MAPFRE | MSV Life

Solvency and Financial Condition Report 31st December 2022

Contents

Executive Summary

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

Business and Performance

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

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

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

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

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

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

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

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

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

Total income from investments during the year amounted to €34.3 million whereas total investment expenses equalled €7.1 million.

System of Governance

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

- General Meeting of Shareholders

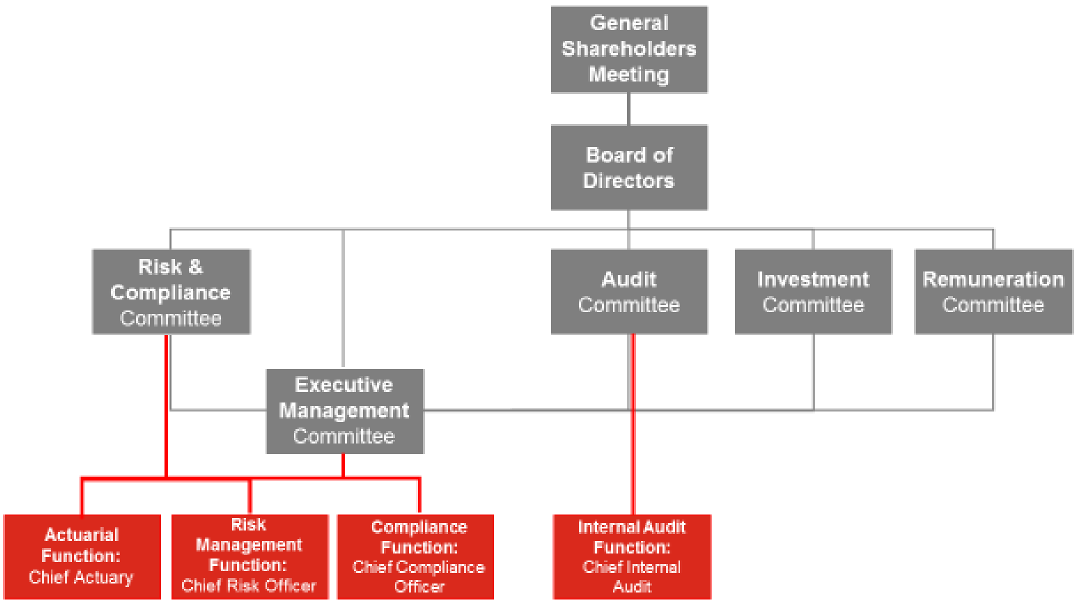
- Board of Directors
- Executive Management Committee
- Audit Committee
- Investment Committee
- Remuneration Committee
- Risk and Compliance Committee

Additionally, the following committees supplement the list above:

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

MMSV is also supervised by the MAPFRE 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 2022 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.

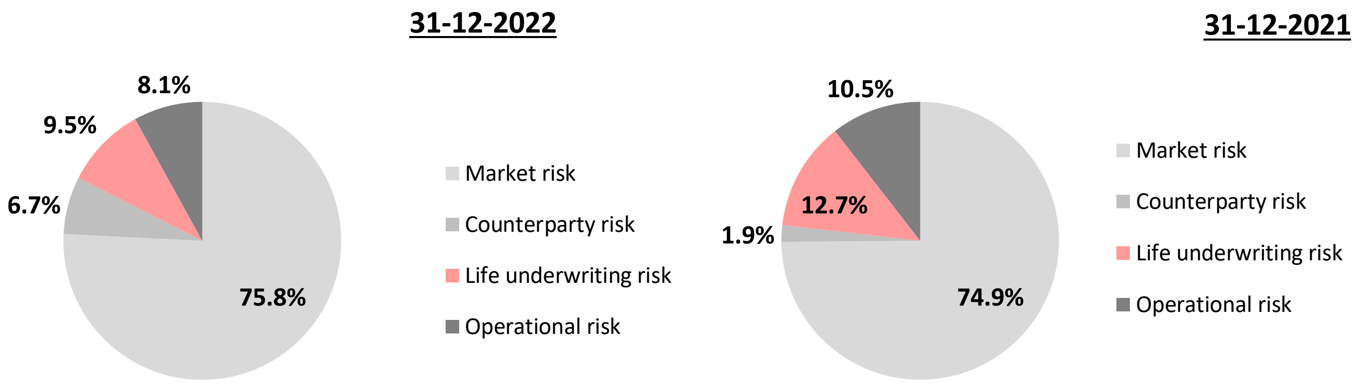
MMSV's Board of Directors determines the policies and strategies for ensuring the effectiveness of the Risk Management System, for establishing the risk profile and tolerance limits, as well as for approving the main risk management strategies and policies within the risk management framework established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

