MAPFRE MSV Life p.l.c.

Annual Report
31 December 2022

Company Registration Number: C15722

Directors' report

For the year ended 31 December 2022

The directors present their annual report for the year ended 31 December 2022.

Board of Directors

The directors of MAPFRE MSV Life p.l.c. (the "Company" or "MAPFRE MSV Life") who held office during the period under review were:

Gordon Cordina (Chairman)
Nicholas Dexter
Jose Luis Jimenez Guajardo-Fajardo
Jose Maria del Pozo Jodra
Javier Rufino Moreno Gonzalez
Izabela Dzierzylslawa Banas
Ricky David Hunkin (resigned on 18 March 2022)
Martin Galea (resigned on 22 April 2022)
Godfrey Swain (appointed on 19 May 2022)
Joseph FX Zahra (appointed on 19 July 2022)

According to the Company's Articles of Association, every member or group of members holding in aggregate at least 10% of the issued share capital of the Company having voting rights, are entitled to appoint one director. Every member or group of members holding at least an additional 13% of the issued share capital of the Company having voting rights, are entitled to appoint an additional director for every 13% holding.

Unless appointed for a longer or shorter period, or unless they resign or are earlier removed, directors hold office for a period of one year, provided that no appointment may be made for a period exceeding three years.

During the AGM of the Company held on 18 March 2022, Godfrey Swain was appointed Director subject to Regulatory Approval. Regulatory Approval was received on 19 May 2022. Thus the effective date of Godfrey Swain's appointment was the date of receipt of Regulatory Approval.

Joseph F.X. Zahra was appointed as Director on the 22 April 2022, subject to Regulatory Approval. Regulatory Approval was received on 19 July 2022. Thus the effective date of Joseph F.X. Zahra's appointment was the date of receipt of Regulatory Approval.

Directors' report - continued

Principal Activities

The Company is licensed by the Malta Financial Services Authority to carry on long term business of insurance, including life insurance and life re-insurance, as authorised under the Insurance Business Act (Chapter 403 of the Laws of Malta). The Group (the Company and its subsidiary, Growth Investments Limited) was also authorised to provide investment services in terms of a license issued under the Investment Services Act (Chapter 370 of the Laws of Malta). The subsidiary has surrendered its license during the year and is now in dissolution.

Business review 2022

MAPFRE MSV Group registered a profit before tax of €17.2 million for the year ended 31 December 2022, up 3.0% on the previous year when a €16.7 million profit before tax was generated. Profit after tax is at €11.7 million, up 10.4% on the €10.6 million in the previous year.

Operating results benefited from a better than expected performance from the Life protection book of business. Apart from the positive underwriting result, this line of business benefited significantly from the increase in interest rates experienced during 2022. However, the difficult and complex economic and financial market environment has weighed heavily and negatively, in terms of With-Profits gross written premium, with a marked reduction over the previous year.

During the year, Central Banks' shifted from an accommodative to a restrictive monetary policy to stem the surge in inflation, which was initially fuelled by supply chain challenges, economies opening up following improvement in COVID-19 situation and then further compounded with the war in Ukraine. The global economic outlook deteriorated with consensus forecasts pointing towards a recession with estimates ranging from a mild to a more severe recession. This backdrop was conducive to a risk off sentiment for the most part of the year resulting in a selloff in the equity markets while negative yields turned positive, effectively ending a decade long of low and negative yields environment. The unusual simultaneous losses in equities and bonds were even more extraordinary given that both asset classes' losses were significant, in double-digit figures.

Gross premiums written for financial year 2022 totalled €248.8 million, a decrease of 23.5% over the prior year €325.1 million, driven mainly by a lower demand from single premium With-Profits business. The uncertain economic environment, increased market volatility and increased debt issuance at higher coupon rates were the main factors behind the decrease in demand for MAPFRE MSV Life's flagship product, the With Profits Single Premium Plan. Regular premium business was more resilient with premiums growing at a satisfactory rate over the previous year. In terms of regular business, it is noteworthy to mention that personal pension plans continued to experience sustained demand while interest in Voluntary Occupational Pension Schemes (VOPS) improved and encouraging results registered in this segment. In line with our strategy of risk, product and income diversification, increasing focus on unit-linked single and regular-premium business together with personal and corporate pensions business will drive new business to support our flagship with-profits products.

Directors' report - continued

Business review 2022 - continued

Net claims incurred decreased to €295.0 million through the year compared to a prior year €305.0 million largely as a result of a decline in maturing medium-term single premium contracts. A large proportion of maturing contracts were subsequently re-invested in new medium to long term contracts.

In aggregate, the balance on the long term business technical account decreased to €17.2 million from a prior year €18.1 million as a result of the lower demand for single premium With Profits product.

The MAPFRE MSV Group's total assets decreased by 13.4% from €2,721.4 million at the end of 2021 to €2,357.0 million at the end of 2022, whilst net technical provisions (including investment contracts without DPF) decreased by 15.3% from €2,437.6 million in 2021 to €2,063.8 million in 2022.

The value of in-force business, which projects future transfers to shareholders arising from policies in force at the end of the year, decreased by 8.4%, from a €87.1 million value in 2021 to €79.8 million in 2022. This is attributable to the impact of increased interest rates and lower asset market values.

Total shareholders' funds at the close of 2022 amounted to €224.3 million (2021: €221.9 million), an increase of 1.1% over the previous year and well ahead of minimum solvency guidelines. The end of year Solvency Capital Requirement ratio is expected to be lower that the corresponding 2021 figure. The Company will continue to monitor the business and financial markets developments and consider measures in line with its risk management framework to maintain the solvency ratio within its articulated risk appetite.

The shareholders' of MAPFRE MSV Life are wholly committed in ensuring that the Company remains adequately capitalised at all times to sustain business growth and to meet Solvency Capital Requirements in line with the Solvency II framework.

The MAPFRE MSV Life With Profits fund stood at €1.89 billion at 31 December 2022 (2021: €2.25 billion). The fall in the fund value was driven by the lower re-pricing of assets following the financial markets downturn and the negative operational cashflows arising from maturity outflows and decrease in gross written premiums.

As mentioned above, the breadth and depth of the financial markets turmoil was such that even well diversified investment portfolios closed the year with a negative performance, notwithstanding the market recovery from the year's low, during the last quarter. Historically, whenever equities experienced increased volatility, bonds provided the main diversification benefits within investment portfolios. However, in 2022, this was not the case given that even investment grade credit and government bonds registered double-digit losses. Locally, the 10-year Malta Government Stock saw a price reduction of over 20%. In 2022, bonds markets suffered the worse loss in more than a century.

Directors' report - continued

Business review 2022 - continued

The investment strategy of the MAPFRE MSV Life's With Profits fund is to hold a diversified range of quality assets, spread across different geographies and currencies to mitigate market and concentration risk. This asset diversification together with the robust investment management process, the expertise of the asset managers engaged, and the Company's strong track record of investment management continue to be fundamental in managing policyholders' assets in this challenging and ever more volatile investments market environment.

Notwithstanding the active management of the Fund, which resulted in a number of tactical positions being taken during the year, the total investment losses of the With Profits fund amounted to €270.4 million generating a negative return of 13.1%. This performance was comparable to what are generally referred to as "balanced" investment funds. The With Profits Fund's investment strategy, which is subject to regular review, remains well positioned to benefit from the eventual economic and capital markets recovery and the medium to long term opportunities that this new environment presents.

In March 2023, the Board of Directors of MAPFRE MSV Life approved a resolution whereby differential rates of Regular Bonuses were declared in respect of With Profits plans held with MAPFRE MSV Life for the year ended 31 December 2022. These amounted to 0.90% for the Comprehensive Life Plan (regular and single premium policies), 1.00% in respect of the Comprehensive Flexi Plan (regular and single premium policies), 1.00% under the Single Premium Plan and 1.00% under the With Profits options of the Investment Bond, Retirement Plan and of the Personal Pension Plan. On the 'Old Series' Endowment and Whole Life policies, a Regular Bonus of 1.00% of the basic sum assured plus bonuses was declared.

In addition, the Board also announced the declaration of a Final Bonus in respect of Comprehensive Life Plans (single and regular premium), Comprehensive Flexi Plans (single premium only) and Single Premium Plans that have been in force for more than 10 years. For Regular Premium policies, the Final Bonus is expressed as a flat percentage plus a percentage for every year in force after the 25th year of the policy whilst, for the Final Bonus on Single Premium policies is being expressed as a combination of a flat percentage plus an additional percentage for every year in force after the 10th year of the policy.

Final Bonuses will be paid on the value of the Policy Account as at the date of death or maturity between 1 May 2023 and the next bonus declaration in accordance with the following table:

Product	Final Bonus Flat Rate	Rate per Year in Force	After Years in Force
Comprehensive Life Plan (Regular Premium)	5.00%	1.50%	25
Comprehensive Flexi Plan (Regular Premium)	Nil	Nil	N/A
Single Premium Plan	5.00%	0.75%	10
Comprehensive Life Plan (Single Premium)	Nil	3.00%	10
Comprehensive Flexi Plan (Single Premium)	7.50%	Nil	N/A

Directors' report - continued

Business review 2022 - continued

The Board also approved a Regular Bonus of 0.90% on those Secure Growth policies which formed part of the portfolio of business transferred to MAPFRE MSV Life from Assicurazioni Generali S.p.A. during 2000. Finally, the Board approved a Regular Bonus of 1.00% on the ALICO 78 policies and a Regular Bonus of 1.00% on the ALICO 66 polices which formed part of the portfolio of business transferred to MAPFRE MSV Life in 2011 from American Life Insurance Company ("ALICO").

Notwithstanding the prudent investment policy adopted by MAPFRE MSV Life, past performance is no guarantee for the future. Although MAPFRE MSV Life's With Profits investments have generally provided policyholders with stable and satisfactory returns when compared with other similar investment products, in the light of the current uncertainty in the capital markets, investment returns could fluctuate further. Fair value movements and investment returns impinge directly on the rates of bonuses declared by the Company. Regular Bonuses are therefore expected to vary over the lifetime of the policy whilst Final Bonuses are likely to be highly volatile and very dependent on the investment performance of the Company.

In 2022, the life insurance market in Malta saw a contraction as inflation surged and the economic and financial markets outlook deteriorated.

The 2022 regular bonus rates represent a maximum reduction of 1.00% from the 2021 declaration. The policyholders are benefiting from the application of the smoothing within the with Profits fund, in light of the negative investment performance experienced in 2022.

Following the Board of Directors' approval of the 2022-2024 Strategic Plan, the unfolding economic and capital market developments during 2022 were significantly and unfavourably different to the assumption made at plan definition stage. Notwithstanding, the Company remains resolute in the 2022-2024 Strategic Plan execution. Good progress along the three main strategic pillars of; revenue streams diversification; data and digital transformation and excellence in customer service has been made.

Revenue streams diversification is one of the main pillars over this strategic period. Product innovation and distribution channel enhancement initiatives are the main drivers underpinning this strategic objective. The Company remains focused on growing the regular savings business and in further developing the Unit Linked business segment. The Company remains committed in contributing towards a solution to the country's challenge of pension system sustainability. The Company continues to invest in products and systems to enable it to offer financial solutions to better support policyholders' financial goals and aspirations during their retirement years.

We consider our distribution footprint in Malta to be one of our key strengths. Whilst bancassurance remains our most important distribution channel, we are continuously seeking to strengthen all other distribution channels to ensure that our customers benefit from greater accessibility and better service.

Directors' report - continued

Business review 2022 - continued

In terms of the Core Life System implementation, we achieved a number of important milestones. The main highlight being a successful migration of the savings book of business to the new Core Life System. This was only possible thanks to our employees' professionalism and commitment together with our supplier's expertise and support. The digital transformation process remains on track and remains fundamental for the future ambition of the Company.

The customer remains central to the Company's business model. MAPFRE MSV Life continues to invest in its employees, processes and technology to ensure that the service proposition continues to be a differentiating factor to competition but more importantly to meet the expected level of service of our policyholders.

There were no significant insurance risks impacting the portfolios of business during the year, and mortality assumptions used in the valuation of policyholder obligations remained appropriate.

In the second half of the year, we saw a more subdued demand for single premium contracts. In the last quarter of the year, with investor sentiment and consumer confidence at very low levels, the drop in demand was more pronounced. The shift away from low and negative interest rates is expected to continue to affect negatively on short-term demand as economies transition to a higher interest environment.

The demand for new retirement savings products continues to be encouraging and the Company saw improved turnover in regular savings contracts. The Company continued to be very active in the Personal Pension segment and in the Voluntary Occupational Pension Scheme product, WorkSave, saw increased demand with the on boarding of a number of companies.

The life protection line of business demand was in line with expectations. Locally, demand for life protection continues to be strongly correlated with the demand for home loans. The need to have life protection as a basic element of financial planning remains underappreciated. The Company feels that promoting the importance of having adequate levels of insurance is also part of its responsibilities to build more financially secure and resilient communities.

As a result, we continue to see continued demand for all our product groupings as customers continue to choose MAPFRE MSV Life, reflecting trust in our brand and in the quality of our service proposition.

MAPFRE MSV Life continues to seek growth in its core business lines and believes that its increasing integration with MAPFRE Group strategies will further strengthen and consolidate business prospects.

Whilst we have an important role to provide our customers with prosperity and peace of mind, we acknowledge that we have a wider commitment to society by also supporting those who are not our customers. Over the years we have developed a Corporate Social Responsibility (CSR) policy framework which encompasses shareholders, the environment, people, communities and customers. Through our CSR programme we cooperate with and assist a number of public and private institutions, NGOs, museums, foundations and associations who share similar goals and values as us.

Directors' report - continued

Business review 2022 - continued

Sustainability is also very high on our agenda. In line with the MAPFRE Group's Sustainability Plan, the Company is committed to be carbon neutral by end 2030. To this effect, a number of initiatives are being implemented and more will be formulated as we move towards this important goal. Good progress is also being registered in terms of the environment, social and governance (ESG) dimensions.

As a financial institution, we are aware of our responsibility and contribution towards sustainability and that this will primarily depend on how the Company allocates capital through its investing decisions. To this effect, our initial focus revolved on updating the Investment Policy and processes through the endorsement of the Principles for Responsible Investing. In terms of the Sustainable Financial Disclosure Requirements (SFDR), our With-Profits Fund, is currently classified as Article 6. The intention is to transition this Fund to an Article 8 classification. An article 8 Fund has greater disclosure requirements and must also promote environmental or social characteristics. Segregated Investment management's mandates have been updated to include sustainability factors and financial exposures via pooled funds are being monitored and assessed depending on in their sustainability objectives. In 2022, our Product Oversight Governance (POG) policy was updated to include sustainability factors considerations. We believe that by promoting and providing pension products we are also contributing to the social dimension.

Other initiatives like remote working, files digitilization, electronic communication and promotion of hybrid and electric vehicles lower our carbon footprint and move us closer to our goal of becoming carbon neutral. The Company can also boast to have a diverse multinational workforce with high levels of female participation in senior management positions.

Our people continue to be the most valued asset. During the year, training and development continued to feature high on our agenda. Strategic key performance indicators have been set to ensure that employees achieve their full potential while the customer benefits from the competence and professionalism of our staff. We are committed to provide our employees with internal and external training opportunities in Malta as well as overseas.

In order to ensure the well-being and ongoing development of our people we are continuously reviewing and updating our HR policies and implementing new policies and employment practices. During the year, the Company was awarded the HR Quality Mark by the Foundation for Human Resources Development.

The Board expresses its gratitude and appreciation to the management and staff for their commitment and contribution to another satisfactory year, to intermediaries for their continued support and to the many loyal customers for placing their trust in MAPFRE MSV Life p.l.c.

Directors' report - continued

Market developments and Outlook

The Maltese life insurance market has, for a number of years, registered growth that is significantly above the average in Europe but remains an underinsured market. Although life insurance companies are playing an increasingly important role in Maltese household savings, comparative studies with other European life insurance markets continue to show that whilst the Maltese life insurance market has grown significantly between 1996 and 2022, the life insurance density and life insurance penetration still fall below the European average. We therefore continue to see attractive potential for an uplift in life protection, long term and retirement savings in the local life insurance market.

From a regulatory point of view, in terms of prudential and conduct regulation, we are looking at developments in a number of important reviews in the context of Packaged Retail and Insurance - Based Investment Products (PRIIPS), the Insurance Distribution Directive and Solvency II. Increased regulation in the form of sustainability-related disclosures emanating from the Sustainable Finance Disclosure Regulation (SFDR) and the new Corporate Sustainability Reporting Directive (CSRD) is also expected. Of particular relevance will be the developments in the European Commission's Retail Investment Strategy. The prevailing Anti-Money Laundering Directives will also feature prominently in the evolving regulatory landscape as well as the newly enacted Digital Operational Resilience Act (DORA), with requirements emanating thereunder seeking to achieve a high common level of digital operational resilience. Over the past year, we have made significant investments to strengthen our compliance and risk management framework, particularly in terms of the Prevention of Money Laundering and Funding of Terrorism (PMLFT).

MMSV will apply IFRS 17 and IFRS 9 for the first time on 1 January 2023. The Company has an ongoing implementation programme to implement such standards, which is responsible for forming accounting policies and developing methodologies, establishing appropriate processes and controls and implementing actuarial and accounting system changes. The Board is monitoring the progress of the implementation plan to ensure that the necessary priority is given to the implementation of IFRS 17.

The local economy is expected to remain resilient in the context of a more challenging environment as inflationary pressures continue to push the cost of living higher. Global capital markets outlook remains one of volatility, at least, as long as inflation concerns persist and the interest rate path remains unclear with continued geopolitical risks in the background. With inflation running at levels not seen in decades, global central bank will continue to play a crucial role through monetary policy, their actions and forward guidance having a significant bearing of the investors sentiment and capital markets performance. Taming inflation while avoiding a hard landing will remain the key tough priority of global central banks. Geopolitical risks will also continue to bear on the global economic recovery and capital markets volatility. The war in Ukraine not only continues to exacerbate the supply chain bottlenecks and inflationary pressures but further potential escalations could serve as a catalyst for markets to sell off.

Within this context, we remain cautiously optimistic. We expect demand for the regular protection and savings business to remain strong but the more challenging conditions present in the last quarter of 2022, particularly for lump sum single premium business to persist during 2023. In the medium to the long term, the structural shift from negative to positive interest rates is considered as favourable for the Company's business model. However, in the short term, this acts as a headwind for our traditional lump sum investment and savings products as competition intensifies.

