MAPFRE | MSV Life

Solvency and Financial Condition Report
31st December 2021

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, financial, property, and service industries. Within 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.

MAPFRE MSV Group registered a profit before tax of €16.7 million for the year ended 31st December 2021, up 11.3% on the previous year where a €15.0 million profit before tax was generated. Profit after tax is recorded at €10.6 million, up 2.9% on the €10.3 million in the previous year.

In aggregate, the balance on the long term business technical account increased to €18.1 million from a prior year €14.9 million as a result of slow but steady growth in the volume of With Profits business throughout the year as well as life assurance protection business driven by good underwriting performance.

Total expenses equalled 1.33% of total technical provisions.

Total income from investments during the year amounted to €111.1 million whereas total investment expenses equalled €7.2 million.

System of Governance

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

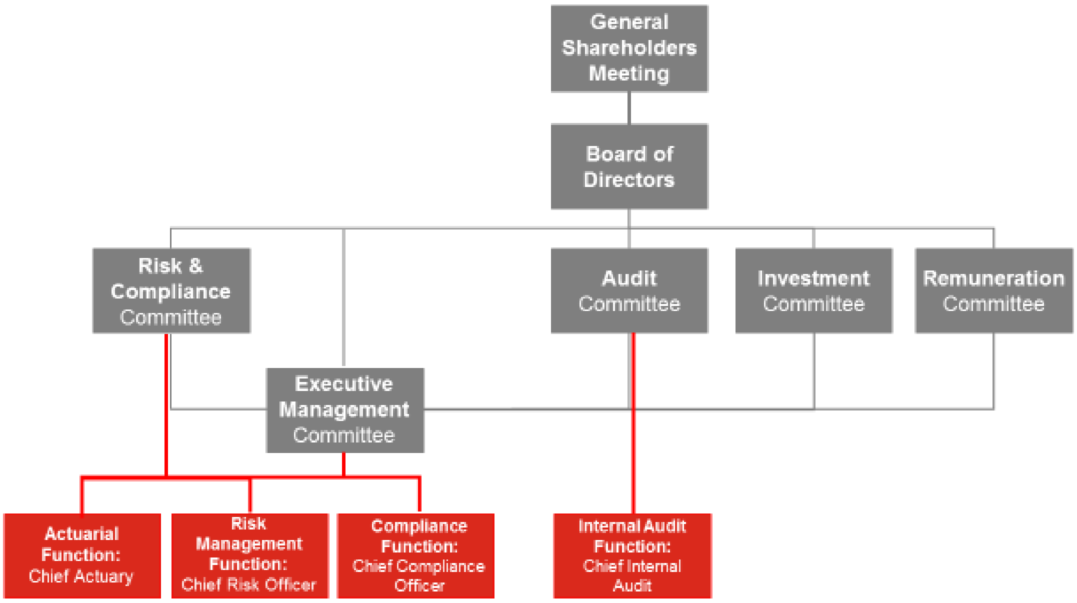
- General Meeting of Shareholders
- Board of Directors
- Executive Management Committee
- Audit Committee
- Investment Committee
- Remuneration Committee
- Risk and Compliance Committee

Additionally, the following committees supplement the list above:

- Security and Environment Committee
- Product Oversight Governance (POG) Committee

MMSV is also supervised by the EURASIA 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 2021 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 defence model has been adopted as the Risk Management System.

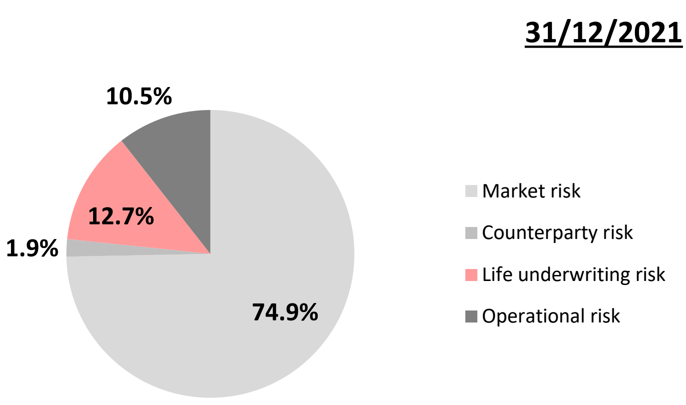
Within this framework, MMSV has a structure composed of areas that, in their respective technical expertise, independently monitor the risks assumed.

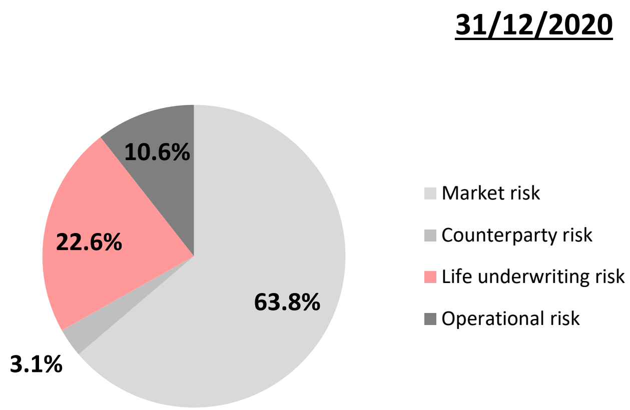
With effect from 1st April 2021, Etienne Sciberras was appointed Chief Executive Officer (CEO) of MMSV, replacing Felipe Navarro Lopez de Chicheri, who assumed another role with the MAPFRE Group[1].

Risk profile

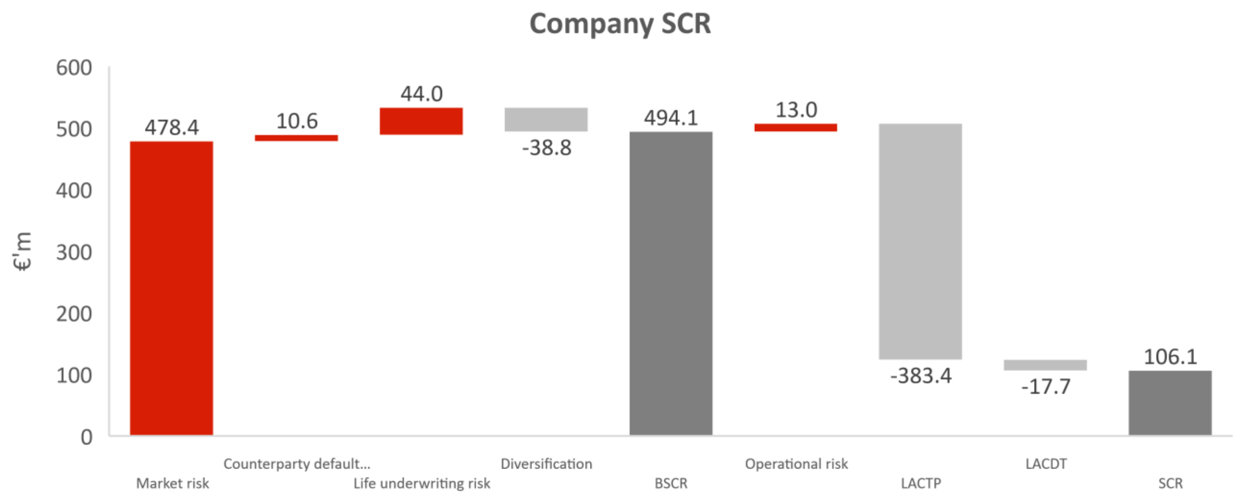
MMSV calculates its Solvency Capital Requirement (SCR) in accordance with the standard formula requirements.

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





The above reflects the Loss Absorbency Capacity of Technical Provisions.



As may be observed above, in 2021, Market risk and Life underwriting risk remained the primary risks faced by MMSV.

[1] Felipe Navarro Lopez de Chicheri was acting as interim CEO following David G. Curmi's departure from MMSV at the end of January 2021 at the expiry of his contract.

Other material risks to which MMSV is exposed to include those derived from the Ukraine-Russia Geopolitical crisis, Coronavirus Pandemic, Regulatory and Non-Compliance risk, Cybersecurity risk, climate change risk, FATF Grey Listing, and Talent and Human Resources. Additional information on these risks is provided in Section C.6.

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.

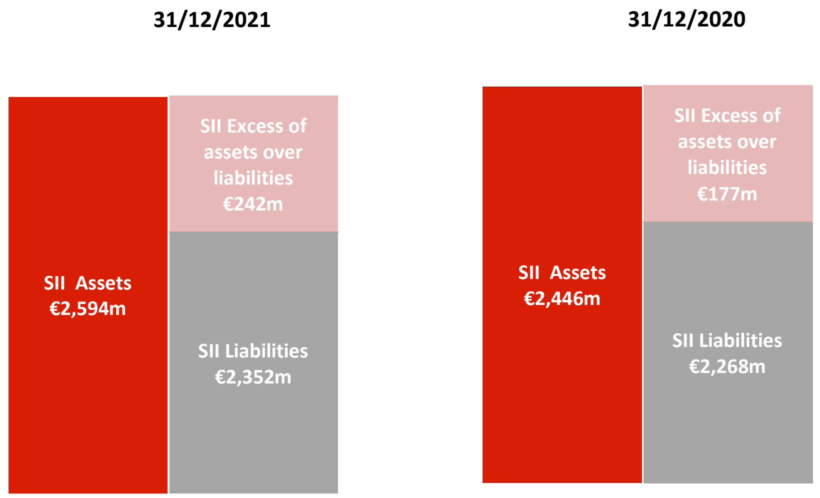
In view of the accelerating inflation, Central Banks, particularly the Federal Reserve, started to reduce their quantitative easing measures and to signal interest rates hikes over 2022. This contributed to a market scenario were fixed income assets underperformed. The return to interest rate normalization thus present its own risks in terms of potentially derailing or choking the economic recovery if interest rates had to increase too far and too fast. In general, gradual increases in interest rates are considered favourably for long term life insurance business. However, the current level of interest rates are still considered to be well below the historical average rates thus still representing a broadly challenging financial environment for interest rate sensitive business models.

From an investment portfolio perspective, the rise in yields translates into a loss on the fixed interest allocation which is offset by a reduction in technical liabilities. In terms of the With-Profits fund, the increase in yields is mainly offset through a lower value of guarantees. Equity risk remains the main market risk exposure within the With-Profits fund. Over 2021, as an asset class, equity outperformed, contributing materially towards the investment return registered over the year. The dynamic of gradual increases in yields and upward trending equity markets is positive from a With-Profits fund solvency perspective. The high level of liquidity maintained gives rise to an important concentration risk exposure to Bank of Valletta in the form of cash deposits. Consistent to last year, the main single debt issuer risk is represented by the Maltese Government.

Valuation for solvency purposes

The Solvency II value of assets amounts to €2.6 billion, whereas the Accounting value (IFRS value) is equal to €2.7 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 €2.4 billion, whereas the IFRS value is equal to €2.5 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. Section D.2 provides an explanation on the actuarial methodology and assumptions used in the calculation of technical provisions (best estimate and risk margin).



The excess of assets over liabilities for Solvency II purposes amounted to €241.9 million, which represented an increase of 9.1% over the IFRS value of equity. At 31st December 2021, the excess of assets over liabilities increased by €64.5 million compared with the end of last year. This increase is mainly the result of the €40 million share capital increase effected on 25th March 2021.

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.

