequency of claims.
3. Cybersecurity threats - increase in data breaches, ransomware attacks and hacking.
4. Health crises / pandemics - as evidenced by Covid-19, pandemics can disrupt global economies, supplier chains and motor parts supplies.
5. Emerging technology and liability risks - the continued evolution of telematics, AI-driven pricing and autonomous vehicle technology introduces both opportunities and risks. Reliance on behavioural and telematics data for underwriting increases model risk and regulatory scrutiny, whilst also raising data privacy considerations given the volume and sensitivity of data collected.
6. Global Economic Volatility - whilst inflationary pressures have begun to ease, premium deflation in the motor market combined with sustained claims costs is compressing insurer margins. Currency and interest rate volatility continue to influence investment returns and overall business performance.
7. Trade policy and supply chain risk - escalating global trade tensions, including US auto tariffs, are contributing to increased costs for vehicle parts and repairs, adding further pressure to claims costs beyond the inflationary drivers of prior years.

Persisting inflationary pressures and economic uncertainty continue to drive an increase in fraud-related financial crimes, including Ghost Brokering and generalised insurance fraud. Insurers face heightened risks as fraudsters adopt increasingly sophisticated tactics, leveraging AI and digital channels to exploit vulnerabilities. Meanwhile, the cost of spare parts, labour rates, and overall repair expenses remain elevated, exacerbated by ongoing supply chain disruptions and inflationary pressures in the automotive sector due to geopolitical conflicts and economic pressures. These factors contribute to sustained claims inflation, reinforcing the need for robust fraud detection measures and strategic cost management.

These developments are being closely monitored by MIL in order to respond to the challenges in a timely and efficient manner and the possible impact of these emerging risks is largely covered in

the stress test scenarios carried out as part of the ORSA process, e.g. the impact of an increased loss ratio due to unexpectedly high claims inflation. Emerging Risks are also discussed at the ARCC.

The Board regularly discusses the potential impact of emerging risks, including geopolitical developments, regulatory change, and climate-related challenges. These discussions are integrated into forward-looking capital planning and business continuity strategies, with emerging risks also factored into the ORSA process.

C.6. Any other information

There is no further material information to include in this section.

D. Valuation for Solvency Purposes

This section sets out the valuation of each material class of assets, technical provisions and other liabilities for Solvency II purposes, and any material differences compared to the valuation in the UK GAAP financial statements. The differences are summarised in the table below, with explanations for valuation and reclassification differences given in sections D.1 'Assets', D.2 'Technical provisions' and D.3 'Other liabilities'.

As at 31 December 2025

Marshmallow Technology Group Assets (GBP) 2025			
(£000's)	UK GAAP	SII Valuation Principles	Difference
Deferred Tax Assets	9,965	9,965	-
Items relating to Deferred Acquisition Costs	2,688	-	2,688
Intangible Assets	8,897	-	8,897
Property, plant & equipment held for own use	2,956	2,956	-
Investments - Deposits other than cash equivalents	55,230	55,230	-
Reinsurance recoverables - RI share of TP - non-life excl. health	286,561	301,721	15,160
Insurance & Intermediaries Receivables	155,824	-	- 155,824
Reinsurance Receivables	-	- 90,015	- 90,015
Cash & Cash Equivalents	135,887	135,887	-
Any Other Assets, Not Elsewhere Shown	23,217	22,720	- 496
Total assets	681,225	438,464	- 242,761
Marshmallow Technology Group Liabilities (GBP) 2025			
(£000's)	UK GAAP	SII Valuation Principles	Difference
Gross Technical Provisions – Non-Life (Excl. Health) - Best Estimate	354,498	312,257	42,240
Gross Technical Provisions – Non-Life (Excl. Health) - Risk Margin	-	1,701	1,701
Debts owed to credit institutions	38,317	38,317	-
Insurance & intermediaries payables	-	- 102,060	102,060
Reinsurance payables	90,015	-	90,015
Subordinated debt	20,203	20,203	-
Any other liabilities, not elsewhere shown	91,632	90,608	1,024
Total liabilities	594,665	361,026	233,639

As at 31 December 2024

Marshmallow Technology Group Assets (GBP) 2024			
(£000's)	UK GAAP	SII Valuation Principles	Difference
Intangible Assets	5,118	-	(5,118)
Deferred Tax Assets	-	-	-
Property, plant & equipment held for own use	2,825	2,825	-
Investments (other than assets held for index-linked and unit-linked contracts)	58,806	58,806	-
Reinsurance recoverables - Reinsurance share of TP - non-life excluding health	256,284	199,061	(57,224)
Insurance & Intermediaries Receivables	151,756	31,665	(120,092)
Reinsurance Receivables	-	-	-
Cash & Cash Equivalents	58,930	58,930	-
Any other assets, not elsewhere shown	13,592	10,358	(3,234)
Total assets	547,312	361,645	(185,667)
Marshmallow Technology Group Liabilities (GBP) 2024			
(£000's)	UK GAAP	SII Valuation Principles	Difference
Gross Technical Provisions – Non-Life (Excluding Health) - Best Estimate	318,982	127,829	191,153
Gross Technical Provisions – Non-Life (Excluding Health) - Risk Margin	-	1,199	(1,199)
Debts owed to credit institutions	20,092	20,092	-
Insurance & intermediaries payables	25,790	25,790	-
Reinsurance payables	92,765	92,765	-
Subordinated liabilities	5,000	5,000	-
Any other liabilities, not elsewhere shown	21,203	23,024	(1,821)
Total liabilities	483,832	295,699	188,133
Assets less Liabilities	63,479	65,945	2,466

D.1. Assets

Valuation and reclassification differences in the Group's material assets classes are explained below.

Intangible assets

MTL's intangible assets comprise internally-developed as well as purchased software. Under UK GAAP, they are measured at cost less accumulated amortisation and any impairment loss recognised to date.

For Solvency II intangible assets are valued at zero unless the intangible assets can be sold separately and it can be demonstrated that there is value for the same or similar assets (i.e. that a value has been derived from quoted prices in active markets). None of MTL's intangible assets

have been assessed as meeting these criteria and therefore these are valued at zero on its Solvency II balance sheet.

Deferred Tax Assets

Under Solvency II Insurance and reinsurance undertaking shall only ascribe a positive value to deferred tax assets ('DTA') where it is probable that future taxable profits will be available against which the deferred tax asset can be utilised, taking into account any legal or regulatory requirements on the time limits relating to the carry-forward of unused tax losses or the carry-forward of unused tax credits. MTL does not recognise a deferred tax asset on its carried forward trading losses.

Property, plant & equipment held for own use

MTL's property, plant and equipment comprise leasehold improvements, fixtures and fittings including computer equipment. Under UK GAAP, they are measured at cost less accumulated depreciation and any accumulated impairment losses. As there is no active market for these assets, MTL has adopted an alternative valuation method for these assets, consistent with its UK GAAP valuation.

Investments

MTL's investments comprise bonds and money market funds. These are valued at fair value under UK GAAP and Solvency II.

All regular purchases and sales of financial investments are recognised on the trade date i.e. the date the legal entity commits to purchase or sell the investments. Such purchases or sales of financial investments are those under a contract whose terms require the delivery of assets within the time frame established by regulation or market convention.

