MAPFRE | MSV Life

Solvency and Financial Condition Report 31st December 2023

Contents

Executive Summary

The Solvency and Financial Condition Report is aligned with the requirements of Directive 2009/138/EC (Solvency II Directive) and the Commission Delegated Regulation (EU) 2015/35.

Business and Performance

MAPFRE MSV Life p.l.c. (also 'the Company' or 'MMSV' used interchangeably through the document) is a public limited company within the Maltese Insurance industry and provides life insurance protection, long term savings, retirement planning and pension products. MMSV has the following lines of business:

- Insurance With-Profit participation.
- Index-linked and Unit-linked insurance.
- Other life insurance.

In terms of geographic area, MMSV writes and accepts premiums solely in Malta.

MMSV is jointly owned between Bank of Valletta p.l.c. (50%) and MAPFRE Middlesea p.l.c. (50%). However, MAPFRE Middlesea p.l.c. controls MMSV even though it does not own more than 50% of the voting rights.

Thus, MMSV forms part of the MAPFRE Group, composed of MAPFRE S.A and various companies operating in the insurance, asset management, property investments, and service industries. Within the MAPFRE Group, a number of Corporate Functions exist which assist and oversee subsidiaries. The ultimate controlling company within the Group is FUNDACIÓN MAPFRE, a non-profit institution domiciled in Madrid at Paseo de Recoletos 23.

MMSV's business model remains underpinned by customer centricity, strong technical knowledge, a robust governance framework and continuous investment in human capital and information technology in line with the MAPFRE Group's strategy. The multi-channel distribution strategy is also a fundamental component of the Company's business model. At the centre of the distribution channel strategy lies a very mature and successful Bancassurance arrangement with one of the Company's shareholders, Bank of Valletta plc. This is complemented with one of the largest TIIs network on the island and an encouraging direct sales channel. MMSV's main business segments remain the savings and protection business. The MMSV With-Profits Single Premium represents the Company's flagship product.

MMSV registered a profit before tax of €14.6 million for the year ended 31st December 2023, compared to a restated €2.5 million registered for the previous year. Profit after tax is at €9.6 million, compared to the €2.1 million restated for the previous year.

Overall, expenses decreased during the current year. The decreases were mainly in claims management expenses and acquisition expenses, as a result of less claims and new business. On the other hand, an increase was noted in overhead expenses.

Total income from investments during the year amounted to €180.7 million.

System of Governance

MMSV's governance structure is composed of the following government bodies:

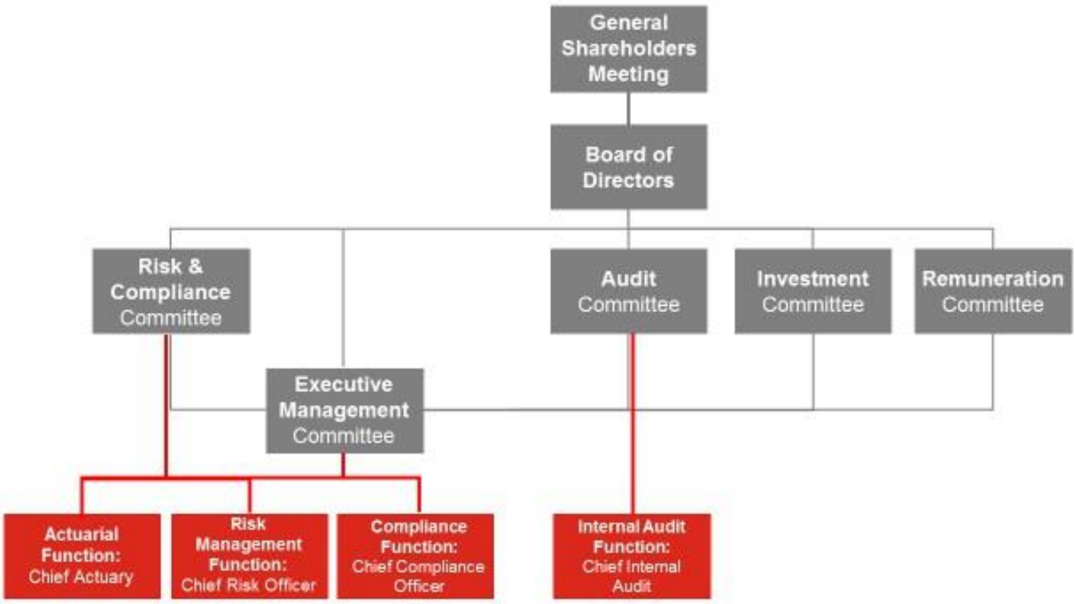
- General Meeting of Shareholders
- Board of Directors
- Executive Management Committee
- Audit Committee
- Investment Committee
- Remuneration Committee
- Risk and Compliance Committee

Additionally, the following committees supplement the list above:

- Security and Environment Committee
- Product Oversight Governance (POG) Committee
- Technical Advisory Group (TAG)
- MAPFRE Malta Steering Committee

MMSV is also supervised by the EMEA Regional Management Committee, which is directly responsible for the supervision of the management of the Business Units in the region concerned except for the reinsurance unit, and which manages all global and regional corporate projects.

MMSV's Governing Bodies as at 31st December 2023 are set out below:



These governing bodies ensure the appropriate strategic, commercial, and operational management, enabling MMSV to respond to any issues which might arise throughout its different organisational levels, business and corporate environment, in a timely and appropriate manner.

In order to ensure that MMSV's system of governance has an adequate structure, MMSV has a number of policies that govern the key functions (Risk Management, Compliance, Internal Audit and Actuarial). These policies ensure that these functions follow the requirements imposed by the regulator and are faithful to the lines of governance established by the Company and by MAPFRE Group.

MMSV's Board of Directors determines the policies and strategies for ensuring the effectiveness of the Risk Management System, for establishing the risk profile and tolerance limits, as well as for approving the main risk management strategies and policies within the risk management framework established by the MAPFRE Group. The three lines of defense model has been adopted as the Risk Management System.

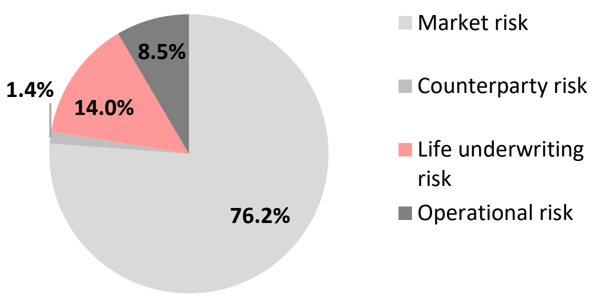
Within this framework, MMSV has a structure composed of areas that, in their respective technical expertise, independently monitor the risks assumed.

Risk profile

MMSV calculates its Solvency Capital Requirement (SCR) in accordance with the standard formula requirements.

The composition of MMSV's risk profile for the various risk modules is set out below:

31-12-2023



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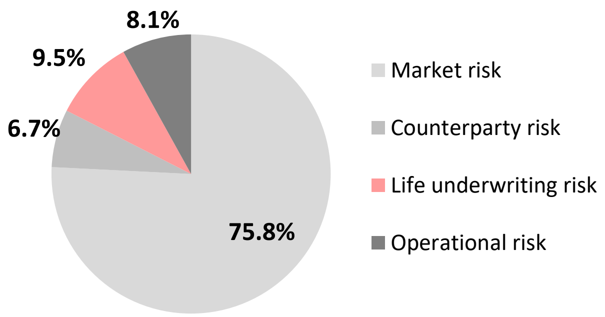
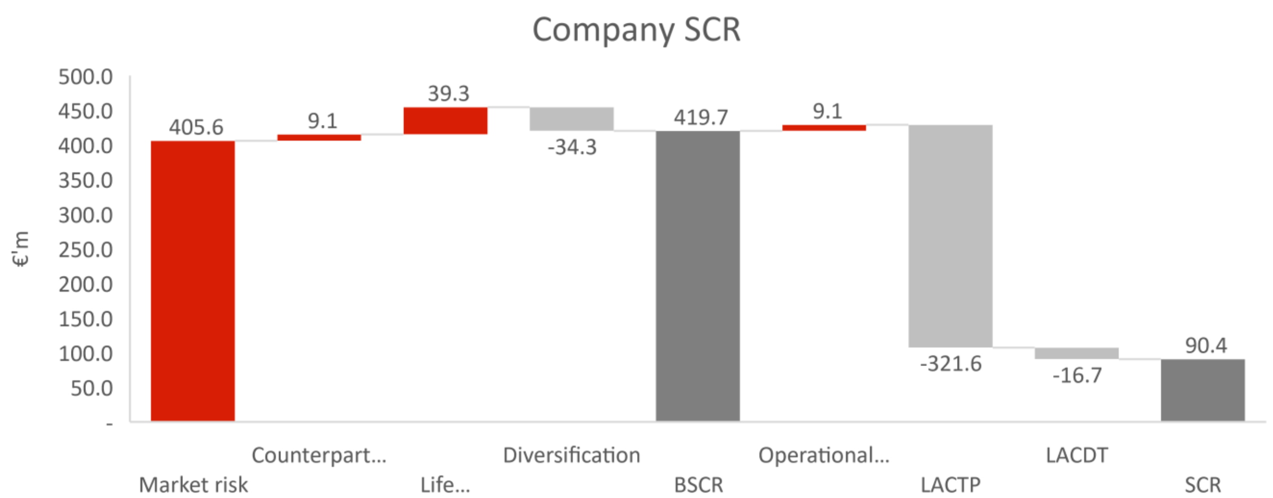




The above reflects the Loss Absorbency Capacity of Technical Provisions.

As can be observed, market risk remains the main risk faced by MMSV, representing 76.2% of the total SCR.

Other material risks to which MMSV is exposed to include those derived from regulatory changes, the macroeconomic environment, socio-political risks, strategic initiatives and projects, talent and human resource management, cybersecurity risk, inflation and significant expenses rise, and climate change risk.

MMSV also analyses the sensitivity of its solvency position with respect to certain severe but plausible events, the results of which show that the Company complies with regulatory capital requirements even under the considered adverse circumstances.

The report on MMSV’s own risk and solvency assessment (ORSA) that will be sent to the supervisor at the beginning of July includes further details regarding those sensitivity analyses, as well as the results of the stress tests and reverse stress tests that have been performed by the Company.

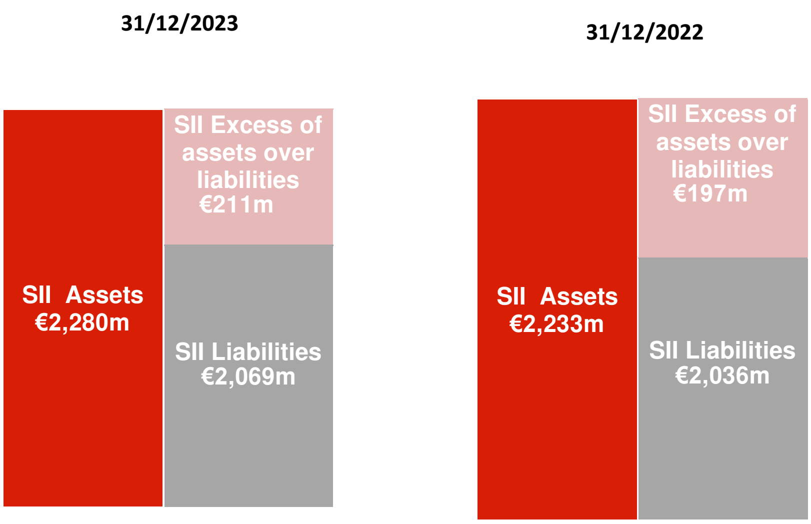
Once again, 2023 was yet another challenging year were many things went differently than expected. The forecast by the majority of economists at the beginning of the year was that of a hard landing for the US, were cash was king, yet in the end, a soft landing was observed, were almost all asset classes outperformed cash. Nevertheless, the year was not easy. 2023 was characterised by the global fight against inflation and the interest rate decision of various central banks. The continued conflicts between Ukraine-Russian and the wake of yet another conflict in the Middle East between Hamas and Israel, the regional banking crisis, the AI euphoria and economic concerns in Europe and China. The year ended positively for stocks and bonds both boosted by the Fed’s more flexible stance on monetary policy and absence of the expected recession in the US.

2024 is likely to be no less difficult. Following the year ends rally, investors are optimistic with expectations for both interest rate cuts and high earnings, with expected volatility to increase due to the US presidential election campaign.

Valuation for solvency purposes

The Solvency II value of assets amounts to €2.28 billion, whereas the Accounting value (IFRS value) is equal to €2.32 billion. The difference between the Solvency II and the IFRS values arose due to the different valuation criteria used for deferred acquisition costs, intangible assets and reinsurance recoverables.

The Solvency II value of liabilities amounts to €2.07 billion, whereas the IFRS value is equal to €2.15 billion. The difference between the Solvency II and IFRS values arose due to the different valuation criteria used for technical provisions, deferred tax liabilities and insurance and intermediaries’ payables.



Figures in thousand euros

The excess of assets over liabilities for Solvency II purposes amounted to €210.9 million, which represented an increase of 27.5% over the IFRS value of equity. At 31st December 2023, the excess of assets over liabilities increased by €13.77 million compared with the end of last year.

Capital Management

MMSV has the appropriate structure and processes necessary to manage and oversee its own funds and has a policy and a medium-term capital management plan to maintain the solvency levels within the limits established by the legislation and the risk appetite set by the Company's Board of Directors.

The following table provides a breakdown of MMSV'S solvency ratio or SCR coverage ratio:

	31/12/2023	31/12/2022
Solvency Capital Requirement (SCR)	€90.4	€122.0
Own funds eligible for SCR coverage	€208.9	€197.1
Solvency ratio (SCR coverage)	231.0%	161.6%

Figures in thousand euros

MMSV's excess capital totaled €208.9 million, and it has eligible own funds that cover the regulatory solvency requirement by 2.31 times, where the solvency requirement is the amount of capital that must be held by the company to limit the likelihood of bankruptcy to a 1 in 200 probability. This means that MMSV is still in a position to comply with its regulatory obligations to insurance policyholders and beneficiaries over the following 12 months with a probability greater than 99.5%.

Own funds that are eligible for SCR coverage consist of 100% Tier 1 unrestricted basic own funds, which have the maximum capacity to absorb losses.

To calculate the solvency ratio, MMSV has not used matching and volatility adjustments or transitional measures for technical provisions provided by Solvency regulations.

The regulation establishes a Minimum Capital Requirement (MCR), which reflects the minimum level below which MMSV's financial resources must not fall. The MCR is €40.7 million and the eligible own funds to cover it are €208.9 million, making the MCR coverage ratio 513.3%. Regarding the quality of these eligible own funds to absorb losses, all the €208.9 million are of the highest quality (Tier 1).

A. Business and Performance

The accounting information in this section follow from MAPFRE MSV Life p.l.c.'s financial statements, which have been drawn up in accordance with International Financial Reporting Standards as adopted by the European Union.

A.1. Business

A.1.1. Company Businesses

MAPFRE MSV Life p.l.c. (also 'the Company' or 'MMSV' used interchangeably through the document) is a public limited company within the Maltese Insurance industry and provides life insurance protection, long-term savings, retirement planning and pension products.

The registered address is: MAPFRE MSV Life p.l.c.
The Mall, Triq il-Mall,
Floriana FRN 1470
Malta.

MMSV is authorised by the Malta Financial Services Authority (hereinafter, MFSA) to carry on long-term business under the Insurance Business Act, 1998.

MMSV forms part of the MAPFRE Group, composed of MAPFRE S.A. and various companies operating in the insurance, asset management, property investments and services industries.

The ultimate controlling company within the Group is FUNDACIÓN MAPFRE, a non-profit institution domiciled in Madrid at Paseo de Recoletos 23, Spain.

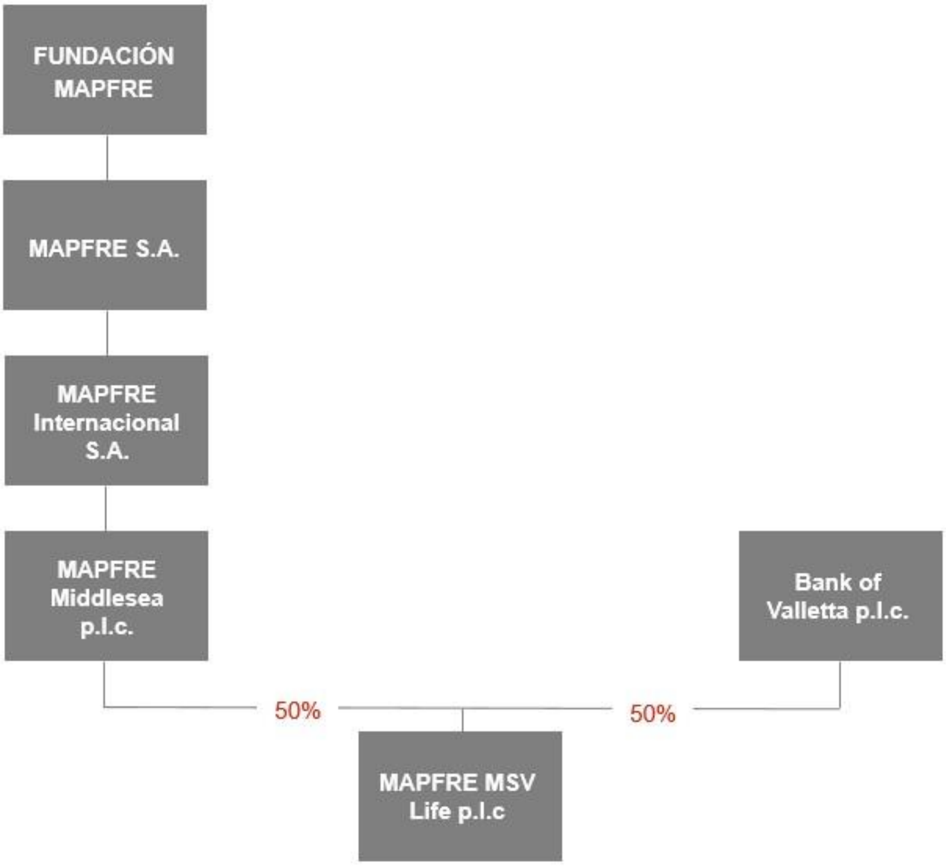
The following table shows the companies that possess direct or indirect qualifying holdings in the Company:

Name	Corporate Form	Type of interest	Location	Ownership interest (*)
Bank of Valletta p.l.c.	Public Limited Company	Direct	Malta	50%
MAPFRE Middlesea p.l.c	Public Limited Company	Direct	Malta	50%

(*) The ownership interest and voting rights are the same

MMSV is jointly owned between Bank of Valletta p.l.c. (50%) and MAPFRE Middlesea p.l.c. (50%). However, MAPFRE Middlesea p.l.c. controls MMSV even though it does not own more than 50% of the voting rights. This is because the strategic, operating and financing policies of MMSV are directed by means of a shareholders' agreement which provides MAPFRE Middlesea p.l.c. with the right to select, appoint and remove the key management personnel of MMSV and approve its business plan and capital expenditure.