	31/12/2021	31/12/2020
Solvency Capital Requirement (SCR)	**€106.1**	**€94.0**
Own funds eligible for SCR coverage	**€239.9**	**€177.4**
Solvency ratio (SCR coverage)	**226.1%**	**188.7%**

Figures in million euro

MMSV's excess capital totalled €239.9 million and it has eligible own funds that cover the regulatory solvency requirement by 2.26 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 €47.8 million and the eligible own funds to cover it are €239.9 million, making the MCR coverage ratio 502.5%. Regarding the quality of these eligible own funds to absorb losses, all the €239.9 million are of the highest quality (Tier 1).

An increase in issued and paid in share capital of €40 million, classified as Tier 1 capital, has been effected on 25th March 2021. This continued to strengthen the Company's solvency position.

A. Business and Performance

The accounting data 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, financial, investments and service industries.

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

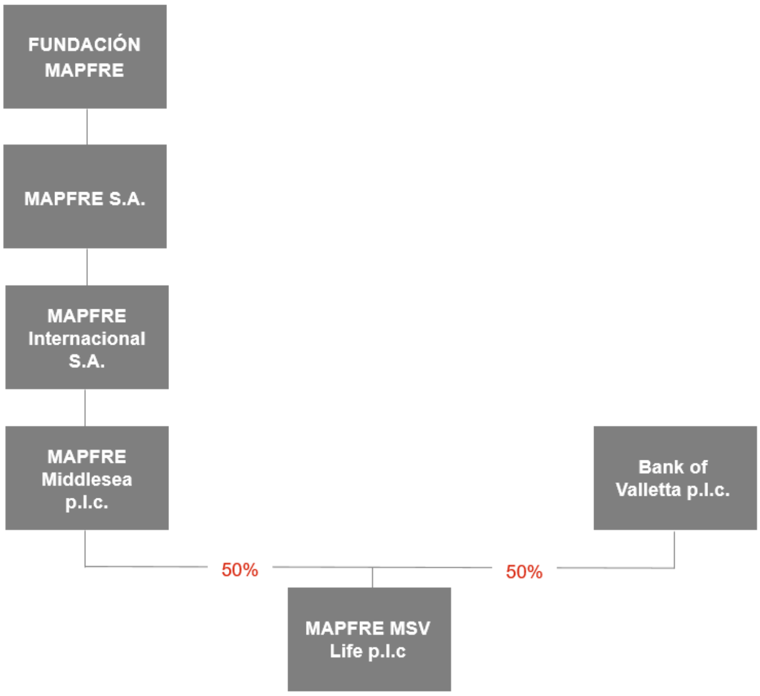
The following table shows the companies that possess direct qualifying holdings in the Company:

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. Therefore, MMSV is also part of the MAPFRE Group, integrated within MAPFRE S.A. and other companies with activity in different insurance, financial, investments and service sectors.

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.

In turn, MMSV is the parent company of Growth Investments Limited, which is regulated by the Investment Services Act and is a Category II License Holder. 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 www.dgsfp.mineco.es.

External Audit

On 18th March 2022, KPMG Malta issued an unqualified audit opinion in its audit report on the Company's individual and consolidated financial statements prepared by the Company as at 31st December 2021.

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

MAPFRE MSV Group registered a profit before tax of €16.7 million for the year ended 31st December 2021, up 11.3% on the previous year where a €15.0 million profit before tax was generated. Profit after tax is recorded at €10.6 million, up 2.9% on the €10.3 million in the previous year.

Operating results benefited from the strong economic recovery and the significant liquidity in the local market. Consumer sentiment continued to improve as unemployment levels went down as concerns related to COVID-19 continued to abate as vaccination rates increased.

In aggregate, the balance on the long term business technical account increased to €18.1 million from a prior year €14.9 million as a result of slow but steady growth in the volume of With Profits business throughout the year as well as life assurance protection business driven by good underwriting performance.

Market developments and outlook

The Maltese life insurance market has, for a number of years, registered growth that is significantly above the average in Europe but remains an underinsured market. Although life insurance companies are playing an increasingly important role in Maltese household savings, comparative studies with other European life insurance markets show that whilst the Maltese life insurance market has grown significantly between 1996 and 2021, the life insurance density and life insurance penetration still fall below the European average. MMSV therefore continues to see attractive potential for an uplift in life protection, long term and retirement savings in the local life insurance market.

The outlook remains one of cautious optimism. The global economic recovery experienced in 2021 should be sustained into 2022 though the growth rate will not benefit from the low base effect of 2020. High liquidity and a still supportive fiscal and easy monetary policy should continue to underpin growth. However, down side risks persist in the form of structural inflationary pressures, supply side bottlenecks, new COVID-19 variants and geopolitical risk.

Russia's invasion of Ukraine is a great human tragedy. This event has significantly increased the level of political, economic and market risks and significantly increased the level of uncertainty. Economic growth is expected to be lower, with growth in Europe being impacted the most. The economic magnitude of this will depend on how the conflict unfolds. Different scenarios present different economic outcomes in terms of impact magnitude and on the eventual recovery. Capital markets are expected to remain volatile and Central Bank's policy will need to balance the need to contain inflation and to support the economic recovery.

A.2. Underwriting results

Below is a comparison of the quantitative information regarding the activity and underlying results for 2021 and 2020 by line of business.

	Line of Business for: life insurance obligations						Total	
	Insurance with profit participation		Index-linked and unit-linked insurance		Other life insurance			
	2021	2020	2021	2020	2021	2020	2021	2020
Premiums written								
Gross	307,809	253,933	2,716	2,480	14,611	13,169	325,136	269,582
Reinsurers' share	27	31	1	3	3,151	3,621	3,179	3,655
Net	307,782	253,902	2,715	2,477	11,460	9,548	321,957	265,927
Premiums earned								
Gross	307,809	253,933	2,716	2,480	14,611	13,169	325,136	269,582
Reinsurers' share	27	31	1	3	3,151	3,621	3,179	3,655
Net	307,782	253,902	2,715	2,477	11,460	9,548	321,957	265,927
Claims incurred								
Gross	290,848	250,160	3,919	2,395	3,820	2,536	298,587	255,091
Reinsurers' share	-	-	-	-	2,170	1,145	2,170	1,145
Net	290,848	250,160	3,919	2,395	1,650	1,391	296,417	253,946
Changes in other technical provisions								
Gross	74,808	31,472	5,952	343	(1,856)	2,852	78,904	34,667
Reinsurers' share	-	-	-	-	-	-	-	-
Net	74,808	31,472	5,952	343	(1,856)	2,852	78,904	34,667
Expenses incurred	29,739	26,556	601	679	3,624	5,017	33,964	32,252
Other expenses							-	-
Total expenses							33,964	32,252

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 operate have been eliminated.

Gross premiums written for the year increased by €55.6 million, mainly as a result of the increase in single premium business.

Gross claims incurred in 2021 increased by €43.5 million. Both deaths and maturities registered an increase, with the main rise coming from higher maturity claims. On the other hand, surrenders went down.

Expenses increased during the current year. The highest increases were mainly in claims management expenses and investment management expenses, whereas a decrease 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:

Financial income	2021	2020
INVESTMENT INCOME		
Investment properties	5,117	4,647
Income from the held-to-maturity portfolio	-	-
Income from the available-for-sale portfolio	-	-
Income from financial assets at fair value through profit or loss	27,966	25,530
Loans and receivables	1,893	2,203
TOTAL INVESTMENT INCOME	**34,976**	**32,380**
REALISED AND UNREALISED GAINS		
Net realised gains	**10,230**	**-**
Investment properties	-	-
Held-to-maturity investment portfolio	-	-
Available-for-sale investment portfolio	-	-
Financial assets at fair value through profit or loss	10,230	-
Other	-	-
Net unrealised gains	**59,257**	**45,071**
Increase in the fair value of financial assets at fair value through profit or loss	59,257	45,071
Other	-	-
TOTAL GAINS	**69,487**	**45,071**
OTHER FINANCIAL INCOME FROM THE INSURANCE BUSINESS		
Gains on investments on behalf of policyholders bearing the investment risk	6,648	482
Gains on exchange	-	2,530
Other	-	-
TOTAL OTHER FINANCIAL INCOME FROM THE INSURANCE BUSINESS	**6,648**	**3,012**
TOTAL INCOME FROM THE INSURANCE BUSINESS	**104,463**	**77,451**
FINANCIAL INCOME FROM OTHER BUSINESSES	**-**	**-**
TOTAL FINANCIAL INCOME	**111,111**	**80,463**

Figures in thousand euro

Financial Expenses	2021	2020
INVESTMENT EXPENSES		
Investment properties	436	232
Expenses from the held-to-maturity portfolio	-	-
Expenses from the available-for-sale portfolio	-	-
Expenses from financial assets at fair value though profit or loss	-	-
Other investment expenses	6,142	5,776
TOTAL INVESTMENT EXPENSES	**6,578**	**6,008**
REALISED AND UNREALISED LOSSES		
Realised losses	**11,129**	**-**
Investment properties	-	-
Held-to-maturity investment portfolio	-	-
Available-for-sale investment portfolio	-	-

Financial assets at fair value through profit or loss	11,129	-
Other	-	-
Unrealised losses	**-**	**-**
Decrease in the fair value of financial assets at fair value through profit or loss	-	-
Other	-	-
TOTAL LOSSES	**11,129**	**-**
OTHER FINANCIAL EXPENSES FROM THE INSURANCE BUSINESS		
Losses on investments on behalf of policyholders bearing the investment risk	-	-
Losses on exchange	-	1,723
Other	-	-
TOTAL OTHER FINANCIAL EXPENSES FROM THE INSURANCE BUSINESS	**-**	**1,723**
TOTAL EXPENSES FROM THE INSURANCE BUSINESS	**-**	**-**
FINANCIAL EXPENSES FROM OTHER BUSINESSES	**-**	**-**
TOTAL FINANCIAL EXPENSES	**17,707**	**7,731**

Financial Expenses	2021	2020
INVESTMENT EXPENSES		
Investment properties	370	436
Expenses from the held-to-maturity portfolio	-	-
Expenses from the available-for-sale portfolio	-	-
Expenses from financial assets at fair value though profit or loss	-	-
Other investment expenses	6,813	6,142
TOTAL INVESTMENT EXPENSES	**7,183**	**6,578**
REALISED AND UNREALISED LOSSES		
Realised losses	**-**	**11,129**
Investment properties	-	-
Held-to-maturity investment portfolio	-	-
Available-for-sale investment portfolio	-	-
Financial assets at fair value through profit or loss	-	11,129
Other	-	-
Unrealised losses	**-**	**-**
Decrease in the fair value of financial assets at fair value through profit or loss	-	-
Other	-	-
TOTAL LOSSES	**-**	**11,129**
OTHER FINANCIAL EXPENSES FROM THE INSURANCE BUSINESS		
Losses on investments on behalf of policyholders bearing the investment risk	-	-
Losses on exchange	6,349	-
Other	-	-
TOTAL OTHER FINANCIAL EXPENSES FROM THE INSURANCE BUSINESS	**6,349**	**-**
TOTAL EXPENSES FROM THE INSURANCE BUSINESS	**7,183**	**17,707**
FINANCIAL EXPENSES FROM OTHER BUSINESSES	**-**	**-**
TOTAL FINANCIAL EXPENSES	**13,532**	**17,707**

TOTAL INCOME FROM THE INSURANCE BUSINESS	**111,111**	**80,463**
TOTAL EXPENSES FROM THE INSURANCE BUSINESS	**13,532**	**17,707**
FINANCIAL RESULT FROM THE INSURANCE BUSINESS	**97,579**	**62,756**

TOTAL FINANCIAL INCOME FROM OTHER BUSINESSES	-	-
TOTAL FINANCIAL EXPENSES FROM OTHER BUSINESSES	-	-
TOTAL FINANCIAL RESULT FROM OTHER BUSINESSES	-	-
TOTAL FINANCIAL RESULT	**97,579**	**62,756**

Figures in thousand euros

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

No gains and losses are recognised directly in equity.