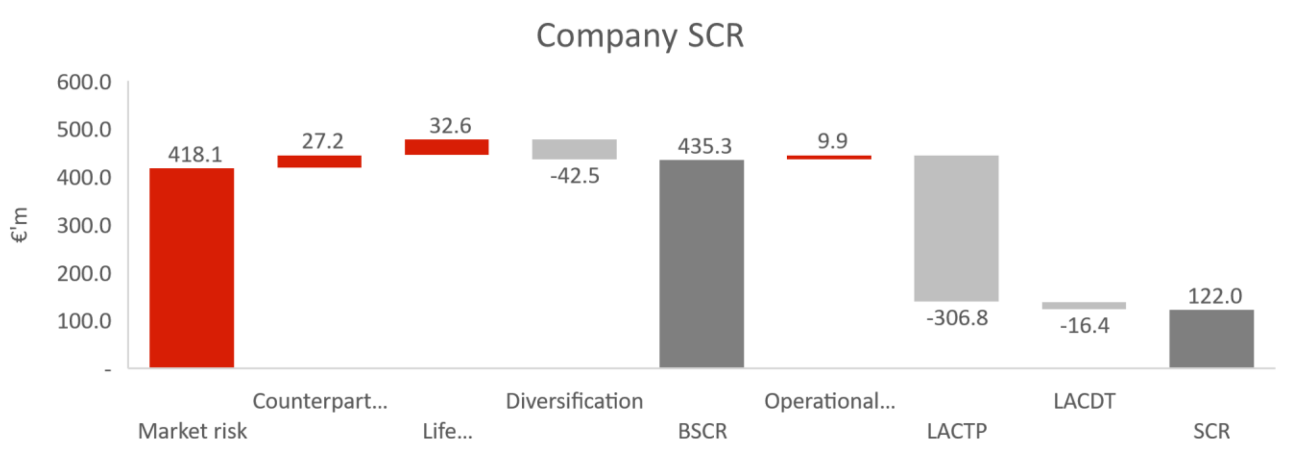
Within this framework, MMSV has a structure composed of areas that, in their respective technical expertise, independently monitor the risks assumed.

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 can be observed, market risk remains the main risk faced by MMSV, representing 75.8% of the total SCR.

Other material risks to which MMSV is exposed to include those derived from the Ukraine-Russia geopolitical crisis, cybersecurity risk, regulatory and non-compliance risk, inflation and macroeconomic environment, climate change risk, and talent and human resources management risk. 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.

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

2022 was a difficult year. The war in Ukraine and central banks' battle against inflation have been the main sources of bond and equity markets' struggles. However, the final quarter of the year has brought some relief. Value stocks have significantly outperformed growth stocks. Arguably the most painful move in markets has been the sharp decline in government bond prices.

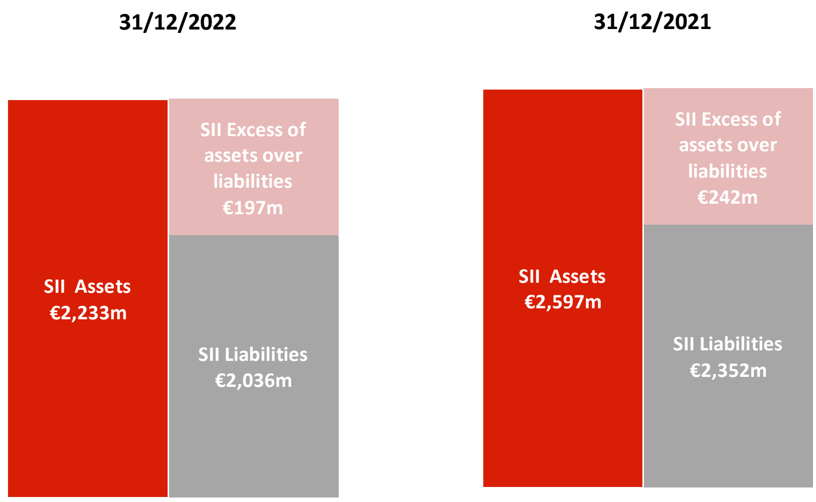
Turning toward 2023[1], the monetary policy tightening drag is building and central banks remain on the march. 28 countries have raised rates, with more rate hikes likely to come. The Fed has delivered a further rate hike by 25bps in the month of March 2023. The substantial rise in borrowing costs will reduce housing activity and together with the sharp climb in USD will likely weigh on US corporate profit margins. With China's COVID problems and Europe's natural gas crisis, global growth outlook remains depressed, but so far no imminent risk for the global economy to slide into a recession in early 2023. Stock markets movement will largely depend on the depth and length of the recession and the central banks actions. Market volatility is expected to remain elevated. Earnings expectations are likely to be further reduced in line with worsening economic data. For bonds, inflation and Fed rate policy remain the two most important factors for fixed income markets. Outlook on commodities is positive.