A simplified organisational chart is presented below showing the position held by the Company within the legal structure of the MAPFRE Group:



MAPFRE Group presents a consolidated report for the Group and individual reports for the insurance and reinsurance companies within the scope of the regulation that make up the Group.

The subsidiary of the Company, Growth Investments Limited, which was regulated by the Investment Services Act and a Category II License Holder, was liquidated with effect from 12th August 2023. Annex I to this report provides a breakdown of group entities, jointly controlled entities, and associates.

Supervision

The Malta Financial Services Authority (MFSA) is responsible for the financial supervision of MMSV.

MFSA is located at: Triq l-Imdina, Zone 1,
Central Business District,
Birkirkara, CBD 1010, Malta.

Its website is https://www.mfsa.mt/.

The Dirección General de Seguros y Fondos de Pensiones (DGSFP) is responsible for the financial supervision of the MAPFRE Group since its parent, MAPFRE S.A. is located in Spain. The DGSFP is located in Madrid and its website is http://www.dgsfp.mineco.es/.

External Audit

On 22nd March 2024 KPMG Malta issued an unqualified audit opinion in its audit report on the Company's financial statements prepared by the Company as at 31st December 2023.

KPMG also review sections D “Valuation for solvency purposes” and E “Capital management” of the Solvency and Financial Condition Report.

KPMG is located at: Portico Building,
Marina Street,
Pieta’, PTA 9044,
Malta.

Lines of business

The Company's main lines of business, based on the list established by current Solvency II regulations, are as follows:

- **Insurance With-Profit participation**: Savings products where the annual investment return is discretionary (the declared bonus rate).
- **Index-linked and Unit-linked insurance**: Unit-linked products where the obligation of MMSV towards the insured is represented by the value of the underlying units.
- **Other life insurance**: Pure insurance contracts where the only obligation of MMSV towards the insured is the payment of a death or incapacity benefit, if the insured event occurs whilst the policy is in force.

Geographic areas

MMSV does not write business outside of Malta.

A.1.2. Events with material repercussions

Business review

On 1st January 2023, MMSV adopted two new accounting standards, IFRS 17 ‘Insurance Contracts’ and IFRS 9 ‘Financial Instruments’. IFRS 17 as adopted by the EU, became effective for annual periods beginning on or after 1st January 2023, while IFRS 9, although effective for years beginning on or after 1st January 2018, MMSV applied the temporary exemption for qualifying insurers to apply such standard together with IFRS 17. IFRS 17 resulted in significant changes in accounting recognition, measurement, and disclosures. The adoption of IFRS 17 required the restatement of the 2022 comparative figures.

MMSV registered a profit before tax of €14.6 million for the year ended 31st December 2023, compared to a restated €2.5 million registered for the previous year. Profit after tax is at €9.6 million, compared to a €2.1 million restated for the previous year.

The financial performance in 2023 was characterised by positive contributions from insurance activities and income generated from higher interest rates in spite of the challenging economic and financial landscape during the year.

Market developments and outlook

The local economy is expected to remain resilient in the context of a continued challenging environment as inflationary pressures persist for most of the year.

The global capital markets outlook is mixed, with many experts predicting the global economy to grow moderately and markets to remain volatile. In 2024, the world will go through 40 elections including four of the world’s five most populous countries. Inflation and geopolitical risks remain the main sources of uncertainty.

Within this context, MMSV remains cautiously optimistic. The Company expects demand for the regular savings and protection business to be sustained. On the other hand, demand for lump sum investments should improve as inflation subsides and Central Bank starts to ease monetary policy. However, competition for liquidity from financial institutions and local government debt issuance to finance its borrowing needs are expected to persist.

A.2. Underwriting results

Below is a comparison of the quantitative information regarding the activity and underlying results for 2023 and 2022 by line of business.

	Line of Business for: life insurance obligations						Total	
	Insurance with profit		Index-linked and unit-linked		Other life insurance			
	2023	2022 Restated	2023	2022 Restated	2023	2022 Restated	2023	2022
Premiums written								
Gross	132,722	230,479	53,433	9,511	15,117	14,920	201,271	254,910
Reinsurers' share	27	27	1	1	4,423	3,306	4,451	3,334
Net	132,695	230,452	53,432	9,510	10,694	11,614	196,821	251,576
Premiums earned								
Gross	132,722	230,479	53,433	9,511	15,117	14,920	201,271	254,910
Reinsurers' share	27	27	1	1	4,423	3,306	4,451	3,334
Net	132,695	230,452	53,432	9,510	10,694	11,614	196,821	251,576
Claims incurred								
Gross	254,234	283,860	5,783	4,824	2,543	2,097	262,560	290,781
Reinsurers' share	0	10	0	1	974	1,042	974	1,053
Net	254,234	283,850	5,783	4,823	1,570	1,055	261,587	289,728
Expenses incurred	23,786	28,047	1,152	621	3,609	3,655	28,547	32,323
Balance – other technical expenses/income							0	0
Total expenses							28,547	32,323
Total amount of surrenders	11,938	36,247	3,975	3,621	0	0	15,913	39,868

Figures in thousand euro

Source: Template S05.01.02

The above table only presents the columns related to the lines of business in which the Company operates, and those relating to the lines of business in which it does not this is the case have been eliminated.

Gross premiums written for the year decreased by €53.6 million, driven mainly by a lower demand for single premium With-Profits business. Premiums represent all business written including investment contracts without DPF.

Gross claims incurred in 2023, decreased by €28.2 million, mainly due to lower surrender claims.

Overall, expenses decreased during the current year. The decreases were mainly in claims management expenses and acquisition expenses, as a result of less claims and new business. On the other hand, an increase was noted in overhead expenses.

A.3. Investment performance

A.3.1. Information on income and expenses arising from investments

The following tables present quantitative information regarding income and expenses from investments:

Net investment return (losses)	2023	2022
Interest revenue from financial assets not measured at FVTPL	5,001	1,427
Net gains on FVTPL instruments	179,427	(293,571)
Other investment income	853	992
Net losses from fair value adjustments to investment properties	(3,925)	(2,461)
Investment income from investment properties	5,698	5,420
Expenses arising from investment properties	(368)	(328)
Other investment expenses	(5,954)	(6,635)
Net credit impairment losses	(22)	0
	180,710	**(295,156)**

Figures in thousand euros

Total investment income during the year amounted to €180.7 million compared to €295.2 million investment losses in 2022.

Investment income is mainly due to realized and unrealized gains as financial assets recovered from the 2022 market lows although performance still did not manage to recoup all the investment losses.

A.3.2. Information regarding losses and gains recognized under equity

No gains and losses are recognized directly in equity.

A.4. Performance of other activities

A.4.1 Other income and expenses in the non-technical account

During the year, no material other income was generated and no material other expenses were incurred by MMSV.

A.4.2 Lease Agreements

Finance leases

The Company does not recognise any finance lease of any type.

Operating leases

The Company is the lessor under operating leases for real estate properties as noted below:

Year	Type of Asset	Net book value	Weighted average duration of contracts (years)	Weighted average years elapsed
2023	Property Investment	92,844	9.65	5.34
2022	Property Investment	95,504	10.03	5.00

Net book value figures in thousand euro

These leases have an average remaining life of 4.31 years, with or without renewal option included in the contracts.

Net book value as at December represents the revalued amount.

A.5. Any other information

There is no additional information about the activity and results that has not been included in the preceding sections.

B. System of Governance

B.1. General Information on the system of governance

The structure, composition and functions of MMSV's governing bodies are defined in the Institutional, Business, and Organisational Principles, and in internal regulations regarding MAPFRE subsidiaries' Board of Directors, approved by the MAPFRE S.A. Board of Directors; together with its bylaws and the Regulations of the Board of Directors.

In addition to the structure of the Group, in which MMSV is integrated, it has additional governing bodies which:

- Allow for adequate strategic, commercial and operational management of MMSV;
- Enable MMSV to appropriately respond in a timely manner to any issues which might arise throughout its different organisational levels and business and corporate environment, and;
- Are considered appropriate with regards to the nature, volume, and complexity of the risks inherent to its activity.

The policies derived from the Solvency II regulations are reviewed on an annual basis, although changes may be approved at any time when it is deemed appropriate.

B.1.1 System of Governance

The following outlines the main functions and responsibilities of MMSV's governing bodies:

- **Shareholder's Annual General Meeting**: This is the highest governing body, as its decisions bind all shareholders. Both ordinary and extraordinary Annual General Meetings are called by the Board of Directors.
- **Board of Directors:** The body in charge of managing, administering, and representing the Company and has the ultimate decision-making and supervisory responsibility. It establishes the roles of the Executive Management Committee and its Delegated Committees, designating its members, where necessary.
- **Audit Committee:** The main role of this committee is to assist the Board of Directors in discharging its responsibilities relating to accounting and financial reporting, ensuring adequate systems of internal control, and in managing its relationships with internal and external auditors.
- **Risk and Compliance Committee:** The main role of this committee is to assist the Board of Directors in providing leadership, direction, and oversight with regards to MMSV's risk and regulatory policies and procedures related to risk management, regulatory compliance, anti-financial crime, and overall internal control framework.
- **Investment Committee:** The main role of this committee is to advise the Board of Directors on the main Investment policies. This committee is responsible to secure the safety, yield, and marketability of the investment portfolio, to oversee the management of the investment portfolio and ensure compliance with all policies, and report to the Board of Directors on the performance of the investment portfolio.
- **Remuneration Committee:** This committee is responsible for ensuring that the Company has coherent remuneration policies and practices which are observed, and which attract and retain executives and directors who can create value and support MMSV's mission statement.
- **Executive Management Committee:** This is the governing body delegated by the Board of Directors to coordinate and supervise MMSV's top-level actions, covering operational and

management aspects, as well as making the necessary decisions to ensure its appropriate functioning, using the powers delegated at any given time.

Additionally, as part of the system of governance, the Company has the following committees:

- **EMEA Regional Management Committee**, which is the body that directly supervises the management of the Business Units in the region, with the exception of the Reinsurance Unit (understood as MAPFRE RE, Compañía de Reaseguro, S.A. and its subsidiaries), as well as the promotion of all global and regional corporate projects.
- **Security and Environment Committee:** The main role of this management committee is to direct and provide oversight to the Security and Environment Function within the Company.
- **Product Oversight Governance (POG) Committee:** This is a key decision-making body in terms of the Product Oversight and Governance Arrangements of the Company. In this respect, the POG Committee is responsible for the governance oversight related to development, approval, and launch of new products; development and approval of significant adaptations or alterations to existing products; and deciding on remedial action to be taken in terms of the POG Arrangements.
- **Technical Advisory Group (TAG)** has been set up to review technical documentation prepared by the MMSV Actuarial Unit on matters such as profit testing of new and existing products, solvency capital projections, actuarial systems development, bonus declaration and projected illustration rates. The TAG does not replace any of the governing bodies of the Company or independent actuarial reviews, however it is a forum where detailed actuarial investigations and analysis are discussed prior to formalisation for presentation to the relevant governing body.
- **MAPFRE Malta Steering Committee:** This is set up to oversee and manage the consolidated activity of the MAPFRE Group of companies in Malta including its liquidity and strategy, to ensure synergies between the Malta companies and to be the sole reference point for the EMEA Regional Committee.

MMSV has a management model underpinned by control and supervision at all levels, both locally and at corporate level. This allows a broad delegation of authority in the execution and development of the responsibilities assigned to each function, ensuring that material decisions are analysed in depth before and after their execution, by all of the senior executive teams.

B.1.2. Key functions

In order to ensure that the governance system has an adequate structure, MMSV has policies which regulate the key functions (Risk Management, Compliance, Internal Audit and Actuarial). These policies ensure that key functions follow the requirements defined by the regulator and that they are in accordance with the governance structures established by MMSV and by the MAPFRE Group. MMSV's Board of Directors approved the Actuarial, Risk Management, Compliance and Internal Audit policies which are subject to review on an annual basis. The last update of the aforementioned policies was on 17th July 2023.

Key functions will act with operational independence thereby ensuring that, in the exercise of their responsibilities, they are free from any undue or inappropriate influence, control, incompatibility or limitation whilst exercising their responsibilities. The key functions report to the Board of Directors which delegates the authority necessary to support its relevant committees and functions. The Board of Directors and/or the relevant committees receive reports regularly from the responsible areas at MMSV. The information and advice provided to the Board of Directors by the key functions is detailed in their respective sections. The names of the parties responsible for the key functions have been communicated to the MFSA.

B.1.3. Relevant resolutions adopted by the General Meeting and the administrative body regarding the governance system

There were no significant changes to MMSV's governance structure during 2023.

B.1.4. Remuneration

Remuneration paid to the members of MMSV's governing body and employees is determined in accordance with current regulations and in the Company's Remuneration Policy in force in 2023 that was reviewed by the Board of Directors on 17th July 2023 and is approved annually.

The remuneration policy endeavors to establish adequate compensation based on the post or position, as well as performance, to thereby foster sufficient and effective risk management, making it unattractive to assume risks that exceed the tolerance level and to avoid conflicts of interest. Its general principles are as follows:

- Based on the position/job, it includes measures to avoid any conflicts of interest that may arise.
- It takes into account merit, technical knowledge, professional skills and performance.
- Non-discrimination on grounds of sex, race or ideology, and equal pay for jobs of equal value.
- Transparency, being well known by all affected parties.
- Flexible in structure and adaptable to different groups and market circumstances.
- Adequate proportion of fixed and variable components, avoiding excessive reliance on variable components.
- Aligned with MMSV's strategy as well as its risk profiles, objectives, risk-management practices, and interests. In this regard, the risks to be considered by MMSV will include long-term sustainability risks (environmental, social and governance).
- Market competitiveness.

Based on the aforementioned policy, employee remuneration is comprised of five items: fixed remuneration, variable remuneration/incentives, recognition programs, social benefits and in-kind benefits.

The remuneration system for Directors has the following characteristics:

- Transparent reporting in the remuneration paid to Directors.
- It provides an incentive to reward dedication, qualifications and responsibility, without constituting an obstacle to the duty of loyalty.
- It consists of a fixed amount for membership on the Board of Directors and, as appropriate, the Steering and Delegated Committees, which may be higher for people with positions on the Board or who hold the position of Chairman of the Delegated Committees. This remuneration may be supplemented by non-monetary compensation such as life insurance in the event of death, health insurance, bonuses on products marketed by MAPFRE Group companies and others in line with those established in general for the company's employees.
- It does not include variable components or those linked to share value.
- Directors are reimbursed for traveling expenses and other costs undertaken in order to attend company meetings or in the performance of their responsibilities.

The remuneration system for the senior executives is based on the following criteria:

- It is established in accordance with the functions, level of responsibility and professional profile, based on the criteria for the MAPFRE Group senior executives.
- Balanced ratio between fixed and variable components of remuneration and long-term performance orientation.
- Senior executive may not receive the remuneration assigned to the Directors for their status as such.
- It is configured with a medium and long-term vision, which promotes their performance in strategic terms, in addition to the achievement of short-term and long-term results.
- It is consistent with the strategy, interests and long-term sustainability of the Entity and its Group.
- It takes into account market trends and faces these trends with the strategic approach of the Company, being effective for attracting and retaining the best professionals.

Executive directors, in their capacity as members of the Group's management team, are beneficiaries of (i) defined contribution pension commitments to cover retirement, permanent disability and death contingencies, commitments externalised through life insurance and (ii) certain social benefits and allowances established for MMSV's senior management. The conditions of contribution and consolidation of the economic rights in their favour and social benefits and allowances are detailed in their respective contracts. Additionally, executive directors, like the rest of MMSV’s employees, are beneficiaries of the MAPFRE Employment System Pension Plan, savings insurance and mixed savings insurance, and social benefits and other benefits. The main characteristics are included in the Collective Agreement of MAPFRE Grupo Asegurador.

B.1.5 Additional information

There are no additional disclosures not mentioned in the previous sections.

B.2. Fit and proper requirements

MMSV's Aptitude and Integrity Policy was last reviewed by the Board of Directors on 17th July 2023 and is approved annually. This policy establishes the applicable Key Personnel requirements, as follows:

- They should have the appropriate qualifications, know-how, and expertise to ensure that the Company is professionally managed and supervised.
- The expertise and experience of Key Personnel will include academically acquired knowledge as well as the experience in the development of functions in other companies similar to those that are going to be developed and the respective individual responsibilities assigned.

Likewise, Directors and Officers of MMSV must have:

- Collectively: the appropriate qualifications, experience, and knowledge in at least the following areas:
  - Insurance and financial markets
  - Strategies and business models
  - System of Governance
  - Financial and actuarial analyses
  - Regulatory framework

- Individually: training and experience appropriate to the professional profile, specifically in the insurance and financial services area, with practical experience acquired from previous positions held during a sufficient period of time.

Key Personnel and, where applicable, Outsourced Personnel must have proven personal, professional, and commercial honourability based on trustworthy information on their personal and professional conduct and their reputation, covering any criminal, financial, and supervisory aspects considered pertinent.

When outsourcing a key function, the Company will adopt all necessary measures to ensure that the responsible persons to perform the outsourced function meet the applicable aptitude and good repute requirements.

Company Designation Procedures

Parties proposed for executing Key Personnel roles requiring notification to Supervisory Authorities must provide a truthful and complete statement regarding their personal, family, professional, or business endeavours. Locally this is based on the personal questionnaire requirements stipulated by the regulator.

The aforementioned parties must ensure that their statements are continually updated, and must communicate any relevant changes in their situations, and participate in regular updates when required to do so by the Company's governing body, including the re-evaluation of any fit and proper requirements.