MTL's bond and money market investments are all traded in active markets and therefore fair valuation is based on quoted prices in active markets. There were no material assumptions, judgments and estimates made in the valuation as at 31 December 2025. The criteria for assessing market activity, and therefore the ability to rely on market values, include reviewing the issuers, reviewing the availability of market prices, and reviewing the ratings of the assets. Gains or losses arising from the sale of investments and changes in the market value of investments were included in the value of the portfolio.

Reinsurance Recoverables

Reinsurance recoverables under Solvency II are derived from those given under UK GAAP with additional allowance for a discounting factor, a loss ratio on the premium provision, an adjustment for ceded Events Not In the Data and a final adjustment for reinsurer default.



Reinsurance recoverables under Solvency II are calculated using the same valuation techniques used to calculate the Best Estimate Liabilities ('BEL'). See section D.2 'Calculation of the Best Estimate Liabilities' for further details.

Insurance and Intermediaries Receivables

Insurance receivables are recognised when due. These include amounts due from agents, brokers and insurance contract holders. If there is objective evidence that the insurance receivable is impaired, its carrying amount is reduced accordingly and an impairment loss is recognised in the UK GAAP income statement.

Under Solvency II, any gross receivables not yet due are included in the cash flow assumptions used to calculate Gross Technical Provisions (therefore eliminated and brought back in via the Gross BEL and Risk margin numbers). The corresponding Reinsurance Receivable for the share of the gross ceded to MIL's Quota Share partners is similarly eliminated and brought back in via the Reinsurance BEL. This gives rise to the difference between Solvency II and UK GAAP.

Cash and Cash Equivalents

Cash and cash equivalents include cash at bank or cash within investment portfolios. There are no valuation differences under UK GAAP and Solvency II.

Any other Assets, not elsewhere shown

The Group's UK GAAP balance sheet includes an asset in respect of deferred levies and claims handling expenses (2025: £2,688k; 2024: £3,234k). Levy and claims handling costs are initially recognised as a liability in line with expected amounts based on gross written premiums. An asset is set up against this liability to defer these costs in line with earned premiums. As this asset has similar characteristics as deferred acquisition costs ('DAC'), i.e. it does not have any cash flow impact and cannot be sold separately to third parties, it is given nil value under Solvency II.

Also included within "Any other assets" are trade and other receivables. These are all short-term in nature and therefore their UK GAAP carrying values approximate fair values under Solvency II.

D.2. Technical Provisions

Technical provisions comprise the Best Estimate of the Liabilities ('BEL') and the Risk Margin.

As at 31 December 2025, the Gross Technical Provisions for MTL were:



MTL Group - Technical Provisions 2025		
(£000s)	Financial Statements	Solvency II Principles
Best Estimate - Claims Provision	226,756	216,334
Best Estimate - Premium Provision	127,741	95,924
Risk Margin	0	1,701
Total Gross Technical Provisions	354,498	313,959
MTL Group - Technical Provisions 2024		
(£000s)	Financial Statements	Solvency II Principles
Best Estimate - Claims Provision	153,167	141,196
Best Estimate - Premium Provision	165,814	106,725
Risk Margin	0	1,199
Total Gross Technical Provisions	318,982	249,120

In the table above, as well as in the other tables within Section D.2 below, Total Gross Technical Provisions as at 31 December 2025 exclude £102,060k of insurance receivables not past due. These have been reclassified from “Insurance & Intermediaries Receivables” on the UK GAAP balance sheet to “Gross Technical Provisions” on the Solvency II balance sheet.

The Group values Technical Provisions using the methodology prescribed by the Solvency II Directive and the regulations made under the Directive.

Best Estimate of Liabilities (BEL)

The BEL reflects a realistic estimate of future claims based on assumptions about the development of future cash flows relating to existing business as at 31 December 2025. The calculations have been performed on a best estimate basis in accordance with Articles 75 to 86 of the Solvency II Directive.

Risk Margin (RM)

The Risk Margin is an addition to the Best Estimate (BE) Liabilities to ensure that the Technical Provisions as a whole are equivalent to the amount that insurance undertakings would be expected to require in order to take over and meet the insurance obligations. The risk margin was allocated by SII LOB in proportion to the Gross BE liabilities.

The Company’s main Solvency II lines of business are Motor Vehicle Liability Insurance and Other Motor insurance. The table below shows a breakdown of the technical provisions for all lines of business.

MTL Group - Technical Provisions 2025			
(£000s)	Motor Vehicle Liability	Other Motor	Solvency II Valuation
Best Estimate - Claims Provision	162,250	54,083	216,334
Best Estimate - Premium Provision	23,981	71,943	95,924
Risk Margin	1,015	687	1,701
Total Gross Technical Provisions	187,246	126,713	313,959
MTL Group - Reinsurance share of Technical Provisions 2025			
(£000s)	Motor Vehicle Liability	Other Motor	Solvency II Valuation
Best Estimate - Claims Provision	126,741	42,247	168,989
Best Estimate - Premium Provision	19,742	59,226	78,968
Total Gross Technical Provisions	146,483	101,473	247,957
MTL Group - Net Technical Provisions 2025			
(£000s)	Motor Vehicle Liability	Other Motor	Solvency II Valuation
Best Estimate - Claims Provision	35,509	11,836	47,345
Best Estimate - Premium Provision	4,239	12,716	16,955
Risk Margin	1,015	687	1,701
Total Gross Technical Provisions	40,762	25,239	66,002
MTL Group - Technical Provisions 2024			
(£000s)	Motor Vehicle Liability	Other Motor	Solvency II Valuation
Best Estimate - Claims Provision	105,837	35,293	141,196
Best Estimate - Premium Provision	80,044	26,681	106,725
Risk Margin	899	300	1,199
Total Gross Technical Provisions	186,840	62,280	249,120
MTL Group - Reinsurance share of Technical Provisions 2024			
(£000s)	Motor Vehicle Liability	Other Motor	Solvency II Valuation
Best Estimate - Claims Provision	82,661	27,554	110,214
Best Estimate - Premium Provision	66,635	22,212	88,847
Total Gross Technical Provisions	149,296	49,765	199,061
MTL Group - Net Technical Provisions 2024			
(£000s)	Motor Vehicle Liability	Other Motor	Solvency II Valuation
Best Estimate - Claims Provision	23,236	7,745	30,982
Best Estimate - Premium Provision	13,409	4,470	17,878
Risk Margin	899	300	1,199
Total Gross Technical Provisions	37,544	12,515	50,059

The Board reviews and approves the methodology for calculating technical provisions on an annual basis, including key assumptions and expert judgments. The Actuarial Function Holder

presents their report and findings to the Board, and any material adjustments to reserving practices are subject to Board review and challenge.

Reconciliation between IFRS/GAAP and Solvency II

Compared to the statutory accounts, there are the following changes in the technical provisions net of reinsurance, as a result of revaluing them for Solvency II purposes:

- Discounting the cash flows under Solvency II results in a £1.85m net decrease in technical provisions for non-life business.
- Run-off expenses over 5 years leading to a £3.33m increase to statutory reserves.
- An addition of £120k for probability of default due to reinsurance panel ratings.
- A £13.6m increase from net GAAP UPR due to loss ratios of less than 100%
- A deduction of £19.1m for the removal of GAAP unearned ceding commissions which are disallowed under SII
- The risk margin of £1.7m is added to the technical provisions under Solvency II.
- A net addition of £287k for events not in data is added to the technical provisions under Solvency II.