Valuation for solvency purposes

The Solvency II value of assets amounts to €2.2 billion, whereas the Accounting value (IFRS value) is equal to €2.4 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 €2.0 billion, whereas the IFRS value is equal to €2.1 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).

[1] *2023 Market Outlook: Stocks Set to Fall Near-Term as Economic Growth Slows – J.P. Morgan Global Research*



The excess of assets over liabilities for Solvency II purposes amounted to €197.1 million, which represented a decrease of 12.0% over the IFRS value of equity. At 31st December 2022, the excess of assets over liabilities decreased by €44.8 million compared with the end of last year. This is mainly attributable to the crystallisation of the current tax liability due to unrealised losses.

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:

	31/12/2022	31/12/2021
Solvency Capital Requirement (SCR)	**€122.0**	**€106.1**
Own funds eligible for SCR coverage	**€197.1**	**€239.9**
Solvency ratio (SCR coverage)	**161.6%**	**226.1%**

Figures in million euro

MMSV's excess capital totalled €197.1 million, and it has eligible own funds that cover the regulatory solvency requirement by 1.62 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 €43.3 million and the eligible own funds to cover it are €197.1 million, making the MCR coverage ratio 454.9%. Regarding the quality of these eligible own funds to absorb losses, all the €197.1 million are of the highest quality (Tier 1).

A. Business and Performance

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

A.1. Business

A.1.1. Company Businesses

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

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

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

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

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

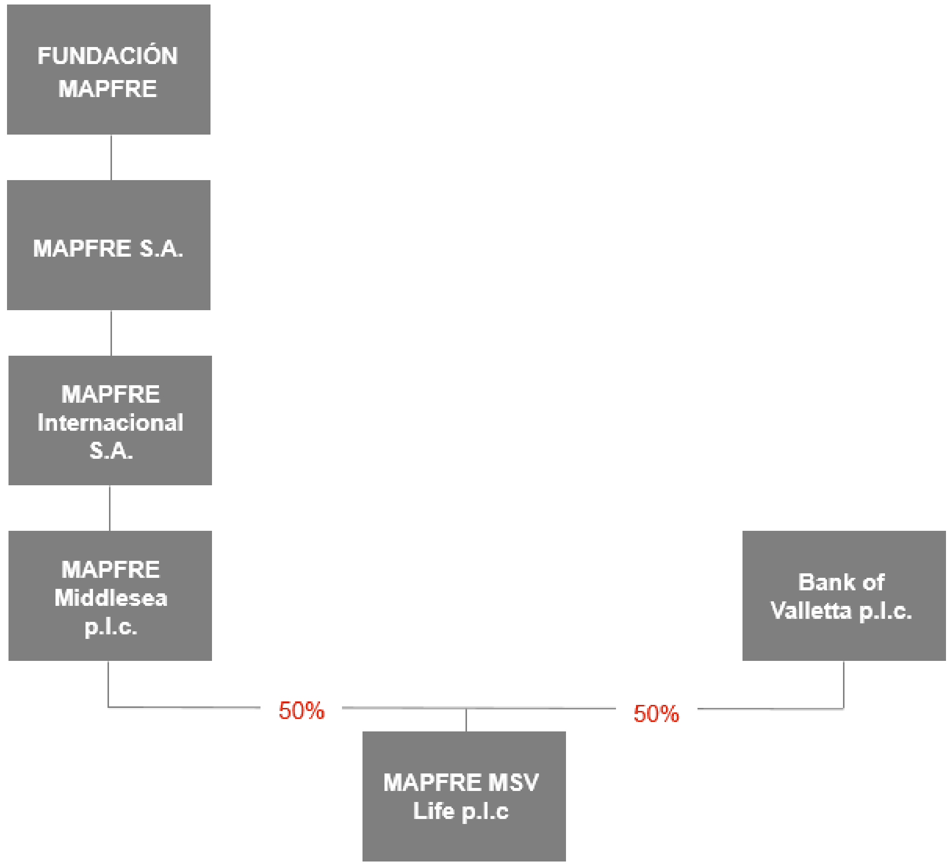
The following table shows the companies that possess direct qualifying holdings in the Company:

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

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

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

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



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

In turn, MMSV is the parent company of Growth Investments Limited, which was regulated by the Investment Services Act and a Category II License Holder. Annex I to this report provides a breakdown of group entities, jointly controlled entities, and associates. The subsidiary has surrendered its license during the year and is now in dissolution.

Supervision

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

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

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

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

External Audit

On 21st March 2023, 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 2022.

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

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

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

Market developments and outlook

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

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

A.2. Underwriting results

Below is a comparison of the quantitative information regarding the activity and underlying results for 2022 and 2021 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			
	2022	2021	2022	2021	2022	2021	2022	2021
Premiums written								
Gross	230,479	307,809	3,361	2,716	14,920	14,611	248,760	325,136
Reinsurers' share	27	27	1	1	3,306	3,151	3,333	3,179
Net	230,452	307,782	3,361	2,715	11,614	11,460	245,426	321,957
Premiums earned								
Gross	230,479	307,809	3,361	2,716	14,920	14,611	248,760	325,136
Reinsurers' share	27	27	1	1	3,306	3,151	3,333	3,179
Net	230,452	307,782	3,361	2,715	11,614	11,460	245,426	321,957
Claims incurred								
Gross	283,860	290,848	2,659	3,919	2,097	3,820	288,616	298,587
Reinsurers' share	10	-	(1)	-	1,042	2,170	1,050	2,170
Net	283,850	290,848	2,661	3,919	1,055	1,650	287,566	296,417
Changes in other technical provisions								
Gross	(357,205)	74,808	(6,863)	5,952	(6,370)	(1,856)	(370,439)	78,904
Reinsurers' share	-	-	-	-	-	-	-	-
Net	(357,205)	74,808	(6,863)	5,952	(6,370)	(1,856)	(370,439)	78,904
Expenses incurred	28,047	29,739	621	601	3,655	3,624	32,323	33,964
Other expenses							-	-
Total expenses							32,323	33,964

Figures in thousand euro

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 decreased by €76.4 million, driven mainly by a lower demand from single premium With-Profits business.

Gross claims incurred in 2022, decreased by €10 million, largely as a result of a decline in maturing medium-term single premium contracts.

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

A.3. Investment performance

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

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

Financial income	2022	2021
INVESTMENT INCOME		
Investment properties	5,420	5,117
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	27,448	27,966
Loans and receivables	1,427	1,893
TOTAL INVESTMENT INCOME	**34,295**	**34,976**
REALIZED AND UNREALIZED GAINS		
Net realised gains	**21**	**10,230**
Investment properties	21	-
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**
Increase in the fair value of financial assets at fair value through profit or loss	-	59,257
Other	-	-
TOTAL GAINS	**21**	**69,487**
OTHER FINANCIAL INCOME FROM THE INSURANCE BUSINESS		
Gains on investments on behalf of policyholders bearing the investment risk	-	6,648
Gains on exchange	-	-
Other	-	-
TOTAL OTHER FINANCIAL INCOME FROM THE INSURANCE BUSINESS	**-**	**6,648**
TOTAL INCOME FROM THE INSURANCE BUSINESS	**34,316**	**104,463**
FINANCIAL INCOME FROM OTHER BUSINESSES	**-**	**-**
TOTAL FINANCIAL INCOME	**34,316**	**111,111**