B.3. Risk management system, including the own risk and solvency assessment

B.3.1 Governance framework

The Risk Management System is an integral part of MMSV's organisational structure. MMSV's Risk Management System follows the three lines of the defence model (described in section B.4.1). This ensures ownership by all employees of risks and corresponding controls, in line with their role and responsibilities, and objectives.

The Board of Directors of MMSV is ultimately responsible for ensuring the Risk Management System effectiveness and for determining the Company's risk profile and tolerance limits. Further to this, the Board of Directors is also responsible for approving the Risk Management Strategies and policies within the Risk Management Framework

In order to perform its Risk Management System, the Board of Directors of MMSV is supported by the Risk and Compliance Committee.

The Corporate Risk Office provides oversight and monitors all aspects related to the management of risks within all MAPFRE subsidiaries. This is done by setting group guidelines, policies, tolerance, and reporting structures.

MMSV's Risk Management Function facilitates the application of the Risk Management System. In the development of its functions, it coordinates the strategies, processes, and procedures necessary to continuously identify, measure, monitor, manage and report on the present or emerging risks to which the Company may be exposed to, as well as their interdependencies.

MMSV's Risk Management Function reports to the Risk and Compliance Committee (and the Board of Directors) any risk exposures, taking into account their interdependencies, and compliance with established limits, including the Own Risk Assessment.

MMSV's Chief Risk Officer has a dual reporting responsibility - hierarchically to MMSV's CEO and Risk and Compliance Committee, and functionally to the Corporate Risk Office.

B.3.2 Risk management objectives, policies, and processes

The main objectives of the Risk Management System are the following:

- To promote a solid culture and an effective system of risk management.
- To ensure that risk analysis is part of the decision-making process.
- To preserve MMSV's financial solvency and strength.

The Risk Management System is based on integrated management of every business process, and on the adaptation of risk levels in the established strategic objectives.

To implement an effective risk management approach, MMSV has formulated a set of Risk Management policies, also in line with Solvency II requirements. One of these policies is the Risk Management Policy, which serves as a framework for the management of risks and, in turn, for the development of policies regarding specific risks.

Each policy aims to:

- Set general guidelines, basic principles and a general action framework for the type of risk concerned, ensuring coherent application at the Company.

- Assign responsibilities, strategies, processes and the reporting procedures required to identify, measure, monitor, manage and report the risks included within their scope.

- Establish reporting structures and communication channels for the business area responsible for the risk.

In the Risk Appetite Policy, approved by the Board of Directors, MMSV establishes the level of risk that it is willing to assume in order to carry out its business objectives without relevant deviations, even in adverse situations. In order to guarantee compliance with said limits, capital is generally established on an estimated basis based on the budgets for the following year, and it is reviewed periodically throughout the year based on the evolution of risks.

The Governing Bodies of MMSV receive information regarding the quantification of the main risks to which the Company is exposed to and the capital resources available to mitigate them, as well as information regarding compliance with Risk Appetite limits.

The Board of Directors decides the actions to be taken with respect to identified risks and is immediately informed of any risks which:

- Exceed the established risk limits, due to its development;
- Could lead to losses that are equal to or higher than the established risk limits; or
- May put compliance with the solvency requirements or continuity of operation of the Company at risk.

A breakdown of the process for the identification, measurement, management, monitoring, and reporting of risks, by type, is set out below:

Type of Risk	Measurement and management	Monitoring and reporting
Underwriting risk Covers the following risks: - Mortality - Expenses - Lapses - Catastrophic	Standard formula	Quarterly
Market risk Covers the following risks: - Interest rate - Equity - Property - Spread - Concentration - Currency	Standard formula	Quarterly
Credit Risk Reflects any possible losses arising from unexpected non-compliance by counterparties and debtors over the subsequent twelve months	Standard formula	Quarterly
Operational risk Risk of possible losses deriving from the inadequacy or malfunction of internal processes, personnel or systems, or from external events (excluding the risks	Standard Formula	Quarterly
	Dynamic qualitative analysis of the risks using processes (Riskm@p)	Annual
	Recognition and monitoring of operational risk events	Ongoing

Type of Risk	Measurement and management	Monitoring and reporting
deriving from strategic decisions and reputational risks)		
Liquidity Risk Risk that MMS might not be able to realise its investments and other assets in order to meet its financial commitments at maturity	Liquidity position Liquidity indicators	Ongoing Quarterly
Compliance risk Risk of losses due to legal/regulatory penalties or reputation losses arising from the failure to comply with laws and regulations, or with applicable administrative requirements.	Monitoring and recognition of significant events	Ongoing
	Compliance Management Framework	Ongoing
Strategic and Corporate Governance Risk Covers the following risks: - Business ethics and good corporate governance - Organisational structure - Alliances, mergers, and acquisitions - Market competition	Application of MAPFRE Group's Institutional, Business, and Organisational Principles.	Ongoing
	Strategy Meetings	Quarterly

All of the calculations deriving from the standard formula are updated when there is a material change in the risk profile. The Board of Directors is regularly informed of the risks to which MMSV is exposed to.

B.3.3 Own Risk and Solvency Assessment

The Own Risk and Solvency Assessment (hereinafter ORSA) is an integrated process in MMSV's Risk Management System. The ORSA is a mechanism, which identifies, measures, monitors, manages, and reports any short or long-term risks identified by MMSV throughout the period reflected in the strategic plan. It is also used to measure the sufficiency of capital resources based on the understanding of the actual solvency needs. Based on these objectives, it includes all the significant and potential sources of risk MMSV faces and facilitates the taking of initiatives for their management and mitigation.

The Risk Office coordinates the ORSA process and the proposal of the draft report that will be subject to approval by the Board of MMSV, integrating the activity promoted by the areas and departments involved in the process.

The ORSA report is prepared annually, unless an extraordinary event occurs which could impact MMSV's risk profile or solvency position. In this case, MMSV would be required to undergo an additional self-assessment (Extraordinary ORSA) and update the sections affected by changes in the risk profile and go through the same approval process.

The ORSA process is coordinated with the strategic planning process, forms an integral part of the business strategy and is taken into account in the strategic decision making in such a way as to guarantee the relationship between business strategy and global solvency needs. To this end, the ORSA process: i) considers the results of the procedures for identifying material and emerging risks, and risk control; and ii) develops projections of global solvency needs and stress tests that may pose a risk to the achievement of the Company's strategic or solvency objectives. In this regard, the Corporate Risk Office coordinates stress tests in the Group to check the level of losses from the risks to which the Group may be exposed. The Risk Office of the Company carries out the stress tests it deems appropriate for MMSV's business.

The Risk Management Function also carries out capital management activities, and verifies:

- The adequate classification of the eligible capital in accordance with the applicable regulations.

- The feasibility of distributable dividends for continuous compliance with the Solvency Capital Requirement.

- Continuous compliance with eligible capital in projections.

- Amounts and deadlines for the various eligible capital items capable of absorbing losses.

The Risk Office is responsible for the preparation and submission for approval by the Company's Board of Directors of the Medium-Term Capital Management Plan, encompassing the results from projections included in the ORSA.

Section E 1.1 of this report includes more detailed information on capital management.

B.4. Internal Control System

B.4.1. Internal Control

MMSV has an Internal Control Policy approved and reviewed annually by the Board of Directors. This policy establishes the actions which must be developed in order to maintain an optimal and effective Internal Control System.

The implementation of the Internal Control System in MAPFRE has been based on the broad and exhaustive application of the COSO[1] standard. According to COSO, there is a direct relationship between the objectives that the company expects to achieve, the components of the internal control system (which represent what the organisation needs to achieve the objectives), and its organisational structure (operating units, legal companies, etc.).

MMSV's Internal Control System involves all personnel, irrespective of their position within the organisation who collectively contribute to provide reasonable assurance on the achievement of the objectives, mainly regarding:

- Operational objectives: effectiveness and efficiency of operations, differentiating insurance operations (mainly underwriting, claims, reinsurance and investment) from the support operations and functions (human resources, administration, commercial, legal, IT, etc.).
- Reporting objectives: reliability of information (financial and non-financial, both internal and external) regarding its accuracy, timeliness or transparency, among others.
- Compliance objectives: compliance with applicable laws and regulations.

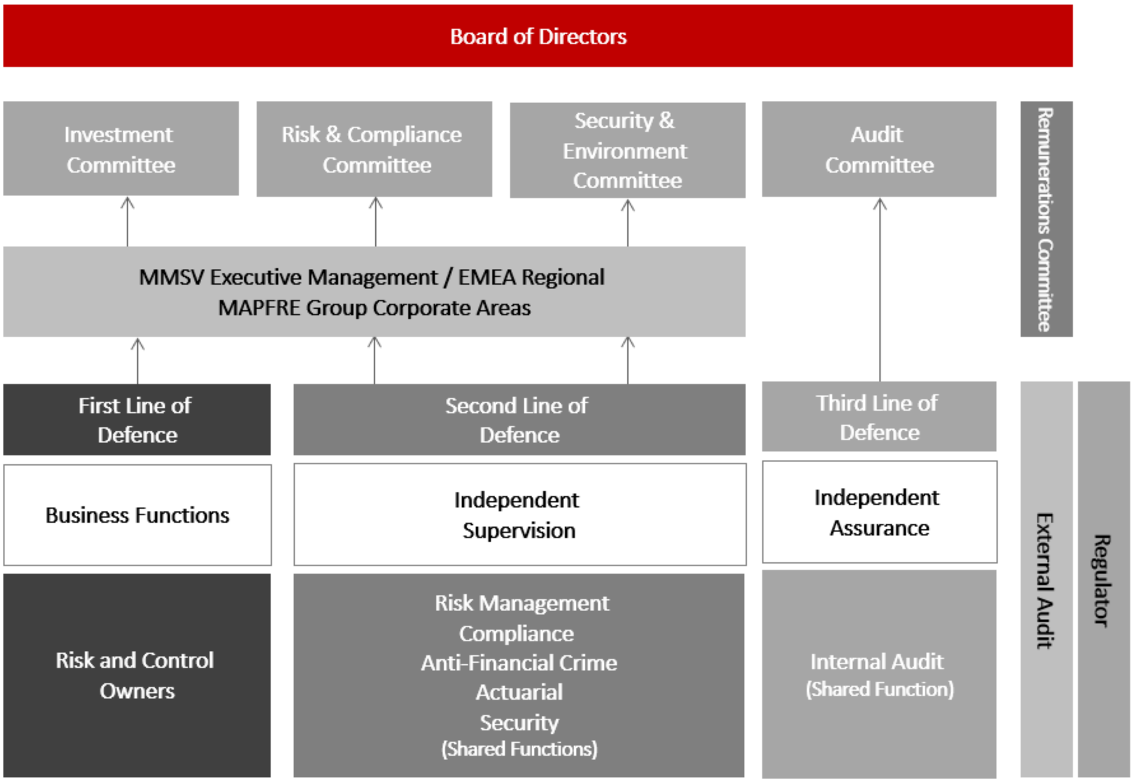
The Internal Control System is integrated into the organisational structure under the three lines of defense model, by assigning responsibilities and ensuring compliance with the internal control objectives. According to this model, there is:

1. The first line of defence consists of employees, management, and the business, operational and supporting areas that are responsible for maintaining effective control of activities carried out as an inherent part of their day-to-day work. Therefore, these units are responsible to manage the risks relevant to their processes, design and apply the control mechanisms that are necessary to mitigate these risks and to ensure that they do not exceed established limits.

2. The second line of defence is made up of the key functions i.e. Risk Management, Compliance and Actuarial functions, as well as other assurance functions such as Anti-Financial Crime and Security, all providing an independent assurance that the internal control system is present and functioning.

3. The third line of defence made up by Internal Audit, which provides an independent assessment of the appropriateness and effectiveness of the Internal Control System and communicates potential deficiencies timely to the parties responsible for taking the corrective measures, including Executives and governing bodies, as appropriate.

[1] Committee of Sponsoring Organisations of the Treadway Commission.



MMSV's Internal Control System is integrated and organised around five components: Control Environment, Risk Assessment, Control Activities, Information and Communication and Supervision Activities, and consists of mechanisms and controls that are present in all activities of the organisation, being fully integrated into its organisational structure.

B.4.2. Compliance Function

The Compliance Function has the objective to enable MMSV to operate within the framework of regulatory compliance, in order to achieve a global compliance environment. For this purpose, it assumes the responsibility of advising the Board of Directors on compliance with the laws, regulations and administrative provisions that affect MMSV and also compliance with internal regulations. It also performs an identification and assessment of the impact of any changes in the legal environment affecting MMSV's operations and the identification and assessment of non-compliance risk.

The structure of MMSV's Compliance Function is established based on the specific applicable regulatory requirements, as well as the principle of proportionality related to its business volume, and the nature and complexity of the risks accepted by the Company.

MMSV employs its own strategy for implementing and carrying out the Function, in accordance with the reference criteria shared by the Corporate Compliance Office.

B.5. Internal audit function

MMSV’s governance structure is based on the three lines of defense model, with the Internal Audit Function being the third line of defense. This function provides an independent opinion in respect of appropriateness and effectiveness of the Internal Control System, as well as other elements of the System of Governance.

In ensuring the principle of independence, MMSV’s Internal Audit Unit (IAU) reports to the Audit Committee, a board delegated committee. The Internal Audit Policy and bylaws updated and approved by the Board of Directors annually establishes the mission, functions, and attributes of MMSV Internal Audit Unit. It also includes the rights and obligations of MMSV´s Internal Auditors as well as their Code of Ethics, which sets out the rules of conduct of the auditors based on integrity and honourability, objectivity, confidentiality, and competence.

Additionally, one of the primary objectives of this document is to communicate the main activities of internal audit, treatment of audit reports and its recommendations, and any other general circumstances related to internal audit activities, which must be exclusively carried out by MMSV’s Internal Audit Unit.

The policy and bylaw are reviewed at least annually. All changes that are made in these revisions are approved by the corresponding MMSV governing bodies.

B.6. Actuarial Function

The Actuarial work at MMSV is divided between the Actuarial Unit and the Approved Actuary. The terms of the Approved Actuary engagement are governed by the Statement of Work dated 5th August 2016.

The diagram below set out more detail about each and their respective remits:

Actuarial Unit

- Duties set by Solvency II regulations.
- Internal Function.
- Primary focus is on reserving and capital management which affect shareholder returns.
- Profit-testing new product design.

Approved Actuary

Required by Malta regulations.
External. Provided by Willis Towers Watson PLC.
Focused on ensuring With-Profits policyholders are treated fairly.

Liaison

The Actuarial Function for MMSV falls within the MAPFRE Malta Actuarial Unit, a shared function with MMS, within MMSV. The Actuarial Function performs a complete range of actuarial duties and contributes to both MMSV's first and second lines of defense. Where MMSV Actuarial Function performs first line of defense duties such as pricing of new products and setting valuation/pricing assumptions, segregation of duties is achieved by an initial review of such work by Willis Towers Watson PLC and in the case of profit testing, a further review by the MAPFRE Corporate Actuarial Office.

The Actuarial Function is responsible for preparing the mathematical, actuarial, statistical, and financial calculations that allow the setting of premiums, technical provisions and modelling of risks on which the calculation of the Company's capital requirements is based, and which help MMSV achieve its target results and desired solvency levels. Calculation of the insurance company's capital requirements is performed in close collaboration with Risk Management Function.

The Actuarial Unit also has responsibility for calculation of the IFRS 17 best estimate of liabilities, risk adjustment and preparations of disclosures setting out their analysis of change and underlying assumptions and methodology.

The Actuarial Function is directly responsible for preparing actuarial calculations and other predictive models for MMSV, together with the technical documentation associated with those assessments. The Chief Actuary is the ultimate person responsible for these actions and for all of the tasks defined in the applicable Solvency II regulations, amongst other things.

The Chief Actuary, in carrying out these duties, must comply with all local and EU regulation, as well as any MAPFRE Group guidelines.

The MMSV Chief Actuary reports through two channels: to the Company's CEO and for certain areas of work, to the Group's Corporate Actuarial Office.

During 2023, the Chief Actuary at MMSV reported to the Company's Board of Directors through the meetings of the Board of Directors, the Audit Committee and the Risk and Compliance Committee and was in attendance at Investment Committee meetings.

The MAPFRE Group Corporate Actuarial Office sets the general principles and guidelines that take into account the best statistical and actuarial practices within the MAPFRE Group in order to coordinate and unify the Group's actuarial calculations.

The Corporate Actuarial Office also ensures compliance with the general actuarial calculation principles and guidelines. It can thus foster corrective actions in cases in which irregularities are detected, or when the general guidelines established have not been followed.

Notwithstanding the foregoing, the Corporate Actuarial Office provides support to those Business Unit. Actuarial Areas requiring its collaboration to comply with their individual responsibilities.

B.7. Outsourcing

MMSV's Outsourcing Policy was last reviewed by the MMSV Board of Directors on 17th July 2023 and is approved annually. The policy is in line with the Group Outsourcing Policy approved by the MAPFRE S.A. Board, establishing the general principles, tasks, processes, and the assignment of responsibilities in the event of the outsourcing of a critical or important function and/or activity. In addition to the Outsourcing policy the Board of Directors of MMSV reviewed the Cloud Outsourcing Policy on 17th July 2023.

The basic principle established by the Outsourcing Policy is that the Company will continue to have full responsibility for meeting all obligations arising from the functions or activities susceptible to being outsourced, in the same manner as if they were to be performed internally.

It is to be noted that no Key functions were outsourced during 2023.

B.8. Any other information

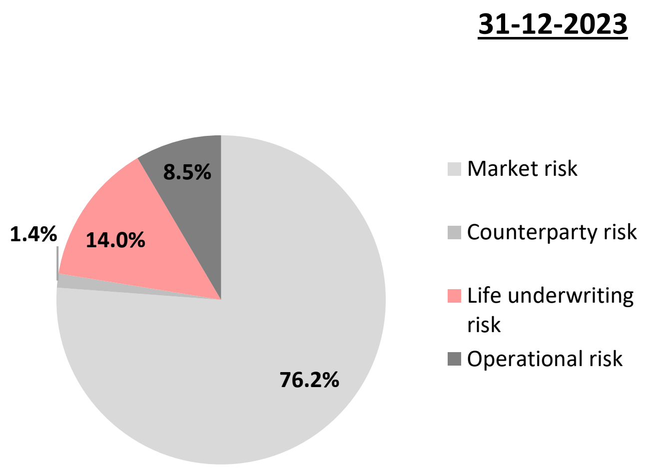
There is no other significant information regarding the system of governance that has not been included in the preceding sections.