Directors' report - continued

Market developments and Outlook - continued

Changing customer behaviours, technological developments, product innovation and the disruption that is taking place in the insurance industry will require insurance companies to remain vigilant and agile in adapting to the new norms in order to exploit the opportunities that will arise.

In this context, MMSV's capital strength and diversified business model will continue to underpin its resiliency and future success.

Principal Risks and Uncertainties

The Company's principal risks and uncertainties are further disclosed in Note 3 dealing with management of risk as supplemented by Note 2.20 relating to critical accounting estimates and judgements in applying accounting policies, Note 13 on intangible assets covering details on the Company's value of in-force business and Note 24 discussing the assumptions underlying the technical provisions.

Dividends and Capital Management

The Directors are not recommending the payment of a final net dividend.

Update on Growth Investments Limited

During 2022, the subsidiary surrendered its license and resolved to liquidate effective 31 August 2022, as per Note 31 in the below financial statements. The appointed external auditor is currently auditing the subsidiary's winding up accounts and scheme of distribution.

Actuaries

The Company's Approved Actuary is Mr. Michael Green FIA, a director of Willis Towers Watson PLC.

Statement of directors' responsibilities

The directors are required by the Insurance Business Act, 1998 and the Companies Act, 1995 to prepare financial statements which give a true and fair view of the state of affairs of the Group and Company as at the end of each reporting period and of the profit or loss for that period.

Directors' report - continued

Statement of directors' responsibilities - continued

In preparing the financial statements, the directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business as a going concern.

The directors are also responsible for designing, implementing and maintaining internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Insurance Business Act, 1998 and with the Companies Act, 1995. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of MAPFRE MSV Life p.l.c. for the year ended 31 December 2022 are included in the Annual Report 2022, which is published in hard-copy printed form and will be made available on the Company's website. The directors are responsible for the maintenance and integrity of the Annual Report on the website. Access to information published on the Company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Auditors

KPMG have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

Approved by the Board of Directors on 21 March 2023 and signed on its behalf by:

Gordon Cordina Chairman	Joseph FX Zahra Director	Etienne Sciberras Chief Executive Officer

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Independent Auditors' Report

To the Shareholders of MAPFRE MSV Life p.l.c.

1 Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of MAPFRE MSV Life p.l.c. (the "Company") and of the Group of which the Company is the parent, which comprise the statements of financial position as at 31 December 2022, the statements of profit or loss – technical account – long term business, profit or loss – non-technical accounts, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

(a) give a true and fair view of the financial position of the Company and of the Group as at 31 December 2022, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU; and

(b) have been properly prepared in accordance with the provisions of the Companies Act, 1995 (Chapter 386, Laws of Malta) (the "Act") and the Insurance Business Act, 1998 (Chapter 403, Laws of Malta) (the 'Insurance Business Act').

Basis for opinion

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

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Independent Auditors' Report (continued)

To the Shareholders of MAPFRE MSV Life p.l.c.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period (selected from those communicated to the audit committee), and include a description of the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We summarise below the key audit matters, together with our response by way of the audit procedures we performed to address those matters in our audit, and key observations arising with respect to such risks of material misstatement.

Actuarial assumptions underlying the calculations of the (a) 'long term business provision' ("LTBP") relating to term business; and (b) 'value of in force business' ("VIF")
Accounting policy note 2.4 and 2.8(a) to the financial statements and notes 13 and 24 for further disclosures

LTBP relating to the term business within 'Technical provisions' (€2,064,259 thousand for all business, inclusive of the term business); and VIF (€79,837 thousand) included in 'Intangible assets'.

The Company enters into insurance contracts which comprise term, unit-linked and participating (with-profits) business. For term business, the obligation of the Company is the payment of a death benefit, where such an event occurs during the period the policy is in force. Within the amounts reported under 'Technical provisions', we have considered the LTBP relating to the term business as a key audit matter in view of the judgement involved in estimating the ultimate total settlement value (therefore subject to significant actuarial assumptions). Due to inherent estimation uncertainty, the outcomes of the estimated outflows (being the ultimate total settlement value) in relation to long-term business provisions ("LTBP") on the non-participating business (term business), may be different from the amounts provided.

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Independent Auditors' Report (continued)

To the Shareholders of MAPFRE MSV Life p.l.c.

Key audit matters (continued)

Actuarial assumptions underlying the calculations of the (a) 'long term business provision' ("LTBP") relating to term business; and (b) 'value of in force business' ("VIF") (continued)

Also, as part of its intangible assets, the Company recognises the discounted value of projected future transfers to shareholders from those insurance contracts and the investment contracts in force at the end of the reporting period, net of deferred tax. The determination of this VIF also involves judgement.

The judgement involved relates, in the main, to actuarial assumptions which impact the LTBP relating to the term business and the VIF. Those assumptions comprise both economic assumptions (namely, valuation rate of interest ("VIR"), inflation, risk discount rate and the investment return), and non-economic (operating) assumptions (namely, mortality and lapse rates, and expenses).

Our response

As part of our procedures, we involved our actuarial specialist to assess the appropriateness of the following key assumptions underlying the calculations of the actuarial elements:

Economic assumptions

- We assessed the VIR against the regulatory valuation rules as used for accounting purposes. We have also assessed whether the VIR derivation: (i) took into account the critical factors impacting the portfolio yield; and (ii) is consistent with the relevant regulations.
- Specifically in relation to the LTBP calculations, we assessed the appropriateness of the inflation assumption, as to whether the expense inflation was set in accordance with the applicable valuation rules, by considering the movements in Malta's Consumer Price Index, published by the National Office of Statistics, and the economic forecasts prepared by the Central Bank of Malta.
- Specifically in relation to the VIF calculation, we assessed whether: (i) the assumptions underlying the risk discount rate, the investment return and inflation are set in line with the Company's long-term expectations; and (ii) the Company's approach in determining the assumptions in line with the Company's long-term expectations, for the purpose of the VIF calculation, reflects industry practice.

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Independent Auditors' Report (continued)

To the Shareholders of MAPFRE MSV Life p.l.c.

Key audit matters (continued)

Actuarial assumptions underlying the calculations of the (a) 'long term business provision' ("LTBP") relating to term business; and (b) 'value of in force business' ("VIF") (continued)

Non-economic assumptions

- We assessed the Company's best estimate mortality assumptions against observed data in light of its experience in recent years and compared such assumptions to those used in the Company's computation of the actuarial results for accounting purposes.
- Specifically, in relation to the VIF calculation, we assessed the appropriateness of the Company's best estimate lapse assumptions, through the evaluation of observed data over recent years.
- Specifically, in relation to expense assumptions, we assessed the appropriateness of the maintenance expense allocation through the evaluation of the methodology underlying the maintenance expense allocation.

Key observations

We have no key observations to report, specific to this matter.

Valuation of Investment Property

Accounting policy note 2.10 to the financial statements and note 15 for further disclosures

'Investment property' (€95,504 thousand)

As part of its investment strategy, the Company holds freehold and leasehold properties as investment property. The valuation of such investment property at its fair value is subject to significant judgement. Such judgement revolves around assumptions underlying the determination of fair value as at the reporting date. We have considered the valuation of investment property as a key audit matter in view of the subjectivity surrounding the judgement applied and our audit focus on this area.

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Independent Auditors' Report (continued)

To the Shareholders of MAPFRE MSV Life p.l.c.

Key audit matters (continued)

Valuation of Investment Property (continued)

Our response

We gained an understanding of the Company's valuation methodology and assumptions used in estimating the fair value of the investment property as at the reporting date. As part of our procedures, we involved our valuation specialist to develop a possible range of values appropriate to such property, having regard to their earnings potential and compared these values to those recorded by the Company.

Key Observations

We have no key observations to report, specific to this matter.

Other information

The directors are responsible for the other information. The other information comprises the 'Directors' Report' but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the directors' report, on which we report separately below in our 'Report on Other Legal and Regulatory Requirements'.

Responsibilities of the directors for the financial statements

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

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

The directors are also responsible for overseeing the financial reporting process.

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Independent Auditors' Report (continued)

To the Shareholders of MAPFRE MSV Life p.l.c.

Auditors' responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Consider the extent of compliance with those laws and regulations that directly affect the financial statements, as part of our procedures on the related financial statement items. For the remaining laws and regulations, we make enquiries of directors and other management, and inspect correspondence with the regulatory authority, as well as legal correspondence. As with fraud, there remains a higher risk of non-detection of other irregularities (whether or not these relate to an area of law directly related to the financial statements), as these may likewise involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.

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Independent Auditors' Report (continued)

To the Shareholders of MAPFRE MSV Life p.l.c.

Auditors' responsibilities for the audit of the financial statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company and/or the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

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Independent Auditors’ Report (continued)

To the Shareholders of MAPFRE MSV Life p.l.c.

2 Report on Other Legal and Regulatory Requirements

Opinion on the directors’ report

The directors are responsible for preparing a directors’ report in accordance with the provisions of article 177 of the Act.

We are required to consider whether the information given in the directors’ report for the accounting period for which the financial statements are prepared is consistent with those financial statements; and, if we are of the opinion that it is not, we shall state that fact in our report. We have nothing to report in this regard.

Pursuant to article 179(3) of the Act, we are also required to:

- express an opinion on whether the directors’ report has been prepared in accordance with the applicable legal requirements; and

- state whether, in the light of the knowledge and understanding of the entity and its environment obtained in the course of our audit of the financial statements, we have identified material misstatements in the directors’ report, giving an indication of the nature of any such misstatements.

In such regards:

- in our opinion, the directors’ report has been prepared in accordance with the applicable legal requirements; and

- we have not identified material misstatements in the directors’ report.

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Independent Auditors' Report (continued)

To the Shareholders of MAPFRE MSV Life p.l.c.

Matters on which we are required to report by the Act, specific to public-interest entities

Pursuant to article 179B(1) of the Act, we report as under matters not already reported upon in our 'Report on the Audit of the Financial Statements';

- we were first appointed as auditors by the shareholders on 15 July 2015, and subsequently reappointed at the Company's general meetings for each financial year thereafter. The period of total uninterrupted engagement is eight years;
- our opinion on our audit of the financial statements is consistent with the additional report to the audit committee required to be issued by the Audit Regulation (as referred to in the Act); and
- we have not provided any of the prohibited services as set out in the APA.

Matters on which we are required to report by exception by the Act

Pursuant to articles 179(10) and 179(11) of the Act, we have nothing to report to you with respect to the following matters:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not obtained all the information and explanations which, to the best of our knowledge and belief, we require for the purpose of our audit.

The Principal authorised to sign on behalf of KPMG on the audit resulting in this independent auditors' report is Thane Micallef.

KPMG
Registered Auditors

21 March 2023

Statements of profit or loss
Technical account - long term business

		Year ended 31 December	
		Group and Company	
	Notes	2022 €'000	2021 €'000
Earned premiums, net of reinsurance			
Gross premiums written	4	248,760	325,136
Outward reinsurance premiums		(3,333)	(3,179)
Net premiums written		245,427	321,957
Investment income	5	-	38,732
Net unrealised gains on investments	5	-	65,905
Other technical income, net of reinsurance	6	742	788
Total technical income		246,169	427,382
Claims incurred, net of reinsurance			
Claims paid			
- gross amount		294,693	304,657
- reinsurers' share		(1,507)	(1,737)
		293,186	302,920
Change in the provision for claims			
- gross amount		1,322	2,481
- reinsurers' share		457	(432)
		1,779	2,049
Claims incurred, net of reinsurance	4	294,965	304,969
Change in other technical provisions, net of reinsurance			
Insurance contracts		(104,125)	(24,299)
Investment contracts with DPF		(266,314)	103,203
Change in other technical provisions, net of reinsurance		(370,439)	78,904
Net operating expenses	4	17,830	18,245
Net unrealised losses on investments	5	201,980	-
Investment expenses and charges	5	7,094	7,168
Investment losses	5	77,491	-
Total technical charges		228,921	409,286
Balance on the long term business technical account		17,248	18,096

The notes on pages 26 to 107 are an integral part of these financial statements.

Statements of profit or loss
Non-technical accounts

		Year ended 31 December			
		Group		Company	
	Notes	2022 €'000	2021 €'000	2022 €'000	2021 €'000
Balance on the technical account - long term business		17,248	18,096	17,248	18,096
Investment income	5	120	126	121	125
Net unrealised losses on investments	5	(260)	-	(260)	-
Investment expenses and charges	5	(14)	(15)	(14)	(15)
Loss on property revaluation	14	-	(1,521)	-	(1,521)
Other income – commission receivable		532	784	-	-
Other charges – administrative expenses	4	(460)	(785)	(135)	(108)
Profit before tax		17,166	16,685	16,960	16,577
Tax expense	9	(5,469)	(6,125)	(5,469)	(6,087)
Profit for the year		11,697	10,560	11,491	10,490
Earnings per share (cents)	11	30c9	30c8		

Statements of comprehensive income

		Year ended 31 December			
		Group		Company	
	Note	2022 €'000	2021 €'000	2022 €'000	2021 €'000
Profit for the year		11,697	10,560	11,491	10,490
Other comprehensive income:					
Movement in value of in-force business, net of deferred tax	23	(7,267)	9,913	(7,267)	9,913
Total comprehensive income		4,430	20,473	4,224	20,403

The notes on pages 26 to 107 are an integral part of these financial statements.

Statements of financial position

	Notes	Group 2022 €'000	Group 2021 €'000	Company 2022 €'000	Company 2021 €'000
		As at 31 December			
ASSETS					
Intangible assets	13	98,017	100,575	98,017	100,575
Property, plant and equipment	14	12,542	12,510	12,542	12,510
Investments:					
Investment property	15	95,504	97,226	95,504	97,226
Investment in subsidiary undertaking	16	-	-	466	466
Investments in associated undertakings	17	23,809	23,618	23,809	23,618
Other investments	18	1,980,805	2,413,530	1,980,805	2,413,524
Deferred tax asset	19	6,495	-	6,495	-
Reinsurers' share of technical provisions	24	476	933	476	933
Income tax receivable		38	308	-	308
Insurance and other receivables	20	13,791	13,103	13,791	13,027
Cash at bank and in hand	21	125,568	59,634	124,779	59,064
Total assets		2,357,045	2,721,437	2,356,684	2,721,251
EQUITY AND LIABILITIES					
Capital and reserves attributable to shareholders of the Company					
Share capital	22	94,750	94,750	94,750	94,750
Other reserves	23	73,664	80,931	73,664	80,931
Retained earnings		55,883	46,186	55,530	46,039
Total equity		224,297	221,867	223,944	221,720
Technical provisions:					
Insurance contracts	24	400,172	506,666	400,172	506,666
Investment contracts with DPF	24	1,608,374	1,870,997	1,608,374	1,870,997
Investment contracts without DPF	25	55,713	60,869	55,713	60,869
Deferred tax liability	19	9,262	40,350	9,262	40,350
Income tax payable		42,481	694	42,481	673
Derivative financial instruments	18	-	775	-	775
Insurance and other payables	26	16,746	19,219	16,738	19,201
Total liabilities		2,132,748	2,499,570	2,132,740	2,499,531
Total equity and liabilities		2,357,045	2,721,437	2,356,684	2,721,251

The notes on pages 26 to 107 are an integral part of these financial statements. The financial statements on pages 20 to 107 were authorised for issue by the Board on 21 March 2023 and were signed on its behalf by:

Gordon Cordina
Chairman

Joseph FX Zahra
Director

Etienne Sciberras
Chief Executive Officer

Statements of changes in equity

Group	Notes	Share capital €'000	Other reserves €'000	Retained earnings €'000	Total €'000
Balance at 1 January 2021		54,750	71,018	35,626	161,394
Comprehensive income					
Profit for the financial year		-	-	10,560	10,560
Other comprehensive income - item that will not be reclassified to profit or loss:					
Increase in value of in-force business	23	-	9,913	-	9,913
Total comprehensive income for the year		-	9,913	10,560	20,473
Transactions with owners		-	-	-	-
Dividends	12				
Issue of ordinary shares	22	40,000	-	-	40,000
Balance at 31 December 2021		94,750	80,931	46,186	221,867
Balance at 1 January 2022		**94,750**	**80,931**	**46,186**	**221,867**
Comprehensive income					
Profit for the financial year		-	-	11,697	11,697
Other comprehensive income - item that will not be reclassified to profit or loss:					
Decrease in value of in-force business	23	-	(7,267)	-	(7,267)
Total comprehensive income for the year		-	(7,267)	11,697	4,430
Transactions with owners					
Dividends	12	-	-	(2,000)	(2,000)
Issue of ordinary shares	22	-	-	-	-
Balance at 31 December 2022		**94,750**	**73,664**	**55,883**	**224,297**

The notes on pages 26 to 107 are an integral part of these financial statements.

Statements of changes in equity - continued

Company	Notes	Share capital €'000	Other reserves €'000	Retained earnings €'000	Total €'000
Balance at 1 January 2021		54,750	71,018	35,549	161,317
Comprehensive income					
Profit for the financial year		-	-	10,490	10,490
Other comprehensive income - item that will not be reclassified to profit or loss:					
Increase in value of in-force business	23	-	9,913	-	9,913
Total comprehensive income for the year		-	9,913	10,490	20,403
Transactions with owners					
Dividends	12	-	-	-	-
Issue of ordinary shares	22	40,000	-	-	40,000
Balance at 31 December 2021		94,750	80,931	46,039	221,720
Balance at 1 January 2022		**94,750**	**80,931**	**46,039**	**221,720**
Comprehensive income					
Profit for the financial year		-	-	11,491	11,491
Other comprehensive income - item that will not be reclassified to profit or loss:					
Decrease in value of in-force business	23	-	(7,267)	-	(7,267)
Total comprehensive income for the year		-	(7,267)	11,491	4,224
Transactions with owners					
Dividends	12	-	-	(2,000)	(2,000)
Issue of ordinary shares	22	-	-	-	-
Balance at 31 December 2022		**94,750**	**73,664**	**55,530**	**223,944**

The notes on pages 26 to 107 are an integral part of these financial statements.