MTL Group - Technical Provisions 2025		
(£000s)	Financial Statements	Solvency II Valuation
Best Estimate - Claims Provision	226,756	216,334
Best Estimate - Premium Provision	127,741	95,924
Risk Margin	0	1,701
Total Gross Technical Provisions	354,498	313,959
MTL Group - Reinsurance share of Technical Provisions 2025		
(£000s)	Financial Statements	Solvency II Valuation
Best Estimate - Claims Provision	179,738	168,989
Best Estimate - Premium Provision	106,822	78,968
Total Gross Technical Provisions	286,561	247,957
MTL Group - Net Technical Provisions 2025		
(£000s)	Financial Statements	Solvency II Valuation
Best Estimate - Claims Provision	47,018	47,345
Best Estimate - Premium Provision	20,919	16,955
Risk Margin	0	1,701
Total Gross Technical Provisions	67,937	66,002
MTL Group - Technical Provisions 2024		
(£000s)	Financial Statements	Solvency II Valuation
Best Estimate - Claims Provision	153,167	141,196
Best Estimate - Premium Provision	165,814	106,725
Risk Margin	0	1,199
Total Gross Technical Provisions	318,982	249,120
MTL Group - Reinsurance share of Technical Provisions 2024		
(£000s)	Financial Statements	Solvency II Valuation
Best Estimate - Claims Provision	119,707	110,214
Best Estimate - Premium Provision	136,577	88,847
Total Gross Technical Provisions	256,284	199,061
MTL Group - Net Technical Provisions 2024		
(£000s)	Financial Statements	Solvency II Valuation
Best Estimate - Claims Provision	33,460	30,982
Best Estimate - Premium Provision	29,237	17,878
Risk Margin	0	1,199
Total Gross Technical Provisions	62,697	50,059

Technical provisions net of reinsurance are shown in the tables above. The Company has not made use of any long term guarantee measures. Neither have transitional matching adjustments, volatility adjustments, transitional measures on technical provisions or transitional risk-free interest rate term structures (Article 296(2) Solvency II Delegated Regulation) been applied.

D.3. Other Liabilities

Valuation and reclassification differences in the Group's material "other liabilities" balances are explained below.

Insurance & intermediaries payables

Insurance payables are recognised when due. These include claims payable amounts, insurance premium taxes and levies. Owing to their short-term nature, their UK GAAP carrying values are considered to represent fair values under Solvency II.

Reinsurance payables

Reinsurance payables represent amounts owed to MIL's quota share and XoL reinsurers. Owing to their short-term nature, their UK GAAP carrying values are considered to represent fair values under Solvency II.

Subordinated liabilities

Swiss Re issued £5.0m of subordinated debt to MIL on 4 September 2024. The loan carries an initial interest rate of 11.00% per annum with payments made biannually. Cohen & Co. issued €18.0m of subordinated debt to MIL on 8 October 2025. The loan carries an initial interest rate of 9.81% per annum with payments made quarterly.

The loans have maturity dates of 4 September 2034 and 7 January 2036 respectively. They constitute direct, unsecured and subordinated obligations of MIL, ranking pari passu and without preference amongst themselves, and will, in the event of the winding up of the Company or in the event of an administrator of the Company being appointed and giving notice that it intends to declare and distribute a dividend, be subordinated to the claims of all senior creditors of the Company. The loan meets the eligibility requirements to be counted as Tier 2 capital under Solvency II.

The loan is valued at amortised cost under UK GAAP. As its fair valuation (based on a discount rate assumption of 10-12% which is considered to be an appropriate reflection of MIL's risk profile) approximates amortised cost, there are no valuation adjustments moving from UK GAAP to Solvency II.

Any other liabilities, not elsewhere shown



“Any other liabilities” mainly comprise trade and other payables balances of MTL and its non-insurance subsidiaries. These are all short-term in nature and therefore their UK GAAP carrying values approximate fair values under Solvency II.

Included within this balance is £1,024k (2024: £1,821k) of unallocated cash which is written off under Solvency II.

D.4. Alternative Methods for Valuation

There are no other alternative methods to report other than those already reported in section D.

D.5. Any other information

There is no other material information to report.

E. Capital Management

In addition to the capital and liquidity held within MIL, MTL holds a substantial amount of capital and liquidity centrally at Group level. This surplus capital can be deployed to subsidiaries if needed, and therefore provides resilience to absorb potential losses caused by adverse events. The solvency and financial condition of MIL therefore must be understood in the context of the Group’s position. The Group pools risk, capital and liquidity centrally as much as possible, considering local legal requirements. The Group endeavours to maintain a sufficient capital buffer above the Solvency Capital Requirement (‘SCR’) at local level.

The Group manages its capital to meet policyholder obligations, maximise long-term shareholder value while maintaining financial strength and meeting regulatory and solvency requirements.

The Board considers the Group’s risk appetite as part of the annual ORSA process. The MTL capital risk appetite is to maintain its solvency coverage at above 125% at Group level and 140% at Solo level.

As at 31 December 2025, the Group’s solvency coverage was 235% (2024: 216%) with eligible own funds of £85,762k (2024: £70,945k) and SCR of £36,577k (2024: £32,823k).

E.1. Own Funds

The Board monitors the solvency position and composition of own funds on a quarterly basis and approves capital management actions when required. Scenario testing results are presented as part of Board capital planning discussions, with contingency plans established should solvency coverage fall below target thresholds.

MTL Group

The eligible Group own funds to cover the Group SCR and Minimum Capital Requirement ('MCR'), classified by tiers, are shown below:

	MTL Group (£000) 2025				
	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
Ordinary Share Capital and related Share Premium	106,502	106,502			
Surplus Funds	(19,942)	(19,942)			
Reconciliation reserve	(19,087)	(19,087)			
Subordinated liabilities	20,203			20,203	
An amount equal to the value of net deferred tax assets	9,965				9,965
Eligible own funds to cover SCR	85,762	67,473	-	18,288	-
Eligible own funds to cover MCR	69,302	67,473		1,829	-
	MTL Group (£000) 2024				
	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
Ordinary Share Capital and related Share Premium	79,451	79,451			
Surplus Funds	(15,972)	(15,972)			
Reconciliation reserve	2,466	2,466			
Subordinated liabilities	5,000			5,000	
Eligible own funds to cover SCR	70,945	65,945	-	5,000	-
Eligible own funds to cover MCR	67,586	65,945		1,641	-

MTL's Tier 1 own funds comprise its ordinary share capital and related share premium account and reconciliation reserve. There are no restrictions attaching to Tier 1 own funds and there is no limit to their loss absorbing capacity.