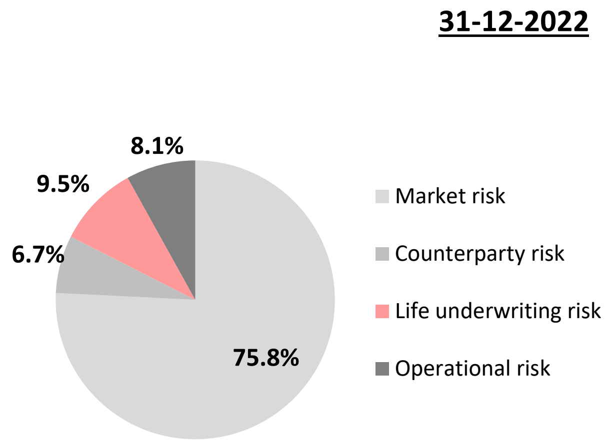
C. Risk profile

MMSV calculates its Solvency Capital Requirement (SCR) in accordance with the Solvency II standard formula requirements. For the main risk categories, the standard formula is considered an appropriate measurement tool for determining MMSV's risk exposure, as it appropriately recognises the capital charge corresponding to key risks (such as underwriting, market, counterparty, and operational risk) that the Company faces.

As explained in Sections C.4 and C.6, MMSV's exposure to other risks not included in the standard formula SCR (such as, for example, liquidity risk) is not considered significant, as MMSV's measures are effective for management and mitigation of them.

The following illustrations show the composition of MMSV's company level SCR for the various risk modules as at 31st December 2023 and 2022 (the SCR calculation is explained in Section E.2):





As can be observed, market risk remains the main risk faced by MMSV, representing 76.2% of the total SCR.

In 2023, the relative share of market risk and life-underwriting risk increased while the relative share of counterparty default risk decreased.

In 2023, there have been no significant changes with respect to the measures used to assess MMSV's main risks. MMSV reviewed and updated the underlying economic assumptions and modelled management actions. As in the previous year particular attention was paid to future inflation.

Other material risks to which MMSV is exposed to include those derived from regulatory risk, macroeconomic environment risk, socio-political risks, strategic initiatives and projects risk, talent and human resource management risk, cybersecurity risk and inflation and significant expenses rise risk. Additional information on these risks is provided in Section C.6.

A description of the main risk categories, the exposure to the risks, their management and mitigation techniques, and possible concentrations are indicated below.

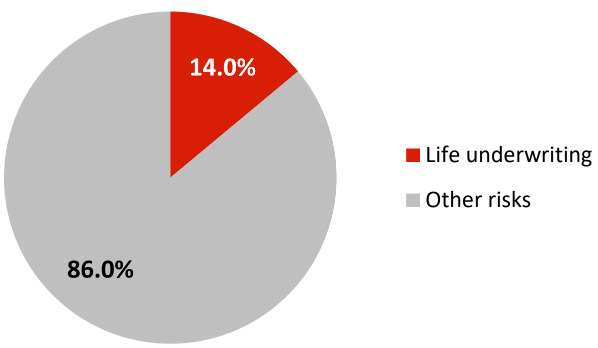
C.1. Underwriting risk

Underwriting Risk is the risk of loss or adverse change in the value of insurance liabilities, due to inadequate pricing and provisioning assumptions.

Exposure

As at 31st December 2023, underwriting risk represents 14.0% of all of the risk modules included in the SCR. The following charts present details by module and any changes when compared to the previous year:

31-12-2023



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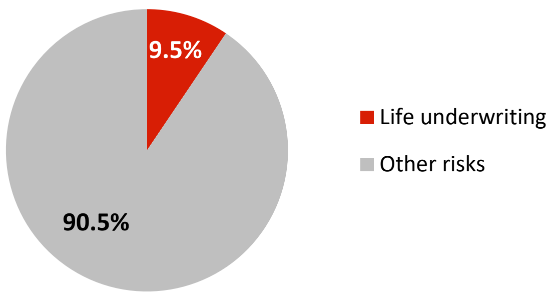


The increase in life underwriting risk as a percentage of overall risks is due to the reduction in market value adjustment rates and higher expense and mortality risk.

Management and mitigation techniques

MMSV manages underwriting risk through a number of measures:

- **The establishment of policies, limits, and exclusions in underwriting risk:**

  MMSV establishes authorisation and exclusion limits for reducing undesired underwriting risk in its manual and/or automated policies. These limits and exclusions are set in line with the Company's risk appetite.

- **Setting of a sufficient premium**:

  Premium sufficiency is of special importance. Before going to market, standard premium rates are determined following a rigorous profit testing exercise and internal review by the Corporate Actuarial Area. Rates are also reviewed externally by the Approved Actuary. These standard rates cannot be changed although an underwriting loading may be added. Any other special terms are authorised by the Actuarial Unit after an assessment of the impact on expected profitability.

  The policy issuing process and supporting IT system have been designed to ensure this.

  It is also worth noting that MMSV's Underwriting Risk policy includes consideration of:

  a) The type and characteristics of the insurance activity, such as insurance risk type which MMSV is prepared to accept.

b) Reinsurance and other risk mitigation techniques within the process of designing a new insurance product and when calculating premium.
c) Internal underwriting limits for different products or classes of products.
d) Maximum acceptable exposure to specific risk concentrations.

- **Adequate allocation of the technical provisions**:

  Claims handling and the sufficiency of technical provisions are basic principles of insurance management. Technical provisions are calculated by MMSV's Actuarial Unit. The establishment of technical provisions is performed using generally accepted actuarial practice and is regulated by specific reserving policies.

- **Use of Reinsurance as a risk-mitigating technique:**

  To this end, MMSV uses reinsurance policies as well as other insurance risk techniques. As at 31st December 2023, MMSV ceded 1.4% of its total technical provisions.

  To mitigate catastrophe risk to which MMSV is exposed to, specific catastrophe excess of loss reinsurance coverage is purchased.

  The appropriateness of the reinsurance management procedures is revised and updated at least annually.

The Actuarial Function issues a report at least once a year expressing its opinion of the underwriting policy, the sufficiency of the rates and the technical provisions, as well as the sufficiency and appropriateness of the reinsurance coverage obtained.

Concentration

MMSV's insurance risk exhibits a geographical concentration to the Maltese islands since MMSV provides insurance cover exclusively to Maltese residents.

At company level, the highest exposure to underwriting risk arises from the risk of mass lapses and surrenders. At the individual fund level, the biting lapse scenario for the RFF is now the same as the unchanged biting mass lapse stress in the REM. The biting RFF lapse stress in 2022 was lapse down however a reduction in market reduction rates during 2023 has triggered mass lapse as the biting lapse stress for 2023.

Generally, fewer expected surrenders increase the likelihood of with-profits guarantees crystallising at maturity and increase the amount of capital required, the higher the excess of assets over the present value of liabilities, the lower the impact on the capital charge. For non-profit protection policies written in the remaining part, mass lapse is more onerous. A large mass lapse event causes a reduction in own funds on contracts where the best estimate of liabilities is negative (meaning that the policy is expected to generate a profit over its remaining term) and additional lapses reduce the profits expected to be earned in future on these policies. This effect is exacerbated by a higher per-policy expense allowance due to fewer in force policies post mass lapse bearing a higher share of fixed costs.

The product features of savings contracts help to mitigate mass lapse risk through earlier redemption surrender changes. Furthermore, in case of the vast majority of With-Profits products, MMSV can apply an MVR (market value reduction) to protect the interests of the remaining policyholders after a severe or prolonged market shock.

Transfer of risk to special-purpose entities

The Company does not transfer underwriting risk to special-purpose entities.

C.2. Market Risk

Market Risk is the risk of loss or adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities, and financial instruments.

MMSV's investment strategy is based on prudent investment policies, which give rise to a liquid and well diversified portfolio. For example, the fixed income exposure has a large proportion of holdings with high credit ratings. These policies are embodied in the Investment Policy and in the Policies and Procedures Manual for the Financial Investment Management and Monitoring document.

The management of investment portfolios is broken down into two portfolios for non-profit[2] and With-Profits business.

Exposure

The following is a breakdown of the Company's investments by asset category:

Investments	Investments at 31/12/2023	(%) Investments	Investments at 31/12/2022	(%) Investments
Property investments	**92,844**	**4.7%**	**95,504**	**4.8%**
Financial investments	**1,986,263**	**99.5%**	**1,900,844**	**95.2%**
Fixed income	925,077	46.3%	783,146	39.2%
Equity	381,795	19.1%	387,867	19.4%
Collective investment undertakings	557,006	27.9%	525,328	26.3%
Holdings in related companies	43,378	2.2%	84,175	4.2%
Deposits other than cash	76,109	3.8%	117,123	5.9%
Hedging derivatives	2,898	0.1%	3,206	0.2%
Other investments	-	-	-	-
Total	**2,079,107**	**100.0%**	**1,996,348**	**100.0%**

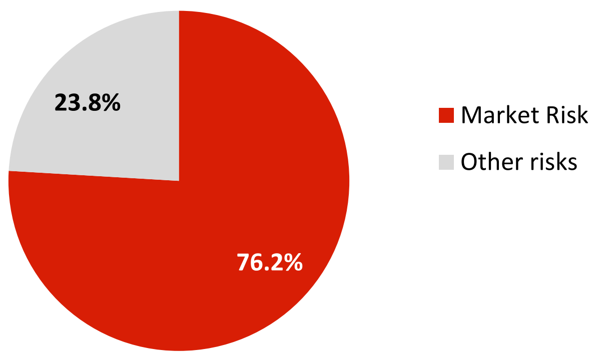
Figures in thousand euro

As at 31st December 2023, 95.0% of fixed-income investments had an investment-grade credit rating. Sovereign Government Debt exposure represented 64.8% of the total investment grade exposure. Maltese Government bonds represented 11.2% of the total fixed income exposure. Equities remain a very important asset class in the investment portfolio. Equity exposure is diversified across geographical areas, sectors and industry. Portfolio diversification is also sought in terms of currency, style and equity market capitalisation. MMSV also invests in a renewables and infrastructure fund with a view to adding further diversification and mitigating drawdown impact after a market shock.

[2] Remaining part

Market risk as at 31st December 2023 represents 76.2% of all of risk modules included in the SCR. The changes compared to last year are presented in the following charts:

31-12-2023



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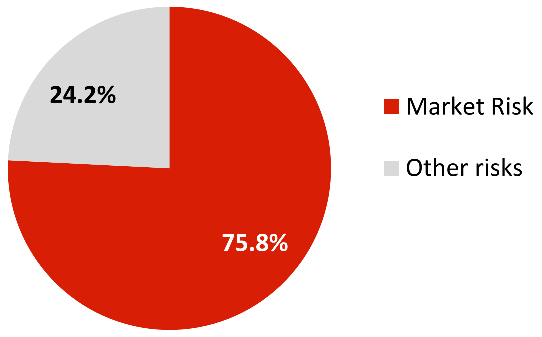


As noted above, market risk as a percentage of overall risks slightly increased when compared to 2022, due to the reduction in counterparty-default risk. However, in absolute terms, market risk decreased by €9.0 million[3] from December 2022 to December 2023.

Management and mitigation techniques

The Investment Policy and the Policies and Procedure Manual establish asset class, currency, credit quality and issuer limits to mitigate market risk exposure and maintain the desired level of diversification.

Furthermore, market risk is managed in accordance with the following:

- Modified duration management: This is one of the tools employed for interest rate risk management. The Investment policy and the ALM policy, inter alia, set upper and lower limits for fixed interest investments. This supports a prudent approach to interest rate risk in the context of the Company's liability profile.
- Spread and concentration risks are mitigated through restrictions related to maximum allowed investment per issuer and limits in terms of credit rating. As a result, there is a high proportion of fixed income securities with credit ratings classified as investment grade.
- Equity investments are subject to a maximum allocation limit within the investment portfolio. Issuer limits also apply.
- Currency risk is assumed mainly as a result of maintaining a global securities portfolio. Any non-euro currency exposure is primarily in relation to the mainstream currencies. Maximum limits are in place to ensure that the portfolio is not overexposed to any single currency or having, on an aggregate basis, a non-euro exposure in excess of the established risk appetite limit.

Concentration

The highest concentration of investments remains in Malta Government Debt, deposits with Bank of Valletta p.l.c. and investment property situated in Malta. The relative percentage exposure to Maltese Government Debt has continued to decrease over the past year. Insurance companies are normally exposed to the assets (particular debt issued by the government) of the country in which they operate,

[3] after loss absorbing capacity of technical provisions

MMSV is no exception. The Bank of Valletta exposure reflects the high liquidity profile maintained by MMSV over the past year.

C.3. Credit Risk

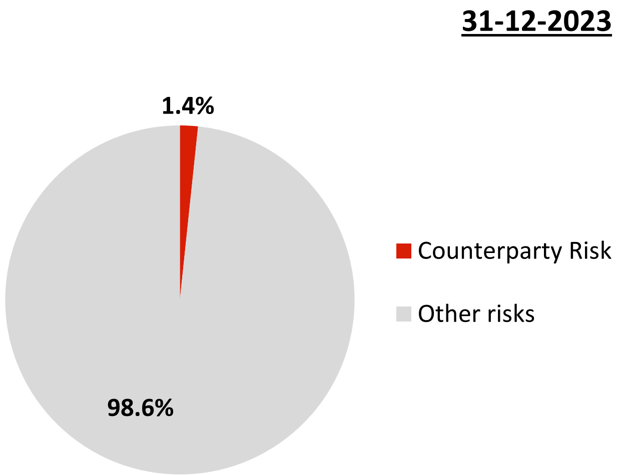
Credit Risk is the possibility of losses due to unexpected default or deterioration in the credit standing of counterparties and debtors over the next 12 months.

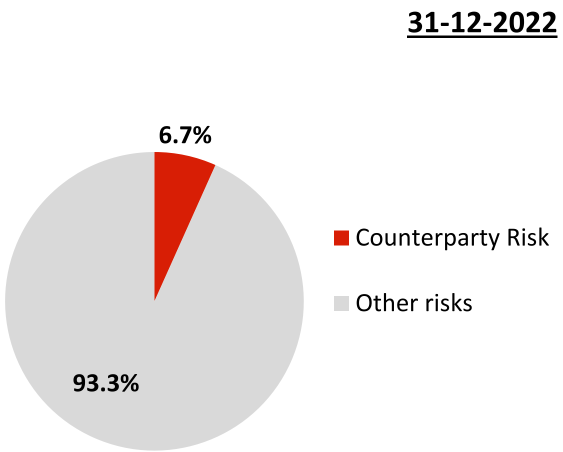
Credit Risk is included under the SCR Standard Formula calculation as:

- Spread and concentration risk under the Market Risk module (section C.2 of the report).
- Counterparty default risk is broken down into two types of exposures:
  - Type 1 exposures: which include, among others, reinsurance contracts, swaps and cash at bank where a credit rating is usually available for the counterparty.
  - Type 2 exposures: which includes intermediaries' receivables and policyholders debtors, among others.

Exposure

Counterparty default risk as at 31st December 2023 represents 1.4% of all of the risk modules included in the SCR. The changes compared to last year are presented in the following charts:





In 2023 and 2022, MMSV exposure consisted of Type 1 exposures only.

Management and mitigation techniques

MMSV's Credit Risk Management Policy establishes exposure limits according to the counterparty's credit rating. A risk exposure monitoring and notification system is also set up.

Reinsurance credit risk

MMSV's strategy for reinsurance counterparties is to cede the business to reinsurers with proven financial capacity. Generally, reinsurance is obtained from companies with a financial solvency rating no lower than "High" (credit step rating of 2) and that have been accepted by the Security Committee at the MAPFRE Group. Exceptionally, business is ceded to other reinsurers after an internal analysis that demonstrates the availability of a solvency level equivalent to the rating mentioned above or the delivery of adequate collateral, and the acceptance of the Security Committee.

The mandatory basic principles which must be met in the management of reinsurance and other risk-reduction techniques within MMSV are:

- Optimisation of capital consumption.
- Optimisation of conditions.
- Solvency of the counterparties.
- Effective transferability of risk.
- Suitability of the risk transfer.

Concentration

Apart from the cash held with local banks and the global custodian, the other important concentration relates to the reinsurance exposure with the group reinsurers which, in turn, have a broad diversified reinsurance. The strong financial credentials of these organisations are very important in times of financial stress stemming from pandemic, market and geopolitical risks.

C.4. Liquidity Risk

Liquidity risk is the risk that MMSV is unable to realise its investments and other assets in order to meet its financial commitments at maturity or early surrender.

Exposure

Liquidity risk is not included in the SCR Standard Formula calculation.

Exposure to liquidity risk is considered to be low, taking into account the expected inflows and outflows of cash flows and the prudent investment strategy established in the Investment Policy, which is characterised by a high proportion of highly-quality fixed income securities that are listed on liquid markets.

Furthermore, apart from the cash levels maintained within the With-Profit fund, shareholder's funds continued to be liquid through cash and term deposit positions.

Management and mitigation techniques

MMSV has a Liquidity Risk Management Policy and an Asset and Liability Management Policy, which together represent the benchmark framework for taking action in this regard. Sufficient cash balances are maintained to comfortably cover the commitments arising from its obligations to insured parties and creditors. Thus, as at 31st December 2023, the cash and cash equivalents balance amounted to €36.1 million (€124.8 million in the preceding year), equivalent to 1.71% of the total financial investments and cash. On top of this, MMSV has €76.1 million in Deposits other than cash equivalents.

With regards to Life and Savings policies, the Investment Policy applied involves matching the proceeds of the investments with the commitments expected to arise on in-force insurance contracts, and hence reduce longer-term Liquidity Risk. Additionally, the majority of fixed-income investments have investment-grade ratings and are traded on organised financial markets, which ensure that these positions can be sold more easily should liquidity tensions arise.

The Liquidity Risk Management Policy considers the availability of high-quality liquid assets, available credit facilities and forecasted cash inflows to cover expected cash outflows.

MMSV is confident that its liquidity position will enable it to withstand any liquidity pressures, which may result from pandemic, market or geopolitical risks.

Concentration

No liquidity risk concentrations have been identified.