Financial Expenses	2022	2021
INVESTMENT EXPENSES		
Investment properties	328	370
Expenses from the held-to-maturity portfolio	-	-
Expenses from the available-for-sale portfolio	-	-
Expenses from the financial assets at fair value through profit or loss	-	-
Other investment expenses	6,779	6,813
TOTAL INVESTMENT EXPENSES	**7,107**	**7,183**
REALISED AND UNREALISED LOSSES		
Realised losses	**104,379**	**-**
Investment properties	-	-
Held-to-maturity investment portfolio	-	-
Available-for-sale investment portfolio	-	-
Financial assets at fair value through profit or loss	104,379	-
Other	-	-
Unrealised losses	**194,530**	**-**
Decrease in the fair value of financial assets at fair value through profit or loss	194,530	-
Other	-	-
TOTAL LOSSES	**298,909**	**-**
OTHER FINANCIAL EXPENSES FROM THE INSURANCE BUSINESS		
Losses on investments on behalf of policyholders bearing the investment risk	7,073	-
Losses on exchange	7,944	6,349
Other	-	-
TOTAL OTHER FINANCIAL EXPENSES FROM THE INSURANCE BUSINESS	**313,926**	**6,349**
TOTAL EXPENSES FROM THE INSURANCE BUSINESS	**7,107**	**7,183**
FINANCIAL EXPENSES FROM OTHER BUSINESS	**-**	**-**
TOTAL FINANCIAL EXPENSES	**321,033**	**13,532**

TOTAL INCOME FROM THE INSURANCE BUSINESS	**34,316**	**111,111**
TOTAL EXPENSES FROM THE INSURANCE BUSINESS	**321,033**	**13,532**
FINANCIAL RESULT FROM THE INSURANCE BUSINESS		**97,579**
TOTAL FINANCIAL INCOME FROM OTHER BUSINESSES		**-**
TOTAL FINANCIAL EXPENSES FROM OTHER BUSINESSES		**-**
TOTAL FINANCIAL RESULT FROM OTHER BUSINESSES		**-**
TOTAL FINANCIAL RESULT	**(286,717)**	**97,579**

Total investment income during the year amounted to €34.3 million compared to €111.1 million in 2021.

Investment income was mainly earned on income from both domestic and non-domestic investments, followed by rental income.

During 2022, the Company experienced negative investment performance, resulting in realised and unrealised losses registered during the year as opposed to gains in the prior year.

A.3.2. Information regarding losses and gains recognised 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, no material other income was generated and no material other expenses were incurred by MMSV.

A.4.2 Lease Agreements

Finance leases

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

Operating leases

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

Year	Type of Asset	Net book value	Weighted average duration of contracts (years)	Weighted average years elapsed
2022	Property Investment	95,504	10.03	5.00
2021	Property Investment	97,226	10.09	5.55

Net book value figures in thousand euro

These leases have an average remaining life of 5.03 years, with or without renewal option included in the contracts.

Net book value as at December represents the revalued amount.

A.5. Any other information

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

B. System of Governance

B.1. General Information on the system of governance

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

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

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

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

B.1.1 System of Governance

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

- **Shareholder's Annual General Meeting**: This is the highest governing body, as its decisions bind all shareholders. Both ordinary and extraordinary Annual General Meetings are called by the Board of Directors.
- **Board of Directors:** The body in charge of managing, administering, and representing the Company and has the ultimate decision-making and supervisory responsibility. It establishes the roles of the 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.
- **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 (POG) Committee:** This is a key decision-making body in terms of the Product Oversight and Governance Arrangements of the Company. In this respect, the POG Committee is responsible for the governance oversight related to development, approval, and launch of new products; development and approval of significant adaptations or alterations to existing products; and deciding on remedial action to be taken in terms of the POG Arrangements.

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

B.1.2. Key functions

In order to ensure that the governance system has an adequate structure, MMSV has policies which regulate the key functions (Risk Management, Compliance, Internal Audit and Actuarial). These policies ensure that key functions follow the requirements defined by the regulator and that they are in accordance with the governance structures established by MMSV and by the MAPFRE Group. MMSV's Board of Directors approved the Actuarial, Risk Management, Compliance and Internal Audit policies which are subject to review on an annual basis. The last update of the aforementioned policies was on 15th July 2022.

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

B.1.3. Relevant General Meeting of Shareholders and Board of Directors Agreements

There were no significant changes to MMSV's governance structure during 2022.