MTL's Tier 2 own funds comprise the subordinated debt issued by Swiss Re on 4 September 2024 and the subordinated debt issued by Cohen & Co. on 8 October 2025. More information on the terms and conditions of the debt can be found in Section D.3 under "Subordinated liabilities". The loans meet the qualifying criteria to be classed as Tier 2 capital and, on an aggregated basis, are eligible to cover up to 50% of SCR and 20% of MCR. Note that these eligibility limits apply to Tier 2 and Tier 3 debt combined.

MTL's Tier 3 own funds consist of a deferred tax asset that was first booked in the QRT submission as at 31 March 2026.

As at 31 December 2025, £1.9m of the available Tier 2 debt is ineligible to cover the SCR and £18.4m is ineligible to cover the MCR. As the Tier 2 debt referenced above has already used up the full amount of Tier 2/3 capital eligible to cover the SCR and MCR, the amount of Tier 3 debt eligible to cover the SCR and MCR is zero. As at 31 December 2024, there were no deductions when considering capital to cover the SCR. For the MCR, £3.4m of the £5.0m of Tier 2 capital available was discarded for eligibility purposes.

A reconciliation from UK GAAP net assets to Solvency II own funds is presented below:

Reconciliation of Own Funds to Statutory Financial Statements 2025	
	£000s
UK GAAP Net Assets	86,560
Removal of Intangible Assets	(8,897)
Difference in Net Technical Provisions (BEL)	3,637
Addition of Risk Margin	(1,701)
Difference in valuation of Other Assets	(3,184)
Difference in valuation of Other Liabilities	1,024
Subordinated Debt	20,203
Own Funds per Solvency II Valuation	97,642
Reconciliation of Own Funds to Statutory Financial Statements 2024	
	£000s
UK GAAP Net Assets	63,479
Removal of Intangible Assets	(5,118)
Difference in Net Technical Provisions (BEL)	13,837
Addition of Risk Margin	(1,199)
Difference in valuation of Other Assets	(3,234)
Difference in valuation of Other Liabilities	(1,821)
Subordinated Debt	5,000
Own Funds per Solvency II Valuation	70,945

The valuation adjustments presented in the tables above are as explained in Section D.

MIL Solo

The eligible Solo own funds to cover the Solo SCR, classified by tiers, are shown below:

	MTL Solo (£000) 2025				
	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
Ordinary Share Capital and related Share Premium	48,050	48,050			
Surplus Funds	(10,124)	(10,124)			
Reconciliation reserve	12	12			
Subordinated liabilities	20,203			20,203	
Eligible own funds to cover SCR	53,789	37,937	-	15,852	-
Eligible own funds to cover MCR	39,523	37,937		1,585	-
	MTL Solo (£000) 2024				
	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
Ordinary Share Capital and related Share Premium	48,050	48,050			
Surplus Funds	(12,274)	(12,274)			
Reconciliation reserve	9,692	9,692			
Subordinated liabilities	5,000			5,000	
Eligible own funds to cover SCR	50,468	45,468	-	5,000	-
Eligible own funds to cover MCR	46,841	45,468		1,373	-

MIL's Tier 1 own funds comprise its ordinary share capital and reconciliation reserve. There are no restrictions attaching to Tier 1 own funds and there is no limit to their loss absorbing capacity.

MIL's Tier 2 own funds comprise the subordinated debt issued by Swiss Re on 4 September 2024 and the subordinated debt issued by Cohen & Co. on 8 October 2025. More information on the terms and conditions of the debt can be found in Section D.3 under "Subordinated liabilities". The loans meet the qualifying criteria to be classed as Tier 2 capital and, on an aggregated basis, are eligible to cover up to 50% of SCR and 20% of MCR.

MIL does not have any Tier 3 own funds.

As at 31 December 2025, £4.4m of the available Tier 2 debt is ineligible to cover the SCR and £18.6m is ineligible to cover the MCR. As at 31 December 2024, there were no deductions when considering capital to cover the SCR. For the MCR, £3.6m of the £5.0m of Tier 2 capital was discarded for eligibility purposes.

A reconciliation from UK GAAP net assets to Solvency II own funds is presented below:

Reconciliation of Own Funds to Statutory Financial Statements 2025	
	£000s
UK GAAP Net Assets	37,926
Difference in Net Technical Provisions (BEL)	3,637
Addition of Risk Margin	(1,701)
Difference in valuation of Other Assets	(3,184)
Difference in valuation of Other Liabilities	1,260
Subordinated Debt	20,203
Own Funds per Solvency II Valuation	58,141
Reconciliation of Own Funds to Statutory Financial Statements 2024	
	£000s
UK GAAP Net Assets	36,064
Difference in Net Technical Provisions (BEL)	13,838
Addition of Risk Margin	(1,199)
Difference in valuation of Other Assets	(3,234)
Difference in valuation of Other Liabilities	531
Subordinated Debt	5,000
Own Funds per Solvency II Valuation	50,468

The valuation adjustments presented in the tables above are as explained in Section D.

E.2. Solvency Capital Requirement and Minimum Capital Requirement

The SCR and MCR have been calculated in accordance with the Standard Formula, including allowances for reinsurance. No simplified calculations nor any Company specific parameters have been used in the application of the Standard Formula.

The table below presents the SCR and MCR coverage for both the MTL Group and MIL on a Solo basis as at 31 December 2025.

Solvency Coverage - £000s	MTL Group 2025	MTL Group 2024	MTL Solo 2025	MTL Solo 2024
Available Own Funds	97,642	70,945	58,141	50,468
Eligible Own Funds	85,762	70,945	53,789	50,468
Solvency Capital Requirement	36,577	32,823	31,704	27,462
SCR Coverage	234%	216%	170%	184%
Eligible Own Funds	69,303	67,586	39,523	46,841
Minimum Capital Requirement	9,144	8,206	8,455	6,866
MCR Coverage	756%	824%	467%	682%

As at 31 December 2025, MTL Group's solvency coverage was 235% (2024: 216%) with eligible own funds of £85,762k (2024: £70,945k) and SCR of £36,577k (2024: £32,823k).

As at 31 December 2025, MIL's Solo solvency coverage was 170% (2024: 184%), with eligible own funds of £53,789k (2024: £50,468k) and SCR of £31,704k (2024: £27,462k). MIL's Solo SCR includes the Capital Add-On imposed by the GFSC which remains in place for 2025 and reflects the risks associated with sliding scale commissions on reinsurance quota share arrangements. The Board monitors MIL's Solo coverage against its stated risk appetite of 140% and it has remained compliant with this threshold throughout the year.

As at 31 December 2025, both the Group and MIL Solo complied with their respective SCR and MCR requirements.

Solvency Capital Requirement

The tables below present the SCR broken down by risk category for both the MTL Group and MIL Solo as at the valuation date. Note that the final amount of the Solvency Capital Requirement remains subject to supervisory assessment as per Article 297(2)(a) of the Solvency II Delegated Regulation.