Cash flow statements

		Year ended 31 December			
		Group		Company	
	Notes	2022	2021	2022	2021
		€'000	€'000	€'000	€'000
Operating activities					
Cash used in from operations	27	**(76,016)**	(2,906)	**(76,286)**	(3,001)
Dividends received		**10,349**	9,404	**10,349**	9,404
Interest received		**17,632**	21,199	**17,632**	21,199
Taxation (paid)/ received		**(995)**	217	**(936)**	208
Net cash (used in)/generated from operating activities		**(49,030)**	27,914	**(49,241)**	27,810
Investing activities					
Purchase of intangible assets	13	**(5,309)**	(4,281)	**(5,309)**	(4,281)
Purchase of property, plant and equipment	14	**(512)**	(420)	**(512)**	(420)
Purchase of investment property	15	**(842)**	(1,624)	**(842)**	(1,624)
Purchase of other financial investments		**(1,314,206)**	(1,377,727)	**(1,314,206)**	(1,377,717)
Disposal of right-of-use assets		**-**	95	**-**	95
Disposal of investment property		**104**	-	**104**	-
Disposal of other financial investments		**1,437,729**	1,310,406	**1,437,721**	1,310,390
Net cash generated from/(used in) investing activities		**116,964**	(73,551)	**116,956**	(73,557)
Financing activities					
Issued share capital	22	**-**	40,000	**-**	40,000
Dividends paid	12	**(2,000)**	-	**(2,000)**	-
Cash (used in)/ generated from financing activities		**(2,000)**	40,000	**(2,000)**	40,000
Net movement in cash and cash equivalents		**65,934**	(5,637)	**65,715**	(5,747)
Cash and cash equivalents at beginning of year		**59,634**	65,271	**59,064**	64,811
Cash and cash equivalents at end of year	21	**125,568**	59,634	**124,779**	59,064

The notes on pages 26 to 107 are an integral part of these financial statements.

Notes to the financial statements

1. Basis of preparation

MAPFRE MSV Life p.l.c. ("the Company"), and its subsidiary, Growth Investments Limited, (together forming "the Group") are licensed under the Insurance Business Act, 1998 to transact long term insurance business and under the Investment Services Act, 1994 to provide investment services respectively. In 2022, the directors ceased the subsidiary's principal activities and the shareholders resolved to liquidate the subsidiary effective 31 August 2022.

The Group offers a range of individual life insurance and investment contracts that can be broadly classified into long term contracts and linked long term contracts. Long term contracts consist mainly of life protection and/or savings contracts. Linked long term contracts are essentially investment contracts that are intended to provide customers with asset management solutions for their savings and retirement needs. Linked long term contracts are more commonly referred to as unit linked contracts.

The following is the current product portfolio of the Group:

- Term contracts – these products are pure insurance contracts where the only obligation of the Group towards the insured is the payment of a death benefit, if the death occurs whilst the policy is in force.

- With Profits life contracts – these insurance contracts combine a discretionary participation feature (DPF) where the obligation of the Group towards the insured also includes an annual discretionary investment return (bonus declaration).

- Investment contracts with DPF – these are substantially savings products where the annual investment return is also discretionary (declared bonus rate).

- Unit linked capital guaranteed contracts – these are unit linked products where the obligation of the Group towards the insured includes a guaranteed element of return and capital.

- Other unit linked investment contracts – these are unit linked products where the obligation of the Group towards the insured is represented by the value of the underlying units.

These financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU), the Insurance Business Act, 1998 and the Companies Act, 1995.

The financial statements are prepared under the historical cost convention as modified by the revaluation of property, investment property and financial assets and financial liabilities (including derivatives) at fair value through profit or loss.

1. Basis of preparation - continued

As permitted by IFRS 4 'Insurance Contracts' the Group continues to apply existing accounting practices for value of in-force business, insurance and participating investment contracts, modified as appropriate to comply with the IFRS framework and applicable standards. Further details are given in the respective accounting policies.

The preparation of financial statements in conformity with the above reporting framework requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 2.20.

The statement of financial position is organised in increasing order of liquidity, with additional disclosures on the current or non-current nature of the Group's assets and liabilities provided within the notes to the financial statements.

Certain corresponding information in the disclosures have been reclassified or enhanced to conform with the current year's presentation.

Standards, interpretations and amendments to published standards effective in 2022

In 2022, the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 January 2022. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Group's accounting policies.

Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted. However, the Group has not early adopted the new standards in preparing these financial statements.

The Group will apply IFRS 17 'Insurance Contracts' and IFRS 9 'Financial Instruments' for the first time on 1 January 2023.These standards will bring significant changes to the accounting for insurance and reinsurance contracts and financial instruments and are expected to have a material impact on the Group's financial statements in the period of initial application.

IFRS 17, published on 18 May 2017, and amended on 25 June 2020, supersedes IFRS 4 and is applicable for annual periods beginning on or after 1 January 2023, with early adoption permitted. IFRS 17 was adopted by the EU on 19 November 2021, with an exemption regarding the annual cohort requirement. The current standard on insurance contracts, IFRS 4, has been amended accordingly, extending to 2023 the temporary exemption for qualifying insurers to apply IFRS 9. The Group has not early adopted IFRS 17.

1. Basis of preparation - continued

Standards issued but not yet effective - continued

1.1 Estimated impact of the adoption of IFRS 17 and IFRS 9

The Group is not in a position to disclose known or reasonably estimable information relevant to assessing the possible financial impact that the application of IFRS 17 and IFRS 9 will have on its financial statements in the period of initial application when the 2022 financial statements were authorised for issue.

1.2 IFRS 17 'Insurance Contracts'

The nature of the changes in accounting policies, to the extent that the Group has assessed so far, are summarised below.

(a) Identifying contracts in the scope of IFRS 17

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and to investment contracts with DPF.

When identifying contracts in the scope of IFRS 17, the Group will have to assess whether a set or series of contracts needs to be treated as a single contract and whether goods and services components, embedded derivatives and investment components within particular contracts must be separated and accounted for under another standard. The Group is assessing the impact of the scope changes arising from the application of these requirements as compared to IFRS 4.

(b) Level of aggregation

Under IFRS 17, insurance contracts and investment contracts with DPF are aggregated into groups for measurement purposes. Groups of contracts are determined by first identifying portfolios of contracts, each comprising contracts subject to similar risks and managed together. Contracts in different product lines or issued by different Group entities are expected to be in different portfolios. Each portfolio is then divided into annual cohorts (i.e., by year of inception) and each annual cohort into three groups:

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

The Group is assessing the possibility to align annual cohorts with its financial year (i.e. calendar year), and is presently in the process of formulating the methodology for allocating contracts to profitability groups.

1. Basis of preparation - continued

Standards issued but not yet effective - continued

1.2 IFRS 17 'Insurance Contracts' - continued

(b) Level of aggregation - continued

IFRS 17 as adopted by the EU provides an optional exemption from applying this annual cohort requirement to a) groups of insurance contracts with direct participation features and groups of investment contracts with DPF with cash flows that affect or are affected by cash flows to policyholders; as well as b) groups of insurance contracts that are managed across generations of contracts and meet specific conditions for the application of the matching adjustment. This exemption will be reviewed by the EU by the end of 2027, taking into account the outcome of the IASB's post-implementation review of IFRS 17. The Group intends to apply the exemption from annual cohorts to its with-profits portfolio.

Contracts within a portfolio that would fall into different groups only because law or regulation specifically constrains the Group's practical ability to set a different price or level of benefits for policyholders with different characteristics are included in the same group. The Group will consider this for contracts issued by the Group that are required by EU regulation to be priced on a gender-neutral basis.

When a contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts may be added. Groups of reinsurance contracts will also need to be established and the Group intends to establish these such that each group comprises a single reinsurance contract.

The level of aggregation requirements of IFRS 17 limit the offsetting of gains on groups of profitable contracts, which for life contracts these are generally deferred over time via a Contractual Service Margin (CSM) under the General Measurement Model (GMM) or Variable Fee Approach (VFA), against losses on groups of onerous contracts, which are recognised immediately.

(c) Contract boundaries

Under IFRS 17, the measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group. Compared with the current accounting, the Group does not expect the IFRS 17 contract boundary requirements to significantly change the scope of cash flows to be included in the measurement of existing and future recognised contracts. The period covered by the premiums within the contract boundary is the 'coverage period', which is relevant when applying a number of requirements in IFRS 17.

1. Basis of preparation - continued

Standards issued but not yet effective - continued

1.2 IFRS 17 'Insurance Contracts' - continued

(c) Contract boundaries - continued

(i) Insurance contracts

For insurance contracts cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the group can compel the policyholder to pay premiums or has a substantive obligation to provide services (including insurance coverage). A substantive obligation to provide services ends when:

- the Group has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- the Group has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

(ii) Investment contracts with DPF

For investment contracts with DPF, the cash flows are within the contract boundary if they result from a substantive obligation of the Group to deliver cash at a present or future date. The Group has no substantive obligation to deliver cash if it has the practical ability to set a price for the promise to deliver the cash that fully reflects the amount of cash promised and related risks.

(iii) Reinsurance contracts

For reinsurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer. A substantive right to receive services from the reinsurer ends when the reinsurer:

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

Reinsurance contracts cover protection contracts underwritten within the annual term of the reinsurance contract on a risk-attaching basis. Given the contract boundary of the underlying term contracts is equal to the lifetime of the policy, the contract boundary of the reinsurance contract will end once the underlying protection contracts end.

1. Basis of preparation - continued

Standards issued but not yet effective - continued

1.2 IFRS 17 'Insurance Contracts' - continued

(d) Measurement

IFRS 17 introduces a measurement model based on the estimates of the present value of future cash flows that are expected to arise as the Group fulfils the contracts, an explicit risk adjustment for non-financial risk and a CSM.

Within IFRS 17 there are three possible measurement models: the GMM, the Premium Allocation Approach (PAA) and the VFA. The GMM is the "default" measurement model for insurance contracts. For contracts with a coverage period shorter or equal to one year, there is the option to choose PAA as a simplified measurement model. For contracts with direct participation features it is mandatory to use VFA. For contracts that do not classify as direct participation, it is not allowed to use VFA.

The GMM is based on the estimate of future cash flows that are expected to arise as the Group fulfils the in scope contracts, including an explicit risk adjustment for non-financial risk, and the resultant CSM. In arriving at its future cash flows, the Group will need to estimate the expected value (i.e. the probability-weighted mean) of the full range of possible outcomes. The CSM of a group of contracts represents the unearned profit that the Group will recognise as it provides services under those contracts. The CSM for issued contracts cannot be negative (at inception or subsequently), with any negative amount (known as an onerous 'loss component') recorded in profit or loss immediately. The Group is looking into the relevant measurement models for its protection and reinsurance contracts held.

Contracts with direct participating features are subject to certain different requirements. These contracts are substantially investment-related service contracts under which the Group promises an investment return based on underlying items. They are contracts for which, at inception:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;

- the Group expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and

- the Group expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

1. Basis of preparation - continued

Standards issued but not yet effective - continued

1.2 IFRS 17 'Insurance Contracts' - continued

(d) Measurement - continued

The Group issues with profits and unit linked contracts that meet the above criteria and is looking into the possibility of measuring these contracts using the VFA.

The PAA is an optional simplified measurement model in IFRS 17 that is available for insurance and reinsurance contracts that meet the eligibility criteria (i.e., if the measurement of the liability for remaining coverage provides a measurement that is not materially different from the GMM) or if the coverage period is one year or less.

(i) Estimate of future cash flows

In estimating future cash flows, the Group will incorporate, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

The estimates of future cash flows will reflect the Group's view of current conditions at the reporting date, as long as the estimates of any relevant market variables are consistent with observable market prices.

When estimating future cash flows, the Group will take into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts will not be taken into account until the change in legislation is substantively enacted.

Cash flows within the boundary of a contract are those that relate directly to the fulfilment of the contract, including those for which the Group has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts. Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

Cash flows will be attributed to acquisition activities, other fulfilment activities and other activities at local entity level using allocation techniques depending on the nature of the expense. Cash flows attributable to acquisition and other fulfilment activities will be allocated to groups of contracts using methods that are systematic and rational and will be consistently applied to all costs that have similar characteristics.

1. Basis of preparation - continued

Standards issued but not yet effective - continued

1.2 IFRS 17 'Insurance Contracts' - continued

(d) Measurement - continued

(i) Estimate of future cash flows - continued

Management is performing an analysis on all the expenses to determine which expenses are to be considered directly attributable and thus would impact the CSM, and those not directly attributable which are to be expensed directly to profit or loss.

(ii) Discount rates

The requirement to measure liabilities for insurance contracts and investment contracts with DPF using current discount rates will differ slightly from the Group's current practice. The Group will be using the EIOPA risk free rates as the base of the Risk Free Rate curve. The Group is considering the use of the illiquidity premium to discount the illiquid liabilities, as applicable.

(iii) Risk adjustment for non-financial risk

The risk adjustments for non-financial risk reflects the compensation that the Group would require for bearing non-financial risk and will align to its risk appetite. The Group is considering to use value at risk (VaR) methodology to derive the risk adjustment for its business. In the future, the financial statements will disclose the entity's confidence level.

(iv) CSM

The CSM is a component of the carrying amount of the asset or liability for a group of insurance contracts representing the unearned profit that the entity will recognise as it provides insurance contract services under the insurance contracts in the group. The Group will recognise the CSM for a group of insurance contracts in its profit or loss, to reflect insurance contract services transferred to policyholders during the period based on coverage units.

(e) Presentation and disclosure

IFRS 17 will significantly change how insurance contracts, reinsurance contracts and investment contracts with DPF are presented and disclosed in the Group's consolidated financial statements.

Under IFRS 17, portfolios of insurance contracts and investment contracts with DPF that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position.

1. Basis of preparation - continued

Standards issued but not yet effective - continued

1.2 IFRS 17 'Insurance Contracts' - continued

(e) Presentation and disclosure - continued

All rights and obligations arising from a portfolio of contracts will be presented on an aggregate basis for the Group; therefore, balances such as insurance receivables and payables will no longer be presented separately. Any assets or liabilities recognised for cash flows arising before the recognition of the related group of contracts (including any assets for insurance acquisition cash flows) will also be presented in the same line item as the related portfolios of contracts.

Under IFRS 17, amounts recognised in the statements of profit or loss and statements of comprehensive income are disaggregated into:

- an insurance service result, comprising insurance revenue and insurance service expenses; and
- insurance finance income or expenses.

Amounts from reinsurance contracts will be presented separately.

IFRS 17 requires extensive new disclosures about amounts recognised in the financial statements, including detailed reconciliations of contracts, effects of newly recognised contracts and information on the expected CSM emergence pattern, as well as disclosures about significant judgements made when applying IFRS 17. There will also be expanded disclosures about the nature and extent of risks from insurance contracts, reinsurance contracts and investment contracts with DPF. Disclosures will generally be made at a more granular level than under IFRS 4, providing more transparent information for assessing the effects of contracts on the financial statements.

(f) Transition

IFRS 17 must be applied retrospectively and consequently the Group will need to restate the opening Statement of financial position (i.e. at 1 January 2022) as well as the Statement of profit or loss for 2022 and Statement of financial position as at 31 December 2022. The standard must be applied using a fully retrospective approach (FRA), unless impracticable, in which case two options are possible:

- the modified retrospective approach (MRA): this approach is based on maximising the Group's use of reasonable and supportable information available without undue cost and effort to the entity, with certain modifications permitted to the extent that FRA is not possible. The MRA has the objective to achieve the closest outcome to the FRA as possible; or

1. Basis of preparation - continued

Standards issued but not yet effective - continued

1.2 IFRS 17 'Insurance Contracts' - continued

(f) Transition - continued

- the fair value approach (FVA): the CSM is determined as the positive difference between the fair value determined in accordance with IFRS 13 'Fair Value Measurement' and the fulfilment cash flows at the transition date.

At the transition date (i.e. 1 January 2022), the Group will:

- identify, recognise and measure each group of insurance contracts, reinsurance contracts and investment contracts with DPF as if IFRS 17 had always been applied;

- identify, recognise and measure any assets for insurance acquisition cash flows as if IFRS 17 had always been applied, except that they will not be tested for recoverability before 1 January 2022;

- derecognise previously reported balance that would not have existed if IFRS 17 had always been applied; and

- recognise in equity, on a net basis, any differences between amounts recognised under IFRS 4 and other applicable standards and IFRS 17.

Given the long term nature of life insurance contracts, it is not practicable for the fully retrospective approach to be adopted for all cohorts. Similarly, investment contracts with DPF are generally long term in nature and it may not be practicable to apply the fully retrospective approach for all cohorts. Management is currently exploring the other transition options.

As explained above, IFRS 17 differs from IFRS 4 in a number of ways. The Group expects that two of the largest differences will pertain to the value of in-force business and the measurement of its in-scope contracts in accordance with the requirements of IFRS 17. The value of in-force business will be derecognised upon transition to IFRS 17 leading to a reduction in equity (undistributable reserves). On the other hand, the impact of the measurement of in-scope contracts in accordance with IFRS 17 is still to be determined.

1. Basis of preparation - continued

Standards issued but not yet effective - continued

1.3 IFRS 9 'Financial Instruments'

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 'Financial Instruments: Recognition and Measurement', that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income (OCI) not recycling.

The new expected credit losses model replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. The Group is considering the implications of the standard and its impact on the financial results and position once adopted.

IFRS 9 became effective for years beginning on or after 1 January 2018. However, in September 2016, the International Accounting Standards Board issued amendments to IFRS 4 which provide optional relief to eligible insurers in respect of IFRS 9.

The option permits entities whose predominant activity is issuing insurance contracts within the scope of IFRS 4, a temporary exemption to defer the implementation of IFRS 9.

Entities that apply the optional temporary relief were initially required to adopt IFRS 9 on annual periods beginning on or after 1 January 2021. However, on 14 November 2018 and subsequently on 17 March 2020 the IASB deferred both the effective date of IFRS 17, and the expiry date for the optional relief in respect of IFRS 9 to 1 January 2022 and subsequently by another year. Therefore, entities that apply the optional temporary relief will be required to adopt IFRS 9 on 1 January 2023 which aligns with the new effective date of IFRS 17.

The Group evaluated its liabilities at 31 December 2015, the prescribed date of assessment under the optional temporary relief provisions and concluded that all of the liabilities were predominantly connected with insurance. More than 90% of the Group's liabilities at 31 December 2015 were liabilities arising from contracts within the scope of IFRS 4. The Group's predominant activities were and still are insurance related as evidenced through revenues reported in these financial statements.

1. Basis of preparation - continued

Standards issued but not yet effective - continued

1.3 IFRS 9 'Financial Instruments' - continued

Further to the above, the Group has not previously applied IFRS 9. Therefore, the Group is an eligible insurer that qualifies for optional relief from the application of IFRS 9. As at 1 January 2018, the Group has elected to apply the optional temporary relief under IFRS 4 that permits the deferral of the adoption of IFRS 9 for eligible insurers. The Group will continue to apply IAS 39 until the financial reporting period ending 31 December 2022. However, the subsidiary of the Company, not having its activities predominantly in insurance, has applied IFRS 9 from 1 January 2018. The subsidiary discloses references to IFRS 9 information that is not provided in the consolidated financial statements but is publicly available for the relevant period in the individual financial statements of the subsidiary. The impact of the adoption of IFRS 9 by the subsidiary is not material to the results and financial position of the Group.