A.4. Performance of other activities

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

During the year, a revaluation loss on land and buildings of €1.5 million was recognised by the Company.

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
2021	Property Investment	97,226	10.09	5.55
2020	Property Investment	97,838	10.21	5.04

Net Book Value Figures in thousand euro

These leases have an average remaining life of 4.54 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 Organizational 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. Apart from the above mentioned Group structure, MMSV has its own individual governing bodies.

MMSV's governing bodies:

- 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:

- **General Meeting of Shareholders**: 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 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:

- **Regional Management Committee of** EURASIA, 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 Committee:** 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 developing, approving and launching new products; developing and approving significant adaptations or alterations to existing products; and deciding on remedial action to be taken in terms of the POG Arrangements.

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 on 4th December 2020. The aforementioned policies are reviewed annually.

The policies ensure the operational independence of the key functions and their direct reporting to the governing body, ensuring that 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 receives 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.

The key functions have the resources that are necessary to adequately perform the duties assigned to them under their respective policies.

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

There were no significant changes in the governance structure during 2021.

B.1.4. Remuneration

Remuneration paid to the members of MMSV’s governing body and employees is determined in accordance with current regulations as well as its Remuneration Policy, approved by the Board of Directors on 15th December 2021 and reviewed annually.

The main scope of the Remuneration policy is to establish adequate remuneration which is based on the post or position, as well as performance, and to instill motivation to achieve the objectives in line with MMSV's strategy. At the same time. the policy also aims to foster effective risk management, making it unattractive to assume risks that exceed the Company's tolerance level and to avoid conflict of interest. The main principles of the Remuneration policy are the below:

- Avoids any conflicts of interest through measures which are designed and based on each job / function.
- Takes into account merit, technical knowledge, professional skills and performance.
- Ensures equality, without discrimination based on criteria to gender, race or ideology.
- Transparency.
- Flexible in structure, adaptable to different groups and market circumstances.
- Aligned with MMSV's strategy and its risk profiles, objectives, risk-management practices, and long-term interests.
- Market competitiveness.

In line with the policy, employee remuneration is comprised of five items: fixed remuneration, variable remuneration/incentives, recognition programs, social benefits and allowances.

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 Committee, which may be higher for people with positions on the Board or who hold the position of Chairman of the Committee. This remuneration may be supplemented by other non-monetary benefits (life or health insurance, discounts on products sold by companies in the MAPFRE Group, etc.) that have been established for the Company's staff in general.
- 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.
- It presents a balanced and efficient relationship between fixed components and variable components, with fixed remuneration being a sufficiently high part of total remuneration.
- 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 results.
- It is compatible with appropriate and effective risk management and with the business strategy, the long-term values and interests of the Company, without variable remuneration threatening the Company's capability of maintaining a proper capital base.
- 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.
- It ensures equality of opportunity for all MAPFRE professionals, regardless of sex, race, or ideology.

In addition, in accordance in their contracts, the Directors who carry out executive functions have the right to the social benefits for MMSV's senior executives and staff in general.

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 approved by the Board of Directors on 15th December 2021 and is reviewed annually. This policy establishes the applicable Key Personnel[2] 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 necessary to carry out functions in similar companies in their trajectory 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, 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. This statement must be made in the Company's model forms established for this purpose.

The aforementioned parties must ensure that their statements are updated on an ongoing basis, and must communicate any relevant changes in their situations, and participate in periodic updates when required to do so by MMSV's Board of Directors through delegation as defined in the Aptitude and Integrity Policy, including the re-evaluation of any fit and proper requirements.

[2] Relevant Personnel: Board of Directors, Associate Directors, Senior Executives (Senior Management) and Heads of key functions, as well as other parties outlined in prevailing legislation at any given time, must meet fit and proper requirements.

B.3. Risk management system, including the self-assessment of risk and solvency

B.3.1 Governance framework

The Risk Management System (RMS) is an integral part of MMSV's organizational structure. MMSV's RMS follows the three lines of defence model (described in section B.4.1). This ensures ownership by all employees for 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 RMS 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 function, the Board of Directors of MMSV is supported by the Risk and Compliance Committee.

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

The MMSV Risk Management Function facilitates the application of the Risk Management System. Its functions include the coordination of the strategies, processes and procedures that are necessary to continually identify, measure, monitor, manage and report on the risks to which MMSV is exposed to, or may be exposed to.

The 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 Risk Corporate 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 the Company's financial solvency and strength.

The RMS 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.

Capital is generally estimated in line with the budget for the following year, and is periodically reviewed throughout the year according to risk development, to ensure compliance with the established Risk Appetite limits. The Board of Directors is responsible to approve internal regulations and establish the level of risk that the Company is willing to accept in order to meet the business objectives without relevant deviations.

The Governing Bodies of MMSV receive information regarding the quantification of the main risks to which the Company is exposed 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 - Equities - Properties - 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 deriving from strategic decisions and reputation risks)	Standard Formula Dynamic qualitative analysis of the risks using processes (RiskM@p) Recognition and monitoring of operational risk events	Quarterly Annual Continuous
Liquidity Risk	Liquidity position. Liquidity indicators	Continuous

Type of Risk	Measurement and management	Monitoring and reporting
Risk that the Company might not be able to realise its investments and other assets in order to meet its financial commitments at maturity		
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	Continuous
	Compliance Management Framework	Ongoing
Strategic and Corporate Governance Risk Includes the following risks: - Business ethics and good corporate governance - Organizational structure - Alliances, mergers and acquisitions - Market competition	Through the corporate policies aligned with MAPFRE Group's Institutional, Business, and Organizational Principles.	Continuous
	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 understanding 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.

ORSA Process

The Risk Management 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 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 levels is ensured. To this end, the ORSA 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. The Corporate Risk Office coordinates stress tests to check the level of losses arising from the risks to which the Group may be exposed, without prejudice to the Risk Function executing the stress tests it deems appropriate for its business.

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

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's Internal Control policy has been approved on 4th December 2020 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[3] 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 organization needs to achieve the objectives), and its organizational structure (operating units, legal companies, etc.).

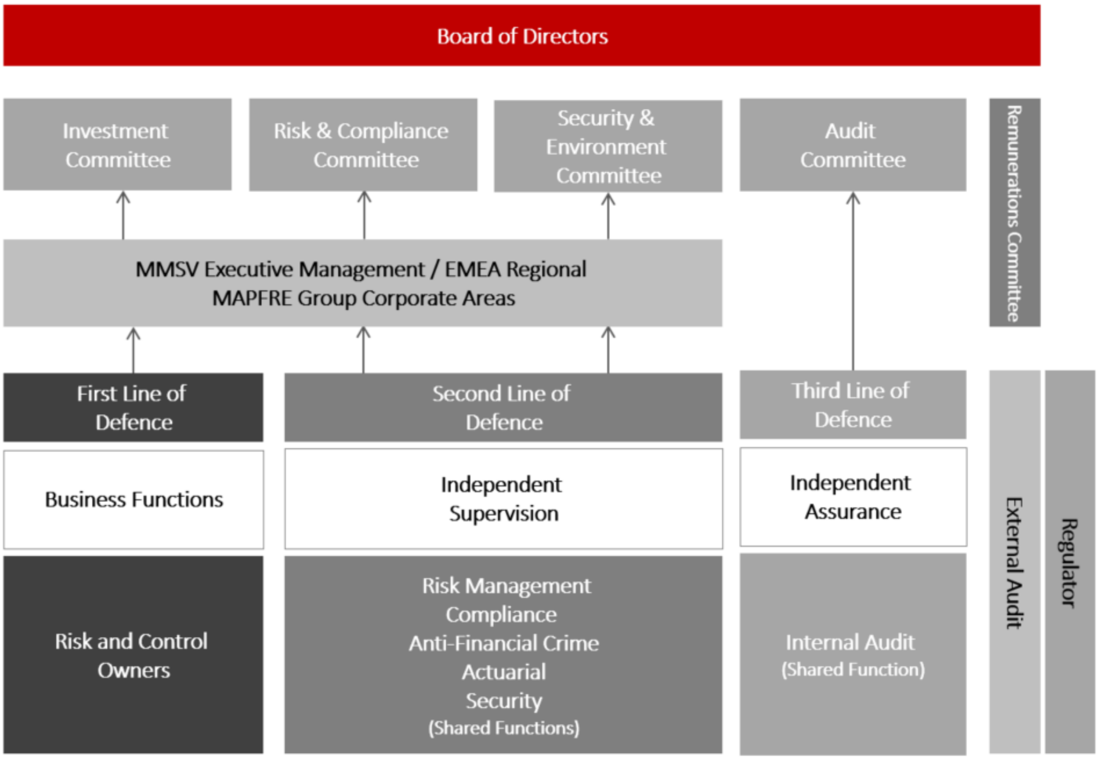
MMSV's Internal Control System involves all personnel, irrespective of their position within the organization who collectively contribute to provide reasonable assurance on the achievement of the objectives, mainly regarding:

- 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 defence model, by assigning responsibilities and ensuring compliance with the internal control objectives in line with the model:

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, 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 is made up of Internal Audit, which provides an independent assessment of the adequacy, appropriateness, and effectiveness of the Internal Control System, and communicates potential deficiencies timely to the parties responsible for taking the corrective measures, including top management and governing bodies, as appropriate.

[3] Committee of Sponsoring Organizations 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 tasks and actions that are present in all activities of the organization, being fully integrated into its organizational 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.

The Company 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 defence model, with the Internal Audit Function being the third line of defence. 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 function reports to the Audit Committee, a board delegated committee. This guarantees the Internal Audit function independence from the Company's management. The Internal Audit Policy and bylaws updated and approved by the Board of Directors on 15th December 2021, establish the mission, functions and attributes of MMSV's Internal Audit Function. It also includes the rights and obligations of the 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 honorability, objectivity, confidentiality, and competence.

Additionally, one of the primary objective of this document is to communicate the main activities of internal audit, among others, the classification of audit work, recommendations and deadlines, treatment of audit reports, and any other general circumstances related to internal audit activities, which must be exclusively carried out by the MMSV´s Internal Audit Unit.

The policy and bylaw are reviewed at least on a yearly basis. All changes that are made in these revisions are approved by the corresponding MMSV's governing bodies.

B.6. Actuarial Function

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
- Focused on ensuring with-profits policyholders are treated fairly

Liaison

With effect from 1st January 2021, the Actuarial Units of MMS and MMSV were merged into a shared function. Within MMSV, the Actuarial Unit performs a complete range of actuarial duties. The Actuarial Unit therefore contributes both to MMSV's first and second lines of defence. Where MMSV Actuarial unit performs first line of defence 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 Actuarial Consultants and in the case of profit testing, a further review by the MAPFRE Corporate Actuarial Office.

The Actuarial Unit is responsible for preparing the mathematical, actuarial, statistical and financial calculations that allow the setting of premiums, calculation of reserves 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.