MTL's SCR components by risk type are as follows:

Marshmallow Technology Group SCR - 2025 - £000s	SCR
Market risk	4,751
Counterparty Default Risk	10,320
Life Underwriting Risk	0
Health Underwriting Risk	0
Non-life Underwriting Risk	16,751
Diversification	-6,389
Basic Solvency Capital Requirement	25,433
Operational risk	7,630
Solvency Capital Requirement excluding Capital Add-On	33,063
Capital Add-On	3,514
Solvency Capital Requirement	36,577
Marshmallow Technology Group SCR - 2024 - £000s	SCR
Market risk	1,955
Counterparty Default Risk	5,882
Life Underwriting Risk	0
Health Underwriting Risk	0
Non-life Underwriting Risk	13,994
Diversification	-3,501
Basic Solvency Capital Requirement	18,330
Operational risk	5,499
Solvency Capital Requirement excluding Capital Add-On	23,829
Capital Add-On	8,993
Solvency Capital Requirement	32,823

MTL's SCR has increased as a result of the growth of the underlying business in both MIL and the wider group. The Non-Life Underwriting Risk derives entirely from MIL and this follows increased underwriting activity. Counterparty Default Risk has risen primarily due to increased cash which is due in part to the group's fundraising activity. The key driver for the increase in Market Risk is the partially unmatched Euro loans that the group has taken out in the last year. Operational Risk has increased because it is a function of the Basic SCR. The Capital Add-On arises in MIL. It has reduced as a result of the increase in underlying Ultimate Loss Ratios on the underwriting activity in MIL.

MIL's SCR components by risk type are as follows:

Marshmallow Insurance Limited SCR - 2025 - £000s	SCR
Market risk	1,229
Counterparty Default Risk	7,164
Life Underwriting Risk	0
Health Underwriting Risk	0
Non-life Underwriting Risk	16,751
Diversification	-3,507
Basic Solvency Capital Requirement	21,636
Operational risk	6,491
Solvency Capital Requirement excluding Capital Add-On	28,127
Capital Add-On	3,578
Solvency Capital Requirement	31,704
Marshmallow Insurance Limited SCR - 2024 - £000s	SCR
Market risk	2,803
Counterparty Default Risk	4,792
Life Underwriting Risk	0
Health Underwriting Risk	0
Non-life Underwriting Risk	13,994
Diversification	-3,699
Basic Solvency Capital Requirement	17,890
Operational risk	5,367
Solvency Capital Requirement excluding Capital Add-On	23,257
Capital Add-On	4,205
Solvency Capital Requirement	27,462

The Non-Life Underwriting Risk increase follows increased underwriting activity. Counterparty Default Risk has increased primarily due to increased cash which is due in part the Company's fundraising activity. The key driver for the decrease in Market Risk arises in Interest Rate Risk. This is because MIL's bond portfolio, which provides a hedge to the Technical Provisions, has become shorter duration over the year which lessens the hedge. Operational Risk has increased because it is a function of the Basic SCR. The Capital Add-On has reduced as a result of the increase in underlying Ultimate Loss Ratios on the underwriting activity in MIL.

No simplifications or undertaking-specific parameters are used in the SCR calculations.

Minimum Capital Requirement

The table below shows the inputs into the MCR calculation as at 31 December 2025 for MTL. The absolute floor of the minimum capital requirement is £3,500k (2024: £3,500k).

Marshmallow Technology Group MCR - 2025 - £000s	Net (of RI) BEL Technical Provisions	Net (of RI) Written Premiums in the last 12 months	MCR Assessment
Motor Vehicle Liability	39,191	39,191	
Other Motor	13,064	13,064	
Linear MCR			7,566
SCR			36,577
MCR Cap			16,460
MCR Floor			9,144
Combined MCR			9,144
Absolute Floor of the MCR			3,500
MCR			9,144
Marshmallow Technology Group MCR - 2024 - £000s	Net (of RI) BEL Technical Provisions	Net (of RI) Written Premiums in the last 12 months	MCR Assessment
Motor Vehicle Liability	(64,824)	7,883	
Other Motor	(21,608)	23,649	
Linear MCR			2,515
SCR			32,823
MCR Cap			14,770
MCR Floor			8,206
Combined MCR			8,206
Absolute Floor of the MCR			3,500
MCR			8,206

The Minimum Capital Requirement (“MCR”) reflects the minimum level of security below which the amount of financial resources should not fall. MTL’s linear MCR (based on MTL’s net TP’s and net written premiums in the last 12 months) falls below the absolute floor that is prescribed by the standard formula approach. However, the MCR Floor (based on 25% of the SCR) is above the absolute floor so that the MCR of MTL as at 31 December 2025 is set to the SCR floor of £9,144k (2024: £8,206k).

The table below shows the inputs into the MCR calculation as at 31 December 2025 for MIL. The absolute floor of the minimum capital requirement is £3,500k (2024: £3,500k).

Marshmallow Insurance Limited MCR - 2025 - £000s	Net (of RI) BEL Technical Provisions	Net (of RI) Written Premiums in the last 12 months	MCR Assessment
Motor Vehicle Liability	39,191	39,191	
Other Motor	13,064	13,064	
Linear MCR			7,566
SCR			31,704
MCR Cap			14,267
MCR Floor			7,926
Combined MCR			7,926
Absolute Floor of the MCR			3,500
MCR			7,926
Marshmallow Insurance Limited MCR - 2024 - £000s	Net (of RI) BEL Technical Provisions	Net (of RI) Written Premiums in the last 12 months	MCR Assessment
Motor Vehicle Liability	(64,824)	7,883	
Other Motor	(21,608)	23,649	
Linear MCR			2,515
SCR			27,462
MCR Cap			12,358
MCR Floor			6,866
Combined MCR			6,866
Absolute Floor of the MCR			3,350
MCR			6,866

The Minimum Capital Requirement (“MCR”) reflects the minimum level of security below which the amount of financial resources should not fall. MIL’s linear MCR (based on MIL’s net TPs and net written premiums in the last 12 months) falls below the absolute floor that is prescribed by the standard formula approach. However, the MCR Floor (based on 25% of the SCR) is above the absolute floor so that the MCR of MIL as at 31 December 2025 is set to the SCR floor of £7,926k (2024: £6,866k).

E.3. Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

The MTL Group is not permitted to use the duration-based equity risk sub-module of the Solvency II regulations.

E.4. Differences between the standard formula and any internal model used

Both MTL and MIL apply the Standard formula model and do not use internal models to calculate the SCR.

The SCR and MCR have been calculated in accordance with the Standard Formula, including allowances for reinsurance. No simplified calculations nor any Company specific parameters have been used in the application of the Standard Formula.

E.5. Non-compliance with the Minimum Capital Requirement and noncompliance with the Solvency Capital Requirement

The Group and the insurer have been compliant with the MCR and SCR throughout the reporting period.

E.6. Any other information

The directors do not consider there are any further disclosures to add.

E.7 Directors' Responsibility Statement

In accordance with Article 292 of the Solvency II Delegated Regulation, the Directors of Marshmallow Insurance Limited (MIL) acknowledge their collective responsibility for the preparation of this Solvency and Financial Condition Report (SFCR), including the financial and solvency information contained herein.

To the best of their knowledge and belief:

- This SFCR has been prepared in all material respects in accordance with the Solvency II requirements and the Financial Services (Insurance Companies) Regulations 2020 (Gibraltar);
- It fairly presents the financial position, risk profile, and solvency condition of Marshmallow Insurance Limited and the Group as at 31 December 2025;
- Marshmallow Insurance Limited and Marshmallow Technology Limited were in compliance with both the Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR).