(a) Financial assets and liabilities – Classification

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 includes three principal measurement categories for financial assets – measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) – and eliminates the previous IAS 39 categories of held-to-maturity investments, loans and receivables, and available-for-sale financial assets.

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

1. Basis of preparation - continued

Standards issued but not yet effective - continued

1.3 IFRS 9 'Financial Instruments' - continued

(a) Financial assets and liabilities – Classification - continued

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Nevertheless, on initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI.

IFRS 9 largely retains the requirements in IAS 39 for the classification and measurement of financial liabilities. However, under IAS 39 all fair value changes of financial liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes will generally be presented as follows:

- The amount of the change in the fair value that is attributable to changes in the credit risk of the liability will be presented in OCI.
- The remaining amount of the change in the fair value will be presented in profit or loss.

(b) Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group deems its current investment holdings to be held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

(c) *Financial assets – Impairment*

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECL, which will be determined on a probability-weighted basis.

The new impairment model will apply to the Group's financial assets measured at amortised cost and lease and other receivables.

1. Basis of preparation - continued

Standards issued but not yet effective - continued

1.3 IFRS 9 'Financial Instruments' - continued

(c) Financial assets – Impairment - continued

IFRS 9 requires a loss allowance to be recognised at an amount equal to either 12-month ECL or lifetime ECL. Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument; 12-month ECL are the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The Group is still assessing the most relevant impairment methods available for its financial assets.

When determining whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group will consider reasonable and supportable information that is relevant and available without undue cost or effort. This will include both qualitative and quantitative information and analysis based on the Group's experience, expert credit assessment and forward-looking information. As a backstop, the Group will consider that a significant increase in credit risk occurs no later than when an asset is more than 90 days past due.

(d) Measurement of Expected Credit Losses

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

For each exposure subject to impairment, an expected credit loss shall be calculated for this purpose.

(e) Transition

The general principle in IFRS 9 is for retrospective application in accordance with IAS 8 – 'Accounting Policies, Changes in Accounting Estimates and Errors'. The transition requirements refer to the date of initial application (DIA), which is the beginning of the reporting period in which an insurer first applies IFRS 9. IFRS 9 contains certain exemptions from full retrospective application. These include an exemption from the requirement to restate comparative information about classification and measurement, including impairment. If an insurer does not restate prior periods, then opening retained earnings (or other components of equity, as appropriate) for the annual reporting period that includes the DIA is adjusted for any difference between the carrying amounts of financial instruments before adoption of IFRS 9 and the new carrying amounts.

1. Basis of preparation - continued

Standards issued but not yet effective - continued

1.3 IFRS 9 'Financial Instruments' - continued

(e) Transition - continued

The Group is considering the implications of the standard on transition and its impact on the financial results and position. The Group is not illustrating quantitative figures as assessments are ongoing thereby resulting in limited use of such information.

1.4 IFRS 17 and IFRS 9 implementation programme

In conjunction to the qualitative impacts described above, the Group is currently assessing the quantitative impact of the application of IFRS 17 and IFRS 9. The final figures will also depend on the application of key systems being provided by third party service providers and guidance by MAPFRE S.A.

Although IFRS 17 and IFRS 9 implementation projects have made significant progress, as of the date of the publication of these financial statements, it is not practicable to reliably quantify the effects on the financial statement mainly because;

- The assessments made by the Group on key IFRS 17 and IFRS 9 topics are not finalised and therefore may be subject to adjustment.

- Implementing the new standard will require the Group to revise certain accounting processes and internal controls and these changes are not yet complete.

Transformation risk is a material risk for the Group, with a number of significant change programmes under way which if not delivered to defined timelines, scope and cost may negatively impact its operational capability, control environment, reputation, and ability to deliver its strategy and maintain market competitiveness.

The Group's current portfolio of transformation and significant change programmes include the continued implementation of a core transactional system; the expansion of the Group's digital capabilities and use of technology, platforms and analytics; and improvement of operational processes leading to business efficiencies.

The Group therefore aims to ensure that, for both transformation and strategic initiatives, strong programme governance is in place with adequate support from third party service providers to ensure that the set targets for implementation are met both in terms of timelines and budgeted costs.

2. Summary of significant accounting policies

2.1 Accounting policies

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

2.2 Consolidation

(a) Subsidiary undertakings

The consolidated financial statements incorporate the assets, liabilities and results of the Company and its subsidiary undertaking drawn up to 31 December each year. Subsidiaries are entities controlled by the Group.

The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated from the date of disposal.

On acquisition of a subsidiary undertaking, all of its assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. All intercompany transactions between group companies are eliminated.

Where necessary, accounting policies for subsidiaries are changed to ensure consistency with the policies adopted by the Group. The investment in the Group's undertaking is disclosed in Note 16.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(b) Associated undertakings

Interests in associated undertakings that are allocated to the insurance and investment contract liabilities are designated as financial assets at fair value through profit or loss. They are accounted for in accordance with the recognition and measurement principles described in Note 2.12. Associates are all entities over which the Group has significant influence but not control, over the financial and operating policies, generally accompanying a shareholding of between 20% and 50% of the voting rights. A list of the Group's associated undertakings is set out in Note 17.

2. Summary of significant accounting policies - continued

2.3 Foreign currency translation

Functional and presentation currency

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

Transactions and balances

Transactions in foreign currencies have been converted into the functional currency at the rates of exchange ruling on the date of the transaction or valuation where items are re-measured.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Translation differences on non-monetary items, mainly arising on equities held at fair value through profit or loss, are reported as part of the fair value gain or loss.

2.4 Insurance and investment contracts

The Group issues contracts that transfer insurance risk or financial risk or both.

(a) Classification

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

A number of insurance and investment contracts contain a DPF. This feature entitles the holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the Group; and
- that are based on realised and/or unrealised investment returns on underlying assets held by the Group.

2. Summary of significant accounting policies - continued

2.4 Insurance and investment contracts - continued

(a) Classification - continued

Local statutory regulations and the terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based (the DPF eligible surplus), and within which the Group may exercise its discretion as to the quantum and timing of their payment to contract holders, also considering the advice of the Approved Actuary.

(b) Recognition and measurement

Insurance contracts and investment contracts with DPF are classified into three main categories depending on the duration of risk and whether or not the terms and conditions are fixed.

(i) Long term insurance contracts

These contracts insure events associated with human life (for example death or survival) over a long and fixed duration. The guaranteed and fixed element for these contracts relates to the sum assured, i.e. the benefit payable on death or maturity.

Premiums are recognised as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission and are inclusive of policy fees receivable. A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised.

Maturity claims are charged to income as incurred when due for payment, at which date they cease to be included within the calculation of the liability. Surrenders are accounted for as incurred when paid or, if earlier, on the date when the policy ceases to be included within the calculation of the liability. Death claims are accounted for when notified. Claims payable include related claims handling costs.

(ii) Long term insurance contracts with DPF

For traditional life insurance contracts, the liability is calculated on the basis of a prudent prospective actuarial method, using assumptions regarding mortality, maintenance expenses and investment income, and includes a margin for adverse deviations. Additionally, liabilities under unit-linked life insurance contracts reflect the value of assets held within unitised investment pools. The liability is recalculated at each reporting date. It is determined by the Group's Approved Actuary following his annual investigation of the financial condition of the Group's long term business as required under the Insurance Business Act, 1998. The above method of calculation satisfies the minimum liability adequacy test required by IFRS 4.

These contracts further combine a DPF that entitles the holder to receive a bonus as declared by the Group from the DPF eligible surplus.

2. Summary of significant accounting policies - continued

2.4 Insurance and investment contracts - continued

(b) Recognition and measurement - continued

(ii) Long term insurance contracts with DPF - continued

Premiums are recognised as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission and are inclusive of policy fees receivable.

Maturity claims are charged to the statement of profit or loss as incurred when due for payment, at which date they cease to be included within the calculation of the liability. Surrenders are accounted for as incurred when paid or, if earlier, on the date when the policy ceases to be included within the calculation of the liability. Death claims are accounted for when notified. Claims payable include related claims handling costs.

Bonuses charged to the long term business technical account in a given year comprise:

(i) new reversionary bonuses declared in respect of that year, which are provided within the calculation of the respective liability;
(ii) terminal bonuses paid out to policyholders on maturity and included within claims paid; and
(iii) terminal bonuses declared at the Group's discretion and included within the respective liability.

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised. The liability is determined as the sum of the expected discounted value of the future cash flows based on bonuses consistent with the bonus policy and prudent rates of future investment return, expenses and mortality, and includes margins for adverse deviations. The liability is recalculated at each reporting date. The liability is determined by the Group's Approved Actuary following his annual investigation of the financial condition of the Group's long term business as required under the Insurance Business Act, 1998. The above method of calculation satisfies the liability adequacy test required by IFRS 4.

(iii) Investment contracts with DPF

These contracts do not expose the Group to significant insurance risk. They contain a DPF that entitles the holder to receive a bonus as declared by the Group from the DPF eligible surplus.

Recognition and measurement principles are the same as for insurance contracts with DPF as described above. Additionally, liabilities under unit-linked investment contracts reflect the value of assets held within unitised investment pools.

2. Summary of significant accounting policies - continued

2.4 Insurance and investment contracts - continued

(c) Reinsurance contracts held

Contracts entered into by the Group with reinsurers, under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts, as described above, are classified as reinsurance contracts held.

The benefits to which the Group is entitled under its reinsurance contracts held, are recognised as reinsurers' share of technical provisions or receivables from reinsurers (unless netted off against amounts payable to reinsurers).

These assets consist of short-term balances due from reinsurers (classified within receivables), as well as longer term receivables (classified as reinsurers' share of technical provisions) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from, or due to, reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The Group assesses its reinsurance assets for impairment on a regular basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in profit or loss.

The Group gathers objective evidence that a reinsurance asset is impaired using the process described for financial assets held at amortised cost. The impairment loss is also calculated following the same method described for these financial assets. These processes are described in Note 2.13.

(d) Investment contracts without DPF

The Group issues investment contracts without DPF.

Premium arising on these contracts is classified as a financial liability – investment contracts without DPF. The fair value of these contracts is dependent on the fair value of underlying financial assets. These are designated at inception as fair value through profit or loss. The fair value of a unit linked financial liability is determined using the current unit values that reflect the fair values of the financial assets linked to the financial liability. This is multiplied by the number of units attributed to the contract holder at the reporting date.

If the investment contract is subject to a surrender option, the fair value of the financial liability is never less than the amount payable on surrender, where applicable. Other benefits payable are also accrued as appropriate.

2. Summary of significant accounting policies - continued

2.5 Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met.

Rendering of services

Premium recognition is described in Note 2.4 dealing with insurance contracts and investment contracts with DPF.

Revenue arising from the issue of investment contracts without DPF and other related services offered by the Group, is recognised in the accounting period in which the services are rendered.

Fees include investment management fees arising from services rendered in conjunction with the issue and management of investment contracts where the Group actively manages the consideration received from its customers to fund a return that is based on the investment profile that the customer selected on origination of the instrument. The Group recognises these fees on a straight-line basis over the estimated life of the contract.

The Group charges its customers for management and other related services using the following different approaches:

- Front-end fees are charged to the client on inception. The consideration received is deferred as a liability and recognised over the life of the contract on a straight-line basis.

- Regular fees are charged to the customer periodically (monthly, quarterly, half yearly or annually) either directly or by making a deduction from invested funds. Regular charges billed in advance are recognised on a straight-line basis over the billing period.

Other revenue receivable by the Group mainly comprises commission or trailer fees receivable on account of investment or other services provided in an intermediary capacity which is accounted for on an accruals basis.

2.6 Investment return

Investment return includes dividend income, gains on financial assets at fair value through profit or loss (including interest income from financial assets at fair value through profit or loss), other net fair value movements, interest income from financial assets not classified as fair value through profit or loss and rent receivable, and is net of investment expenses, charges and interest payable.

(a) Dividend income

Dividend income is recognised when the right to receive payment is established.

2. Summary of significant accounting policies - continued

2.6 Investment return - continued

(b) Other net fair value gains or losses from financial assets at fair value through profit or loss

Other gains or losses arising from changes in the fair value of the 'Financial assets at fair value through profit or loss' category are presented in profit or loss within unrealised gains or losses on investments in the year in which they arise.

(c) Interest income

Interest income from financial assets not classified as fair value through profit or loss is recognised using the effective interest method.

(d) Rent receivable

Rent receivable from investment property is accounted for on an accruals basis in accordance with the substance of the relevant lease agreements.

The investment return is apportioned between the technical and non-technical profit or loss on a basis which takes into account that technical provisions are fully backed by investments and that the intangible assets, property, plant and equipment and working capital are financed in their entirety from shareholders' funds.

2.7 Leases

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

As a lessor

Property leased out under operating leases are included in investment property. Rental income is recognised in profit or loss on a straight-line basis over the period of the lease to which it relates.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

2. Summary of significant accounting policies - continued

2.7 Leases - continued

As a lessee - continued

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise of fixed payments. The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

2.8 Intangible assets

(a) Value of in-force business

The value of in-force business is determined by the directors after considering the advice of the Company's Approved Actuary. The valuation represents the discounted value of projected future transfers to shareholders from contracts in force at the year end, after making a provision for taxation. In determining this valuation, assumptions relating to future mortality, persistence and levels of expenses are based on experience of the type of business concerned.

Gross investment returns and asset allocations assumed vary depending upon the mix of investments held by the Company and expected market conditions. Annual movements in the value of the in-force business are credited or debited to other comprehensive income. Note 13 contains further information in relation to this asset.

(b) Computer software

Acquired computer software licences are measured at cost less any accumulated amortisation and any accumulated impairment losses. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line method over their useful lives, not exceeding a period of ten years. All costs associated with maintaining computer software programmes are recognised as an expense as incurred.

2. Summary of significant accounting policies - continued

2.8 Intangible assets - continued

(c) Deferred policy acquisition costs

Incremental costs that are incurred in acquiring new investment contracts without DPF are capitalised as deferred acquisition costs (DAC).

The DAC is subsequently amortised over the life of the contracts as follows:

- For long term investment contracts with a fixed maturity date, DAC is amortised over the life of the contract.

- For long term investment contracts with no fixed date of maturity, DAC is amortised over the estimated life of the contract. This basis is reviewed periodically with reference to the historical experience of surrenders for these contracts.

2.9 Property, plant and equipment

All property, plant and equipment is initially recorded at historical cost. Freehold land and buildings are subsequently shown at revalued amount being its fair value at the end of the revaluation less accumulated depreciation for buildings and any accumulated impairment losses. Fair value is based on periodic valuations by qualified valuers to ensure that the carrying amount of property does not differ materially from that which would be determined using fair values at the end of the reporting period. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the re-valued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as a revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against the revaluation reserve directly in equity; all other decreases are charged to profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

2. Summary of significant accounting policies - continued

2.9 Property, plant and equipment - continued

Freehold land is not depreciated as it is deemed to have an indefinite life. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings	100 years
Leasehold improvements	10 - 40 years
Furniture, fittings and equipment	3 - 10 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve relating to the assets are transferred to retained earnings.

2.10 Investment property

Freehold and leasehold properties treated as investment property principally comprise office and other commercial buildings that are held for long term rental yields and that are not occupied by the Group. Investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as discounted cash flow projections or recent prices in less active markets. These valuations are reviewed annually by qualified valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value. Changes in fair values are reported in profit or loss.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

2.11 Investment in subsidiary undertaking

In the Company's financial statements, investment in subsidiary undertaking is accounted for using the cost method of accounting, less impairment. The dividend income from such investment is included in profit or loss in the accounting year in which the Company's rights to receive payment of any dividend is established. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss and included within investment expense or income.

2. Summary of significant accounting policies - continued

2.12 Financial assets

The Group classifies its financial assets (other than its investment in subsidiary) into the following two categories: a) financial assets at fair value through profit or loss, and b) loans and receivables. The directors determine the appropriate classification of financial assets at the time of purchase and re-evaluate such designation at every reporting date.

(a) Financial assets that are held to match insurance and investment contract liabilities are designated at inception as fair value through profit or loss to eliminate or significantly reduce the accounting mismatch that would otherwise arise from measuring insurance assets or liabilities, or recognising the gains and losses on them, on different basis. Financial assets that are attributable to shareholders are designated at inception as fair value through profit or loss if they are part of a group of investments that is managed on a portfolio basis, and whose performance is evaluated and reported internally on a fair value basis to the Group's Board in accordance with a documented investment strategy.

(b) Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Group has designated at fair value through profit or loss. They include, inter alia, receivables and cash and cash equivalents in the statement of financial position as well as other financial investments classified as loans and receivables within Note 18.

All purchases and sales of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the assets. All investments are initially recognised at fair value plus, in the case of all financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Investments are derecognised when the rights to receive cash flows from the investments have expired or where they have been transferred and the Group has also transferred substantially all risks and rewards of ownership.

Financial assets at fair value through profit or loss are subsequently re-measured at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'Financial assets at fair value through profit or loss' category are included in profit or loss in the period in which they arise.

2. Summary of significant accounting policies - continued

2.12 Financial assets - continued

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges. The quoted market price used for financial assets held by the group is the current bid price for foreign financial instruments and the closing price for local investments.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same or valued by reference to the net assets of the underlying investment.

Derivatives are recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, and other valuation techniques, as appropriate. Subsequent changes in the fair value of any derivative instruments are recognised immediately in profit or loss. All derivatives are carried as assets when fair value is positive, and as liabilities when fair value is negative.

The Group enters into currency forward contracts to hedge the foreign exchange risk arising on its investments denominated in a foreign currency. These transactions provide effective economic hedges under the Group's risk management policies. However, hedge accounting under the specific rules in IAS 39 is not required because the change in the value of the hedged financial instrument is recognised in profit or loss.

2.13 Impairment of assets

(a) Impairment of financial assets not at fair value through profit or loss

The Group assesses at each reporting date whether there is objective evidence that a financial asset or Group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset ("a loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2. Summary of significant accounting policies - continued

2.13 Impairment of assets - continued

(a) Impairment of financial assets not at fair value through profit or loss - continued

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following events:

- significant financial difficulty of the issuer or debtors;
- a breach of contract, such as a default or delinquency in payments;
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation; and
- observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group.