The Actuarial Unit 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.

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

During 2021, 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.

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 approved on 15th December 2021 by the MMSV Board of Directors, and is in line with the Outsourcing Policies approved by the MAPFRE S.A. Board for the Group, 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. This Policy is reviewed annually.

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 2021.

B.8. Any other information

MMSV's system of governance reflects the requirements established in the Solvency II Directive on managing inherent business risks. MMSV uses its own strategy for implementing and carrying out the Risk Management Area, whilst the Group Risk Corporate Office defines the reference criteria and establishes or validates its organizational structure.

MMSV considers that the organisational and functional structure of its system of governance is adequate based on the nature, complexity and scale of the risks inherent to its business.

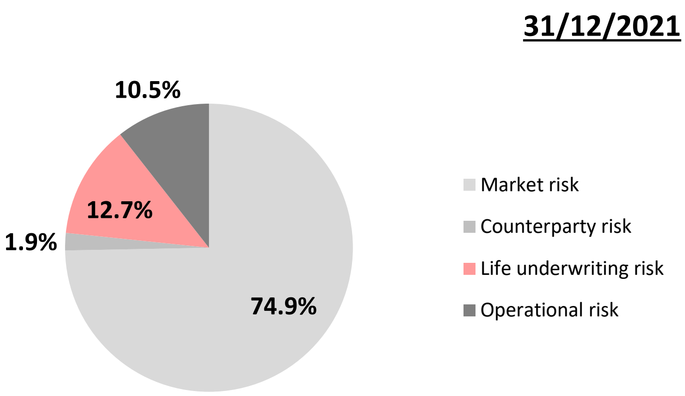
As mentioned above, Internal Audit performs a review of the Internal Control Environment on a yearly basis. Through this review, Internal Audit considers and evaluate the Company's systems of governance, in line with the Internal Control Policy.

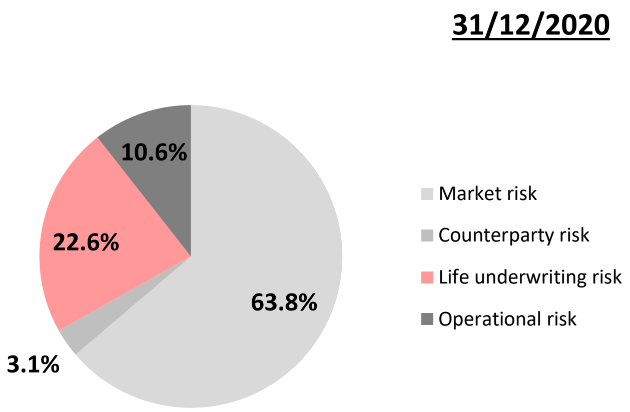
C. Risk profile

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) 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 2021 and 2020 (the SCR calculation is explained in section E.2):





As can be observed, market risk remains the main risk faced by MMSV, representing 74.9% of the total SCR.

In 2021, the relative share of market risk increased while the relative share of life-underwriting risk decreased. This can be attributed to the decreased lapse risk within the life-underwriting module and an increase in equity risk within the market risk module.

In 2021, there have been no significant changes with respect to the measures used to assess MMSV'S main risks.

Other material risks to which MMSV is exposed to include those derived from the Ukraine-Russia Geopolitical crisis, Coronavirus Pandemic, Regulatory and Non-Compliance risk, Cybersecurity risk, Climate Change risk, Malta's FATF Grey Listing, and Talent and Human Resources Management risk. Additional information on these risks is provided in Section C.6.

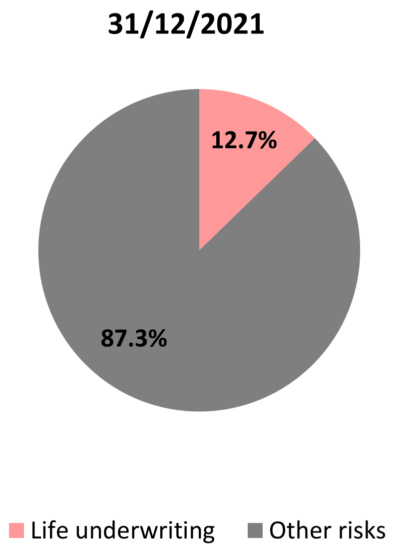
A description of the main risk categories, the exposure to the risks, their management and mitigation techniques, and possible concentrations are indicated below.

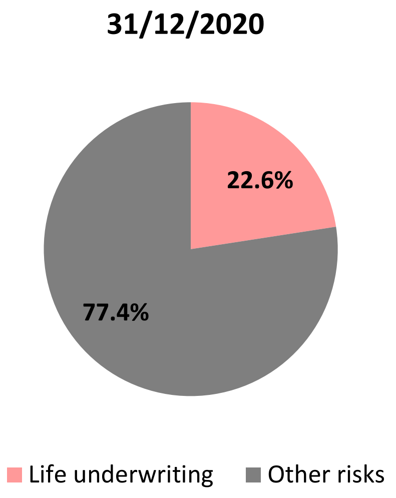
C.1. Underwriting risk

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 December 31st December 2021, underwriting risk represents 12.7% 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:





The decrease in life underwriting risk as a percentage of overall risks is a consequence of the increase in the relative share of market risk at a Company level together with a change in the lapse biting stress at the company level[4].This is driven by a corresponding loss in the assets relating to the mass lapse stress in the protection portfolio which is less onerous for the WP Fund SCR calculation where the previously biting lapse down stress has reduced primarily due to the increase in risk free rates.

Management and mitigation techniques

MMSV manages underwriting risk through a number of measures:

- **Establishing policy 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

[4] Biting stress scenario changed from Lapse down in 2020 to Mass lapse risk in 2021.

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 the 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 Team. 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.

At 31st December 2021, MMSV had ceded 1.21% of its total technical provisions.

To mitigate catastrophe risk to which MMSV is exposed, 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 he sufficiency and appropriateness of 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 the 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 lapse down which is smaller in magnitude than the biting mass lapse stress in the REM. Hence the biting scenario at the company level is driven by the impact of the mass lapse stress on the non-profit protection policies.

In the current low/negative interest rate environment, a greater value is placed on guarantees payable at maturity on with-profits contracts. Fewer surrenders increase the likelihood of guarantees crystallising and increases the amount of capital required. Conversely, 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.

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 interest of the remaining policyholders.

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 high 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[5] and with-profits business.

Exposure

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

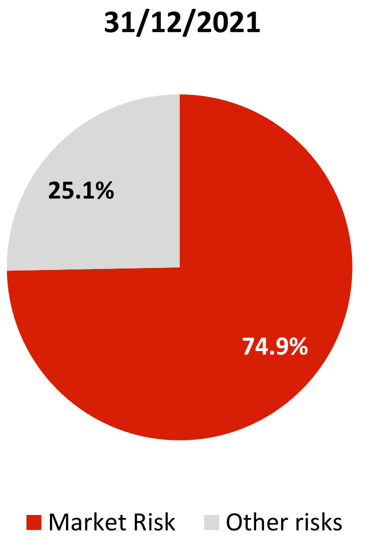
Investments	Investments at 31/12/2021	(%) Investments	Investments at 31/12/2020	(%) Investments
Property investments	**98,726**	**4.1%**	**97,838**	**4.3%**
Financial investments	**2,323,442**	**95.9%**	**2,184,086**	**95.7%**
Fixed income	1,011,436	41.8%	1,067,936	46.8%
Equity	560,231	23.1%	487,581	21.4%
Collective investment undertakings	521,711	21.5%	378,515	16.6%
Holdings in related companies	24,208	1.0%	26,679	1.2%
Deposits other than cash equivalents	205,383	8.5%	221,190	9.7%
Hedging derivatives	473	0.0%	2,185	0.1%
Other investments	-	-	-	-
Total	**2,422,168**	**100.0%**	**2,281,924**	**100.0%**

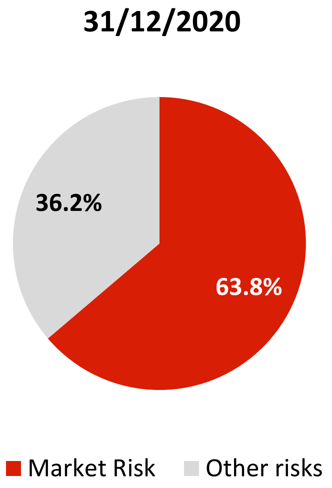
Figures in thousand euros

As at 31st December 2021, 95.2% of fixed-income investments had an investment-grade credit rating. Sovereign Government Debt exposure represented 68.7% of the total investment grade exposure. Maltese Government bonds represented 9.5% 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. In 2021, MMSV invested both in an infrastructure and a capital protected equity fund with a view adding further diversification and mitigating drawdown impact after a market shock.

Market risk as at 31st December 2021 represents 74.9% of all of risk modules included in the SCR. The details by module and changes compared to last year are presented in the following illustrations:

[5] Remaining part





The relative increase in market risk compared to 2020 was primarily the result of an increase in equity risk and of the lower weighting to Life Underwriting risk as the mass lapse became the most onerous stress for lapse risk giving rise to a lower capital requirement.

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.

Further, 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 investment. 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 over exposed 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 year. Insurance companies are normally exposed to the assets (particular debt issued by the government) of the country in which they operate, 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

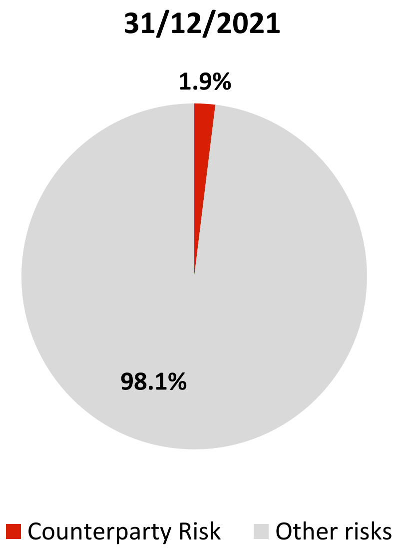
Credit Risk is the possibility of losses due to unexpected default or deterioration in the credit standing of counterparties and debtors over the next 12 months.

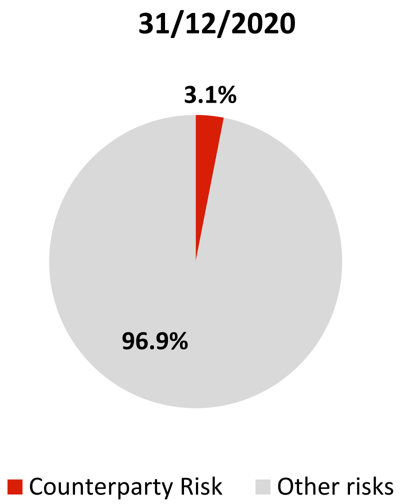
Credit Risk under the SCR Standard Formula calculation includes:

- Spread and concentration risk under the Market Risk module (section C.2 of the report).
- Counterparty default risk, which is broken down into two types of exposures:
    - Type 1 exposure: where the companies generally have credit ratings, including reinsurance contracts, swaps and cash in bank accounts.
    - Type 2 exposure: includes accounts receivable from intermediaries, and policyholder debts, among others.

Exposure

Counterparty default risk at 31st December 2021 represents 1.9% of all of the risk modules included in the SCR. The changes compared to last year results are presented in the following illustrations:





In 2021 and 2020, MMSV exposure consisted of Type 1 exposures only.