F. Glossary

Marshmallow Entities

- **MIL:** Marshmallow Insurance Limited
- **MTL:** Marshmallow Technology Limited
- **MFSL:** Marshmallow Financial Services Limited

Regulatory and supervisory

- **GFSC:** Gibraltar Financial Services Commission
- **EIOPA:** European Insurance and Occupational Pensions Authority
- **SFCR:** Solvency and Financial Condition Report
- **ORSA:** Own Risk and Solvency Assessment

Governance & Committees

- **ARCC:** Audit, Risk & Compliance Committee
- **UWCC:** Underwriting & Claims Committee
- **POGC:** Product Oversight & Governance Committee
- **INED:** Independent Non-Executive Director
- **NED:** Non-Executive Director
- **CEO:** Chief Executive Officer

Functions and frameworks

- **CRMP:** Compliance Risk Management Plan
- **ALM:** Asset and Liability Management

Accounting and valuation

- **UK GAAP:** UK Generally Accepted Accounting Principles
- **BEL:** Best Estimate Liabilities
- **DAC:** Deferred Acquisition Costs
- **QRT:** Quantitative Reporting Template
- **UPR:** Unearned Premium Reserve
- **XoL:** Excess of Loss
- **QS:** Quota Share

Technical/actuarial

- **IBNR:** Incurred But Not Reported
- **IBNER:** Incurred But Not Enough Reported
- **SCR:** Solvency Capital Requirement
- **MCR:** Minimum Capital Requirement
- **AQRTs:** Annual Quantitative Reporting Templates

Other

- **PCW:** Price Comparison Website
- **KPI:** Key Performance Indicator



Marshmallow Insurance Limited

Solvency and Financial Condition Report

Disclosures

31 December
2025

(Monetary amounts in GBP thousands)

General information

Entity name	Marshmallow Insurance Limited
Entity identification code and type of code	LEI/98450017D6D1C7MB3F39
Type of undertaking	Non-life undertakings
Country of incorporation	GI
Language of reporting	en
Reporting reference date	31 December 2025
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

-

IR.02.01.02 - Balance sheet

IR.05.04.02 - Non-life income and expenditure : reporting period

IR.17.01.02 - Non-Life Technical Provisions

IR.19.01.21 - Non-Life insurance claims

IR.23.01.01 - Own Funds

IR.25.04.21 - Solvency Capital Requirement

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

IR.02.01.02

Balance sheet

		Solvency II value
		C0010
Assets		
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	103,570
R0080	<i>Property (other than for own use)</i>	
R0090	<i>Holdings in related undertakings, including participations</i>	
R0100	<i>Equities</i>	0
R0110	<i>Equities - listed</i>	
R0120	<i>Equities - unlisted</i>	
R0130	<i>Bonds</i>	55,230
R0140	<i>Government Bonds</i>	17,998
R0150	<i>Corporate Bonds</i>	37,233
R0160	<i>Structured notes</i>	
R0170	<i>Collateralised securities</i>	
R0180	<i>Collective Investments Undertakings</i>	48,340
R0190	<i>Derivatives</i>	
R0200	<i>Deposits other than cash equivalents</i>	
R0210	<i>Other investments</i>	
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	<i>Loans on policies</i>	
R0250	<i>Loans and mortgages to individuals</i>	
R0260	<i>Other loans and mortgages</i>	
R0270	Reinsurance recoverables from:	157,942
R0280	<i>Non-life and health similar to non-life</i>	157,942
R0315	<i>Life and health similar to life, excluding index-linked and unit-linked</i>	
R0340	<i>Life index-linked and unit-linked</i>	
R0350	Deposits to cedants	
R0360	Insurance and intermediaries receivables	
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	29,071
R0420	Any other assets, not elsewhere shown	11,121
R0500	Total assets	301,704

		Solvency II value
		C0010
Liabilities		
R0505	Technical provisions - total	211,898
R0510	<i>Technical provisions - non-life</i>	211,898
R0515	<i>Technical provisions - life</i>	0
R0542	Best estimate - total	210,197
R0544	<i>Best estimate - non-life</i>	210,197
R0546	<i>Best estimate - life</i>	
R0552	Risk margin - total	1,701
R0554	<i>Risk margin - non-life</i>	1,701
R0556	<i>Risk margin - life</i>	
R0565	Transitional (TMTP) - life	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	29,763
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	
R0850	Subordinated liabilities	20,203
R0860	<i>Subordinated liabilities not in Basic Own Funds</i>	
R0870	<i>Subordinated liabilities in Basic Own Funds</i>	20,203
R0880	Any other liabilities, not elsewhere shown	1,902
R0900	Total liabilities	263,767
R1000	Excess of assets over liabilities	37,937

IR.05.04.02

Non-life income and expenditure : reporting period

	Non-life insurance and accepted proportional reinsurance obligations							Accepted non-proportional reinsurance				Annuities stemming from non-life insurance contracts	Annuities stemming from non-life accepted reinsurance contracts
General liability insurance				Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation and transport	Property	C0525	C0545
Employers Liability	Public & products Liability	Professional Indemnity	Other general liability										
C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0310	C0320	C0330	C0340		
Income													
Premiums written													
R0110	Gross written premiums												
R0111	Gross written premiums - Insurance (direct)												
R0113	Gross written premiums - accepted reinsurance												
R0160	Net written premiums												
Premiums earned and provision for unearned													
R0210	Gross earned premiums												
R0220	Net earned premiums												
Expenditure													
Claims incurred													
R0610	Gross (undiscounted) claims incurred												
R0611	Gross (undiscounted) direct business												
R0612	Gross (undiscounted) reinsurance accepted												
R0690	Net (undiscounted) claims incurred												
R0730	Net (discounted) claims incurred												
Analysis of expenses incurred													
R0910	Technical expenses incurred net of reinsurance ceded												
R0985	Acquisition costs, commissions, claims management costs												
Other expenditure													
R1140	Other expenses												
R1310	Total expenditure												

IR.19.01.21
Non-Life insurance claims

Total Non-life business

Z0020 Accident year / underwriting year

Gross Claims Paid (non-cumulative)														
(absolute amount)														
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
Year		Development year										In Current year	Sum of years (cumulative)	
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											0	0	
R0160	-9	0	0	0	0	0	0	0	0	0	0	0	0	0
R0170	-8	0	0	0	0	0	0	0	0	0	0	0	0	0
R0180	-7	0	0	0	0	0	0	0	0	0	0	0	0	0
R0190	-6	0	0	0	0	0	0	0	0	0	0	0	0	0
R0200	-5	0	0	0	0	0	0	0	0	0	0	0	0	0
R0210	-4	8,396	30,345	9,768	4,590	4,409							4,409	57,507
R0220	-3	12,012	42,286	11,589	11,152								11,152	77,040
R0230	-2	22,208	53,137	14,899									14,899	90,244
R0240	-1	29,444	73,911										73,911	103,355
R0250	0	37,931											37,931	37,931
R0260													Total	142,303