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

If there is objective evidence that an impairment loss has been incurred on loans and receivables carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

(b) Impairment of non-financial assets

Assets that have an indefinite useful life and are not subject to amortisation, or assets not yet available for use, are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable and independent cash flows (cash-generating units).

2. Summary of significant accounting policies - continued

2.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when, and only when the Group currently has a legally enforceable right to set-off the recognised amounts and it intends to settle them on a net basis, or to realise the asset and settle the liability simultaneously.

2.15 Financial liabilities

Financial liabilities are initially recognised on the trade date, which is the date the Company becomes a party to the contractual provisions of the instruments and derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Borrowings are recognised initially at their fair value, net of incremental direct transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of incremental direct transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting year.

2.16 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognised, in respect of, temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any. Deferred tax is expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

2. Summary of significant accounting policies - continued

2.16 Current and deferred tax - continued

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences.

If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences are considered. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profit improves.

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

2.17 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. In the cash flow statement, cash and cash equivalents include cash in hand and deposits held at call for operational purposes with banks.

2.18 Share capital

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

2.19 Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which an obligation to pay a dividend is established.

2.20 Critical accounting estimates and judgments in applying accounting policies

The Group makes estimates and assumptions concerning the future. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2. Summary of significant accounting policies - continued

2.20 Critical accounting estimates and judgments in applying accounting policies - continued

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the year ending 31 December 2022 is included as follows:

- *Value of in-force business*

The value of in-force business is a projection of future shareholders' cash flows expected from contracts in force at the year end, appropriately adjusted for taxation and discounted by a risk adjusted discount rate. In assessing the projected cash flows, the directors assume a long term view of a maintainable level of investment return and fund size.

This valuation requires the use of a number of assumptions relating to future mortality, persistency, levels of expenses, investment returns and asset allocations over the longer term. The valuation is inherently uncertain and assumptions are reviewed on an annual basis as experience and the reliability of the estimation process develop.

Details of key assumptions, and sensitivity of this intangible asset are provided in Note 13. The impact of a change to key assumptions supporting the value of in-force business is disclosed in Note 13 to the financial statements.

- *Insurance and participating investment contract liabilities*

The technical provisions in respect of long term contracts and linked long term contracts are subject to an annual statutory valuation using generally accepted actuarial practice.

Different principles and valuation methodologies are adopted depending on the type and generation of products. The key assumptions used in determining the technical provisions in respect of insurance contracts and investment contracts with DPF are described in Note 24 to the financial statements.

- *Investment Property*

The fair value of investment properties which involves judgement and estimation uncertainty, is determined by qualified valuers. The assumptions used are reviewed on an annual basis. Details of the key assumptions and valuation techniques used are disclosed in Note 15.

3. Management of risk

The Group is a party to contracts that transfer insurance risk or financial risk or both. This section summarises these risks and the way the Group manages them.

3. Management of risk - continued

3.1 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is fortuitous.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims are greater than estimated.

Insurance events are fortuitous and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques. Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio.

The Group has developed its insurance underwriting strategy to diversify the type of insurance risk accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, and lack of geographical spread. The Group is largely exposed to insurance risk in one geographical area, Malta.

Frequency and severity of claims

For contracts where death is the insured risk, the most significant factor that could increase the overall frequency of claims are epidemics or wide-spread changes in lifestyle resulting in earlier or more claims than expected.

At present these risks do not vary significantly in relation to the location of the risk insured by the Group. However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

For contracts with fixed and guaranteed benefits and fixed future premiums, there are no mitigating terms and conditions that reduce the insurance risk accepted. For contracts with DPF, the participating nature of the contracts results in a portion of the insurance risk being reduced over the term of policy. Investment contracts with DPF carry negligible insurance risk.

The Group manages these risks through its underwriting strategy and reinsurance arrangements. The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and level of insured benefits. Medical selection is also included in the Group’s underwriting procedures with premiums varied to reflect the health condition and life expectancy of the applicants.

3. Management of risk - continued

3.1 Insurance risk - continued

Frequency and severity of claims - continued

The Group has reinsurance protection in place to cover death claims. The type of reinsurance cover and the level of retention for each risk are based on the Group's internal risk management assessment, which takes account of the nature of the risk covered and the sum assured. The reinsurance program is approved by the Board annually. The reinsurance arrangements in place include a mix of quota share, facultative and catastrophe protection, which limits the liability of the Group to any one individual life or event. The Group's reinsurance is placed with listed multinational reinsurance companies with investment grade rating not less than A.

Sources of uncertainty in the estimation of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for long term insurance contracts arises from the unpredictability of long term changes in overall levels of mortality, and the variability in contract holder behaviour. The Group uses appropriate base tables of standard mortality according to the type of contract being written. The Group does not take credit for future lapses in determining the liability for long term contracts.

Further detail on the process for estimation is provided in Note 24 to these financial statements.

3.2 Financial risk

The Group is exposed to financial risks through its financial assets, financial liabilities and insurance and reinsurance assets and liabilities. In particular, the key risk is that in the long term, the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts. The components of financial risks for the Group are market risk (including cash flow and fair value interest rate risk, equity price risk and currency risk), credit risk and liquidity risk. These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Group primarily faces due to the nature of its assets and liabilities are interest rate risk and equity price risk.

The Group has developed its Asset/Liability management framework to support the manner in which these risk positions are managed. It actively manages its assets to achieve a competitive rate of return within risk objectives delineated by asset liquidity measures, duration targets and credit quality parameters. The Investment Committee reviews and approves investment strategies on a periodic basis ensuring that assets are managed efficiently and within approved risk mandates.

3. Management of risk - continued

3.2 Financial risk - continued

(a) Market risk

(i) Cash flow and fair value interest rate risk

Insurance and investment contracts with DPF have benefit payments that are fixed and guaranteed at the inception of the contract (for example, sum assured), or as annual discretionary bonuses are declared. The Group's primary financial risk on these contracts is the risk that interest income and capital redemptions from the financial assets backing the liabilities are insufficient to fund the guaranteed benefits payable.

The Group does not guarantee a positive fixed rate of return to its policyholders at the inception of a contract. The declaration of discretionary bonuses is guided by the bonus philosophy of the Board of Directors. Once a reversionary bonus is declared, it is guaranteed to be paid in full at maturity or on the prior death of the life assured. Also, policyholders have the option to withdraw their current year's bonus without any charges following the date the bonus is declared.

The bonus philosophy considers historic and current rates of return generated by the Group's investment portfolio as well as the Group's expectations for future investment returns. The impact of interest rate risk is mitigated by the presence of the DPF. These guaranteed benefits increase as discretionary benefits are declared and allocated to contract holders.

All insurance and investment contracts with a DPF feature can be surrendered before maturity for a cash surrender value that is always less than the actual contract liability. Cash surrender values are determined at the discretion of the Group and can be varied from time to time.

The primary factor affecting the level of cash surrender value is the investment return earned on the assets of the Group. In addition, the cash surrender value is affected by the expenses, tax and the cost of risk benefits (such as life cover) borne by the Group, deductions to provide a return to shareholders, as well as profits and losses arising on other contracts. The expenses include payment of commission, medical report expenses, office administration costs and other expenses incurred in the setting up and maintenance of the contract. At most, the cash surrender value will be the amount of the actual liability reduced by the surrender charge (where applicable).

Furthermore, in respect of all contracts with DPF (with the exception of some contracts that have been in force more than a certain number of years), the Group reserves the right to increase the level of the surrender charge and, if necessary, to apply a Market Value Reduction (MVR). A MVR is a deduction which the Group may make on surrender of a contract with DPF. For example, if the underlying investment return, after allowing for expenses, tax, risk benefits, shareholder returns and adjustment for profits or losses on other contracts is less than the return already provided for in the form of reversionary bonuses, the Group may decide to apply a MVR.

3. Management of risk - continued

3.2 Financial risk - continued

(a) Market risk - continued

(i) Cash flow and fair value interest rate risk - continued

The MVR serves to protect the interests of remaining investors and the Group, who would otherwise have to subsidise the amount paid on surrendering contracts. The Group does not apply a standard percentage deduction on all contracts but determines the deduction to apply to each individual surrender at the time the surrender is made. The amount depends on a number of factors including the length of time the contract has been in force, and the underlying investment return over the same time period. There will be no MVR at maturity or on death. This means that at maturity or on death the payment of the actual contract liability is guaranteed.

The cash surrender value may also be less than the total amount of premiums paid up to the date of surrender. The Group is not required to, and does not, measure the effect of the above embedded derivative at fair value.

The Group matches its insurance liabilities with a diversified portfolio of assets which includes equity, debt securities and property. The return from debt and cash-based securities is subject to interest rate risk.

In general, the Group is exposed to risk associated with the effects of fluctuations in the prevailing levels of market interest rates. Assets/liabilities issued at variable rates generally expose the Group to cash flow interest risk. Assets/liabilities issued at fixed rates generally expose the Group to fair value interest rate risk. Group investment parameters exist to limit exposure to any one particular issuer and any one particular security. Periodic reports are prepared at portfolio, legal entity and asset class level that are circulated to the Group's key management personnel. Note 18 incorporates maturity information with respect to the Group's and Company's investments.

3. Management of risk - continued

3.2 Financial risk - continued

(a) Market risk - continued

(i) Cash flow and fair value interest rate risk - continued

The total assets and liabilities subject to interest rate risk are the following:

Assets	Group		Company	
	2022	2021	2022	2021
	€'000	€'000	€'000	€'000
Assets at floating interest rates	68,536	80,844	68,536	80,844
Assets at fixed interest rates	1,078,629	1,343,125	1,078,629	1,343,125
	1,147,165	1,423,969	1,147,165	1,423,969

Reconciled to the notes to the financial statements as follows:

Loans and receivables (Note 18)	125,860	212,924	125,860	212,924
Debt securities (Note 18)	777,251	1,005,148	777,251	1,005,148
A component of equity securities and units in unit trusts (Note 18)	243,126	197,690	243,126	197,690
Interest bearing cash and cash equivalents	928	8,207	928	8,207
	1,147,165	1,423,969	1,147,165	1,423,969
Liabilities				
Net long term business provision excluding linked long term contracts	1,912,983	2,276,558	1,912,983	2,276,558
	1,912,983	2,276,558	1,912,983	2,276,558

Interest rate risk in relation to linked liabilities for contracts that also combine a discretionary feature, amounting to €48.17m (2021: €55.03m) has been excluded as the directors consider the exposure to be insignificant.

3. Management of risk - continued

3.2 Financial risk - continued

(a) Market risk - continued

(i) Cash flow and fair value interest rate risk - continued

In managing its portfolio, the Group entered into fixed income security futures contracts. Accordingly, it is exposed to movements in interest rates in the respective markets of the underlying, which comprise short, medium and long term sovereign debt. The notional amount of futures contracts outstanding is shown below:

	Group and Company	
	2022	2021
	€'000	€'000
Long positions		
- Federal Republic of Germany	69,704	109,748
- United States Government	-	1,040
	69,704	110,788
Short positions		
- Federal Republic of Germany	76,362	129,257
- United States Government	2,730	2,416
	79,092	131,673

Up to the reporting date, the Group did not have any hedging policy with respect to interest rate risk other than as described in note 2.12 above.

The sensitivity analysis for interest rate risk illustrates how changes in the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date.

At 31 December 2022, had interest rates been 100 basis points (2021: 100 basis points) lower with all other variables held constant, pre-tax profit for the year would have been €0.93m lower (2021: €0.70m higher). An increase of 100 basis points (2021: 100 basis points), with all other variables held constant, would have resulted in pre-tax profits being €0.25m higher (2021: €2.12m lower). The above sensitivity considers the impact of changes in interest rates on liabilities and fixed and floating interest rate asset values; although in the case that the reduced interest rate would be negative a floor of 0% is applied and the change in the asset value calculated accordingly.

3. Management of risk - continued

3.2 Financial risk - continued

(a) Market risk - continued

(i) Cash flow and fair value interest rate risk - continued

Managing interest rate benchmark reform

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). Currently, the Group has no exposures to IBORs on its financial instruments.

(ii) Equity price risk

The Group's financial assets are susceptible to the risk of decreases in value due to changes in the prices of equities. The directors manage the risk of price volatility by entering into a diverse range of investments including equities and collective investment schemes. In addition, the Group's investments are spread geographically in a diverse number of different countries. The Group has an active Investment Committee that has established a set of investment guidelines that is also approved by the Board of Directors. Investments over prescribed limits are directly approved by the Board. These guidelines provide parameters for investment management, including contracts with external portfolio managers. They include, inter alia, reference to an optimal spread of the investment portfolio, assessment of equity issuers and maximum exposures by the Group to any one issuer and its connected parties (with the exception of investments in Government paper). These parameters also consider solvency restrictions imposed by the Regulator.

Management structures are in place to monitor all the Group's overall market positions on a regular basis. Reports are prepared at portfolio, legal entity and asset class level that are circulated to the Group's key management personnel. These are also reviewed by the Investment Committee and the Board.

3. Management of risk - continued

3.2 Financial risk - continued

(a) Market risk - continued

(ii) Equity price risk - continued

The total assets subject to equity price risk are the following:

	Group		Company	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Assets subject to equity price risk	**753,423**	907,876	**753,423**	907,870
Reconciled to the notes to the financial statements as follows:				
Investments in associated undertakings (Note 17)	**23,809**	23,618	**23,809**	23,618
A component of equity securities and units in unit trusts (Note 18)	**729,614**	884,258	**729,614**	884,252
	753,423	907,876	**753,423**	907,870

In the case of assets held to cover unit-linked liabilities the exposure is carried by the contract holder. In the case of capital guaranteed products any shortfalls guaranteed upon maturity are mitigated by a back to back guarantee with international financial service providers as further referred in 3.2 (a) (i).

The sensitivity for equity price risk illustrates how changes in the fair value of equity securities will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual equity issuer, or factors affecting all similar equity traded in the market.

Given the investment strategy and asset mix of the Group and Company a 10% positive or negative movement in equity prices is considered to be an appropriate benchmark for sensitivity purposes. An increase and a decrease of 10% in equity prices, with all other variables held constant, would result in a positive impact of €0.21m (2021: €0.25m) and a negative impact of €0.21m (2021: €0.25m) respectively, on the pre-tax profit for the year. The above sensitivity includes the impact of changes in equity returns on liabilities and assets.

(iii) Currency risk

The Group's liabilities are substantially denominated in euro. The Group's exposure to foreign currency risk arises primarily from equity securities denominated in major foreign currencies. The Group hedges its foreign currency denominated debt securities using foreign exchange forward contracts in order to mitigate the risk that principal cash flows for these investments fluctuate as a result of changes in foreign exchange rates.

3. Management of risk - continued

3.2 Financial risk - continued

(a) Market risk - continued

(iii) Currency risk - continued

The table below summarises the Group's exposure to foreign currencies other than euro.

Group and Company

31 December 2022

	Net exposure before hedging €'000	Notional amount of currency derivatives €'000	Net exposure after hedging €'000
Currency of exposure:			
USD	194,286	2,325	191,961
CHF	19,762	-	19,762
GBP	6,712	901	5,811
SEK	11,932	-	11,932
DKK	13,378	-	13,378
HKD	7,454	-	7,454
Others	19,685	6,801	12,884
	273,209	10,027	263,182

31 December 2021

	Net exposure before hedging €'000	Notional amount of currency derivatives €'000	Net exposure after hedging €'000
Currency of exposure:			
USD	295,959	65,317	230,642
CHF	29,450	-	29,450
GBP	18,458	9,752	8,706
SEK	15,122	-	15,122
DKK	19,277	-	19,277
Others	72,871	41,500	31,371
	451,137	116,569	334,568

Within the table above, €238.20m of the unhedged exposure relates to equity investments (2021: €324.31m). Due to an increasingly globalised economy, the Group's equity investments are diversified across various currencies. The directors consider that the exposure to currency risk is appropriately captured in the equity price risk sensitivity (Note 3.2 (a) (ii)). Any residual currency exposure relating to non-equity investments is not considered to be significant.

3. Management of risk - continued

3.2 Financial risk - continued

(b) Credit risk

Credit risk is the risk of decreases in value when counterparties are not capable of fulfilling their obligations or when changes in their credit status take place.

The Group has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Group is exposed to credit risk are:

- Investments and cash and cash equivalents
- Reinsurers' share of insurance liabilities
- Amounts due from reinsurers in respect of claims already paid
- Counterparty risk with respect to forward foreign exchange contracts.

The Group places limits on the level of credit risk undertaken from the main categories of financial instruments. These limits also take due consideration of the solvency restrictions imposed by the relevant Regulations. The investment strategy of the Group considers the credit standing of the counterparty and control structures are in place to assess and monitor these risk thresholds.

The Group structures the levels of credit risk it accepts by limiting as far as possible its exposure to a single counterparty or groups of counterparty. The Group has in place internal control structures to assess and monitor credit exposures and risk thresholds.

The Group's cash is placed with a number of core domestic credit institutions and investment grade international banks, thereby reducing the concentration of counterparty credit risk to an acceptable level.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The creditworthiness of reinsurers is monitored on a quarterly basis by reviewing credit grades provided by rating agencies and other publicly available financial information. At the same time that the Board approves the overall reinsurance protection for the Group, it ensures that the reinsurers' credit rating (either Standard & Poors or equivalent) is within the parameters set by it.

It is not normal for credit to be extended to insurance policyholders due to the nature of the Group's business, unless automatic policy loans are advanced up to the surrender value of the contract (refer to Note 18).

The Group does not trade in derivative contracts, with the exception of forward contracts and exchange traded futures. All derivative contracts are placed with quality financial institutions within the parameters of a hedging policy approved by the Board.

3. Management of risk - continued

3.2 Financial risk - continued

(b) Credit risk - continued

The total assets bearing credit risk are the following:

	Group		Company	
	2022 €'000	2021 €'000	2022 €'000	2021 €'000
Fair value through profit or loss				
- Debt securities (Note 18)	777,251	1,005,148	777,251	1,005,148
- Forward foreign exchange contracts and swaps (Note 18)	2,698	-	2,698	-
	779,949	1,005,148	779,949	1,005,148
Loans and receivables				
- Deposits with banks or credit institutions (Note 18)	116,728	204,888	116,728	204,888
Reinsurers' share of technical provisions (Note 24)	476	933	476	933
Insurance and other receivables	8,952	12,239	8,952	12,184
Cash at bank and in hand (Note 21)	125,568	59,634	124,779	59,064
Total exposure	1,031,673	1,282,842	1,030,884	1,282,217

The assets above are analysed in the table below using Standard and Poors rating (or equivalent).