Management and mitigation techniques

The 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. Initially, generally, some liquidity tension was observed with the spread of COVID-19. However, this was reduced by the rapid reaction of the central banks, providing liquidity to the system. Exposure to liquidity risk is considered to be low, taking into account 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. Nevertheless, in the current uncertain environment, proper management of this risk is even more necessary.

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 2021, the cash and cash equivalents balance amounted to €59.1 million (€64.8 million in preceding year), equivalent to 2.38% of the total financial investments and cash. On top of this, MMSV has €205.4 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 ensures 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

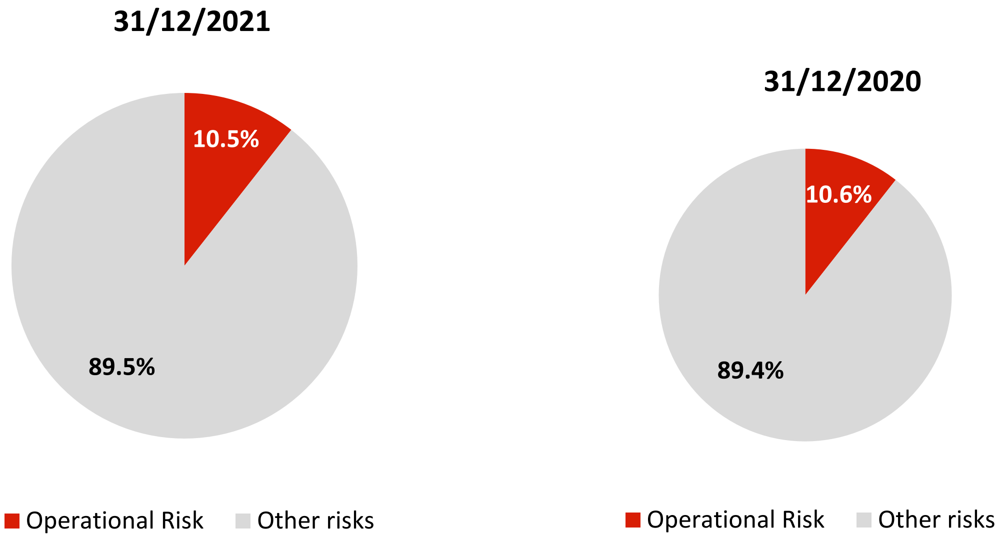
The calculation of best estimate of the technical provisions includes the expected profits from future premiums. This represents the proportion of expected future profitability borne by future premiums. As at 31st December 2021, the expected profits were estimated to total €80.8 million, gross of reinsurance.

C.5. Operational Risk

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

Exposure

Operational risk as at 31st December 2021, represents 10.5% of all of the risk modules included in the SCR, the details by module and changes compared to last year are presented in the following illustrations:



The relative weight of operational risk remained almost unchanged when compared to 2020. In absolute terms, operational risk increased, resulting from the increase in premium volume.

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.

Operational risks are identified and evaluated through Riskm@p, a software application developed in-house by MAPFRE to control risks, particularly operational risks.

C.6. Other material risks

C.6.1. Geopolitical Risk: Ukraine-Russia Conflict

At time of reporting, the economic effects that the conflict in Ukraine-Russia could cause are still uncertain. However, it should be noted that the exposure that both the MAPFRE Group and MMSV maintain in these territories is not material, so the direct impact on the Group's underwriting and investment exposure is of minor relevance.

The conflict has already caused, among other effects, an increase in volatility in the financial markets and in the prices in the commodities market, which put upward pressure on the current level of consumer prices. Depending on the evolution of the conflict, this could lead to macroeconomic tensions affecting the gross domestic product growth rates of the countries in which MAPFRE operates and, consequently, the performance of the insurance market as a whole. For MMSV, asset diversification remains fundamental to achieving better risk-adjusted returns and mitigating against this risk.

C.6.2. Coronavirus pandemic (COVID-19)

The situation in Malta has been relatively contained during most of 2021, except for the last few weeks of December and start of 2022, when the country experienced a spike in the new cases being recorded daily, mainly due to the Omicron COVID variant which spreads more quickly than the original virus and the Delta variant. In reaction to this, the Health Authorities reintroduced several restrictions to avoid an impact on the health system. The situation has improved towards the end of January 2022 with cases falling to approximately the average being recorded this time last year. The vaccination process has also registered a considerable improvement, with close to 90% of the population being fully vaccinated as at time of reporting. Uncertainty remains however, as health authorities are gradually easing restrictions again, and with the possibility of new COVID variants emerging in 2022.

Operationally, remote working continued to be one of the key control measures used by the company to prevent the spread of the virus and ensure business continuity. This changeover required leveraging on existing, and further investment in IT infrastructure. This also called for additional investment in IT security to mitigate the increased security threat associated with remote working. The digital transformation process continues to be paramount, not only to enhance the customer the customer experience, but also to improve resiliency.

C.6.3. Cybersecurity risk

Cybersecurity risks or Cyber Risks are the risks associated with the development of a business activity, including data management and control, in a digital or “Cyber” environment. These risks arise from the use, treatment, and transmission of electronic data through information systems, communication networks and the Internet itself, and include physical damage caused by Cyber incidents, as well as fraud committed by inappropriate or improper use of persona and confidential data.

The MAPFRE Group, through the Corporate Security Office, has advanced capabilities aimed at monitoring and protecting it against Cyber Risks and increasing the company's digital resilience. In this regard, MAPFRE has a General Control Center (CCG-CERT), integrated in the FIRST network and in the CSIRT.es group, acting as a Global Security Operation Center (SOC) and allows continuous monitoring (24 hours, 7 days a week). The CCG – CERT enables the Group to detect cyber security incident at early stage and be agile in the response, safeguarding MAPFRE’s and other Third-Party technological platforms, as well as the information contained in these platforms. The CCG-CERT is certified in the ISO 9001, ISO 27001, and ISO 22301 standards.

MAPFRE S.A. acquired a Cybersecurity Insurance Policy that covers various Cybersecurity Risks for all Group Companies.

In 2021, The MAPFRE Group's Cyber Resilience Plan (PCR) was approved and put into action in 2021, with an execution time frame of three (3) years across the MAPFRE Group. It is the master plan that articulates MAPFRE's evolution in terms of Cybersecurity, Privacy, Protection of Data and Digital Operational Resilience.

During 2021, we have seen the implementation of various aspects of the said plan, including but not limited to:

- Microsoft Defender Anti-Virus being switched from passive to active mode.
- Microsoft Defender Advanced Threat Prevention, both of which replaced McAfee;
- Review and regularization of Firewall rules.
- Review of User with Administrative Account privileges accessing our Data Controllers.
- ALGOSEC, a tool assisting in the management and organization of the Company’s Firewalls as well as;
- the introduction of Multi Factor Authentication for employees and third parties accessing our systems remotely, amongst others.
- A local Incident Management Procedure was also approved by the Security & Environment Committee complimenting the Corporate Incident Management Policy.

On the other hand, the increase in remote work and the appearance of new cyberattack mechanisms that exploit knowledge and/or awareness weaknesses have required a new impulse in the development and evolution of the Cybersecurity Culture. For this reason, a new Corporate Plan for Awareness and Training on the matter has been launched, covering the entire MAPFRE Group and which will be developed during the next three-year period.

C.6.4. Legal risk

Legal risk is defined as the event consisting of a regulatory, jurisprudential or administrative change that may adversely affect the Company. This risk is managed through the identification, assessment, monitoring and mitigation tasks carried out by the Company's Compliance Department, in collaboration with the affected areas or departments.

In recent years, the regulatory framework to which the insurance sector is subject has been expanded with new regulations both at the international and local level. In addition, the Company operates in an environment of complexity and increasing regulatory pressure, not only in insurance matters but also in matters relating to technology, corporate governance or corporate criminal liability, among others.

Noteworthy initiatives in this area during 2021 included the following up of the developments in respect of: Sustainable Finance Disclosures Regulation (SFDR), the EIOPA Guidelines on Outsourcing to Cloud Service Providers, PRIIPs Review, Solvency II Review, MFSA Proposed Corporate Governance Framework, Better enforcement and modernisation of Union consumer protection rules and Directive on the protection of persons who report breaches of Union law.

C.6.5. Non-compliance risk

The non-compliance risk is defined as the possibility of incurring losses as a result of legal or regulatory penalties or reputation losses arising from the failure to comply with laws, regulations and standards (both internal and external), or with applicable administrative requirements.

This risk is managed, primarily, through the identification, assessment, monitoring and mitigation tasks performed by the Company’s Compliance office. In 2021, MMSV ran the Compliance Risk Management Process in line Corporate Compliance Office methodology.

C.6.6. 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. This risk may give rise to:

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

In this regard, the actions carried out in 2021 focused, fundamentally, on increasing our understanding of the greater catastrophic danger derived from climate change and 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.
- A Responsible Investment (RI) Policy has been documented.
- Ensuring that MMSV's underlying portfolios are in line with the RI Policy.
- Contribution to various Corporate Social Responsibility Activities for the benefit of the environment in the community, such as clean ups and tree sponsorships and planting, whilst complying with Health Authorities Directives in relation to the COVID-19 Pandemic.
- MMSV also contributed towards the ESG initiative in which its parent company MMS participated. MMS contributed data for the compilation of the first ESG portal launched by the Ministry for Energy, Enterprise and Sustainable Development including the data from MMSV in view that the reporting was done at local group basis. This initiative allows the general public and investors to evaluate the environmental, social and governance credentials of amongst the largest quoted companies in Malta and Gozo.

C.6.7. Malta FATF Grey listing

During its plenary session of June 2021 the Financial Action Task (FATF) included Malta on its list of jurisdictions under increased monitoring. This list is often referred to externally as the 'grey list'.

Although the FATF positively noted the progress made by Malta on the recommendations made following the Mutual Evaluation Review (MER) that was adopted by MONEYVAL in July 2019, the FATF indicated that further progress was required on 3 of the 58 effectiveness recommendations. These related to the accuracy of available beneficial ownership information on Maltese legal entities, the sanctioning of companies and subject persons for failings related to the obtainment and maintenance of beneficial ownership information, and the generation and use of financial intelligence in investigating and prosecuting tax evasion and related money laundering.

At its February 2022 plenary session the FATF made the initial determination that Malta has substantially completed the agreed Action Plan. An onsite visit will now be carried out to allow the FATF to verify that Malta is persevering with its anti-money laundering reforms and that the necessary political commitment remains in place to sustain implementation and improvement moving forward.

The FATF grey listing has inevitably caused some reputational damage, both to the financial services industry and the country as a whole. Although the long term economic impact is difficult to quantify at this stage, the financial system could be adversely impacted as a result of a reduction in the country's attractiveness to foreign investment.

C.6.8. Talent and Human Resource Management Risk

Talent and human resources management risk can be associated with the risk of attracting and retaining talented and key employees, high turnover, changes to the organisational structure due to external and internal changes, and succession planning. With a low unemployment rate and with the increasing competition for talent across multiple industries, retaining talented employees and hiring the required level of skill, particularly for specialized and technical roles, has been a great challenge for many companies, including the insurance industry specifically.