Expected profits included in future premiums

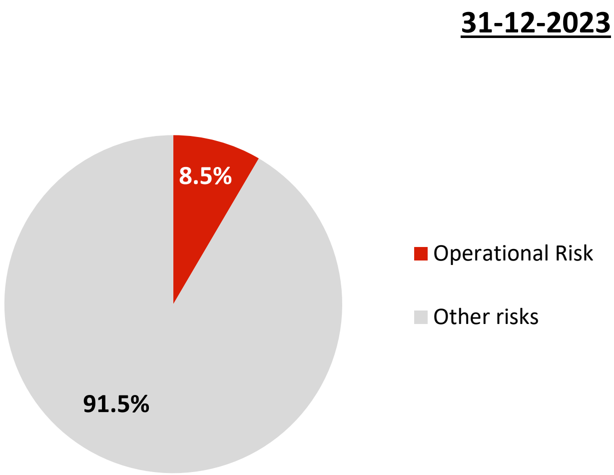
The calculation of best estimate of the technical provisions includes the expected profits from future premiums. This represents the proportion of expected future profitability borne by future premiums. As at 31st December 2023, the expected profits were estimated to total €33.7 million, net of reinsurance.

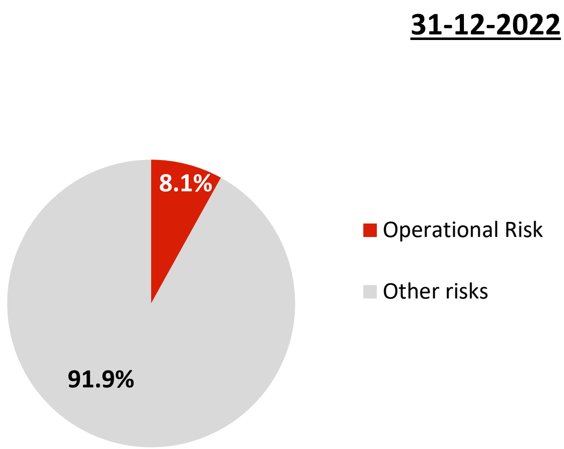
C.5. Operational Risk

Operational Risk is the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events.

Exposure

As at 31st December 2023, operational risk represents 8.5% of all of the risk modules included in the SCR. The following charts present details by module and changes compared to last year are presented in the following illustrations:





The relative weight of operational risk increased slightly due to a decrease in the relative weight of the other risk modules. In absolute terms, operational risk decreased from €9.9 million as at 31st December 2022 to €9.1 million as at 31st December 2023.

Management and mitigation techniques

MMSV has systems for monitoring and controlling operational risk, although the possibility of suffering operational losses cannot be excluded given the difficulty of forecasting and quantifying this type of risk.

The operational risk management model established is based on a qualitative dynamic analysis of processes, so that the managers of each area/department are able to identify and evaluate the potential risks affecting both the core business and support processes.

The analysis encompasses the self-assessment of risks, documentation of internal control handbooks identifying controls associated to risks, evaluations on controls effectiveness, and the use of corrective measures established to mitigate/reduce risks and/or improve the control environment.

Concentration

No risk concentrations have been identified in relation to operational risk, except for the dependency on the Core Administration Systems. A prolonged unavailability of these systems could have a negative impact on operations, but this possibility is considered remote, since there are proven mechanisms of business continuity that would mitigate the risk.

C.6. Other material risks

In addition to the quantitative treatment of Solvency II risks, and as part of the annual risk identification process, at the beginning of each year, the Risk Office promotes among the main areas or departments the identification of material risks that may affect the progress of the Company throughout the period covered by its business plan, as well as the emerging risks that both the insurance industry and MMSV may face in the longer term (5-10 years).

C.6.1 Material risks

Regarding the main risks that have been identified at the beginning of 2024 as risks that the Company faces in the period covered in its business plan and that could significantly affect the company results, the following stand out:

Regulatory Changes

The life insurance market faces a unique risk from regulatory changes. While new regulations often aim to improve consumer protection and financial stability, navigating their implementation can be challenging. Companies need to adapt their operations, potentially requiring investments in technology, staff training, and compliance processes. Additionally, unforeseen consequences of new regulations could disrupt existing product offerings and business models. This creates a regulatory change risk that life insurers must manage alongside other market risks.

In 2024, regulatory changes risk was further highlighted due to the anticipated regulatory developments in the coming 2-3 years which will significantly impact the financial services sector. A key area is the ongoing review of the pensions regulatory framework, expected to be finalised within the year. The review's potential impact on the treatment of "voluntary occupational in pension schemes" (VOPS) might necessitate adjustments to fiscal legislation, specifically within the context of FATCA and CRS reporting requirements.

Furthermore, transitioning to an unbiased mortality best estimate for IFRS17 Fulfilment cash flows raises the likelihood of future assumptions needing adjustment, exacerbating the challenge of reserve adequacy.

These developments highlight the critical need for MMSV to stay informed and adapt strategies accordingly to navigate the evolving regulatory landscape.

Macroeconomic environment

Central banks have been forced to react to the rise in inflation that began in the spring of 2021, with an abrupt move to raise interest rates to levels not seen for 15 years. These increases in interest rates are affecting the profitability of investments, not only in fixed-income portfolios, but are also increasing volatility in the stock and real estate markets. The financing costs of companies and households have increased too, negatively affecting the economic outlook.

The situation of insurance companies can be affected by the above, materialising both in a lower valuation of the investment portfolios held and in the purchasing power of companies and families to purchase insurance products. Movements in interest rates, both sudden and gradual, pose significant risks, including fluctuations in asset valuations, increased default rates, and heightened capital consumption. Strategies such as reducing duration gaps in asset-liability matching and maintaining stability in fixed-income markets are essential for mitigating these risks. While interest rates experienced a reduction in 2023 relative to 2022, ongoing efforts to improve asset-liability alignment and adapt to changing market conditions are planned for 2024. Expectations for declining interest rates are subject to inflation data, with investors growing more confident about potential interest rate cuts.

To counteract this situation, MMSV

- Applies prudent risk selection and pricing, and an investment policy (characterised by a proportion of fixed income with returns linked to local inflation or the official rate of return of central banks, that allows to have sufficient resources to meet the policyholders' needs even in of unforeseen inflationary situations) and adapts its product offering to the changing environment.

- It keeps an eye on the evolution of the international economic environment, as well as the economies in which the Group operates, in order to better understand the conditions of economic performance and adapt management strategies to these conditions (for example, through projections to try to analyse the impacts that could occur in the main macroeconomic variables, as well as the regular monitoring of indicators). This enables MMSV to be better prepared for macroeconomic changes.

Socio-political risks

Socio-political risks for the life insurance market encompass a range of factors influenced by societal and political dynamics. Socio-political instability, including civil unrest, political unrest, or geopolitical tensions, can disrupt the business environment and consumer confidence, affecting demand for life insurance products and investment sentiment.

Furthermore, demographic shifts, such as ageing populations or changes in family structures, can influence the demand for life insurance and retirement products. Socio-political attitudes towards insurance, financial literacy levels, and cultural perceptions of risk and protection also play a significant role in shaping consumer behavior and market dynamics.

Moreover, evolving social norms, technological advancements, and environmental concerns may introduce new challenges and opportunities for the life insurance market. For instance, changing attitudes towards health and wellness or the emergence of new risks related to cyber threats and climate change could reshape insurance product offerings and risk management strategies.

In navigating these socio-political risks, MMSV must maintain agility, adaptability, and a proactive approach to regulatory compliance, market trends, and customer preferences. Robust risk management frameworks, stakeholder engagement, and strategic partnerships can help mitigate the impact of socio-political uncertainties and capitalise on emerging opportunities in the dynamic insurance landscape.

Strategic initiatives and projects

The risk of failing to achieve strategic initiatives and projects is multifaceted, encompassing various factors such as failure to meet business performance or impact indicators, significant deviations in planning, development, implementation, and resource allocation across projects and initiatives, inadequate or insufficient restructuring of operations, deficient automation of production and service processes, and reliance on outdated product or service models.

To mitigate this risk MMSV tries to align operational processes with the strategic goals of the company to ensure clarity and consistency in their completion. Additionally, a revised plan for 2024 was implemented, involving the rescheduling of several projects to alleviate bottlenecks on specific areas.

Talent and Human Resource Management Risk

The risk associated with talent and human resources management revolves around the complexities of attracting and retaining skilled employees, addressing high turnover rates, adapting to changes in organisational structure prompted by internal and external factors, and planning for key position succession. In today's job market, characterised by low unemployment rates and fierce competition for talent across industries, including the insurance sector, retaining skilled employees and recruiting individuals for specialised roles has become increasingly challenging.

In order to achieve employee development, promotion and well-being, MMSV relies on:

- Strategic business needs.
- Active listening to employees.
- An inclusive and diverse work environment that allows people to express themselves freely.
- Capacity building through continuous learning, self-development, and mobility.
- Training in digital skills and new work methodologies.
- Promoting social sustainability through constant improvement in the quality of employment and employability.
- Attracting and retaining talent through specific policies, with the objectives of rejuvenating the workforce and increasing staff satisfaction and commitment.

Cybersecurity risk

Cybersecurity risks are the risks associated with the development of a business activity, including data management and control, in a digital or “Cyber” environment. There are risks involved from the use, treatment and transmission of electronic data through information systems, communication networks and the internet itself, potential damage caused by attacks, as well as fraud committed by inappropriate or improper use of the data.

The volume and sophistication of malicious cyber activity is evolving at a high pace, posing an ongoing challenge to maintaining security levels for corporate data and critical systems. Cloud computing presents high risks due to increased concentration and accumulations. From an operational point of view, there are risks of cyberattacks that can lead to extended loss of availability of services provided to third parties, as well as massive fraud against customers using their confidential information that could have been previously compromised.

Additionally, the change in the uses and habits of customers, the digitisation and the self-service models have increased the demand for identification and authentication systems, the use of biometric identifiers and the multiple uses of identifiers, which in turn increase the risk of phishing fraud or even data theft. At the same time, there is an increased threat of cyberattacks organised from countries or nations, especially in today's turbulent geopolitical environment, in which organised hacker groups attack critical infrastructure, steal valuable data or confidential information from companies.

In addition, the adoption of hybrid working methods (face-to-face and remote) broadens the means of access to MMSV’s IT resources, making it necessary to have specific technical and organizational measures in place to allow access in a secure manner and to guarantee protection in interactions with policyholders.

On the other hand, the increase in attacks and the growing demand for protection and cybersecurity by customers has been reflected in the development of products and services, adapting the products marketed to include coverage for losses caused by cybercrime and digital threats, as well as the provision of support and advice to customers to manage CyberRisks.

It is essential that organisations are involved at all levels in cybersecurity. In order to respond to these needs, MAPFRE has advanced capabilities aimed at increasing operational resilience, with the following aspects promoted by the Corporate Security Office:

- Specialised personnel in charge of identifying, defining, designing, implementing and operating both the different security controls and the technological tools to protect the company's assets.

- Specific technologies for monitoring, detection and protection against security incidents, integrated into the operational technology platform.

- Tools, methodologies and specialists dedicated to continuously reviewing and evaluating the company's level of cybersecurity, by seeking to mitigate risk and tailoring measures while optimising the cost of these measures.

- A General Control Center (CCG-CERT), integrated into the FIRST network and into the CSIRT.es group. It receives alerts of attacks and global threats for the continuous monitoring (24 hours, 7 days a week) of both the security situation of MAPFRE's technological platform and its proprietary information accessible in third-party systems, enabling the early detection of possible Cyber-Incidents and an agile response to them. The CCG-CERT is certified in the ISO 9001, ISO 27001 and ISO 22301 standards.

- Business Continuity Plans, systematically updated, certified and tested.

- Development and evolution of the Cybersecurity Culture, through the launch of the Corporate Awareness and Training Plan in this area, which covers the entire MAPFRE Group.

- MAPFRE S.A. has a Cybersecurity Insurance Policy that covers various Cybersecurity Risks for all Group companies.

During 2023, progress continued to be made in the implementation of specific projects under the Group's Cyber Resilience Plan (CRP) (plan that articulates MAPFRE's evolution in the areas of cybersecurity, privacy, data protection and digital operational resilience) as a cybersecurity risk mitigation mechanism.

Inflation & Significant expenses rise

In the spring of 2021, an inflationary period begun as a consequence of supply-side tensions related to Covid19 and which was accentuated as a result of the conflict in Ukraine, reaching inflation levels not seen in the last 30 years. The transfer of production costs to prices and wages produces second-order effects, causing an extension of the inflationary period whose intensity and duration still remain uncertain. If this situation continues, it could make it more difficult for the most vulnerable parts of society to meet basic needs, increasing social unrest and political instability.

From an insurance industry point of view, inflation risk comes from unanticipated levels that impact through an increase in necessary management expenses and increases in claims expenses for non-life products, causing the premium collected to be insufficient to meet claims and related expenses. In some lines of business and markets, the premium adaptation process is slower, requiring some time to recover the technical profitability of the products.

On the other hand, an increase in inflation implies a loss of household purchasing power, and its impact could affect the underwriting of new insurance products.

To counteract this situation, MMSV applies risk selection and pricing, as well as an investment policy characterised by a proportion of fixed income with returns linked to local inflation or the official rate of return of central banks.

C.6.2. Emerging risks

Emerging risks are expected or possible risks, or changes in the current risk profile due to future events whose impacts are unknown or subject to great uncertainty. Although both the solvency position and

MMSV's Internal Control and Risk Management Systems are solid, considering that the risk landscape is constantly evolving, it is important: i) to identify the factors that both the insurance industry and the Company may face in the long-term (5-10 years); ii) to know the degree of preparation with which it is counted; and iii) to be able to adapt reaching the objectives and the success in business results.

The main emerging risks are detailed below, with a description of their possible impacts on the Company's businesses, and the measures being adopted to respond to these risks:

Climate change risk

The risk of climate change derives from the long-term changes in the average weather patterns that have shaped the earth's local, regional, and global climates. Risks from climate change are divided into two main categories: physical risks and transition risks. This risk may be manifested mainly:

- In extreme weather events (tropical cyclones, floods, forest fires, etc.).
- In economic uncertainty due to various changes (regulatory, technological, social, etc.).
- In the transition to a low-carbon sustainable economy; and
- In claims for environmental responsibility when climate risks are not prevented, mitigated, or disclosed.

Among the risks derived from climate change identified by MMSV, are the following, according to the categories mentioned:

Risk	Risk description
Physical Risks	
Acute	Risks arising from increases in the frequency, severity and correlation of specific events, especially weather events, which can damage production facilities and disrupt or interrupt business value chains.
Chronic	Risks arising from longer-term changes in the climate
Transition Risks	
Legal and regulatory	Risk of an increase in the number of lawsuits due to the entity's failing to prevent or minimise adverse effects on the climate, due to the need to adapt catastrophic risk coverage programs, underwriting policies and continuous updating of risk profiles by zones/activity and reinsurance restrictions, and due to our clients failure to adapt to climate change regulations.
Technological	Risks arising from changes or adaptations to technological infrastructures that are less harmful to the environment. The expansion of new services and products for the climate and energy transition implies changes in the supply of insurance products and it is increasingly important to take into account the specific characteristics of these technologies when offering new insurance products.
Market	Risks of a decline in the company's market capitalization due to the 'market perception or sentiment' of investors, who prefer more sustainable companies, as well as a fall in the valuation of the Company's financial assets due to climate change.

Risk	Risk description
Reputation	Risk arising from the Company's difficulty in attracting customers, employees, partners or investors due to sustainability factors.

Climate change risk management supports decision-making on important issues such as underwriting, procurement, investment, product and service innovation, and reputation management, which is essential to gaining the trust of stakeholders and adapting MMSV's financial planning process to climate change. MMSV is fully committed to responsible investment initiatives and has launched a range of products that encompass its environmental, social and governance (ESG) criteria.

The integration of climate change risks into traditional risks takes place naturally in the management and control processes, using the Risk Management System and the above taxonomy that incorporates climate change risks.

The MAPFRE Group has implemented a climate change risk identification process that enables it to carry out a materiality analysis of the hazards associated with the physical and transition risks to which it could be exposed. This process covers the physical risks due to climate change associated with the liability portfolio, both in the Non-Life and Life business, as well as the transition risks of the investment portfolio. In addition, physical risks for the real estate portfolio are also considered.

In the case of the physical risks of the Life portfolio and the Deaths business, the risk identified is that of an increase in mortality due to severe heat waves.

With regard to transition risks, the process considers the NACE sector of activity of each of the assets in the portfolio in order to subsequently map them to the Climate Policy Relevant Sector (CPRS), which comprises the sectors most affected from the point of view of climate policy, and thus determine possible vulnerabilities of the portfolio. This approach is applied to exposures in corporate bonds, equities, mutual funds and swaps. Additionally, it’s been locally implemented for corporate bonds and equities. MMSV will also conduct an analysis of physical risks related to its investment properties.

The actions carried out in 2023 focused, fundamentally, on increasing the understanding of the heightened risks associated with climate change, capturing both its physical impacts and regulatory implications, while also improving the management of exposures through:

- A due diligence process of selecting and monitoring investment managers MMSV engages independent consultants for the provision of sustainability metrics and ratings, where possible.
- Implementation of a Responsible Investment (RI) policy based on MAPFRE’s ESG policy.
- Ensuring that MMSV’s underlying portfolios are in line with the RI Policy.
- Work carried out with MMSV’s custodian to implement a rating methodology which will be able to measure portfolio exposures from an ESG perspective.
- MAPFRE AM ESG Funds in Malta.
- Membership of the Malta ESG Alliance which acts as a catalyst for change motivating and informing others to take action and engaging with policy makers so as to create the right incentives and framework for achieving a sustainable transition of the economy.
- Approval at board level of a sustainability plan which includes special actions, and which will be rolled out during 2024.
- The Company also concluded a project for the installation of photovoltaic panels on the roof of the Mall building.

- Finalisation of Internal and External Audits aimed at achieving ISO 14001 Environmental Management Systems Certification of MMSV’s Head office at The Mall, Floriana.

Risk of instability and financial crises due to conflicts and scarcity of resources

In recent years there has been an increase in geopolitical risk. The invasion of Ukraine by Russia, with the sanctions adopted by the European Union and the United States, and the economic and political influence of China, the conflict between Israel and Palestine and the trend towards increased economic protectionism are examples of this.

Furthermore, resource scarcity caused by climate change could have geopolitical implications by encouraging states to adopt more nationalistic policies, initiate new conflicts or exacerbate existing ones.

The concurrence of rapid technological development, a global climate crisis, coupled with geopolitical polarisation, declining cooperation and the reduced relevance of hitherto important international institutions in the global governance of countries, intensifies some of the risks already identified. The combined effects of these risks may be greater than the risks analysed individually, affecting economic performance (increased costs, reduced consumption, limited trade and economic transactions, supply chain problems, etc.), as well as social stability.