	Group		Company	
	2022 €'000	2021 €'000	2022 €'000	2021 €'000
AAA	113,992	159,144	113,992	158,985
AA	176,758	236,237	176,758	236,233
A	249,755	301,881	249,755	301,876
BBB	376,952	455,193	376,163	454,622
Below BBB or not rated	114,216	130,387	114,216	130,501
	1,031,673	1,282,842	1,030,884	1,282,217

The Group has no receivables that are past due or impaired. Debt securities and loans and receivables that are not rated are primarily held with highly reputable financial institutions holding an investment grade. The carrying amount of these assets represents the maximum credit exposure.

3. Management of risk - continued

3.2 Financial risk - continued

(c) Liquidity risk

The Group is exposed to daily calls on its available cash resources mainly from claims and benefits arising from long term contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Group manages its funds in such a manner as to ensure an adequate portion of available funds to meet such calls, principally through limits set by the Board on the minimum proportion of maturity funds available to meet such calls. Furthermore, the Group invests a majority of its assets in listed investments that can be readily disposed of.

The following table indicates the expected timing of cash flows arising from the maturity of the Group's liabilities. The expected cash flows do not consider the impact of early surrenders.

At 31 December 2022	Expected cash flows (discounted)						
	0 – 1 Year	1 – 2 years	2 – 3 years	3 – 4 years € million	4 - 5 years	>5 years	Total
Technical provisions - Insurance contracts and investment contracts with DPF	297	213	176	156	122	1,045	2,009
Insurance and other payables	16	-	-	-	-	-	16
	313	213	176	156	122	1,045	2,025

At 31 December 2021	Expected cash flows (discounted)						
	0 – 1 Year	1 – 2 years	2 – 3 years	3 – 4 years € million	4 - 5 years	>5 years	Total
Technical provisions - Insurance contracts and investment contracts with DPF	339	265	220	192	163	1,201	2,380
Insurance and other payables	18	-	-	-	-	-	18
	357	265	220	192	163	1,201	2,398

3. Management of risk - continued

3.2 Financial risk - continued

(c) Liquidity risk - continued

Expected cash flows on unit linked liabilities have not been included as the directors consider that there is limited exposure to liquidity risk given that these are principally backed by unit linked assets.

The table below analyses the Company's derivative financial instruments that will be settled on a gross basis. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Group and Company	
	2022	2021
	€'000	€'000
At 31 December		
Foreign exchange contracts		
- outflow	(97,744)	(128,215)
- inflow	100,443	127,440

At 31 December 2022 and 2021, the above derivatives were due to be settled within three months after year end.

3.3 Capital management

The Company's policy is to maintain a strong capital base to support its business growth plans and comply with all regulatory requirements on an ongoing basis whilst assessing the impact of shareholder returns on its capital employed. The Company defines capital as shareholders' equity.

3. Management of risk - continued

3.3 Capital management - continued

The Company's objectives when managing capital are to:

- comply with the obligations to hold Eligible Own Funds to cover the Solvency Capital Requirement and Minimum Capital Requirement in terms of the Insurance Business Act, 1998, (Chapter 403, Laws of Malta) and the applicable Insurance Rules issued under the Insurance Business Act ('Insurance Rules') by the Malta Financial Services Authority ('MFSA');
- safeguard the Company's ability to continue as a going concern and provide returns for shareholders and benefits for other stakeholders; and
- provide an adequate return to shareholders by pricing insurance contracts commensurate with the level of risk.

The Company is required to hold regulatory capital for its life assurance business in compliance with the Insurance Rules issued by the MFSA. The minimum capital requirements must be maintained at all times throughout the period. The Company monitors the level of their own funds on a regular basis. Any transactions that may potentially affect the Company's own funds and solvency position are immediately reported to the directors and shareholders for resolution.

The Company's Minimum Capital Requirement Absolute Floor stands at €4,000,000, up from €3,700,000 in the prior year as per paragraph 5.6.4 of Chapter 5 ('Valuation of assets and liabilities, technical provisions, own funds, Solvency Capital Requirement, Minimum Capital Requirement and investment rules') of Part B of the Insurance Rules.

Based on management calculations to date, the Company is sufficiently capitalised and was compliant at all times with the regulatory capital requirements as stipulated by the MFSA which are in line with the Solvency II requirements.

3.4 Fair value hierarchy - financial instruments

The table below analyses financial instruments carried at fair value, by valuation method. The fair value measurement hierarchy is defined as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3. Management of risk - continued

3.4 Fair value hierarchy - financial instruments - continued

The following tables analyse the assets and liabilities carried at fair value by valuation method:

Group – 31 December 2022	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total Balance €'000
Assets				
Financial assets at fair value through profit or loss				
- Equity securities, units in unit trusts and collective investment schemes	973,661	39,726	61,609	1,074,996
- Debt securities	529,138	248,113	-	777,251
Derivative financial instruments	-	2,698	-	2,698
Investments in associated undertakings	-	22,647	1,162	23,809
Total assets	1,502,799	313,184	62,771	1,878,754
Liabilities				
Unit linked financial liabilities	-	102,256	-	102,256
Total liabilities	-	102,256	-	102,256

Group – 31 December 2021	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total Balance €'000
Assets				
Financial assets at fair value through profit or loss				
- Equity securities, units in unit trusts and collective investment schemes	1,129,261	47,441	18,756	1,195,458
- Debt securities	690,946	314,202	-	1,005,148
Derivative financial instruments	-	-	-	-
Investments in associated undertakings	-	22,449	1,169	23,618
Total assets	1,820,207	384,092	19,925	2,224,224
Liabilities				
Unit linked financial liabilities	-	113,509	-	113,509
Derivative financial instruments	-	775	-	775
Total liabilities	-	114,284	-	114,284

3. Management of risk - continued

3.4 Fair value hierarchy - financial instruments - continued

Company – 31 December 2022	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total Balance €'000
Assets				
Financial assets at fair value through profit or loss				
- Equity securities, units in unit trusts and collective investment schemes	973,661	39,726	61,609	1,074,996
- Debt securities	529,138	248,113	-	777,251
Derivative financial instruments	-	2,698	-	2,698
Investments in associated undertakings	-	22,647	1,162	23,809
Total assets	1,502,799	313,184	62,771	1,878,754
Liabilities				
Unit linked financial liabilities	-	102,256	-	102,256
Total liabilities	-	102,256	-	102,256

Company – 31 December 2021	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total Balance €'000
Assets				
Financial assets at fair value through profit or loss				
- Equity securities, units in unit trusts and collective investment schemes	1,129,255	47,441	18,756	1,195,452
- Debt securities	690,946	314,202	-	1,005,148
Derivative financial instruments	-	-	-	-
Investments in associated undertakings	-	22,449	1,169	23,618
Total assets	1,820,201	384,092	19,925	2,224,218
Liabilities				
Unit linked financial liabilities	-	113,509	-	113,509
Derivative financial instruments	-	775	-	775
Total liabilities	-	114,284	-	114,284

3. Management of risk - continued

3.4 Fair value hierarchy - financial instruments - continued

Fair value measurements classified as Level 1 include government debt securities, units in unit trusts and collective investments schemes and foreign listed equities.

Corporate debt securities are classified as Level 2 in view of their trading characteristics. The financial liabilities for unit linked contracts were also classified as Level 2. The fair value of these contracts is determined using the current unit values that reflect the fair values of the financial assets (classified as Level 1) linked to the financial liability. Derivative foreign exchange forward contracts have been classified as Level 2. The fair value of these instruments is determined by reference to market observable forward currency rates and interest rates. Domestic equities are classified as Level 2 in view of their trading characteristics.

At 31 December 2022, 3.3% (2021: 0.9%) of the financial assets measured at fair value on a recurring basis were classified as Level 3. They constitute investment in unlisted equities. The Company has €62.8m (2021: €19.9m) financial assets classified as Level 3, the valuation of which has been determined by reference to the net assets of the underlying investment.

The analysis of investment property is included within Note 15.

The following table presents the changes in Level 3 instruments for the year ended 31 December:

Group and Company 2022

	Financial assets at fair value through profit or loss		
	Equity securities €'000	Investments in associated undertakings €'000	Total Assets €'000
Opening balance	18,756	1,169	19,925
Additions	38,363	-	38,363
Total gains/(losses) recognised in profit or loss	4,490	(7)	4,483
Closing balance	61,609	1,162	62,771

3. Management of risk - continued

3.4 Fair value hierarchy - financial instruments - continued

Group and Company 2021

	Financial assets at fair value through profit or loss		
	Equity securities €'000	Investments in associated undertakings €'000	Total Assets €'000
Opening balance	-	1,297	1,297
Additions	18,558	-	18,558
Total gains/(losses) recognised in profit or loss	198	(128)	70
Closing balance	18,756	1,169	19,925

At 31 December 2022 and 2021, the carrying amount of the Group's and Company's other financial assets and liabilities approximated their fair values with the exception of financial liabilities emanating from investment contracts with DPF. It is impracticable to determine the fair value of these contracts due to the lack of a reliable basis to measure the future discretionary return that is a material feature of these contracts.

4. Other information - technical account

In the opinion of the directors, the Group primarily operates in a single business segment being that of long term and linked long term insurance business.

(i) Gross premiums written

Gross premium income is made up of:

	Group and Company	
	2022 €'000	2021 €'000
Direct insurance	**248,760**	325,136
Gross premiums written	**248,760**	325,136

4. Other information - technical account - continued

(i) *Gross premiums written*- continued

Direct insurance is further analysed between:

	Periodic premiums		Single premiums	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Non-participating	**14,920**	14,611	**-**	-
Participating	**44,203**	42,186	**184,696**	264,353
Linked	**1,858**	1,967	**3,083**	2,019
	60,981	58,764	**187,779**	266,372

In addition to the above, premium credited to liabilities in Note 25 in relation to linked products classified as investment contracts without DPF was as follows:

	Periodic premiums		Single premiums	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Investment contracts	**3,777**	2,603	**2,373**	1,456

Gross premiums written by way of direct business of insurance principally relates to individual business. All long term contracts of insurance are concluded in or from Malta.

(ii) *Reinsurance balance*

The reinsurance balance, which represents the aggregate of all items relating to reinsurance outwards mainly attributable to insurance contracts, amounted to a charge of €2.3m to the long term business technical account for the year ended 31 December 2022 (2021: €0.8m).

4. Other information - technical account - continued

(iii) Analysis between insurance and investment contracts

	Group and Company	
	2022	2021
	€'000	€'000
Gross premiums written		
Insurance contracts	29,367	30,749
Investment contracts with DPF	219,393	294,387
	248,760	325,136
Claims incurred, net of reinsurance		
Insurance contracts	51,349	55,778
Investment contracts with DPF	243,616	249,191
	294,965	304,969

(iv) Net operating expenses

	Group		Company	
	2022	2021	2022	2021
	€'000	€'000	€'000	€'000
Acquisition costs	11,787	12,987	11,787	12,987
Administrative expenses	6,535	6,205	6,210	5,528
Reinsurance commissions	(32)	(162)	(32)	(162)
	18,290	19,030	17,965	18,353

Allocated to:

	Group		Company	
	2022	2021	2022	2021
	€'000	€'000	€'000	€'000
Technical	17,830	18,245	17,830	18,245
Non-technical	460	785	135	108
	18,290	19,030	17,965	18,353

Total commission payable for direct business accounted for in the financial year amounted to €6.60m (2021: €8.15m). €6.03m of this charge arose on investment contracts (2021: €7.45m).

5. Investment return

	Group		Company	
	2022	2021	2022	2021
	€'000	€'000	€'000	€'000
Dividend income from shares in a group undertaking	-	-	-	-
Rent & maintenance fees receivable from investment property	5,420	5,117	5,420	5,117
Interest receivable from loans and receivables	1,427	1,893	1,427	1,893
Income from financial assets at fair value through profit or loss:				
- dividend income – associates	848	260	848	260
- dividend income – other	9,898	9,305	9,898	9,305
- net fair value losses and interest on bonds	(295,736)	89,829	(295,735)	89,828
Net fair value losses on investment property	(2,461)	(2,236)	(2,461)	(2,236)
Direct operating expenses arising from investment property that generated rental income	(328)	(370)	(328)	(370)
Other investment income	992	595	992	595
Other investment expenses	(6,779)	(6,813)	(6,779)	(6,813)
Net investment (loss)/ return	(286,719)	97,580	(286,718)	97,579
Apportioned as follows:				
Technical				
Investment income on investments	-	38,732	-	38,732
Net unrealised gains on investments	-	65,905	-	65,905
Net unrealised losses on investments	(201,980)	-	(201,980)	-
Investment expenses and charges	(7,094)	(7,168)	(7,094)	(7,168)
Investment losses	(77,491)	-	(77,491)	-
	(286,565)	97,469	(286,565)	97,469
Non-Technical				
Investment income	120	126	121	125
Net unrealised losses on investments	(260)	-	(260)	-
Investment expenses and charges	(14)	(15)	(14)	(15)
	(154)	111	(153)	110
	(286,719)	97,580	(286,718)	97,579

6. Other technical income, net of reinsurance

	Group and Company	
	2022	2021
	€'000	€'000
Investment management fees	688	724
Other	54	64
	742	788

7. Profit before tax

Profit before tax is stated after charging:

	Group		Company	
	2022	2021	2022	2021
	€'000	€'000	€'000	€'000
Employee benefit expense (Note 8)	4,222	4,520	4,205	4,470
Actuarial valuation fees	526	422	526	422
Depreciation/amortisation:				
- intangible assets (Note 13)	600	680	600	680
- property, plant and equipment (Note 14)	480	371	480	371
Reimbursement of expenses for back office support services (Note 30)	1,176	375	1,176	375

The financial statements include fees, exclusive of VAT, charged by the Company's auditors for services rendered for the financial years ended 31 December 2022 and 2021 relating to the following:

	Group		Company	
	2022	2021	2022	2021
	€'000	€'000	€'000	€'000
Annual statutory audit	311	149	304	144
Solvency II audit	60	59	60	59
Non-audit services	1	1	1	1
Paid during the year:				
for financial year 2022	159	-	152	-
for financial year 2021	137	73	132	73
for financial year 2020	-	149	-	144

8. Employee benefit expense

	Group		Company	
	2022	2021	2022	2021
	€'000	€'000	€'000	€'000
Salaries	4,034	4,309	4,018	4,262
Social security costs	188	211	187	208
	4,222	4,520	4,205	4,470

The average number of persons employed during the year was:

	Group		Company	
	2022	2021	2022	2021
Key management	10	11	10	11
Managerial	17	21	17	20
Technical	49	55	49	55
Administrative	3	3	3	3
Average number of employees	79	90	79	89

9. Tax expense

	Group		Company	
	2022	2021	2022	2021
	€'000	€'000	€'000	€'000
Current tax charge	43,052	711	43,052	673
Deferred taxation charge (Note 19)	(37,583)	5,414	(37,583)	5,414
Tax expense	5,469	6,125	5,469	6,087

The tax expense for the year and the result of the accounting profit multiplied by the tax rate applicable in Malta, the Group's country of incorporation, are reconciled as follows:

	Group		Company	
	2022	2021	2022	2021
	€'000	€'000	€'000	€'000
Profit before tax	17,166	16,685	16,960	16,577
Tax on profit at 35%	6,008	5,840	5,936	5,802
Tax effect of:				
Final withholding tax on property returns	(241)	260	(241)	260
Net impact of maintenance allowance attributable to rental income	(16)	(20)	(16)	(20)
Other non-temporary differences	(282)	45	(210)	45
Income tax expense	5,469	6,125	5,469	6,087

10. Directors' emoluments

	Group and Company	
	2022	2021
	€'000	€'000
Directors' fees	154	121

11. Earnings per share

Earnings per share is based on the net profit for the year divided by the weighted average number of shares in issue during the year.

	Group	
	2022	2021
Net profit attributable to shareholders (€'000)	11,697	10,560
Weighted average number of ordinary shares in issue	37,900,000	34,261,644
Earnings per share (€)	30c9	30c8

12. Dividends

No dividend was proposed to be paid in 2023 in respect of 2022. Furthermore, in 2022, the Company paid the proposed dividend of 5c3 in respect of 2021, amounting to a total net dividend of €2 million and no dividend was paid in 2021 in respect of 2020.

13. Intangible assets

Group

	Value of in-force business €'000	Computer software €'000	Deferred policy acquisition costs (i) €'000	Total €'000
At 31 December 2020				
Cost or valuation	77,191	21,338	3,642	102,171
Accumulated amortisation and impairment	-	(11,729)	(3,381)	(15,110)
Net book amount	77,191	9,609	261	87,061
Year ended 31 December 2021				
Opening net book amount	77,191	9,609	261	87,061
Increase in value of in-force business credited to reserves (Note 23)	9,913	-	-	9,913
Additions	-	4,205	76	4,281
Amortisation charge (Note 7)	-	(507)	(173)	(680)
Closing net book amount	87,104	13,307	164	100,575
At 31 December 2021				
Cost or valuation	87,104	25,543	3,718	116,365
Accumulated amortisation and impairment	-	(12,236)	(3,554)	(15,790)
Net book amount	87,104	13,307	164	100,575
Year ended 31 December 2022				
Opening net book amount	87,104	13,307	164	100,575
Decrease in value of in-force business debited to reserves (Note 23)	(7,267)	-	-	(7,267)
Additions	-	5,154	155	5,309
Amortisation charge (Note 7)	-	(588)	(12)	(600)
Closing net book amount	79,837	17,873	307	98,017
At 31 December 2022				
Cost or valuation	79,837	30,697	3,873	114,407
Accumulated amortisation and impairment	-	(12,824)	(3,566)	(16,390)
Net book amount	79,837	17,873	307	98,017

(i) This intangible asset relates to investment contracts without DPF only.

13. Intangible assets - continued

Amortisation of €0.24m (2021: €0.38m) is included in acquisition costs and €0.36m (2021: €0.3m) is included in administration expenses.