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:

	31/12/2021	Change in percentage points
Solvency Ratio (SR)	226.1%	-
SR In the event of a 100 basis point increase in the interest rate	263.8%	37.7 p.p
SR In the event of a 100 basis point decrease in the interest rate	125.0%	(101.1) p.p
SR in the event of a 10% appreciation of the euro	197.0%	(29.1) p.p.
SR In the event of a 25% decrease in equities	130.4%	(95.7) p.p.
SR In the event of a 50 basis point increase in corporate spreads	213.1%	(13.0) p.p.
SR In the event of a 50 basis point increase in corporate and sovereign spreads	176.3%	(49.8) p.p.

p.p. percentage points

Likewise, the sensitivity of the solvency ratio[6] to certain Life business variables has been calculated, although in this case the impact is shown by an interval.

	31/12/2021
Solvency Ratio (SR)	226.1%
SR in case of 5% increase in the mortality rate (products without longevity risk)	219.5%
SR in case of 10% increase in expenses	219.9%
SR in case of 10% increase in lapses	220.7%

p.p. percentage points

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

The results of these sensitivity tests show that MMSV would continue to comply with the solvency capital requirement in all the above scenarios.

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 (IFRS). These standards were the basis for preparing MMSV's financial statements as at 31st December 2021, and were approved by the Board of Directors during their meeting on 18th March 2022. The "Solvency II Value" column reflects the assets and liabilities valued as at 31st December 2021 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 2021:

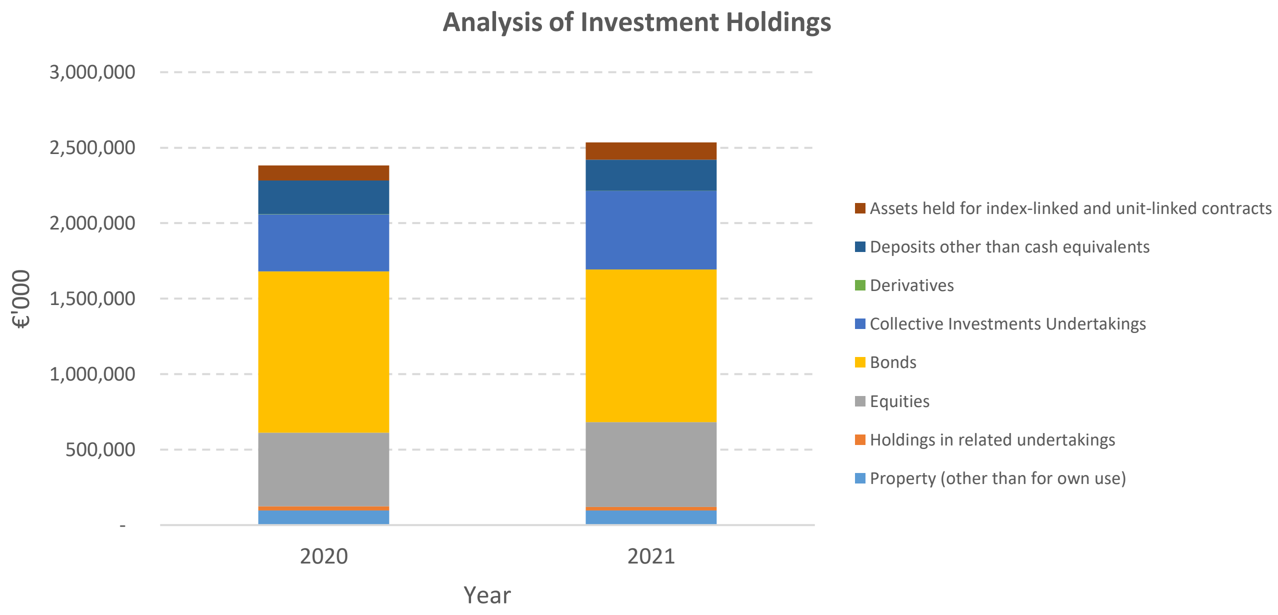
Assets	Solvency II Value 2021	Accounting Value 2021
Goodwill	-	-
Deferred acquisition costs	-	165
Intangible assets	-	100,411
Deferred tax assets	-	-
Pension benefit surplus	-	-
Property, plant & equipment held for own use	12,509	12,509
Investments (other than assets held for index-linked and unit-linked contracts)	2,420,668	2,413,288
Property (other than for own use)	97,226	97,226
Holdings in related undertakings	24,208	24,084
Equities	560,231	560,231
Equities – listed	560,231	560,231
Equities – unlisted	-	-
Bonds	1,011,436	1,005,148
Government Bonds	694,993	690,946
Corporate Bonds	313,800	311,561
Structured notes	-	-
Collateralised securities	2,643	2,641
Collective Investments Undertakings	521,711	521,711
Derivatives	473	-
Deposits other than cash equivalents	205,383	204,888
Other investments	-	-
Assets held for index-linked and unit-linked contracts	113,509	113,509
Loans and mortgages	8,035	8,035
Loans on policies	8,035	8,035
Loans and mortgages to individuals	-	-
Other loans and mortgages	-	-
Reinsurance recoverables from:	(27,227)	933
Non-life and health similar to non-life	-	-
Non-life, excluding health	-	-
Health similar to non-life	-	-

Assets	Solvency II Value 2021	Accounting Value 2021
Life and health similar to life, excluding health and index-linked and unit-linked	(27,227)	933
Health similar to life	-	-
Life, excluding health and index-linked and unit-linked	(27,227)	933
Life index-linked and unit-linked	-	-
Deposits to cedants/Deposits for Accepted Reinsurance	-	-
Insurance and intermediaries receivables	-	-
Reinsurance receivables	933	-
Receivables (trade, not insurance)	1,085	1,085
Own shares (held directly)	-	-
Amounts due in respect of own funds items	-	-
Cash and cash equivalents	59,064	59,064
Any other assets, not elsewhere shown	5,467	12,250
TOTAL ASSETS	**2,594,045**	**2,721,250**

Figures in thousand euro

(*) Template S.02.01.02

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 2021 is shown in the graph below:



2021 was a year underpinned by uncertainty yet mixed with growing hopes for a return to normality following the onset of the COVID-19 pandemic in 2020. Equity markets began the year strong as the economy reopened and interest rates displayed some upward drift.

Equity markets rallied in Q4, driven by strong earnings growth. After widening in 2020, credit spreads ended 2021 at levels narrower than pre-pandemic levels. Fixed income performance over Q4 was flattish, as markets had to digest rising inflation and less quantitative easing by central banks. The local equity market delivered a negative return for 2021. Government bonds also delivered a negative return as yields went up in line with other Eurozone countries.

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”) at 31st December 2021 are shown below:

Deferred acquisition costs

Under IFRS, acquisition costs are quantified separately and are deferred/amortised over the life of the contract. For solvency II reserving, expenses are not deferred but taken into account fully in the technical provisions.

Intangible assets

For accounting purposes, the value of intangible assets includes the present value of in force business and capitalised software costs. The value of in force business represents the discounted value of projected future transfers to shareholders from in force contracts at 31st December 2021, net of tax. Computer software is capitalised based on costs incurred, amortised over the useful life. 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)

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

  Under IFRS, the investment in subsidiaries is measured at cost, whilst the Solvency II value is derived using the adjusted equity method.

  Investments in associates, wherever possible, are measured at their listed prices 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 Solvency II purposes.

  The difference of €125 thousand in the valuation between the two balance sheets is related to the valuation of Growth Investments Limited.

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

  All equities, bonds and collective investment schemes are investments recognised at fair value on the financial statements. As a result, there are no valuation differences with regard to Solvency II. The only difference relates to the classification of accrued interest on bonds which is included under ‘Any other assets, not elsewhere shown” in the IFRS balance sheet.

- ***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.

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

  Deposits other than cash equivalents are investments recognised at fair value in the financial statements. As a result, there are no valuation differences with regards to Solvency II. However, accrued interest on term deposits is included under Other Assets in the IFRS Balance sheet.

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 is prudent and does not allow explicitly for default.

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 technical provisions.

Any other assets, not elsewhere shown

As the value of these assets approximate fair value in the IFRS financial statements, no adjustment is required for Solvency II purposes. The main difference relates to accrued interest, which is classified under this heading for IFRS reporting.

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 2021 are shown below.

Technical provisions are calculated as the best estimate of liabilities plus a risk margin for non-unit-linked contracts. For unit-linked policies they are calculated as a whole.

Technical provisions	Solvency II Value 2021	Accounting Value 2021
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)	-	-
Technical provisions - Life (excluding index-linked and unit-linked)	2,141,306	2,325,022
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)	2,141,306	2,325,022
Technical provisions calculated as a whole	-	
Best Estimate (BE)	2,120,604	
Risk margin (RM)	20,702	
Technical provisions - index-linked and unit-linked	113,509	113,509
Technical provisions calculated as a whole	113,509	
Best Estimate (BE)	-	
Risk margin (RM)	-	
Other technical provisions	-	-
TOTAL TECHNICAL PROVISIONS	**2,254,816**	**2,438,532**

Figures in thousand euro

(*) Template S.02.01.02

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

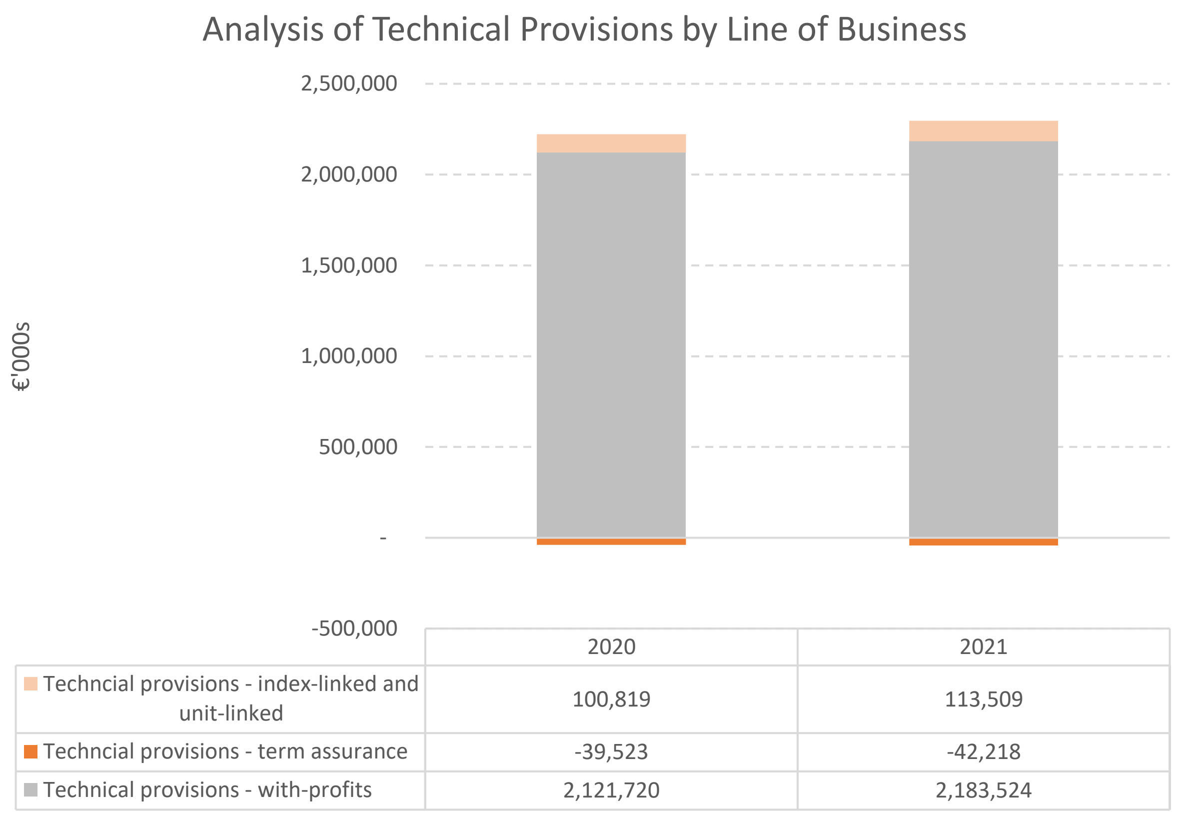
- With-profits investment and savings contracts
- Non-profit protection contracts
- Unit-linked investment and savings contracts