The restrictive actions by the monetary authorities could accelerate the increase of political instability and social unrest, decreasing the purchasing power of the people with the consequent contraction in the demand for insurance products.

The MAPFRE Group is a multinational company operating in a total of 38 countries. This broad area of operation allows for greater geographic diversification, although it means that the Group is more exposed to geopolitical risks. Geopolitical tensions in geographical areas where MAPFRE operates could affect the Group's results through different channels. On the one hand, stressed markets could be exposed to greater financial volatility, affecting the investments in which the obligations to policyholders materialise. In addition, a devaluation of the currency of the affected country could occur, impacting the valuation of assets and liabilities in that currency and, consequently, the Group's equity, operating results and cash flow.

Additionally, the decrease in economic activity in the affected area could also affect the demand for insurance activity in the country, causing a decrease in expected profits.

MAPFRE tries to identify the aspects that may affect the Group socially and politically, as well as monitor the main macroeconomic and financial variables, with special emphasis on their impact on the insurance industry and on the Group’s financial strength.

C.7. Any other information

C.7.1. Sensitivity analysis of significant risks

MMSV performs sensitivity analyses of the solvency ratio involving certain macroeconomic variables, including:

- Interest rates (increases and decreases)
- Currency (appreciation of the euro)
- Equity valuation (decrease)
- Corporate and sovereign spreads (increase)

The sensitivity of the solvency ratio to the changes in these variables is shown below:

	31/12/2023	Percentage points Change
Solvency Ratio (SR)	231.0%	-
SR In the event of a 100 basis point increase in the interest rate	291.8%	60.8 p.p.
SR In the event of a 100 basis point decrease in the interest rate	158.8%	-72.2 p.p.
SR in the event of a 10% appreciation of the euro	206.8%	-24.2 p.p.
SR In the event of a 25% decrease in equities	165.5%	-65.5 p.p.
SR In the event of a 50 basis point increase in corporate spreads	209.3%	-21.7 p.p.
SR In the event of a 50 basis point increase in corporate and sovereign spreads	176.8%	-54.2p.p.

p.p. percentage points

Likewise, the sensitivity of the solvency ratio[4] to certain Life business variables has been calculated:

	31/12/2023	Percentage points Change
Solvency Ratio (SR)	231.0%	-
SR in case of 5% increase in the mortality rate (products without longevity risk)	230.0%	-1.0 p.p.
SR in case of 10% increase in expenses	229.0%	-2.0 p.p.
SR in case of 10% increase in lapses	231.0%	0.0 p.p.

p.p. percentage points

MMSV management is regularly monitoring the impact of the current market fluctuations having regard to the above sensitivities.

[4] Only the effect on the Eligible own funds has been calculated, not on the SCR.

C.7.2. Other issues

Off-balance-sheet positions

There are no significant exposures to the above risks arising from off-balance sheet positions.

D. Valuation for solvency purposes

D.1. Assets

The tables included in this document show accounting and solvency results. The "Accounting Value" column reflects the valuation for the assets and liabilities in accordance with the International Financial Reporting Standards. On 1 January 2023, MMSV adopted two new accounting standards, IFRS 17 'Insurance Contracts' and IFRS 9 'Financial Instruments'. IFRS 17 as adopted by the EU, became effective for annual periods beginning on or after 1 January 2023, while IFRS 9, although effective for years beginning on or after 1 January 2018, MMSV applied the temporary exemption for qualifying insurers to apply such standard together with IFRS 17. The financial statements as at 31st December 2023 were approved by the Board of Directors during their meeting on 22nd March 2024. The "Solvency II Value" column reflects the assets and liabilities value as at 31st December 2023 in accordance with the Solvency II regulations included in Directive 2009/138/EU and the remaining legislation enacting it. It requires that most assets and liabilities are measured at market value.

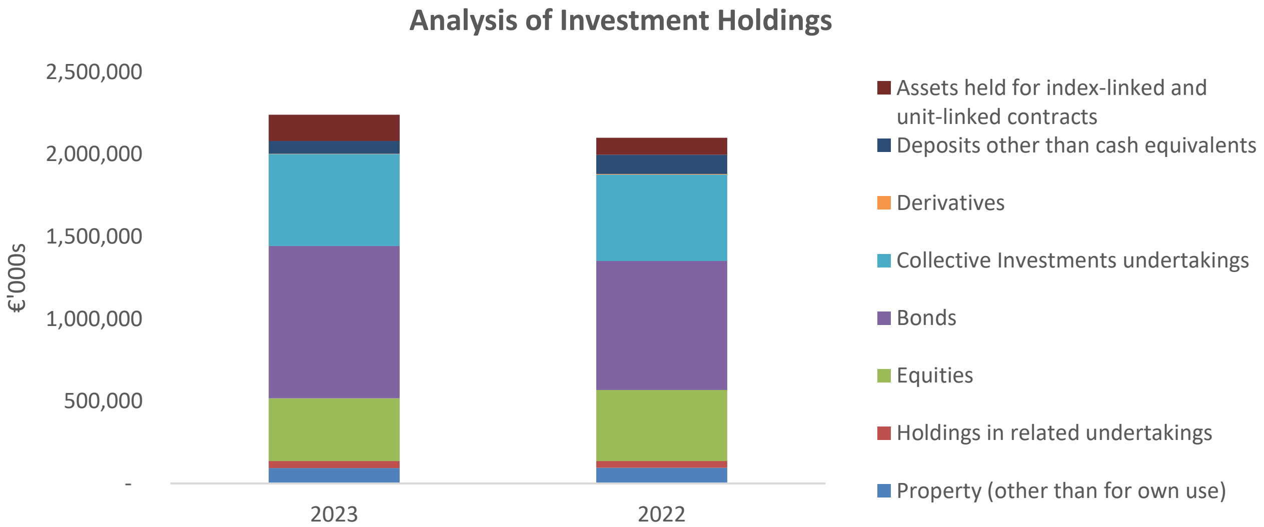
The following table compares the asset valuations that arise when using the Solvency II basis rather than accounting criteria as at 31st December 2023:

Assets	Solvency II Value 2023	Accounting Value 2023
Goodwill	-	-
Deferred acquisition costs	-	-
Intangible assets	-	20,341
Deferred tax assets	-	-
Pension benefit surplus	-	-
Property, plant & equipment held for own use	12,401	12,401
Investments (other than assets held for index-linked and unit-linked contracts)	2,079,107	2,076,847
Property (other than for own use)	92,844	92,844
Holdings in related undertakings	43,378	24,508
Equities	381,795	381,795
Equities – listed	381,795	381,795
Equities – unlisted	-	-
Bonds	925,077	923,865
Government Bonds	608,542	607,329
Corporate Bonds	315,874	315,874
Structured notes	-	-
Collateralised securities	662	662
Collective Investments Undertakings	557,006	575,875
Derivatives	2,898	1,970
Deposits other than cash equivalents	76,109	75,977
Other investments	-	-
Assets held for index-linked and unit-linked contracts	160,540	160,540
Loans and mortgages	11,022	-
Loans on policies	11,022	-
Loans and mortgages to individuals	-	-
Other loans and mortgages	-	-
Reinsurance recoverables from:	(27,069)	-

Assets	Solvency II Value 2023	Accounting Value 2023
Non-life and health similar to non-life	-	-
Non-life, excluding health	-	-
Health similar to non-life	-	-
Life and health similar to life, excluding health and index-linked and unit-linked	(27,069)	-
Health similar to life	-	-
Life, excluding health and index-linked and unit-linked	(27,069)	-
Life index-linked and unit-linked	-	-
Deposits to cedants/Deposits for Accepted Reinsurance	-	-
Insurance contract assets	-	8,945
Insurance and intermediaries receivables	-	-
Reinsurance receivables	828	-
Receivables (trade, not insurance)	889	889
Own shares (held directly)	-	-
Amounts due in respect of own funds items	-	-
Cash and cash equivalents	36,066	36,066
Any other assets, not elsewhere shown	6,188	3,685
TOTAL ASSETS	**2,279,973**	**2,319,702**

Figures in thousand euro

The assets shown above are for the total Company. Investments represent the most significant category of asset and the change in the market value of broad asset classes over 2023 is shown in the graph below:



Once again, 2023 was yet another challenging year where many things went differently than expected. The forecast by the majority of economists at the beginning of the year was that of a hard landing for the US, where cash was king, yet in the end, a soft landing was observed, where almost all asset classes outperformed cash. Nevertheless, the year was not easy. 2023 was characterised by the global fight against inflation and the interest rate decision of various central banks. The continued conflicts between

Ukraine-Russian and the wake of yet another conflict in the Middle East between Hamas and Israel, the regional banking crisis, the AI euphoria and economic concerns in Europe and China. The year ended positively for stocks and bonds both boosted by the Fed's more flexible stance on monetary policy and absence of the expected recession in the US.

2024 is likely to be no less difficult. Following the year ends rally, investors are optimistic with expectations for both interest rate cuts and high earnings, with expected volatility to increase due to the US presidential election campaign.

The significant asset valuation differences using Solvency II criteria, including qualitative explanations for the main differences arising from their valuations using Solvency II and those used in preparing the financial statements ("Accounting value") as at 31st December 2023 are shown below:

Intangible assets

For accounting purposes, the value of intangible assets includes capitalised software costs and deferred policy acquisition costs. Computer software is capitalised based on costs incurred and amortised over the useful life and acquisition costs relating to investment contracts valued under IFRS 9 are deferred/amortised over the life of the contract. However, for solvency reserving these are not taken into account and no value is assigned to intangible assets.

Investments (other than assets held for index-linked and unit-linked contracts and other collective investment schemes)

All investments are measured at fair value for Solvency II. The determination of fair value is performed by following the same procedures and methodology used for determining fair value based on IFRS 13 - "Fair Value Measurement".

IFRS 13 defines fair value as the price received in exchange for an asset or paid for transferring a liability during an orderly transaction between market participants at the valuation date:

- ***Holdings in related undertakings***

  Holdings in related companies are companies in which there is an investment that can be considered to represent a dominant or significant influence in the business.

  Investments in associates, wherever possible, are measured at their listed price on active markets. However, in the absence of quoted prices or inactive markets, some investments are valued by reference to net assets, at the proportional share of the associated company's value. This valuation basis is used in the IFRS financial statements and for Solvency II purposes.

  The difference of €18.9m in the valuation between the two balance sheets is mainly a classification difference of MMSV's investments in a renewables fund. Under IFRS, this is classified as "Collective Investments undertakings".

- ***Equities, bonds and collective investments undertakings***

  All equities and collective investment schemes are investments recognised at fair value on the financial statements. As a result, there are no valuation differences with regards to Solvency II. Under IFRS bonds are either measured at fair value or at amortised cost while under Solvency II bonds are measured at fair value. The difference of €1.2m between the Solvency II and IFRS balance sheet relates to the difference between the fair value and the amortised cost.

- ***Derivatives***

  Derivatives are investments recognised at fair value on the financial statements. As a result, there are no valuation differences but only presentation differences between the Solvency II and the IFRS balance sheet. Under Solvency II, any derivatives with a positive value are considered as assets and derivatives with a negative value are considered as a liability, whereas the net value is presented under IFRS reporting.

- ***Deposits other than cash equivalents***

  Deposits other than cash equivalents are investments that are classified and measured at amortised cost in the financial statements. As a result, the valuation differences between the Solvency II and the IFRS balance sheet relate to expected credit losses.

Loans and mortgages

Under IFRS Loans on policies are netted off from Insurance contract liabilities.

Reinsurance recoverables

For solvency purposes, the calculation of the reinsurance recoverables is in line with that used to value the technical provisions. This means that these amounts are recognised at their best estimate, also considering the timing difference between collection and direct payments, as well as the expected losses from the counterparty default. In line with the calculation of the best estimate of liabilities, cash flows relating to reinsurance recoverables are projected over the entire outstanding term of each contract in force.

Under IFRS, technical reserves for cessions to reinsurers are calculated similarly but use the IFRS basis which requires explicit allowance for non-performance risk.

Reinsurance receivables

IFRS and Solvency II valuations coincide and therefore there are no measurement differences. The difference is mainly a classification difference. Under IFRS, reinsurance receivables are included with reinsurance contract liabilities.

Any other assets, not elsewhere shown

The difference relates to accrued interest on Loans on policies which under IFRS are netted off from Insurance contract liabilities.

D.2. Technical provisions

The technical provision valuations using Solvency II criteria (hereinafter, “Solvency II Provisions”), including qualitative explanations for the main differences arising from their valuations using Solvency II and those used in preparing the financial statements, “Accounting provisions” (under “Accounting value”) at 31st December 2023 are shown below:

Technical provisions	Solvency II Value 2023	Accounting Value 2023
Technical provisions - Non-Life	-	
Technical provisions - Non-Life (excluding health)	-	
Technical provisions calculated as a whole	-	
Best Estimate (BE)	-	
Risk margin (RM)	-	
Technical provisions - health (similar to Non-Life)	-	
Technical provisions calculated as a whole	-	
Best Estimate (BE)	-	
Risk margin (RM)	-	
Insurance contract liabilities		1,991,376
Reinsurance contract liabilities		15,493
Investment contract liabilities		123,253
Technical provisions - Life (excluding index-linked and unit-linked)	1,800,492	
Technical provisions - health (similar to Life)	-	
Technical provisions calculated as a whole	-	
Best Estimate (BE)	-	
Risk margin (RM)	-	
Technical provisions - Life (excluding health and index-linked and unit-linked)	1,800,492	
Technical provisions calculated as a whole	-	
Best Estimate (BE)	1,783,701	
Risk margin (RM)	16,791	
Technical provisions - index-linked and unit-linked	160,540	
Technical provisions calculated as a whole	160,540	
Best Estimate (BE)	-	
Risk margin (RM)	-	
Other technical provisions	-	-
TOTAL TECHNICAL PROVISIONS	**1,961,032**	**2,130,122**

Figures in thousand euro

MMSV is a life insurance company specialising in the following core lines of business:

- With-Profits investment and savings contracts.
- Non-profit protection contracts.
- Unit-linked investment and savings contracts.

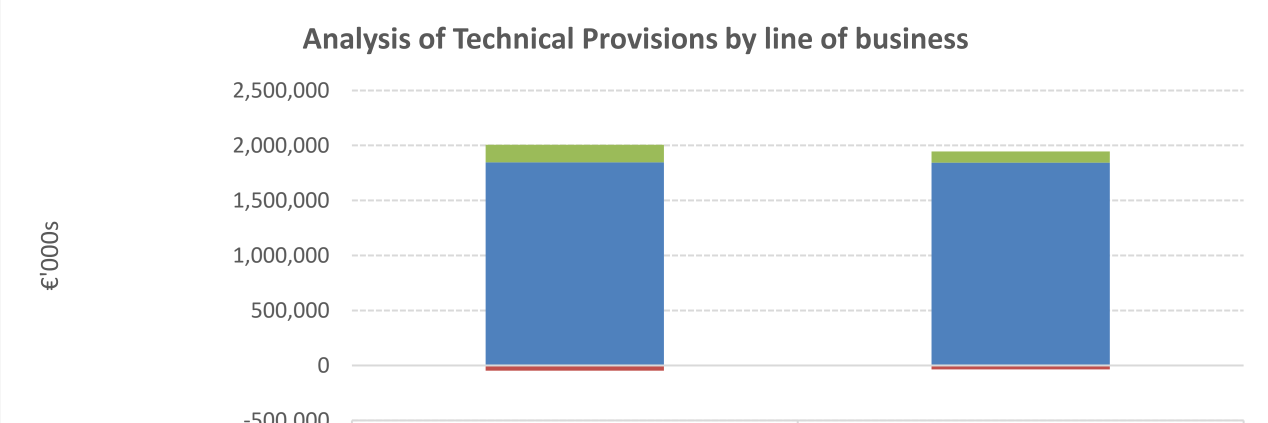
The Life Technical Provisions excluding index-linked and unit-linked can be further broken down into the following categories:

Technical provisions	Solvency II Value 2023	Accounting Value 2023
Insurance contract liabilities - with profits		1,953,941
Technical provisions - with profits	1,846,730	
Technical provisions calculated as a whole	-	
Best Estimate (BE)	1,839,945	
Risk margin (RM)	6,785	
Technical provisions - term assurance	(46,238)	
Technical provisions calculated as a whole	-	
Best Estimate (BE)	(56,244)	
Risk margin (RM)	10,006	
Reinsurance contract liabilities		15,493

Figures in thousand euro

The below graph analyses the change in the Solvency II technical provisions by line of business from 31st December 2022 to 31st December 2023. The term assurance BEL is negative, and this line of business therefore represents an asset.

The most significant percentage change in technical provisions has arisen from a 57.0% increase in index-linked and unit-linked technical provisions as a whole. This was mainly due to sales of three separate tranches of the new Guaranteed Capital and Income Plan and an increase in market value of the underlying assets of unit linked contracts. With-Profits technical provisions remained broadly unchanged with an increase of 0.1% as the Fund’s investment return was mostly offset by cash-flows in the year. Term assurance technical provisions which is represented by an asset, increased by 32.8% mainly due to changes future mortality experience and an improvement in methodology for contracts with extra mortality loadings.



	2023	2022
Index-linked and unit-linked	160,540	102,256
Term assurance	-46,238	-34,822
With-profits	1,846,730	1,844,098

Figures in thousand euro

In general terms, the main difference between Solvency II and Accounting valuations is the regulatory framework which underpins them. Both frameworks require that technical provisions are measured using market consistent economic criteria and realistic demographic and non-demographic assumptions, however there are differences in the classification of expenses and allowance for non-performance risk between the standards.

D.2.1. Best estimate and risk margin

Best estimate

The calculation of MMSV's best estimate under Solvency II projects all the future expected cash inflows and outflows necessary to settle the Company's contractual obligations at the valuation date[5]. The assessment takes into account the time-value of money[6] by applying the appropriate term structure of risk-free interest rates[7] to the expected future cash-flows.

Under IFRS, future fulfilment cash-flows are calculated using best estimate assumptions and discounted using the same structure of risk free interest rates with an adjustment for an illiquidity premium where appropriate. The main difference in the IFRS 17 fulfilment cashflows is the different allocation of expenses as stipulated under the different standards.

Cash-flows used to determine the best estimate for MMSV's business are calculated separately, on a policy- by-policy basis, using realistic assumptions.