Company	Value of in-force business €'000	Computer software €'000	Deferred policy acquisition costs (i) €'000	Total €'000
At 31 December 2020				
Cost or valuation	77,191	21,058	3,642	101,891
Accumulated amortisation and impairment	-	(11,449)	(3,381)	(14,830)
Net book amount	77,191	9,609	261	87,061
Year ended 31 December 2021				
Opening net book amount	77,191	9,609	261	87,061
Increase in value of in-force business credited to reserves (Note 23)	9,913	-	-	9,913
Additions	-	4,205	76	4,281
Amortisation charge (Note 7)	-	(507)	(173)	(680)
Closing net book amount	87,104	13,307	164	100,575
At 31 December 2021				
Cost or valuation	87,104	25,263	3,718	116,085
Accumulated amortisation and impairment	-	(11,956)	(3,554)	(15,510)
Net book amount	87,104	13,307	164	100,575
Year ended 31 December 2022				
Opening net book amount	87,104	13,307	164	100,575
Decrease in value of in-force business debited to reserves (Note 23)	(7,267)	-	-	(7,267)
Additions	-	5,154	155	5,309
Amortisation charge (Note 7)	-	(588)	(12)	(600)
Closing net book amount	79,837	17,873	307	98,017
At 31 December 2022				
Cost or valuation	79,837	30,417	3,873	114,127
Accumulated amortisation and impairment	-	(12,544)	(3,566)	(16,110)
Net book amount	79,837	17,873	307	98,017

(i) This intangible asset relates to investment contracts without DPF only.

Amortisation of €0.24m (2021: €0.38m) is included in acquisition costs and €0.36m (2021: €0.30m) is included in administration expenses.

13. Intangible assets - continued

Value of in-force business - assumptions, changes in assumptions and sensitivity

The after-tax value of in-force business is determined by the directors on an annual basis. The embedded value and expected future profits of each line of business is assessed. The value of in-force business is calculated using a large number of assumptions about future experience.

These assumptions concern both future economic and demographic experience. Forecasting future experience is inherently difficult.

The Company seeks to set assumptions that are consistent with the actual experience of the business. As a result, the assumptions used in the assessment are revised at least annually, to be up to date. The process by which assumptions are changed is described in more detail below.

The value of With Profits business is most sensitive to the size of the With Profits fund. A 1% increase in the size of the fund value will increase the embedded value reported by €0.58 million. A 1% fall in the size of the fund value will reduce the embedded value reported by €0.61 million.

Similarly, the value of unit-linked business is most sensitive to the size of the unit-linked fund. A 1% increase in the size of the fund value will increase the embedded value by €0.14 million. A 1% fall in the size of the fund value will reduce the embedded value by €0.15 million.

Term assurance business is particularly sensitive to the rates assumed for future mortality. A 1 percentage point increase in the rates will reduce the embedded value by €0.29million, while a 1 percentage point decrease in the rate will increase the embedded value by €0.29 million.

The economic assumptions used in the calculation have been set to be internally consistent as well as reflecting the directors' view of economic conditions in the longer term. For the current year, short term (2023-2025) inflation assumptions have been adjusted in line with the Central Bank of Malta outlook. The valuation assumed a long term real return of 1.4% pa (2021: 1% pa) for with-profits business with a risk discount rate of 4.5% pa (2021: 4% pa). For term assurance business the valuation assumed a real return of 0.15% (2021: -0.5% pa) with a risk discount rate of 5.25% pa (2021: 4.5% pa). For unit-linked business the valuation assumed a real return of -0.35% (2021: -1% pa) with a risk discount rate of 5.25% pa (2021: 4.5% pa). Long term expenses are assumed to inflate at 2.1% pa (2021: 2%).

As noted, economic assumptions are set to be internally consistent and reflect the real long term returns anticipated and the risk appetite of the Directors. To maintain this internal consistency, any changes to the economic assumptions are considered as a whole. We consider that any changes to the assumptions that do not change the internal consistency will not significantly change the value of the in-force business.

Demographic assumptions are reviewed on an annual basis to reflect the development of experience and to improve on the reliability of the estimation process. This year, the prudent rates of expected future mortality have been revised across all product lines. Future mortality assumptions continue to be set with reference to standard mortality tables and vary with the age of the policyholder.

13. Intangible assets - continued

Value of in-force business - assumptions, changes in assumptions and sensitivity - continued

Future lapse / surrender assumptions continue to be set as a function of the product type, the premium frequency, and the duration a policy has been in force. Assumptions about the servicing costs of in force policies are also made in line with the current, aggregate renewal costs as reflected in the profit and loss.

Lapse and policy expense assumptions were also updated in line with past experience and future expectations.

14. Property, plant and equipment

Group	Freehold land and buildings €'000	Leasehold improvements €'000	Furniture, fittings & equipment €'000	Motor Vehicles €'000	Total €'000
At 31 December 2020					
Cost	12,524	550	4,738	258	18,070
Accumulated depreciation	-	(515)	(3,434)	(95)	(4,044)
Net book amount	12,524	35	1,304	163	14,026
Year ended 31 December 2021					
Opening net book amount	12,524	35	1,304	163	14,026
Additions	218	-	202	-	420
Disposals	-	-	-	-	-
Loss on revaluation	(1,521)	-	-	-	(1,521)
Additions to right-of-use assets (Note 28)	-	-	-	-	-
Derecognition of right-of-use assets (Note 28)	-	-	-	(95)	(95)
Depreciation charge (Note 7)	-	(30)	(292)	(49)	(371)
Depreciation released on derecognition of right-of-use assets (Note 28)	-	-	-	51	51
Closing net book amount	11,221	5	1,214	70	12,510
At 31 December 2021					
Cost	11,221	550	4,940	163	16,874
Accumulated depreciation	-	(545)	(3,726)	(93)	(4,364)
Net book amount	11,221	5	1,214	70	12,510

14. Property, plant and equipment - continued

Group	Freehold land and buildings €'000	Leasehold improvements €'000	Furniture, fittings & equipment €'000	Motor Vehicles €'000	Total €'000
Year ended 31 December 2022					
Opening net book amount	11,221	5	1,214	70	12,510
Additions	156	-	356	-	512
Disposals	-	-	-	-	-
Loss on revaluation	-	-	-	-	-
Additions to right-of-use assets (Note 28)	-	-	-	-	-
Derecognition of right-of-use assets (Note 28)	-	-	-	(46)	(46)
Depreciation charge (Note 7)	(61)	(4)	(390)	(25)	(480)
Depreciation released on derecognition of right-of-use assets (Note 28)	-	-	-	46	46
Closing net book amount	11,316	1	1,180	45	12,542
At 31 December 2022					
Cost	11,377	550	5,296	117	17,340
Accumulated depreciation	(61)	(549)	(4,116)	(72)	(4,798)
Net book amount	11,316	1	1,180	45	12,542

Company	Freehold land and buildings €'000	Leasehold improvements €'000	Furniture, fittings & equipment €'000	Motor Vehicles €'000	Total €'000
At 31 December 2020					
Cost	12,524	550	4,669	258	18,001
Accumulated depreciation	-	(515)	(3,365)	(95)	(3,975)
Net book amount	12,524	35	1,304	163	14,026
Year ended 31 December 2021					
Opening net book amount	12,524	35	1,304	163	14,026
Additions	218	-	202	-	420
Disposals	-	-	-	-	-
Loss on revaluation	(1,521)	-	-	-	(1,521)
Additions to right-of-use assets (Note 28)	-	-	-	-	-
Derecognition of right-of-use assets (Note 28)	-	-	-	(95)	(95)
Depreciation charge (Note 7)	-	(30)	(292)	(49)	(371)
Depreciation released on derecognition of right-of-use assets (Note 28)	-	-	-	51	51
Closing net book amount	11,221	5	1,214	70	12,510

14. Property, plant and equipment - continued

Company	Freehold land and buildings	Leasehold improvements	Furniture, fittings & equipment	Motor Vehicles	Total
	€'000	€'000	€'000	€'000	€'000
At 31 December 2021					
Cost	11,221	550	4,871	163	16,805
Accumulated depreciation	-	(545)	(3,657)	(93)	(4,295)
Net book amount	11,221	5	1,214	70	12,510
Year ended 31 December 2022					
Opening net book amount	11,221	5	1,214	70	12,510
Additions	156	-	356	-	512
Disposals	-	-	-	-	-
Loss on revaluation	-	-	-	-	-
Additions to right-of-use assets (Note 28)	-	-	-	-	-
Derecognition of right-of-use assets (Note 28)	-	-	-	(46)	(46)
Depreciation charge (Note 7)	(61)	(4)	(390)	(25)	(480)
Depreciation released on derecognition of right-of-use assets (Note 28)	-	-	-	46	46
Closing net book amount	11,316	1	1,180	45	12,542
At 31 December 2022					
Cost	11,377	550	5,227	117	17,271
Accumulated depreciation	(61)	(549)	(4,047)	(72)	(4,729)
Net book amount	11,316	1	1,180	45	12,542

The Group's and Company's Land and buildings are shown at fair value (level 3).

A valuation of land and buildings was carried out by external qualified valuers in 2021. The fair value movements were debited to profit or loss. The carrying amount of land and buildings that would have been included in the financial statements had these assets been carried at cost less accumulated depreciation is €12.8 million (2021: €12.7 million).

Valuation processes

Periodically, the Group engages qualified valuers to determine the fair value of the Group's land and buildings. As at 31 December 2021, the fair value of the land and buildings has been determined by PwC Malta. No valuation has been performed in 2022.

14. Property, plant and equipment - continued

Valuation processes - continued

Whenever a valuation is carried out the finance department:

- verifies all major inputs to the valuation report prepared by the qualified valuer;
- assesses property valuation movements when compared to the prior valuation report; and
- holds discussions with the qualified valuer.

Valuation techniques

The fair value of the Group's and the Company's land and buildings, with a total carrying amount of €11.3 million (2021: €11.2 million), was determined by using the following valuation technique, as well as the significant unobservable inputs used. These inputs include:

Valuation technique	Significant unobservable inputs for 2021	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flows: The valuation model considers the present value of net cash flows generated from the property, taking into account the expected rental growth rate, void periods and costs not paid for by the tenants. The expected net cash flows are discounted using the risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary), lease terms, property risk premium and inflation.	- Risk-adjusted discount rate varying between 6.2% & 6.8%. - The valuation provides for a void factor of 2.5% on rental income. - A benchmark lease market rate was applied once current lease terms expired. - Expected market rental growth rate of 1.6% in line with the implied inflation rate IRR (Internal Rate of Return).	The estimated fair value would increase/(decrease) if: - The risk-adjusted discount rate were lower/(higher); - Void factor were lower/(higher) - The market rate were higher/(lower); - Expected market rental growth were higher/(lower).

Although the property is currently being used by MMSV as its head office, for the purpose of the valuation, it was assumed that the property's highest and best use would be rental to a third party, assuming same use. Although the market approach was considered, its applicability is limited, due to the illiquidity of the commercial property market in Malta and therefore, the limited number of transactions available. Moreover, it is inherently difficult to find transactions including office blocks that are directly comparable to the property.

15. Investment property

	Group and Company Level 3 €'000
At 31 December 2020	
Cost	58,022
Accumulated fair value gains	39,816
Net book amount	97,838
Year ended 31 December 2021	
Opening net book amount	97,838
Additions	1,624
Net fair value losses	(2,236)
Closing net book amount	97,226
At 31 December 2021	
Cost	59,646
Accumulated fair value gains	37,580
Net book amount	97,226
Year ended 31 December 2022	
Opening net book amount	97,226
Additions	842
Disposals	(83)
Net fair value losses	(2,481)
Closing net book amount	95,504
At 31 December 2022	
Cost	60,405
Accumulated fair value gains	35,099
Net book amount	95,504

Fair value of investment property

The fair value movements were credited to profit or loss and are presented within 'investment return' (Note 5).

The Group's and the Company's investment property, comprising mainly office buildings, have been determined to fall within level 3 of the fair value hierarchy. The different levels in the fair value hierarchy have been defined in Note 3.4.

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

15. Investment property - continued

Valuation processes

On an annual basis, the Group engages external, independent property valuers, having appropriate recognized professional qualifications and recent experience in the location and category of the properties being valued to determine the fair value of the Group's investment property. As at 31 December 2022 and 2021, the fair values of the land and buildings have been determined by PwC Malta.

At each financial year end the investments department:

- verifies all major inputs to the valuation report prepared by the qualified valuer;
- assesses property valuation movements when compared to the prior year valuation report; and
- holds discussions with the qualified valuer.

The valuation techniques used for investment properties were the discounted cash flow valuation and comparative methods so as to provide accuracy and consistency in arriving at a fair value that reflects a price that would be reasonably expected to be received in an orderly transaction between market participants at the measurement date.

Valuation technique - Discounted cash flow method

The fair value of the Group's and the Company's investment properties determined on the basis of the discounted cash flow method amounted to €94.8 million in 2022 (2021: €96.5 million). The following table shows the valuation technique, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flows: The valuation model considers the present value of net cash flows generated from the property, taking into account the expected rental growth rate, void periods and costs not paid for by the tenants. The expected net cash flows are discounted using the risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary), lease terms, property risk premium and inflation.	- Risk-adjusted discount rate varying between 5.7% & 8.1% (2021: 4.9% & 8.0%). - A void factor varying between 1.5% & 6.5% on rental income (2021: 1.9% & 6.5%). - Lease market rate was applied once current lease terms expired. - Expected market rental growth rate of 2.0% in line with the general inflation rate (2021: 1.6%). - Construction costs for undeveloped airspace and re-developable land varying between €656/sqm and €1,535/sqm (2021: €725/sqm and €1,349/sqm)	The estimated fair value would increase/(decrease) if: - The risk-adjusted discount rate were lower (higher); - Void factor were lower/(higher) - The market rate were higher/(lower); - Expected market rental growth were higher/(lower); - Constructions costs were lower/(higher).

15. Investment property - continued

Valuation technique - Comparative method

The fair value of the Group's and the Company's investment properties determined on the basis of the comparative method amounted to €0.7 million in 2022 (2021: €0.7 million). The comparative method is based on an expected sales value per square metre based on an average/ median of values derived from observable market transactions for comparable properties.

The below sensitivity considers the impact of changes in discount rates and market rates on the investment properties values.

Sensitivity analysis

		2022 €	2021 €
Discount rates	0.5%	(7.1 million)	(7.3 million)
	-0.5%	8.3 million	8.6 million
Market rates	5%	4.3 million	4.9 million
	-5%	(4.3 million)	(4.9 million)

16. Investment in group undertaking

	Company €'000
Year ended 31 December 2022 and 2021	
Opening and closing net book amount	466

The group undertaking at 31 December is shown below:

Group undertaking	Registered office	Nature of Business	Class of shares held	Percentage of shares held 2022 & 2021
Growth Investments Limited (Company in liquidation)	Development House Pjazza Papa Giovanni XXIII Floriana, FRN 1420	Investment services	Ordinary shares	100%

17. Investments in associated undertakings

	Group and Company €'000
At 31 December 2020	
Cost	14,960
Accumulated net fair value gains	11,186
Net book amount	26,146
Year ended 31 December 2021	
Opening net book amount	26,146
Net fair value losses	(2,528)
Closing net book amount	23,618
At 31 December 2021	
Cost	14,960
Accumulated net fair value gains	8,658
Net book amount	23,618
Year ended 31 December 2022	
Opening net book amount	**23,618**
Net fair value gains	**191**
Closing net book amount	**23,809**
At 31 December 2022	
Cost	**14,960**
Accumulated net fair value gains	**8,849**
Net book amount	**23,809**

The associates at 31 December are shown below:

Associated undertakings	Registered office	Class of shares held	Percentage of shares held 2022	2021
Church Wharf Properties Limited	Middle Sea House Floriana, FRN 1442	Ordinary shares	**50%**	50%
Plaza Centres p.l.c.	The Plaza Commercial Centre Bisazza Street Sliema	Ordinary shares	**31.42%**	31.42%
Tigne Mall p.l.c.	Management Suite The Point Shopping Mall Pjazza Tigne Point Sliema	Ordinary shares	**35.46%**	35.46%

18. Other investments

The investments are summarised by measurement category in the table below:

	Group		Company	
	2022	2021	2022	2021
	€'000	€'000	€'000	€'000
Fair value through profit or loss	**1,854,945**	2,200,606	**1,854,945**	2,200,600
Loans and receivables	**125,860**	212,924	**125,860**	212,924
	1,980,805	2,413,530	**1,980,805**	2,413,524

(a) Investments at fair value through profit or loss

Analysed by type of investment as follows:

	Group		Company	
	2022	2021	2022	2021
	€'000	€'000	€'000	€'000
Equity securities and units in unit trusts	**972,740**	1,081,948	**972,740**	1,081,942
Debt securities	**777,251**	1,005,148	**777,251**	1,005,148
Assets held to cover linked liabilities				
- collective investment schemes	**102,256**	113,510	**102,256**	113,510
Forward foreign exchange contracts and swaps	**2,698**	-	**2,698**	-
Total investments at fair value through profit or loss	**1,854,945**	2,200,606	**1,854,945**	2,200,600

Technical provisions for linked liabilities amounted to €103.0m as at 31 December 2022 (2021: €114.8m). Linked liabilities are included in technical provisions for insurance contracts, investment contracts with DPF and investment contracts without DPF.

At 31 December 2022, the Group and Company had €66.1m financial commitments in respect of uncalled capital (2021: €34.5m).

Equity securities and collective investments schemes are considered to be substantially non-current assets in nature. The maturity of fixed income debt securities is detailed below:

	Group		Company	
	2022	2021	2022	2021
	€'000	€'000	€'000	€'000
Within one year	**58,337**	33,500	**58,337**	33,500
Between 1 and 2 years	**76,751**	68,426	**76,751**	68,426
Between 2 and 5 years	**194,953**	234,920	**194,953**	234,920
Over 5 years	**447,210**	668,302	**447,210**	668,302
	777,251	1,005,148	777,251	1,005,148

18. Other investments - continued

(a) *Investments at fair value through profit or loss* - continued

The movements for the year are summarised as follows:

	Group €'000	Company €'000
At 31 December 2020		
Cost	1,814,794	1,814,783
Accumulated net fair value gains	213,861	213,861
Net book amount	2,028,655	2,028,644
Year ended 31 December 2021		
Opening net book amount	2,028,655	2,028,644
Additions	1,376,548	1,376,538
Disposals	(1,283,341)	(1,283,326)
Net fair value gains	77,968	77,968
Closing net book amount	2,199,830	2,199,824
At 31 December 2021		
Cost	1,947,600	1,947,594
Accumulated net fair value gains	252,230	252,230
Net book amount	2,199,830	2,199,824
Year ended 31 December 2022		
Opening net book amount	2,199,830	2,199,824
Additions	1,312,024	1,312,024
Disposals	(1,452,223)	(1,452,217)
Net fair value losses	(204,686)	(204,686)
Closing net book amount	1,854,945	1,854,945
At 31 December 2022		
Cost	1,847,337	1,847,337
Accumulated net fair value gains	7,608	7,608
Net book amount	1,854,945	1,854,945

There are no derivative financial liabilities in 2022. Derivative financial liabilities amounting to €0.78m in 2021, included in the table above, are classified within liabilities in the statement of financial position.