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

Technical provisions	Solvency II Value 2021	Accounting Value 2021
Technical provisions - with profits	2,183,524	2,251,993
Technical provisions calculated as a whole	-	
Best Estimate (BE)	2,174,033	
Risk margin (RM)	9,491	
Technical provisions - term assurance	(42,218)	73,030
Technical provisions calculated as a whole	-	
Best Estimate (BE)	(53,429)	
Risk margin (RM)	11,212	

Figures in thousand euro

The below graph analyses the change in the Solvency II technical provisions by line of business from 31st December 2020 to 31st December 2021. The term assurance BEL is negative, and this line of business therefore represents an asset. The chart below shows that the most significant percentage change in technical provisions has arisen from a 12.6% increase in unit-linked technical provisions mainly due to good performance on equity assets in the year. With-profits and term assurance technical provisions increased by 2.9% as strong new business volumes and solid investment performance outweighed the high levels of contracts reaching maturity in the year and expenses. The protection asset grew by 6.8% due to lower reinsurance costs and net new business.



Figures in thousand euro

In general terms, the main difference between Solvency II and Accounting valuations is the regulatory framework which underpins them. While under Solvency II technical provisions are measured using market consistent economic criteria and realistic demographic and non-demographic assumptions, for financial statements, annual technical provisions are calculated based on accounting standards.

D.2.1. Best estimate and risk margin

Best estimate

The calculation of MMSV's best estimate under Solvency II considers all the future expected cash inflows and outflows necessary to settle the Company's contractual obligations at the valuation date[7]. The assessment takes into account the time value of money[8] by applying the appropriate term structure of risk-free interest rates[9] to the expected future cash-flows.

Under IFRS, a single valuation interest rate (rather than a yield curve) is used to discount protection and unit-linked liabilities. This rate is set allowing for a prudent margin above the risk free rates by taking into account the gross redemption yields on baskets of assets held to match similar groups of policies comprising the technical provisions. The interest rate used for calculating the mathematical accounting provision is approved by the Board. Similarly, prudential margins are applied to each of the non-economic assumptions.

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 than the present value of expected future inflows. This could for example happen on 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 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 in below.

Under IFRS, however, technical provisions are calculated using a prudent set of assumptions i.e. by applying a margin to each of the best estimate assumptions which are derived from actual experience.

Options and guarantees

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 and a small block of generally older single premium business also has a surrender guarantee. To be clear though, 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.

Contract boundaries

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.

Under IFRS, and in the accounts, there are no similar constraints.

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

Protection policies are valued for all policies which have been accepted on risk by the valuation date and expected cash flows 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 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.

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.

The 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 of 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, results in total technical provisions.

The risk margin is determined in aggregate rather than at the 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 the 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 are reviewed on an annual basis.

Under IFRS, future management actions and policyholder behaviour relating to cancellation and surrender of contracts are not considered when calculating technical provisions. However, under Solvency II, MMSV has established a set of assumptions used to model future management decisions with regard to with-profits business and these are taken into account when evaluating the best estimate liability.

Degree of uncertainty associated with the amount of technical provisions

The value of the technical provisions 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 numbers 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 persistency experience having regard to events not in past data that might affect experience in the future.
- The amount of expenses payable to administer policies throughout their 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.
- 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 deduction.

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

MMSV did not make any further changes 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 provision

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 2021.

Other Liabilities	Solvency II Value 2021	Accounting Value 2021
Total technical provisions	**2,254,816**	**2,438,532**
Contingent liabilities	-	-
Provisions other than technical provisions	-	-
Pension benefit obligations	-	-
Deposits from reinsurers	-	-
Deferred tax liabilities	29,211	40,350
Derivatives	1,248	775
Debts owed to credit institutions	-	-
Financial liabilities other than debt owed to credit institutions	74	74
Insurance & intermediaries payables	51,999	5,040
Reinsurance payables	5,371	5,371
Payables (trade, not insurance)	5,727	5,727
Subordinated liabilities	-	-
Subordinated liabilities not in basic own funds	-	-
Subordinated liabilities included in basic own funds	-	-
Any other liabilities, not elsewhere shown	3,662	3,662
TOTAL LIABILITIES	**2,352,108**	**2,499,531**
EXCESS OF ASSETS OVER LIABILITIES	**241,937**	**221,718**

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 €22.1 million to €29.2 million
- An increase in insurance and intermediaries payables €49.4 million to €52.0 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 Balance sheet at a carrying amount of €40.4 million.

MMSV recognised deferred tax liabilities on the Solvency II balance sheet at €29.2 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 criterial in the two assessments.

Derivatives

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

Insurance and intermediaries payables

The Solvency II value includes, among others, outstanding claims payable amounting to €47.2 million, which is included under the technical provisions caption in the IFRS financial statements. The amounts are stated at amortised cost which is considered to be a reasonable approximation of the fair 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 the valuation criteria for assets and liabilities during the year.

D.6. Annexes

A) Assets

S.02.01.02 - Balance sheet

Assets	Solvency II Value
Intangible assets	-
Deferred tax assets	-
Pension benefit surplus	-
Property, plant & equipment held for own use	12,509
Investments (other than assets held for index-linked and unit-linked contracts)	2,420,688
Property (other than for own use)	97,226
Holdings in related undertakings	24,208
Equities	560,231
Equities – listed	560,231
Equities – unlisted	-
Bonds	1,011,436
Government Bonds	694,993
Corporate Bonds	313,800
Structured notes	-
Collateralised securities	2,643
Collective Investments Undertakings	521,711
Derivatives	473
Deposits other than cash equivalents	205,383
Other investments	-
Assets held for index-linked and unit-linked contracts	113,509
Loans and mortgages	8,035
Loans on policies	8,035
Loans and mortgages to individuals	-
Other loans and mortgages	-
Reinsurance recoverables from:	(27,227)
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	(27,227)
Health similar to life	-
Life, excluding health and index-linked and unit-linked	(27,227)
Life index-linked and unit-linked	-
Deposits to cedants/Deposits for Accepted Reinsurance	-
Insurance and intermediaries receivables	-
Reinsurance receivables	933
Receivables (trade, not insurance)	1,085
Own shares (held directly)	-

Assets	Solvency II Value
Amounts due in respect of own funds items	-
Cash and cash equivalents	59,064
Any other assets, not elsewhere shown	5,467
TOTAL ASSETS	**2,594,045**

Figures in thousand euro

B) Technical Provisions

S.02.01.02 - Balance sheet

Technical provisions	Solvency II Value
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)	-
Technical provisions - Life (excluding index-linked and unit-linked)	**2,141,306**
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)	2,141,306
Technical provisions calculated as a whole	-
Best Estimate (BE)	2,120,604
Risk margin (RM)	20,702
Technical provisions - index-linked and unit-linked	**113,509**
Technical provisions calculated as a whole	113,509
Best Estimate (BE)	-
Risk margin (RM)	-
Total technical provisions	**2,254,816**

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	-	113,509			-			113,509
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	2,174,033		-	-		(53,429)	-	2,120,604
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-		-	-		(27,227)	-	(27,227)
Best estimate minus recoverables from reinsurance/SPV and Finite Re — total	2,174,033		-	-		(26,202)	-	2,147,831
Risk Margin	9,491	-			11,212			20,702
Amount of the transitional on Technical Provisions	-							
Technical Provisions calculated as a whole	-	-			-	-	-	-
Best estimate	-		-	-		-	-	-
Risk margin	-	-			-			-
Technical provisions — total	2,183,524	113,509			(42,218)			2,254,816

Figures in thousand euro

C) Other liabilities

S.02.01.02 - Balance sheet

Other Liabilities	Solvency II Value
Contingent liabilities	-
Provisions other than technical provisions	-
Pension benefit obligations	-
Deposits from reinsurers	-
Deferred tax liabilities	29,211
Derivatives	1,248
Debts owed to credit institutions	-
Financial liabilities other than debt owed to credit institutions	74
Insurance & intermediaries payables	51,999
Reinsurance payables	5,371
Payables (trade, not insurance)	5,727
Subordinated liabilities	-
Subordinated liabilities not in basic own funds	-
Subordinated liabilities included in basic own funds	-
Any other liabilities, not elsewhere shown	3,662
TOTAL LIABILITIES	**2,352,108**
EXCESS OF ASSETS OVER LIABILITIES	**241,937**

Figures in thousand euro

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 Function 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.

The medium-term Capital Management Plan prepared by the Risk Function 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 framework.
- 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 capital injection of €40 million, the increase in financial asset prices, and the profitability generated over the year continued to strengthen the Company's capital position. The Company has carried out analysis covering both current and prospective capital needs and determined that in respect of financial year 2021, 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 19.07% of the 2021 MMSV Profit after tax.

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

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

A capital increase has been completed and subscribed to by MMSV's shareholders on 25th March 2021. The Board of Directors continues to monitor closely the solvency position of the Company in light of external financial markets conditions, its business plan and risk appetite to ensure that the Company remains adequately capitalised.

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:

- 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	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
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	54,750	94,750	54,750			-	-		
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	68,469	55,464	68,469	55,464						
Preference shares	-	-			-	-	-	-	-	-
Share premium account related to preference shares	-	-			-	-	-	-	-	-
Reconciliation reserve	76,719	67,183	76,719	67,183						
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										
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	**239,937**	**177,398**	**239,937**	**177,398**	-	-	-	-	-	-
Ancillary own funds										

	Total		Tier 1–unrestricted		Tier 1 – restricted		Tier 2		Tier 3	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
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	-	-					-	-	-	-
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	239,937	177,398	239,937	177,398	-	-	-	-	-	-
Total available own funds to meet the MCR	239,937	177,398	239,937	177,398	-	-	-	-		
Total eligible own funds to meet the SCR	239,937	177,398	239,937	177,398	-	-	-	-	-	-
Total eligible own funds to meet the MCR	239,937	177,398	239,937	177,398	-	-	-	-		
SCR	106,116	94,035								
MCR	47,752	42.316								
Ratio of Eligible own funds to SCR	226%	189%								
Ratio of Eligible own funds to MCR	503%	419%								

	Amount	
	2021	2020
Reconciliation reserve		
Excess of assets over liabilities	241,937	177,398
Own shares (held directly and indirectly)	-	-
Foreseeable dividends, distributions and charges	2,000	-
Other basic own fund items	163,219	110,214
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	-	-
Reconciliation reserve	**76,719**	**67,183**
Expected profits		
Expected profits included in future premiums (EPIFP) — Life business	80,832	80,952
Expected profits included in future premiums (EPIFP) — Non- life business	-	-
Total Expected profits included in future premiums (EPIFP)	**80,832**	**80,952**

Figures in thousand euro

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

As at 31st December 2021, MMSV has eligible own funds of €239.9 million (€177.4 million as at 31st December 2020). €40 million of the increase in own funds was due to the Q1 2021 capital injection.