Gross Undiscounted Best Estimate Claims Provisions														
(absolute amount)														
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360	Year end (discounted data)
Year		Development year												
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											0	0	
R0160	-9	0	0	0	0	0	0	0	0	0	0	0	0	0
R0170	-8	0	0	0	0	0	0	0	0	0	0	0	0	0
R0180	-7	0	0	0	0	0	0	0	0	0	0	0	0	0
R0190	-6	0	0	0	0	0	0	0	0	0	0	0	0	0
R0200	-5	0	0	0	0	0	0	0	0	0	0	0	0	0
R0210	-4	28,462	21,799	15,136	8,473	5,322							5,011	5,011
R0220	-3	37,152	29,520	21,889	12,844								12,093	12,093
R0230	-2	45,319	58,530	42,034									39,578	39,578
R0240	-1	61,046	88,760										83,573	83,573
R0250	0	74,535											70,180	70,180
R0260													Total	210,435

Gross premium			
		C0570	C0580
Gross earned premium at reporting reference date		Estimate of future gross earned premium	
R0160	N-9	0	0
R0170	N-8	0	0
R0180	N-7	0	0
R0190	N-6	0	0
R0200	N-5	0	0
R0210	N-4	67,737	0
R0220	N-3	93,025	0
R0230	N-2	164,645	0
R0240	N-1	243,393	0
R0250	N	134,954	108,659

IR.25.04.21

Solvency Capital Requirement

Net of loss absorbing capacity of technical provisions

	C0010
Market risk	
R0070 Interest rate risk	412
R0080 Equity risk	0
R0090 Property risk	0
R0100 Spread risk	1,112
R0110 Concentration risk	174
R0120 Currency risk	86
R0125 Other market risk	
R0130 Diversification within market risk	-555
R0140 Total Market risk	1,229
Counterparty default risk	
R0150 Type 1 exposures	7,164
R0160 Type 2 exposures	0
R0165 Other counterparty risk	
R0170 Diversification within counterparty default risk	0
R0180 Total Counterparty default risk	7,164
Life underwriting risk	
R0190 Mortality risk	
R0200 Longevity risk	
R0210 Disability-Morbidity risk	
R0220 Life-expense risk	
R0230 Revision risk	
R0240 Lapse risk	
R0250 Life catastrophe risk	
R0255 Other life underwriting risk	
R0260 Diversification within life underwriting risk	
R0270 Total Life underwriting risk	0
Health underwriting risk	
R0280 Health SLT risk	
R0290 Health non SLT risk	
R0300 Health catastrophe risk	
R0305 Other health underwriting risk	
R0310 Diversification within health underwriting risk	
R0320 Total Health underwriting risk	0
Non-life underwriting risk	
R0330 Non-life premium and reserve risk (ex catastrophe risk)	16,305
R0340 Non-life catastrophe risk	1,521
R0350 Lapse risk	43
R0355 Other non-life underwriting risk	
R0360 Diversification within non-life underwriting risk	-1,119
R0370 Non-life underwriting risk	16,751
R0400 Intangible asset risk	
Operational and other risks	
R0422 Operational risk	6,491
R0424 Other risks	
R0430 Total Operational and other risks	6,491
R0432 Total before all diversification	33,308
R0434 Total before diversification between risk modules	31,634
R0436 Diversification between risk modules	-3,507
R0438 Total after diversification	28,127
R0440 Loss absorbing capacity of technical provisions	
R0450 Loss absorbing capacity of deferred tax	
R0455 Other adjustments	
R0460 Solvency capital requirement including undisclosed capital add-on	28,127
R0472 Disclosed capital add-on - excluding residual model limitation	3,578
R0474 Disclosed capital add-on - residual model limitation	
R0480 Solvency capital requirement including capital add-on	31,704
R0490 Biting interest rate scenario	
R0495 Biting life lapse scenario	

Marshmallow Technology Limited

Solvency and Financial Condition Report

Disclosures

31 December
2025

(Monetary amounts in GBP thousands)

General information

Entity name	Marshmallow Technology Limited
Entity identification code and type of code	LEI/9845006C0EVA5D1B6011
Country of the group supervisor	GI
Language of reporting	en
Reporting reference date	31 December 2025
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the group SCR	Standard formula
Method of group solvency calculation	Method 1 is used exclusively
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

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- IR.02.01.02 - Balance sheet
- IR.05.02.01 - Premiums, claims and expenses by country: Non-life obligations
- IR.05.04.02 - Non-life income and expenditure : reporting period
- IR.23.01.04 - Own Funds
- IR.25.04.22 - Solvency Capital Requirement
- IR.32.01.22 - Undertakings in the scope of the group

IR.02.01.02

Balance sheet

		Solvency II value
		C0010
Assets		
R0030	Intangible assets	0
R0040	Deferred tax assets	9,965
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	2,956
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	103,570
R0080	<i>Property (other than for own use)</i>	
R0090	<i>Holdings in related undertakings, including participations</i>	
R0100	<i>Equities</i>	0
R0110	<i>Equities - listed</i>	
R0120	<i>Equities - unlisted</i>	
R0130	<i>Bonds</i>	55,230
R0140	<i>Government Bonds</i>	17,998
R0150	<i>Corporate Bonds</i>	37,233
R0160	<i>Structured notes</i>	
R0170	<i>Collateralised securities</i>	
R0180	<i>Collective Investments Undertakings</i>	48,340
R0190	<i>Derivatives</i>	
R0200	<i>Deposits other than cash equivalents</i>	
R0210	<i>Other investments</i>	
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	<i>Loans on policies</i>	
R0250	<i>Loans and mortgages to individuals</i>	
R0260	<i>Other loans and mortgages</i>	
R0270	Reinsurance recoverables from:	157,942
R0280	<i>Non-life and health similar to non-life</i>	157,942
R0315	<i>Life and health similar to life, excluding index-linked and unit-linked</i>	
R0340	<i>Life index-linked and unit-linked</i>	
R0350	Deposits to cedants	
R0360	Insurance and intermediaries receivables	53,764
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	87,547
R0420	Any other assets, not elsewhere shown	22,720
R0500	Total assets	438,464

		Solvency II value
		C0010
Liabilities		
R0505	Technical provisions - total	211,898
R0510	<i>Technical provisions - non-life</i>	211,898
R0515	<i>Technical provisions - life</i>	0
R0542	Best estimate - total	210,197
R0544	<i>Best estimate - non-life</i>	210,197
R0546	<i>Best estimate - life</i>	
R0552	Risk margin - total	1,701
R0554	<i>Risk margin - non-life</i>	1,701
R0556	<i>Risk margin - life</i>	
R0565	Transitional (TMTP) - life	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	
R0800	Debts owed to credit institutions	38,317
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	29,763
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	
R0850	Subordinated liabilities	20,203
R0860	<i>Subordinated liabilities not in Basic Own Funds</i>	
R0870	<i>Subordinated liabilities in Basic Own Funds</i>	20,203
R0880	Any other liabilities, not elsewhere shown	60,845
R0900	Total liabilities	361,026
R1000	Excess of assets over liabilities	77,439