18. Other investments - continued

(b) Loans and receivables

Analysed by type of investment as follows:

	Group and Company 2022 €'000	2021 €'000
Deposits with banks or credit institutions	116,728	204,888
Loans secured on policies	9,132	8,036
	125,860	212,924

Maturity of deposits with bank or credit institutions:

	Group and Company 2022 €'000	2021 €'000
Within 3 months	19,564	25,955
Within 1 year but exceeding 3 months	76,527	118,594
Between 1 and 5 years	20,637	60,339
	116,728	204,888

The above deposits earn interest as follows:

	Group and Company 2022 €'000	2021 €'000
At fixed rates	116,728	204,888
	116,728	204,888

18. Other investments - continued

(b) Loans and receivables - continued

The movements for the year (excluding deposits) are summarised as follows:

Group and Company

	Loans secured on policies €'000
Year ended 31 December 2021	
Opening net book amount	8,214
Additions	1,179
Disposals (sales and redemptions)	(1,357)
Closing net book amount	8,036
Year ended 31 December 2022	
Opening net book amount	**8,036**
Additions	**2,182**
Disposals (sales and redemptions)	**(1,086)**
Closing net book amount	**9,132**

The above loans earn interest at fixed rates.

19. Deferred tax

	Group		Company	
	2022 €'000	2021 €'000	**2022 €'000**	2021 €'000
Balance at 1 January	**(40,350)**	(34,936)	**(40,350)**	(34,936)
Movement during the year:				
Profit or loss (Note 9)	**37,583**	(5,414)	**37,583**	(5,414)
Balance at 31 December (net)	**(2,767)**	(40,350)	**(2,767)**	(40,350)

Deferred income taxes are calculated on all temporary differences using a principal tax rate of 35% (2021: 35%) with the exception of investment property and freehold and other property, for which deferred income taxes are calculated using a principal tax rate of 8% or 10% of the carrying amount (2021: 8% or 10%).

19. Deferred tax - continued

The analysis of deferred tax assets/(liabilities) is as follows:

	Group		Company	
	2022	2021	2022	2021
	€'000	€'000	€'000	€'000
Tax effect of temporary differences attributable to:				
Investment property	(9,262)	(9,405)	(9,262)	(9,405)
Fair value adjustments on financial investments	9,858	(70,612)	9,858	(70,612)
Property, plant and equipment	(3,363)	(1,990)	(3,363)	(1,990)
Unabsorbed tax losses and capital allowances	-	41,657	-	41,657
Balance at 31 December (net)	(2,767)	(40,350)	(2,767)	(40,350)

Movements in the amounts disclosed in the table above are recognised in profit or loss.

The tax effect of temporary differences attributable to the value of in-force business amounts to €3.91m (2021: €5.34m).

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off a current tax asset against a tax liability. The above amounts, determined after appropriate offsetting, are shown in the statement of financial position.

	Group		Company	
	2022	2021	2022	2021
	€'000	€'000	€'000	€'000
Deferred tax asset	6,495	-	6,495	-
Deferred tax liability	(9,262)	(40,350)	(9,262)	(40,350)
Balance at 31 December (net)	(2,767)	(40,350)	(2,767)	(40,350)

The directors consider that the above temporary differences are substantially non-current in nature.

The Group's deferred tax liability was established on the basis of tax rates that were substantively enacted as at the financial year end.

20. Insurance and other receivables

	Group		Company	
	2022	2021	2022	2021
	€'000	€'000	€'000	€'000
Amount due from subsidiary undertaking (Note 30)	-	-	-	114
Accrued interest and rent	10,188	10,306	10,188	10,306
Other prepayments and accrued income	3,603	2,797	3,603	2,607
	13,791	13,103	13,791	13,027

All of the above receivables are current on payment terms.

21. Cash and cash equivalents

For the purposes of the cash flow statements, the year-end cash and cash equivalents comprise the following:

	Group		Company	
	2022	2021	2022	2021
	€'000	€'000	€'000	€'000
Cash at bank and in hand	125,568	59,634	124,779	59,064

As at 31 December 2022, an amount of €2.16m (2021: €3.14m) included within deposits with banks or credit institutions was held in a margin account as collateral against exchange traded futures.

22. Share capital

	Group and Company			
	2022 No. of shares '000	2022 €'000	2021 No. of shares '000	2021 €'000
Authorised				
Balance at 1 January	48,000	120,000	24,000	60,000
Increase in Ordinary shares of €2.50 each	-	-	24,000	60,000
Balance at 31 December	48,000	120,000	48,000	120,000
Issued and fully paid				
Balance at 1 January	37,900	94,750	21,900	54,750
Increase in Ordinary shares of €2.50 each	-	-	16,000	40,000
Balance at 31 December	37,900	94,750	37,900	94,750

23. Other reserves

	Group and Company	
	2022 €'000	2021 €'000
Value of in-force business		
Balance at 1 January	80,931	71,018
(Decrease)/Increase in value of in-force business (Note 13)	(7,267)	9,913
Balance at 31 December	73,664	80,931

The above reserve is non-distributable.

24. Technical provisions - insurance contracts and investment contracts with DPF, including reinsurers' share of technical provisions

(i) Insurance contracts

	Group and Company 2022 €'000	Group and Company 2021 €'000
Gross technical provisions		
- claims outstanding	6,760	9,129
- long term business provision	393,412	497,537
	400,172	506,666
Reinsurers' share of technical provisions		
- claims outstanding	476	933
- long term business provision	-	-
	476	933
Net technical provisions		
- claims outstanding	6,284	8,196
- long term business provision	393,412	497,537
	399,696	505,733

Movements are as follows:

	Group and Company 2022 €'000 Gross	Group and Company 2022 €'000 Reinsurance
Year ended 31 December		
At beginning of year	506,666	933
Charge to profit or loss	(106,494)	(457)
At end of year	400,172	476

	Group and Company 2021 €'000 Gross	Group and Company 2021 €'000 Reinsurance
Year ended 31 December		
At beginning of year	529,554	501
Charge to profit or loss	(22,888)	432
At end of year	506,666	933

The above liabilities are substantially non-current in nature.

24. Technical provisions - insurance contracts and investment contracts with DPF, including reinsurers' share of technical provisions - continued

(ii) Investment contracts with DPF

	Group and Company	
	2022	2021
	€'000	€'000
Investment contracts with DPF (gross and net)		
- claims outstanding	40,635	36,944
- long term business provision	1,567,739	1,834,053
	1,608,374	1,870,997

Movements are as follows:

	Group and Company	
	2022	2021
	€'000	€'000
Year ended 31 December		
At beginning of year	1,870,997	1,766,724
Charge to profit or loss	(262,623)	104,273
At end of year	1,608,374	1,870,997

The above liabilities are substantially non-current in nature.

Long term contracts – assumptions, changes in assumptions and sensitivity

(a) Assumptions

Rate of future investment return

The rate of future investment return (valuation interest rate) is calculated in accordance with the Regulations. In accordance with these rules the calculation of the rate of future investment return is based on a prudent assessment of the yields generated by the long- term business assets. This assessment does not include any allowance for capital growth on assets other than bonds. On bonds the allowance must be consistent with the yield to maturity of the instrument in the market. This could be interpreted as setting the rate of future investment return in line with the weighted average portfolio yield taking into account certain risk adjustments.

24. Technical provisions - insurance contracts and investment contracts with DPF, including reinsurers' share of technical provisions - continued

Long term contracts - assumptions, changes in assumptions and sensitivity - continued

(a) Assumptions - continued

Bonus rates

The current rates of reversionary and terminal bonuses are determined by the Board in consultation with the Approved Actuary. Different bonus rates are declared on different generations of contracts depending on the type of product, cost structure, past investment performance and premium rates. Different bonuses are declared to maintain equity between different generations of contract holders and products with different characteristics. Future bonus rates are not guaranteed and the assumptions are set to allow for a fair and orderly run-off of the fund.

The levels of reversionary bonus rates are affected by measures taken to provide resilience to market conditions, and to provide for future payments of terminal bonuses. These measures are not intended, over the long term, to be a source of profit or loss.

Policy maintenance expenses

The per policy maintenance expense has been determined by reference to the Company's cost base.

Minimum reserve

With Profits policy reserves are equal to the underlying asset share as aggregated at the homogeneous product cohort level.

The minimum reserve for unit-linked contracts is determined on a policy by policy basis where appropriate and is set to equal the current surrender value or zero whichever is greater.

The minimum reserve for protection contracts is also determined on a policy by policy basis and is set equal to the policy reserve or zero, whichever is higher.

Mortality

The Company makes reference to the AMC00 (2021: AMC00) standard mortality table. Mortality experience is reviewed annually and assumptions are set separately for protection and savings and investment contracts having regard to past experience and trends. A margin for adverse deviation is applied to best estimate mortality rates when determining the prudent valuation assumption.

24. Technical provisions - insurance contracts and investment contracts with DPF, including reinsurers' share of technical provisions - continued

Long term contracts - assumptions, changes in assumptions and sensitivity - continued

(b) Changes in assumptions

In accordance with normal practice, investment return assumptions were reviewed to reflect market movements over the year. Similarly, surrender and policy expense expectations were also updated. The combined impact of these changes in assumptions was charged against the technical result for the year.

(c) Sensitivity analysis

The directors have considered the sensitivity of the key variables underlying the liability for long term contracts. The most sensitive assumption is the rate of future investment return that will be driven by market forces. Sensitivity analysis for interest rate risk and equity price risk has been disclosed in Note 3. The Insurance Regulations ensure a consistent and prudent derivation of this key estimate as described above. The Company's bonus policy is also influenced by market conditions. The Company's reserving policy considers market conditions over the longer term through prudent assumptions of future investment returns combined with a consistent view of future bonuses. This acts to mitigate the impact of market movements and profit or loss is not affected by changes in the rate of regular bonus.

25. Technical provisions - investment contracts without DPF

	Group and Company	
	2022	2021
	€'000	€'000
Long term business provision	54,870	59,784
Claims outstanding	843	1,085
	55,713	60,869

The above liability is considered to be substantially non-current in nature.

26. Insurance and other payables

	Group		Company	
	2022	2021	2022	2021
	€'000	€'000	€'000	€'000
Creditors arising out of direct insurance operations	**8,135**	9,578	**8,135**	9,578
Amount owed to immediate parent company (Note 30)	**307**	437	**307**	437
Amount owed to other related parties (Note 30)	**43**	-	**43**	-
Indirect taxation	**2,531**	2,891	**2,531**	2,891
Other creditors	**44**	79	**44**	74
Accruals	**4,977**	5,520	**4,969**	5,507
Deferred income	**709**	714	**709**	714
	16,746	19,219	**16,738**	19,201
Current	**16,531**	19,020	**16,523**	19,002
Non-current	**215**	199	**215**	199
	16,746	19,219	**16,738**	19,201

Deferred income includes front-end fees received from holders of investment contracts without DPF as a prepayment for asset management and related services and rental income received in advance. These amounts are non-refundable and are released to income as the services are rendered.

27. Note to the cash flow statements

Reconciliation of profit before tax to cash generated from operations:

	Group		Company	
	2022	2021	2022	2021
	€'000	€'000	€'000	€'000
Profit before tax	**17,166**	16,685	**16,960**	16,577
Adjusted for:				
Amortisation (Note 13)	**600**	680	**600**	680
Depreciation (Note 14)	**480**	371	**480**	371
Property valuation	**-**	1,521	**-**	1,521
Investment return	**282,813**	(112,684)	**282,815**	(112,683)
Movement in:				
Technical provisions	**(373,816)**	88,291	**(373,816)**	88,291
Insurance and other receivables	**(786)**	(146)	**(862)**	(153)
Insurance and other payables	**(2,473)**	2,376	**(2,463)**	2,395
Cash used in from operations	(76,016)	(2,906)	(76,286)	(3,001)

28. Leases

The Company leases motor vehicles which run for different periods. Lease payments are subsequently renegotiated to reflect market rates.

Information about leases for which the Company is a lessee is presented below:

(i) Right-of-use assets

Right-of-use assets related to leased motor vehicles are presented as Property, plant and equipment.

	Group and Company	
	2022	2021
	€'000	€'000
Balance on 1 January	70	163
Additions (Note 14)	-	-
Derecognitions (Note 14)	(46)	(95)
Depreciation charge (Note 14)	(25)	(49)
Depreciation released upon derecognition (Note 14)	46	51
Balance on 31 December	45	70

(ii) Amounts recognised in profit or loss

	Group and Company	
	2022	2021
	€'000	€'000
Leases under IFRS 16		
Depreciation of right-of-use assets (Note14)	25	49
Interest expense on lease liabilities	3	7
	28	56

(iii) Amounts recognised in statement of cash flows

	Group and Company	
	2022	2021
	€'000	€'000
Total cash outflows for leases	34	59

29. Commitments

Capital commitments

Commitments for capital expenditure not provided for in these financial statements are as follows:

	Group		Company	
	2022	2021	2022	2021
	€'000	€'000	€'000	€'000
Authorised and contracted:				
- property, plant and equipment	22	219	22	219
- investment property	598	188	598	188
- intangible assets	1,580	3,834	1,580	3,834
- other investments	66,087	34,450	66,087	34,450
	68,287	38,691	68,287	38,691
Authorised but not yet contracted:				
- property, plant and equipment	647	-	647	-
- investment property	-	118	-	118
- intangible assets	2,037	-	2,037	-
- other investments	-	20,000	-	20,000
	2,684	20,118	2,684	20,118

Operating lease commitments - where the Company is the lessor

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	Group and Company	
	2022	2021
	€'000	€'000
Not later than 1 year	4,876	4,429
Later than 1 year and not later than 5 years	9,197	8,201
Later than 5 years	3,726	2,396
	17,799	15,026

30. Related party transactions

In the normal course of business, the Group enters into various transactions with related parties.

On 31 July 2011, MAPFRE Middlesea p.l.c. obtained *de facto* control over the Company without acquiring a further interest in the acquiree. Control was acquired by virtue of a shareholders' agreement following the change in shareholding in MAPFRE Middlesea p.l.c. during the year, which resulted in MAPFRE Internacional S.A. (the "intermediate parent") acquiring a controlling interest in MAPFRE Middlesea p.l.c.. From this date, MAPFRE MSV Life p.l.c. was classified as a subsidiary of MAPFRE Middlesea p.l.c..

Transactions with related parties during the year include, amongst others, transactions with MAPFRE Middlesea p.l.c. (the "immediate parent"), MAPFRE Middlesea p.l.c. group companies, MAPFRE group companies and Bank of Valletta p.l.c. Group (together referred to as "other related parties"). Bank of Valletta p.l.c. is a related party in light of its shareholding in the Company.

Relevant particulars of related party transactions are as follows:

(a) Sale of insurance contracts and other services

	Group		Company	
	2022	2021	2022	2021
	€'000	€'000	€'000	€'000
Transactions with immediate parent undertaking:				
Premium income	60	-	60	-
Transactions with the Company's subsidiary:				
Trailer fee income	-	-	145	448
Management fee income	-	-	24	73
Transactions with other related parties:				
Commission income	-	132	-	132
Movement in claims recoverable	450	604	450	604
Trailer fee income	3	23	3	23
Rental income on investment property	230	288	230	288
Other rental income	36	-	36	-
Premium income	17	-	17	-

30. Related party transactions - continued

(b) Purchase of products and services

	Group		Company	
	2022	2021	2022	2021
	€'000	€'000	€'000	€'000
Transactions with the immediate parent undertaking:				
Purchase of insurance cover and other services	197	223	197	223
Reimbursement of expenses for back office support services (Note 7)	349	252	349	252
Transactions with other related parties:				
Reinsurance premium ceded	333	1,533	333	1,533
Commission payable	120	-	120	-
Staff development training	3	17	3	17
Computer maintenance	1,023	745	1,023	745
Capitalisation of software	290	48	290	48
Reimbursement of expenses for back office support services (Note 7)	827	123	827	123
Acquisition costs	4,304	5,552	4,304	5,552
Bank charges	88	84	88	80
Net investment return	966	1,332	966	1,332

Year-end balances arising from the above and other transactions are presented below:

	Group		Company	
	2022	2021	2022	2021
	€'000	€'000	€'000	€'000
Amount due from subsidiary (Note 20)	-	-	-	114
Accrued income from other related parties	189	316	189	316
Reinsurer's share of claims outstanding	193	386	193	386
Accruals and deferred income	(102)	(41)	(102)	(41)
Creditors arising out of direct insurance operations – other related parties	(552)	(901)	(552)	(901)
Amounts due to immediate parent company (Note 26)	(307)	(437)	(307)	(437)
Amounts due to other related parties (Note 26)	(43)	-	(43)	-
Investments in securities issued by other related parties	7,580	8,422	7,580	8,422
Deposits held with other related parties	156,798	178,755	155,990	178,185

The investment in subsidiary and investments in associated undertakings are disclosed in notes 16 and 17 respectively.

30. Related party transactions - continued

All the amounts receivable or payable are unsecured, interest free and generally settled in cash.

Total salary remuneration paid by the Group to key management personnel during the year amount to €1.45m (Company: €1.40m). Corresponding figures for 2021 were €1.52m and €1.52m respectively.

31. Events during the period

Growth Investments Limited

In 2022, the directors ceased the subsidiary's principal activities and the shareholders resolved to liquidate the subsidiary effective 31 August 2022. The subsidiary has completed the transfer of business and closure of clients' accounts and accordingly surrendered its license for the provision of investment services. The appointed external auditor is currently auditing the subsidiary's winding up accounts and scheme of distribution.

32. Statutory information

MAPFRE MSV Life p.l.c. is a public limited liability company and is incorporated in Malta.

MAPFRE Middlesea p.l.c. (the "immediate parent") is a company registered in Malta, the registered office of which is Middle Sea House, Floriana, FRN 1442, Malta.

The Group's results are consolidated at MAPFRE Middlesea p.l.c. which are ultimately consolidated at MAPFRE S.A., of which Fundación MAPFRE is the parent. MAPFRE S.A. is a company, the registered office of which is situated at Carretera de Pozuelo 52, Majadahonda 28222, Madrid, Spain. The consolidated Annual Report and Financial Statements are available in the respective companies' websites.