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 2021, MMSV has unrestricted basic Tier 1 own funds totaling €239.9 million (€177.4 million as at 31st December 2020). These own funds consist of:

- Ordinary paid-in share capital which increased following the capital increase of €40.0 million which has been completed and subscribed to by MMSV's shareholders on 25th March 2021.

- Reconciliation reserve which has increased by 14.2% 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 23.4% mainly due to an increase in the assets of the with-profits fund, a higher yield curve and decreased volatility.

The With-Profits fund is considered as 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 is still 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. This ratio reflects the Company's capacity to absorb extraordinary losses deriving from a 1 every 200 years adverse scenario. As at 31st December 2021, MMSV's solvency ratio was 226.1%. This shows MMSV's capacity to absorb extraordinary losses deriving from a 1 every 200 years adverse scenario and an improvement when compared to the solvency ratio of 188.6% as at 31st December 2020.

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 502.5% in 2021. The MCR coverage has increased in 2021 when compared to 2020 (419.2%).

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 2021, the excess of assets over liabilities for Solvency II purposes amounted to €241.9 million, while IFRS equity was equal to €221.7 million. The main adjustments that arise from the reconciliation of IFRS equity and own funds under Solvency II are found below:

	2021	2020[10]
IFRS Equity	221,718	161,316
Difference in valuation of assets	**(99,045)**	**(85,622)**
Deferred Acquisition Costs	(165)	(261)
Intangible Assets	(100,411)	(86,801)
Other adjustments	1,531	1,440
Difference in valuation of liabilities	**119,263**	**101,704**
Technical provisions	155,556	134,509
Other Liabilities	(47,432)	(45,619)
Deferred Taxes	11,139	12,814
Excess of assets over liabilities (Solvency II value)	**241,937**	**177,398**

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 €241.9 million. To determine the reconciliation reserve the following was deducted:

- Other basic own funds items €163.2 million
- Foreseeable dividends of €2 million

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.

[10] Change in classification to what was reported in the 2020 SFCR.

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

The Company has not deducted any items from the Own funds.

Own Funds issued and instruments redeemed

As mentioned previously, in 2021, MMSV has issued €40 million in Tier 1 equity to its shareholders in the same proportion of their existing shareholding.

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.

Other ratios apart from those included on template S.23.01

MMSV does not use any ratios other than those in S.23.01 to measure solvency.

E.2. Solvency Capital Requirement and Minimum Capital Requirement

E.2.1. Solvency Capital Requirement amounts and valuation methods

Template S.25.01.21 in which the Solvency Capital Requirement (SCR) broken down by risk modules and calculated using the Standard Formula is shown below:

	Gross solvency capital requirement		Undertaking-specific parameters	Simplifications
	2021	2020		
Market risk	478,356	366,882		-
Counterparty default risk	10,635	11,107		
Life underwriting risk	43,966	130,690	-	-
Health underwriting risk	-	-	-	-
Non-Life underwriting risk	-	-	-	-
Diversification	(38,828)	(86,136)		
Intangible assets risk	-	-		
Basic Solvency Capital Requirement	**494,130**	**422,543**		

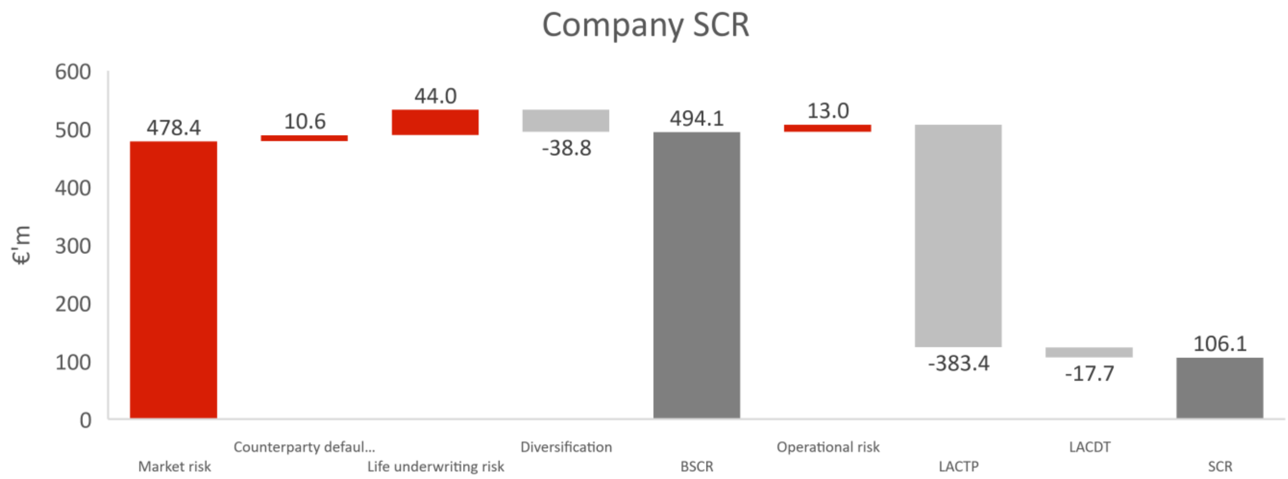
Calculation of the Solvency Capital Requirement	Amount	
	2021	2020
Operational Risk	13,022	10,690
Loss-absorbing capacity of technical provisions	(383,379)	(328,266)
Loss-absorbing capacity of deferred taxes	(17,658)	(10,932)
Capital requirement for businesses operated in accordance with Article 4 of Directive 2003/41/EC	-	-
Solvency Capital Requirement excluding additional capital	106,116	94,035
Capital add-on already set	-	-
Solvency capital requirement	**106,116**	**94,035**
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	27,488	19,949
Total amount of the notional solvency capital requirement for ring-fenced funds	78,628	74,085
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	
	2021	2020
Approach based on average tax rate	1 - Yes	1 - Yes

Calculation of loss absorbing capacity of deferred taxes	LAC DT	
	2021	2020
LAC DT	(17,658)	(10,932)
LAC DT justified by reversion of deferred tax liabilities	-	-
LAC DT justified by reference to probable future taxable economic profit	(17,658)	(10,932)
LAC DT justified by carry back, current year	-	-
LAC DT justified by carry back, future years	-	-
Maximum LAC DT	-	-

Figures in thousand euro

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

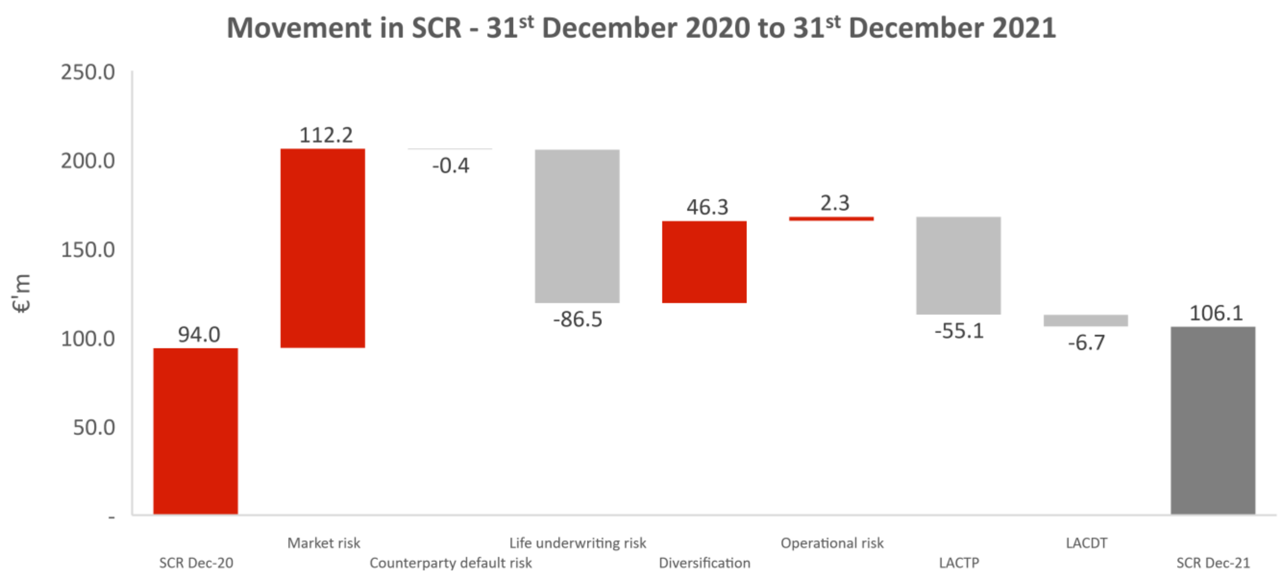


MMSV's total SCR amount was €106.1 million compared to €94.0 million as at 31st December 2021. The main drivers for this change are the increase in market risk driven by the strong equity markets in Q4 despite a fall in underwriting risk. This dominates the capital requirement which significantly reduces the level of diversification benefit allowed within the standard formula.

MMSV's total MCR amount at 31st December 2021 was €47.8 million compared to €42.3 million as at 31st December 2020 driven by the higher level of SCR.

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 €383.4 million and the loss-absorbing capacity of deferred tax amounted to €17.7 million. The table below compares the movement in SCR over 2021:



Market risk SCR increased significantly, driven primarily by the strong equity markets in the last quarter of 2021. This dominates within the Market risk module.

The Underwriting risk SCR decreased as the mass lapse stress became the biting stress in 2021 driven by a corresponding loss in the asset relating to the protection portfolio.

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

Linear formula component for life insurance and reinsurance obligations

Resulting MCR (L)	47,777	
	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	1,777,890	
Obligations with profit participation – future discretionary benefits	396,143	
Index-linked and unit-linked insurance obligations	113,509	
Other life (re)insurance and health (re)insurance obligations	-	
Total capital at risk for all life (re)insurance obligations		2,571,225

Overall MCR calculation	
Linear MCR	47,777
SCR	106,116
MCR cap	47,752
MCR floor	26,529
Combined MCR	47,752
Absolute floor of the MCR	3,700

Minimum Capital Requirement	**47,752**

Figures in thousand euros

The linear MCR for Life insurance is €47.8 million. This 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 €47.8 million, which is the result of applying maximum and minimum limits to the linear MCR.

Since the combined MCR is higher than the MCR's absolute limit, the amount of the combined MCR is considered to be the Minimum Capital Requirement, in the amount of €47.8 million.

E.2.2. 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 €17.7 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 2021, 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 2021, 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 increase in issued share capital by €40 million completed on 25th March 2021 continued to strengthen MMSV's capital position.

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

At the date of preparation of this report, the economic effects that the conflict in Ukraine-Russia could cause are uncertain. Nonetheless, MMSV management is regularly monitoring the impact of the current market fluctuations having regard to the solvency position of the company.

Annex I

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

Name	Type of investment	Country	Activity	Legal status	Ownership interest FY 2021	Ownership interest FY 2020
Growth Investment	Subsidiary	Malta	Provision of investment services	Limited liability company	100.00%	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%	28.36%
Tigne Mall p.l.c.	Associate	Malta	Ownership and management of 'The Point Shopping Mall'	Limited liability company	35.46%	35.46%