The best estimate liability may be negative for certain contracts where the present value of expected future outflows is expected to be less that the present value of future inflows. This could for example happen to the protection business where future premiums are expected to exceed future claims and expenses. In this case, MMSV does not value these contracts at zero, but rather, as an asset that decreases the value of its overall technical provisions.

The determination of the cash flows used in the calculation of MMSV's best estimate is generally based on the actual demographic experience of the respective portfolios having regard to likely future trends as well as the operating and economic assumptions outlined below.

<u>Options and guarantees</u>

The best estimate of the value of options and guarantees is also taken into account.

MMSV has no financial options. MMSV's financial guarantees relate to maturity and surrender. All With-Profits policies have a maturity guarantee (also payable on earlier death) and a small block of generally older single premium business also has a surrender guarantee. The value of these guarantees relates to benefits accumulated at the valuation date. The payout on early withdrawal is not defined either as a guaranteed amount or future return for contracts without a surrender value guarantee.

<u>Contract boundaries</u>

MMSV does not use a best estimate liability and risk margin approach for unit-linked business. Technical provisions for these contracts are set as a whole. As unit-linked charges are reviewable, the extent to which future cash flows can be taken into account is limited by the regulations and therefore the calculation of technical provisions requires a different assessment.

In the accounts, there are similar constraints for unit-linked contracts that are in scope of IFRS 17.

Protection policies are valued for all policies which have been accepted on risk by the valuation date and expected cashflows are projected until the contractual benefit expiry date after allowing for expected decrements such as early exits and deaths.

With-profit business is valued for all policies accepted on risk at the valuation date and expected cash-flows are projected until the contractual maturity date. No allowance is made for ad-hoc future single

[5] The above includes contracts in effect as well as tacit renewals.
[6] Current value of future cash flows.
[7] This is published by EIOPA on a periodic basis.

premiums or partial withdrawals, however, there is an implicit allowance for the latter in the surrender assumption, based on actual experience.

Risk margin

The risk margin is conceptually equivalent to the cost of supplying eligible own funds to cover the non-hedgeable Solvency Capital Requirement (SCR) necessary to support insurance obligations during their lifespan.

MMSV calculates the risk margin using the cost of capital procedure set out in the regulations.

For the with-profits business, a risk driver approach is used whereby the future SCRs are projected in line with the run-off of the business.

For term assurance business, a different method is used. The risk margin is calculated on the basis of projected SCRs that are calculated using the results of the projected best estimate cash flows.

The risk margin is calculated using the prescribed 99.5% confidence level over a one-year time horizon. Under IFRS a Risk adjustment is required to represent the compensation an entity requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk as the entity fulfils insurance contracts. This is calibrated at the 85th percentile.

Actuarial methods and assumptions used when calculating technical provisions

MMSV calculates the best estimate liability on a policy-by-policy basis. A deterministic method is used to assess the value of the non-profit protection liabilities while stochastic projections are required to determine the value of guaranteed benefits and future discretionary benefits, which comprise the best estimate of liabilities for With-Profits contracts.

This methodology does not use any simplifications. Instead, a projection is made of all the expected best estimate future cash flows arising for each policy within the appropriate contract boundary. Based on this projection, an assessment is made on the expected fair value of the policy. The total best estimate liability amount is then the sum of the fair value across individual policies.

The best estimate liability plus the total risk margin required by the regulations, result in the total technical provisions.

The risk margin is determined in aggregate rather than at an individual policy level in line with the discussion above.

MMSV considers that the methodologies used are appropriate, applicable, and relevant. The projection requires the following assumptions:

- Economic assumptions including:
  - Interest rate structure broken down by currencies.
  - Exchange rates.
  - Other financial variables such as asset class volatilities.

- Non-economic assumptions including:
  - Realistic administration expenses which are incurred throughout the duration of the contracts including an assumption for future inflation.
  - Customer lapse rates and policy surrenders.
  - Mortality rates.

These assumptions are based on MMSV’s own experience and reviewed on an annual basis.

Under both Solvency II and IFRS 17, MMSV has established a set of assumptions used to model future management decisions with regards to With-Profits business and these are taken into account when evaluating the best estimate liability or future fulfilment cash-flows..

Degree of uncertainty associated with the amount of technical provisions

The value of the technical provisions for With-Profits and protection policies is directly linked to estimates and projections of future cash flows that are subject to uncertainty. The main factors where uncertainty may affect the results are:

- The likelihood that a claim will arise and the timing of the event giving rise to a claim. This typically covers payment of a sum insured on death for a protection contract or a surrender payment on a savings contract. In addition, an assumption is required to project the number of protection policies remaining in force since contracts may be cancelled by policyholders at any point. These assumptions directly affect the projected number of contracts in force, the amount of future premiums receivable and the amount of claim outgo payable in the future. They are based on MMSV's own claims and persistent experience having regards to events not in past data that may affect experience in the future.

- The amount of expenses payable to administer policies throughout the remaining lifetime and the rate at which such expenses inflate over time. These are based on actual expense allocations to the different product lines and are inflated using best estimate assumptions. Inflation assumptions are set based on expected long-term experience and where appropriate, an additional short-term uplift based on current economic conditions.

- The risk-free interest rate and investment performance. These assumptions impact the present value of future cash-flows and the amount of surplus or profits that can be distributed to policyholders and shareholders. The risk-free rates are prescribed by EIOPA and are used to discount cash-flows on protection and With-Profits policies. Future investment return is based on a set of stochastic economic scenarios which have regard to the market outlook and volatility for each of the broad asset classes in the With-Profits fund.

D.2.2. Measures designed for managing long-term guarantees

MMSV does not make use of any long-term guarantees measures.

D.2.2.a. Matching adjustment

MMSV does not make use of the matching adjustment.

D.2.2.b. Volatility adjustment

MMSV does not make use of any volatility adjustments.

D.2.2.c. Transitional measure on the risk-free interest rates

MMSV does not make use of the transitional term structure of risk-free interest rate.

D.2.2.d. Transitional measure for technical provisions

MMSV does not make use of transitional measures on technical provisions.

D.2.3. Significant changes in the assumptions used when calculating technical provisions

MMSV did not make any further changes when compared to the previous reporting period with regard to the assumptions used to calculate technical provisions as a result of the implementation of the Solvency II rules.

D.2.4. Other technical provisions

MMSV does not have any other technical provisions.

D.3. Other Liabilities

The evaluation of other liabilities for the purposes of Solvency II are set out below together with the qualitative explanations for the main valuation differences between the Solvency II criteria and those employed to prepare the financial statements ("Accounting Value" column) as at 31st December 2023:

Other Liabilities	Solvency II Value 2023	Accounting Value 2023
Total technical provisions / Insurance/Reinsurance/Investment Contract Liabilities	**1,961,032**	**2,130,122**
Contingent liabilities	-	-
Provisions other than technical provisions	-	-
Pension benefit obligations	-	-
Deposits from reinsurers	-	-
Deferred tax liabilities	35,890	11,402
Derivatives	928	-
Debts owed to credit institutions	-	-
Financial liabilities other than debt owed to credit institutions	57	57
Insurance & intermediaries payables	54,340	-
Reinsurance payables	5,571	-
Payables (trade, not insurance)	8,212	8,212
Subordinated liabilities	-	-
Subordinated liabilities not in basic own funds	-	-
Subordinated liabilities included in basic own funds	-	-
Any other liabilities, not elsewhere shown	3,083	4,527
TOTAL LIABILITIES	**2,069,114**	**2,154,321**
EXCESS OF ASSETS OVER LIABILITIES	**210,858**	**165,381**

Figures in thousand euro

The key year on year changes in the profile of the other liabilities on a Solvency II basis are:

- An increase in the value of deferred tax liabilities from €16.3 million to €35.9 million.
- A decrease in trade payables from €47.2 million to €8.2 million.

The main differences in valuation methods are set out in the following paragraphs.

Deferred tax liabilities

Under the accounting standards, deferred taxes are recognised on all temporary differences at the balance sheet date between the tax basis of assets and liabilities and their carrying amounts. MMSV recognised deferred tax liabilities on its IFRS-17 Balance sheet at a carrying amount of €11.4 million.

MMSV recognised deferred tax liabilities on the Solvency II balance sheet at €35.9 million. This amount was determined by assessing the future profits on insurance business that would arise on a best estimate basis and applying the appropriate tax rate to these expected profits. Therefore, expert judgement was applied in the same way as described for the calculation of the best estimate of liabilities. The methodology applied is therefore closer to an economic assessment of the tax obligation that will arise.

The differences between the Solvency II and accounting values arises due to the different valuation criteria of the two assessments.

Derivatives

Derivatives are investments recognised at fair value on the financial statements. As a result, there are no valuation differences with regards to Solvency II, only presentational differences between the Solvency II and IFRS balance sheet.

Insurance and intermediaries payables

The Solvency II value includes outstanding claims payable, premium received in advance (coverage started and coverage not yet started) and accrued commissions. Under Accounting values outstanding claims payable, premium received in advance (coverage started) and accrued commissions are included under Insurance and Investment contract liabilities. The amounts are stated at amortised cost, which is considered to be a reasonable approximation of the fair value.

Reinsurance payables

IFRS and Solvency II valuations coincide and therefore there are no measurement differences. The difference is mainly a classification difference. Under IFRS, reinsurance payables are included with reinsurance contract liabilities.

Any other liabilities, not elsewhere shown

The difference between IFRS and solvency II valuations mainly relates to premium received in advance (coverage not yet started) that is included under Insurance and intermediary payables in the Solvency II value.

D.4. Alternative methods for valuation

Alternative valuation methods used by MMSV are disclosed in the respective sections.

D.5. Any other information

There have been no significant changes in valuation criteria for assets and liabilities during the year other than changes to the underlying demographic and economic assumptions used in the valuation of the best estimate liabilities outlined above.

Finance and operating leases

Finance and operating leases are described in Section A.4.2 of this report.

D.6. Annexes

A) Assets

S.02.01.02 – Balance sheet

Assets (*)	Solvency II Value 2023	Solvency II Value 2022
Intangible assets	-	-
Deferred tax assets	-	-
Pension benefit surplus	-	-
Property, plant & equipment held for own use	12,401	12,541
Investments (other than assets held for index-linked and unit-linked contracts)	2,079,107	1,996,348
Property (other than for own use)	92,844	95,504
Holdings in related undertakings, including participations	43,378	40,875
Equities	381,795	431,166
Equities — listed	381,795	431,166
Equities — unlisted	-	-
Bonds	925,077	783,146
Government Bonds	608,542	532,948
Corporate Bonds	315,874	249,836
Structured notes	-	-
Collateralised securities	662	363
Collective Investments Undertakings	557,006	525,328
Derivatives	2,898	3,206
Deposits other than cash equivalents	76,109	117,123
Other investments	-	-
Assets held for index-linked and unit-linked contracts	160,540	102,256
Loans and mortgages	11,022	9,132
Loans on policies	11,022	9,132
Loans and mortgages to individuals	-	-
Other loans and mortgages	-	-
Reinsurance recoverables from:	(27,069)	(20,352)
Non-Life and health similar to non-life	-	-
Non-Life excluding health	-	-
Health similar to non-life	-	-
Life and health similar to life, excluding health and index-linked and unit-linked	(27,069)	(20,352)
Health similar to life	-	-
Life excluding health and index-linked and unit-linked	(27,069)	(20,352)
Life index-linked and unit-linked	-	-
Deposits to cedants	-	-
Insurance and intermediaries receivables	-	-
Reinsurance receivables	828	476
Receivables (trade, not insurance)	889	941

Assets (*)	Solvency II Value 2023	Solvency II Value 2022
Own shares (held directly)	-	-
Amounts due in respect of own fund items	-	-
Cash and cash equivalents	36,066	124,780
Any other assets, not elsewhere shown	6,188	6,559
Total assets	**2,279,973**	**2,232,681**

Figures in thousand euros

B) Technical provisions

S.02.01.02 – Balance sheet

Liabilities (*)	Solvency II Value 2023	Solvency II Value 2022
Technical provisions — non-life	**-**	**-**
Technical provisions — non-life (excluding health)	-	-
Technical provisions calculated as a whole	-	-
Best Estimate	-	-
Risk margin	-	-
Technical provisions — health (similar to non-life)	-	-
Technical provisions calculated as a whole	-	-
Best Estimate	-	-
Risk margin	-	-
Technical provisions — life (excluding index-linked and unit-linked)	**1,800,492**	**1,809,276**
Technical provisions — health (similar to life)	-	-
Technical provisions calculated as a whole	-	-
Best Estimate	-	-
Risk margin	-	-
Technical provisions — life (excluding health and index-linked and unit-linked)	1,800,492	1,809,276
Technical provisions calculated as a whole	-	-
Best Estimate	1,783,701	1,794,159
Risk margin	16,791	15,117
Technical provisions — index-linked and unit-linked	**160,540**	**102,256**
Technical provisions calculated as a whole	160,540	102,256
Best Estimate	-	-
Risk margin	-	-
Total technical provisions	**1,961,032**	**1,911,532**

Figures in thousand euro

S.12.01.02 – Life and Health SLT Technical Provisions

	Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Total (Life other than health insurance, incl. Unit-Linked)
			Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees	
Technical provisions calculated as a whole	-	160,540			-			160,540
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	-	-			-			-
Technical provisions calculated as a sum of BE and RM								
Best Estimate								
Gross Best Estimate	1,839,945		-	-		(56,244)	-	1,783,701
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-		-	-		(27,069)	-	(27,069)
Best estimate minus recoverables from reinsurance/SPV and Finite Re — total	1,839,945		-	-		(29,175)	-	1,810,770
Risk Margin	6,785	-			10,006			16,791
Technical provisions — total	**1,846,730**	**160,540**			**(46,238)**			**1,961,032**

Figures in thousand euro

C) Other liabilities

S.02.01.02 – Balance sheet

Liabilities (*)	Solvency II Value 2023	Solvency II Value 2022
Contingent liabilities	-	-
Provisions other than technical provisions	-	-
Pension benefit obligations	-	-
Deposits from reinsurers	-	-
Deferred tax liabilities	35,890	16,311
Derivatives	928	507
Debts owed to credit institutions	-	-
Financial liabilities other than debts owed to credit institutions	57	44
Insurance & intermediaries payables	54,340	54,051
Reinsurance payables	5,571	3,070
Payables (trade, not insurance)	8,212	47,160
Subordinated liabilities	-	-
Subordinated liabilities not in basic own funds	-	-
Subordinated liabilities included in basic own funds	-	-
Any other liabilities, not elsewhere shown	3,083	2,918
Total liabilities[8]	**2,069,114**	**2,035,592**
Excess of assets over liabilities	**210,858**	**197,089**

Figures in thousand euros
(*) Template S.02.01.02

[8] The amount of Total liabilities includes not only the sum of the Other liabilities in this table, but also the total of Technical provisions of Annex D.6.B).

E. Capital Management

E.1. Own funds

E.1.1. Own funds objectives, policies and management processes

To manage and monitor its own funds and capital, MMSV has approved an ORSA Policy covering the following objectives:

- Eligible capital continually meets eligible regulatory requirements and Risk Appetite.
- Eligible capital projections take into account ongoing compliance with the applicable regulations during the whole period under consideration.
- Establishment of an identification and documentation process of ring-fenced funds and the circumstances under which eligible capital can absorb losses.
- Ensure that MMSV has a medium-term Capital Management Plan.
- Capital management will consider the results from the Own Risk and Solvency Assessment (ORSA), as well as the conclusions reached during that process.
- Within the framework of the medium-term Capital Management Plan, should it be deemed necessary to obtain new resources, the newly-issued capital instruments should be assessed to determine that they meet the conditions for inclusion within the desired eligible capital quality level.

If eligible capital should be insufficient at any time during the three-year projection period, the Risk Office will propose measures to be taken into account in order to i) rectify this shortfall and ii) maintain solvency margins within the established by the applicable regulations and Risk Appetite Policy.

The medium-term Capital Management Plan prepared by the Risk Office must at least take into account the following:

- Compliance with applicable solvency regulations throughout the projection period, taking into consideration any known future changes to regulations while maintaining solvency levels within the Risk Appetite Policy.
- All foreseen eligible capital instruments issues.
- Refunds, both contractual on the due date and those which it is possible to make on request before maturity, relating to elements of eligible capital.
- The results of the ORSA projections.
- Foreseeable dividends and their impact on eligible capital.

The Risk Management Function must submit the medium-term Capital Management Plan to the Board of Directors for approval. The plan is part of the ORSA Report.

MMSV has carried out analysis covering both current and prospective capital needs and determined that in respect of the financial year 2023, profit retention should be much stronger than profit distribution. This would enable further strengthening of the balance sheet. It is being proposed that an ordinary dividend of €2m is paid. This is equivalent to a distribution of 20.8% of the 2023 MMSV Profit after tax.

MMSV has not used the transitional measure on technical provisions or volatility adjustment.

E.1.2 Structure, amount, and quality of own funds

The structure, amount and quality of own funds, as well as the Company's coverage ratios that are indicated below, are shown in the next table:

- Solvency ratio, which is the ratio of eligible own funds to the SCR.
- Ratio of eligible own funds to MCR.