IR.05.02.01

Premiums, claims and expenses by country: Non-life obligations

	C0010	C0020	C0030	C0040	C0050	C0060	C0070
	Home Country	Top 5 countries (by amount of gross premiums written)					Total Top 5 and home country
		GB					
	C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written							
R0110 Gross - Direct Business		230,617					230,617
R0120 Gross - Proportional reinsurance accepted							0
R0130 Gross - Non-proportional reinsurance accepted							0
R0140 Reinsurers' share		199,572					199,572
R0200 Net	0	31,045					31,045
Premiums earned							
R0210 Gross - Direct Business		257,318					257,318
R0220 Gross - Proportional reinsurance accepted							0
R0230 Gross - Non-proportional reinsurance accepted							0
R0240 Reinsurers' share		217,954					217,954
R0300 Net	0	39,364					39,364
Claims incurred							
R0310 Gross - Direct Business		215,808					215,808
R0320 Gross - Proportional reinsurance accepted							0
R0330 Gross - Non-proportional reinsurance accepted							0
R0340 Reinsurers' share		181,347					181,347
R0400 Net	0	34,460					34,460
Net expenses incurred							
R0550		5,642					5,642

IR.25.04.22

Solvency Capital Requirement**Net of loss absorbing capacity of technical provisions**

		C0010
Market risk		
R0070	Interest rate risk	1,340
R0080	Equity risk	
R0090	Property risk	
R0100	Spread risk	1,112
R0110	Concentration risk	174
R0120	Currency risk	3,676
R0125	Other market risk	
R0130	Diversification within market risk	-1,551
R0140	Total Market risk	4,751
Counterparty default risk		
R0150	Type 1 exposures	10,320
R0160	Type 2 exposures	
R0165	Other counterparty risk	
R0170	Diversification within counterparty default risk	
R0180	Total Counterparty default risk	10,320
Life underwriting risk		
R0190	Mortality risk	
R0200	Longevity risk	
R0210	Disability-Morbidity risk	
R0220	Life-expense risk	
R0230	Revision risk	
R0240	Lapse risk	
R0250	Life catastrophe risk	
R0255	Other life underwriting risk	
R0260	Diversification within life underwriting risk	
R0270	Total Life underwriting risk	0
Health underwriting risk		
R0280	Health SLT risk	
R0290	Health non SLT risk	
R0300	Health catastrophe risk	
R0305	Other health underwriting risk	
R0310	Diversification within health underwriting risk	
R0320	Total Health underwriting risk	0
Non-life underwriting risk		
R0330	Non-life premium and reserve risk (ex catastrophe risk)	16,305
R0340	Non-life catastrophe risk	1,521
R0350	Lapse risk	43
R0355	Other non-life underwriting risk	
R0360	Diversification within non-life underwriting risk	-1,119
R0370	Total Non-life underwriting risk	16,751
R0400	Intangible asset risk	
Operational and other risks		
R0422	Operational risk	7,630
R0424	Other risks	
R0430	Total Operational and other risks	7,630
R0432	Total before all diversification	42,122
R0434	Total before diversification between risk modules	39,452
R0436	Diversification between risk modules	-6,389
R0438	Total after diversification	33,063
R0440	Loss absorbing capacity of technical provisions	
R0450	Loss absorbing capacity of deferred tax	
R0455	Other adjustments	
R0460	Solvency capital requirement including undisclosed capital add-on	33,063
R0472	Disclosed capital add-on - excluding residual model limitation	3,514
R0474	Disclosed capital add-on - residual model limitation	
R0480	Solvency capital requirement including capital add-on	36,577
R0490	Biting interest rate scenario	
R0495	Biting life lapse scenario	
Information on other entities		
R0500	Capital requirement for other financial sectors (Non-insurance capital requirements)	0
R0510	<i>Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies</i>	
R0520	<i>Institutions for occupational retirement provisions</i>	
R0530	<i>Capital requirement for non-regulated entities carrying out financial activities</i>	
R0540	Capital requirement for non-controlled participation requirements	
R0550	Capital requirement for residual undertakings	
Overall SCR		
R0555	Solvency capital requirement (consolidation method)	36,577
R0560	SCR for undertakings included via D and A	
R0565	SCR for sub-groups included via D and A	
R0570	Solvency capital requirement	36,577

IR.32.01.22

Undertakings in the scope of the group

Country	Identification code and type of code of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority
C0010	C0020	C0040	C0050	C0060	C0070	C0080
1 GB	LEI/9845006C0EVA5D1B6011	Marshmallow Technology Limited	Insurance holding company as defined in the Glossary part of the PRA Rulebook	Company limited by shares	Non-mutual	Gibraltar Financial Services Commission
2 GB	SC/11005345	Marshmallow Financial Services Limited	Other	Company limited by shares	Non-mutual	Financial Conduct Authority
3 GI	LEI/98450017D6D1C7MB3F39	Marshmallow Insurance Limited	Non-life insurance undertaking	Company limited by shares	Non-mutual	Gibraltar Financial Services Commission
4 HU	SC/27720299-2-41	Marshmallow Technology Hungary Kft	Other	Company limited by shares	Non-mutual	
5 GB	SC/15052485	Marshmallow Repair Limited	Other	Company limited by shares	Non-mutual	
6 GB	SC/15834468	Marshmallow Credit Services Limited	Other	Company limited by shares	Non-mutual	

IR.32.01.22

Undertakings in the scope of the group

Country	Identification code and type of code of the undertaking	Legal Name of the undertaking	Type of undertaking	Criteria of influence					
				% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation
C0010	C0020	C0040	C0050	C0180	C0190	C0200	C0210	C0220	C0230
1 GB	LEI/9845006C0EVA5D1B6011	Marshmallow Technology Limited	Insurance holding company as defined in the Glossary part of the PRA Rulebook					Dominant	
2 GB	SC/11005345	Marshmallow Financial Services Limited	Other	100.00%					
3 GI	LEI/98450017D6D1C7MB3F39	Marshmallow Insurance Limited	Non-life insurance undertaking	100.00%					100.00%
4 HU	SC/27720299-2-41	Marshmallow Technology Hungary Kft	Other	100.00%					
5 GB	SC/15052485	Marshmallow Repair Limited	Other	100.00%					
6 GB	SC/15834468	Marshmallow Credit Services Limited	Other	100.00%					

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Undertakings in the scope of the group

Country	Identification code and type of code of the undertaking	Legal Name of the undertaking	Type of undertaking	Inclusion in the scope of Group supervision		Group solvency calculation
				Yes/No	Date of decision if excluded	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0040	C0050	C0240	C0250	C0260
1 GB	LEI/9845006C0EVA5D1B6011	Marshmallow Technology Limited	Insurance holding company as defined in the Glossary part of the PRA Rulebook	Included in the scope		Method 1: Full consolidation
2 GB	SC/11005345	Marshmallow Financial Services Limited	Other	Included in the scope		Method 1: Full consolidation
3 GI	LEI/98450017D6D1C7MB3F39	Marshmallow Insurance Limited	Non-life insurance undertaking	Included in the scope		Method 1: Full consolidation
4 HU	SC/27720299-2-41	Marshmallow Technology Hungary Kft	Other	Included in the scope		Method 1: Full consolidation
5 GB	SC/15052485	Marshmallow Repair Limited	Other	Included in the scope		Method 1: Full consolidation
6 GB	SC/15834468	Marshmallow Credit Services Limited	Other	Included in the scope		Method 1: Full consolidation