	Total		Tier 1–unrestricted		Tier 1 – restricted		Tier 2		Tier 3	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Commission Delegated Regulation (EU) 2015/35										
Ordinary share capital (gross of own shares)	94,750	94,750	94,750	94,750			-	-		
Share premium account related to ordinary share capital	-	-	-	-			-	-		
Initial funds, members' contributions or the equivalent basic own — fund item for mutual and mutual-type undertakings	-	-	-	-			-	-		
Subordinated mutual member accounts	-	-			-	-	-	-	-	-
Surplus funds	62,951	50,689	62,951	50,689						
Preference shares	-	-			-	-	-	-	-	-
Share premium account related to preference shares	-	-			-	-	-	-	-	-
Reconciliation reserve	51,158	51,650	51,158	51,650						
Subordinated liabilities	-	-			-	-	-	-	-	-
An amount equal to the value of net deferred tax assets	-	-							-	-
Other own fund items approved by the supervisory authority as basic own funds not specified above	-	-	-	-	-	-	-	-	-	-
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds										

	Total		Tier 1–unrestricted		Tier 1 – restricted		Tier 2		Tier 3	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	-	-								
Deductions										
Deductions for participations in financial and credit institutionsº	-	-	-	-	-	-	-	-		
Total basic own funds after deductions	**208,858**	**197,089**	**208,858**	**197,089**	-	-	-	-	-	-
Ancillary own funds										
Unpaid and uncalled ordinary share capital callable on demand	-	-					-	-		
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual — type undertakings, callable on demand	-	-					-	-		
Unpaid and uncalled preference shares callable on demand	-	-					-	-	-	-
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	-	-					-	-	-	-
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	-	-					-	-		
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	-	-					-	-	-	-

	Total		Tier 1–unrestricted		Tier 1 – restricted		Tier 2		Tier 3	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	-	-					-	-		
Supplementary members calls — other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	-	-					-	-	-	-
Other ancillary own funds	-	-					-	-	-	-
Total ancillary own funds	-	-					-	-	-	-
Available and eligible own funds										
Total available own funds to meet the SCR	208,858	197,089	208,858	197,089	-	-	-	-	-	-
Total available own funds to meet the MCR	208,858	197,089	208,858	197,089	-	-	-	-		
Total eligible own funds to meet the SCR	208,858	197,089	208,858	197,089	-	-	-	-	-	-
Total eligible own funds to meet the MCR	208,858	197,089	208,858	197,089	-	-	-	-		
SCR	90,422	121,952								
MCR	40,690	43,325								
Ratio of Eligible own funds to SCR	231.0%	161.6%								
Ratio of Eligible own funds to MCR	513.3%	454.9%								

	Amount	
	2023	2022
Reconciliation reserve		
Excess of assets over liabilities	210,858	197,089
Own shares (held directly and indirectly)	-	-
Foreseeable dividends, distributions and charges	2,000	-
Other basic own fund items	157,701	145,439
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring-fenced funds	-	-
Reconciliation reserve	**51,158**	**51,650**
Expected profits		
Expected profits included in future premiums (EPIFP) — Life business	33,663	64,099
Expected profits included in future premiums (EPIFP) — Non-life business	-	-
Total Expected profits included in future premiums (EPIFP)	**33,663**	**64,099**

Figures in thousand euro

Source: S23.01.01

Amount of eligible own funds to meet the SCR, classified by tiers

Own funds may be classified as either basic or ancillary in accordance with applicable legislation. In turn, own funds may also be classified by Tier (1, 2, or 3) to the extent that they have certain characteristics determining their availability to absorb losses. All MMSV's own funds are classified under the regulations as basic unrestricted Tier 1. Therefore, there are no limitations on their eligibility to cover Solvency Capital Requirements and Minimum Capital Requirements and availability, sub-ordination and duration are not relevant. This position is unchanged from the previous year.

As at 31st December 2023, MMSV has unrestricted basic Tier 1 own funds totaling €208.9 million (€197.1 million as at 31st December 2022). These own funds consist of:

- Ordinary paid-in share capital.
- Reconciliation reserve, which has decreased by 1.0% over the year reflecting movements in assets and liabilities during the period.
- Surplus funds, which represent the present value of expected shareholder transfers arising from contracts written in the With-Profits fund. These have increased by 24.2% mainly due to the positive investment performance of the with-profits Fund in 2023 coupled with improved matching which helped to increase the margin of assets over policyholder obligations and decrease expected future volatility. These benefits were partially offset by a lower risk discount.

The With-Profits fund is considered a ring-fenced fund. The future transfers attributable to shareholders are considered as eligible own funds in line with the Level 2 Directive Article 80, paragraph 2.

All the Company's own funds are considered basic. MMSV did not include any ancillary own funds.

Solvency Capital Requirement (SCR) coverage

The SCR corresponds to the own funds that MMSV must hold to absorb extraordinary losses form adverse scenarios expected to occur one in every 200 years, in other words that MMSV remains 99.5% confident that it will be able to meet its commitments to insurance beneficiaries and policyholders during the following year.

Regulations determine the own funds that are suitable for covering the SCR, in accordance with which, all unrestricted basic Tier 1 own funds are eligible for that coverage. All basic Tier 3 own funds are also eligible to cover the SCR, as are all ancillary Tier 2 own funds. MMSV coverage for the SCR comes solely from Tier 1 own funds.

The solvency ratio measures the relationship between eligible own funds and the SCR as calculated by applying the standard formula. As at 31st December 2023, MMSV's solvency ratio was 231.0%. This shows MMSV's capacity to absorb extraordinary losses deriving from a 1 every 200 years adverse scenario, this is higher when compared to the previous year's reported solvency ratio of 161.6%. This is mainly attributable to the increase in eligible own funds mainly resulting from strong fund performance in Q4 2023 and more favourable economic assumptions leading to improved loss absorbing capacity of technical provisions and hence a decrease in the solvency capital requirement.

Minimum Capital Requirement (MCR) coverage

The MCR is the capital amount set as the minimum-security level under which financial resources should never fall.

The MCR is the minimum amount of basic eligible own funds before which policyholders and beneficiaries are exposed to an unacceptable level of risk, should MMSV continue with its business.

All MMSV's own funds are basic unrestricted Tier 1 and therefore they are all eligible to cover the MCR.

The ratio of eligible own funds to the MCR amounts to 513.3% in 2023. The MCR coverage has increased in 2023 when compared to 2022 (454.9%).

Difference between Equity in the financial statements and Excess of assets over liabilities for Solvency II purposes

When valuing assets and liabilities for the purposes of Solvency II, different criteria are used from those used when preparing the financial statements. The above criteria differences lead to a variation between the equity stated in the financial statements and excess of assets over liabilities for Solvency II purposes.

As at 31st December 2023, the excess of assets over liabilities for Solvency II purposes amounted to €210.9 million, while IFRS equity was equal to €165.4 million. The main adjustments that arise from the reconciliation of IFRS equity and own funds under Solvency II are found below:

	2023	2022
IFRS Equity	165,381	223,943
Intangible assets	-20,341	-98,017
Difference in valuation of investments	1,344	354
Deferred front end fees	256	215
Difference in net reserves	88,706	84,137
Difference in deferred tax	-24,487	-13,544
Excess of assets over liabilities (Solvency II value)	210,858	197,089

Figures in thousand euro

The quantitative and qualitative explanations are provided in Sections D.1 Assets, D.2 Technical Provisions and D.3 Other liabilities, in this report.

E.1.3. Other information

Essential items in the reconciliation reserve

The tables included at the start of the section indicate the structure, amount and quality of own funds and present the essential items taken into account to calculate the reconciliation reserve based on the amount of excess assets compared to liabilities for Solvency II purposes.

This excess of assets over liabilities amounts to €210.9 million. To determine the reconciliation reserve "other basic own funds" items (€157.7 million) was deducted.

The reconciliation reserve includes the potentially most volatile component of the eligible own funds, where variations are influenced by MMSV's asset and liability management.

At company level, it is the sum of the reconciliation reserve for the ring-fenced fund and the reconciliation reserve for the remaining part.

The reconciliation reserve that arises in the ring fenced / With-Profits fund occurs because of differences between the accounting and solvency regimes whereby the amount that will be due to shareholders is reported differently. This amount could be thought of as the expected value of future shareholder transfers that would be paid from the With-Profits fund. For reporting purposes however, this amount is shown with the other items and the "reconciliation reserve" item is set to zero. At company level, under section E.1.2, Own Funds Table, this is shown as "Surplus funds".

The reconciliation reserve that arises in the remaining part is the difference between the net assets calculated on the accounting basis and the net assets calculated on the solvency basis. These quantifications are made after paid up share capital has been deducted the tables included at the beginning of the section, indicate the structure, amount and quality of the own funds and present the essential items taken into account to calculate the reconciliation reserve based on the amount of the excess of assets over liabilities for Solvency II purposes.

Items deducted from own funds

MMSV has not deducted any items from the Own funds.

Own Funds issued and instruments redeemed

MMSV did not issue any own fund instruments during the year and none have been surrendered.

Transitional measures

MMSV did not take into consideration any own fund items to which the transitional provisions foreseen in Article 308b, Sections 9 and 10 of Directive 2009/138/EC are applicable.

E.2. Solvency Capital Requirement and Minimum Capital Requirement

E.2.1. Solvency Capital Requirement amounts and valuation methods

The following shows the Solvency Capital Requirement (SCR) broken down by risk modules and calculated using the Standard Formula:

	Gross solvency capital requirement		USP	Simplifications
	2023	2022		
Market risk	405,586	418,051		
Counterparty default risk	9,084	27,193		
Life underwriting risk	39,311	32,581	-	-
Health underwriting risk	-	-	-	-
Non-Life underwriting risk	-	-	-	-
Diversification	(34,314)	(42,503)		
Intangible assets risk	-	-		
Basic Solvency Capital Requirement	**419,667**	**435,322**		

Calculation of the Solvency Capital Requirement	Amount	
	2023	2022
Operational Risk	9,078	9,880
Loss-absorbing capacity of technical provisions	(321,638)	(306,808)
Loss-absorbing capacity of deferred taxes	(16,685)	(16,441)
Capital requirement for businesses operated in accordance with Article 4 of Directive 2003/41/EC	-	-
Solvency Capital Requirement excluding additional capital	90,422	121,952
Capital add-on already set	-	-
Of which, capital add-ons already set – Article 37 (1) Type a	-	-
Of which, capital add-ons already set – Article 37 (1) Type b	-	-
Of which, capital add-ons already set – Article 37 (1) Type c	-	-
Of which, capital add-ons already set – Article 37 (1) Type d	-	-
Solvency capital requirement	**90,422**	**121,952**
Other information regarding the SCR		
Capital requirement for duration-based equity risk sub-module	-	-
Total amount of the notional solvency capital requirement for the remaining part	31,534	27,462
Total amount of the notional solvency capital requirement for ring-fenced funds	58,888	94,490
Total amount of notional solvency capital requirement for portfolios subject to matching adjustments	-	-

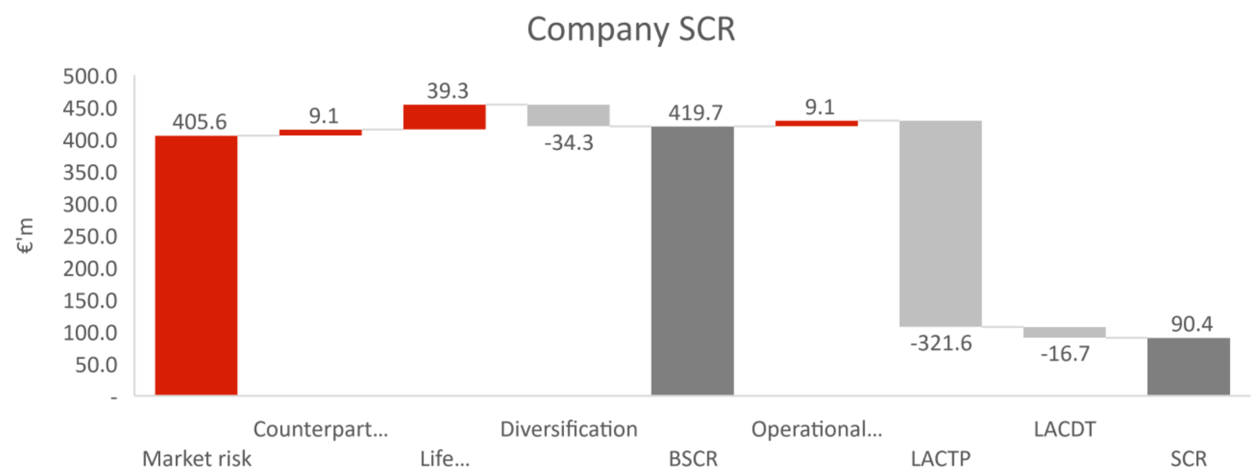
Diversification effects due to the aggregation of the notional SCR for ring-fenced funds for the purposes of Article 304	-	-

Approach to tax rate	Yes/No	
	2023	2022
Approach based on average tax rate	1 - Yes	1 - Yes

Calculation of loss absorbing capacity of deferred taxes	LAC DT	
	2023	2022
LAC DT	(16,685)	(16,441)
LAC DT justified by reversion of deferred tax liabilities	(16,685)	-
LAC DT justified by reference to probable future taxable economic profit	-	(16,441)
LAC DT justified by carry back, current year	-	-
LAC DT justified by carry back, future years	-	-

Figures in thousand euro

The composition of the SCR is set out below; more information is provided in Section C of this report:



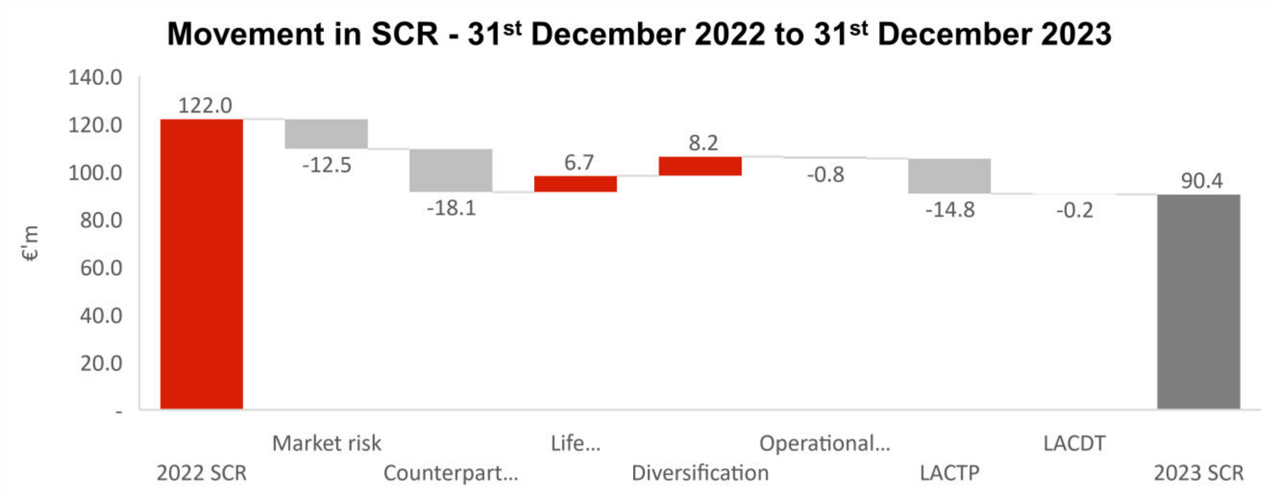
As at 31st December 2023, MMSV's total SCR amount was €90.4 million compared to €122.0 million as at 31st December 2022.The main drivers for this change include an increase in future discretionary benefits which improved the loss absorbency of technical provisions and reduced market risk which benefitted from the 2023 asset de-risking measures.

MMSV's total MCR amount at 31st December 2023 was €40.7 million compared to €43.3 million as at 31st December 2022, the reduction driven by lower With-Profits fund obligations.

The SCR calculation did not include simplifications or undertaking specific parameters. The Company does not have capital add–on requirements.

In total, the loss-absorbing capacity of technical provisions amounted to €321.6 million, and the loss-absorbing capacity of deferred tax amounted to €16.7 million.

The table below compares the movement in SCR over 2023:



As mentioned earlier, the loss absorbing capacity of technical provisions increased from €306.8 million as at 31st December 2022 to €321.6 million as at 31st December 2023.

The following table shows MMSV's MCR and the different items used in its calculation:

Source: S28.01.01

	2023	2022
Resulting MCR (L)	40,690	43,325

	2023		2022	
	Net best estimate (of reinsurance/special purpose entities) and technical provisions calculated as a whole	Total net capital at risk (reinsurance/special -purpose entities)	Net best estimate (of reinsurance/special purpose entities) and technical provisions calculated as a whole	Total net capital at risk (reinsurance/special -purpose entities)
Obligations with profit participation – guaranteed benefits	1,512,116		1,530,945	
Obligations with profit participation – future discretionary benefits	327,829		306,808	
Index-linked and unit-linked insurance obligations	160,540		102,256	
Other life (re)insurance and health (re)insurance obligations	-		-	
Total capital at risk for all life (re)insurance obligations		2,718,125		2,740,874

Overall MCR calculation	2023	2022
Linear MCR	41,928	43,325
SCR	90,422	121,952
MCR cap	40,690	54,879
MCR floor	22,606	30,488
Combined MCR	40,690	43,325
Absolute floor of the MCR	4,000	4,000
Minimum Capital Requirement	**40,690**	**43,325**

Figures in thousand euro

The linear MCR for Life insurance is €41.9 million. The linear MCR was obtained by applying the factors (specified in Articles 248 -251 of the Delegated Regulation (EU) 2015/35) to the data included in the above tables. The combined MCR is equal to €40.7 million, which is the result of applying maximum and minimum limits to the linear MCR.

E.2.3. Information regarding the Solvency Capital Requirement and the Minimum Required Capital

The Company has adjusted the Solvency Capital Requirement to take into account the loss-absorbing capacity of deferred taxes, in the amount of €16.7 million. The Company does not have a deferred tax asset as the contracts are not projected to be loss-making in both the Best Estimate Liabilities and the prescribed stress scenarios. For this reason, there is no requirement to test recoverability of any tax.

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

MMSV did not use this option when performing its solvency valuation.

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

MMSV does not use Internal Models in its Solvency calculations.

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

At 31st December 2023, MMSV had sufficient own funds to meet its Solvency Capital Requirement and Minimum Capital Requirement and support its new business plans. The Company was compliant with the MCR and SCR at each quarter end of 2023, when a full calculation based on the standard formula calculation has been carried out. As a result, no mandatory remedial actions or corrective measures are required.

The Board of Directors continues to monitor the Company's financial and solvency evolution in the context of the internal and external environment. If required, measures will be introduced in the best interest of policyholders and shareholders.

E.6. Any other information

MMSV management regularly monitors the impact of the current market fluctuations having regard to the solvency position of the company.

Annex I

The below table portrays MMSV's shareholding in subsidiaries/associates:

Name	Type of investment	Country	Activity	Legal status	Ownership interest FY 2023	Ownership interest FY 2022
Growth Investment[9]	Subsidiary	Malta	Provision of investment services	Limited liability company	-	100.00%
Church Wharf Properties Limited	Associate	Malta	Ownership of immovable property	Limited liability company	50.00%	50.00%
Plaza Centres p.l.c.	Associate	Malta	Lease, manage and market its shopping and commercial centres	Limited liability company	31.42%	31.42%
Tigne Mall p.l.c.	Associate	Malta	Ownership and management of 'The Point Shopping Mall'	Limited liability company	35.46%	35.46%

[9] Company has been liquidated in 2023.