B.1.4. Remuneration

Remuneration paid to the members of MMSV's governing body and employees is determined in accordance with current regulations and in the Company's Remuneration Policy in force in 2022 that was approved by the Board of Directors on 15th July 2022 and is 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 instil 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 Remuneration Committee, which may be higher for people with positions on the Board or that, hold the position of Chairman of the Committee. This remuneration may be supplemented by other non-monetary remuneration (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 travel 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.

Notwithstanding the foregoing, the Board of Directors has agreed to amend the Company's Remuneration Policy on 10th March 2023, for the purpose of:

i) Including information on how sustainability risks are integrated in the Risk Management System.
ii) Adjusting the wording of the principle of equal remuneration and include an express mention of the appropriate proportion of fixed and variable components.
iii) Describing the non-monetary compensation that directors may receive in their capacity as such.
iv) Modifying the weight of the variable component on the fixed component that will tend not to exceed 100%.
v) Detailing the application of the principle of proportionality.

Executive directors, in their capacity as members of the Group's management team, are beneficiaries of defined contribution pension commitments to cover retirement, permanent disability and death contingencies, commitments externalised through life insurance. The conditions of the economic rights in their favour are detailed in their respective contracts. Additionally, executive directors, like the rest of the Company's employees, are beneficiaries of the MAPFRE Employment System Pension Plan, savings insurance and mixed savings insurance, and social benefits and other benefits.

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 July 2022 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 in the development of functions in other companies similar to those that are going to be developed and the respective individual responsibilities assigned.

Likewise, Directors and Officers of MMSV must have:

- Collectively: the appropriate qualifications, experience, and knowledge in at least the following areas:
    - Insurance and financial markets
    - Strategies and business models
    - System of Governance
    - Financial and actuarial analyses
    - Regulatory framework
- Individually: training and experience appropriate to the professional profile, specifically in the insurance and financial services area, with practical experience acquired from previous positions held during a sufficient period of time.

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

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

Company Designation Procedures

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

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

[2] Key Personnel comprises of all persons who effectively run the undertaking, which includes board of directors, controllers, chief executive officers, persons responsible for key functions, effective management of a branch, compliance officer, money-laundering officer, appointed actuary and person responsible for the distribution of insurance products.

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

B.3.1 Governance framework

The Risk Management System is an integral part of MMSV's organisational structure. MMSV's Risk Management System follows the three lines of 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 Risk Management System effectiveness and for determining the Company's risk profile and tolerance limits. Further to this, the Board of Directors is also responsible for approving the Risk Management Strategies and policies within the Risk Management Framework

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

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

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

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

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

B.3.2 Risk management objectives, policies, and processes

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

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

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

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

Each policy aims to:

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

- Assign responsibilities, strategies, processes and the reporting procedures required to identify, measure, monitor, manage and report the risks included within their scope.
- Establish reporting structures and communication channels for the business area responsible for the risk.

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

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

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

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

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

<table>
<tr><th>Type of Risk</th><th>Measurement and management</th><th>Monitoring and reporting</th></tr>
<tr><td>Underwriting risk

Covers the following risks:
- Mortality
- Expenses
- Lapses
- Catastrophic</td><td>Standard formula</td><td>Quarterly</td></tr>
<tr><td>Market risk

Covers the following risks:
- Interest rate
- Equities
- Properties
- Spread
- Concentration
- Currency</td><td>Standard formula</td><td>Quarterly</td></tr>
<tr><td>Credit risk

Reflects any possible losses arising from unexpected non-compliance by counterparties and debtors over the subsequent twelve months</td><td>Standard formula</td><td>Quarterly</td></tr>
<tr><td rowspan="3">Operational risk

Risk of possible losses deriving from the inadequacy or malfunction of internal processes, personnel or systems, or from external events</td><td>Standard Formula</td><td>Quarterly</td></tr>
<tr><td>Dynamic qualitative analysis of the risks using processes (Riskm@p)</td><td>Annual</td></tr>
<tr><td>Recognition and monitoring of operational risk events</td><td>Ongoing</td></tr>
</table>

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

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

B.3.3 Own Risk and Solvency Assessment

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

ORSA Process

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

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

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

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

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

B.4. Internal Control System

B.4.1. Internal Control

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

The implementation of the Internal Control System in MAPFRE has been based on the broad and exhaustive application of the COSO[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 organisation needs to achieve the objectives), and its organisational structure (operating units, legal companies, etc.).

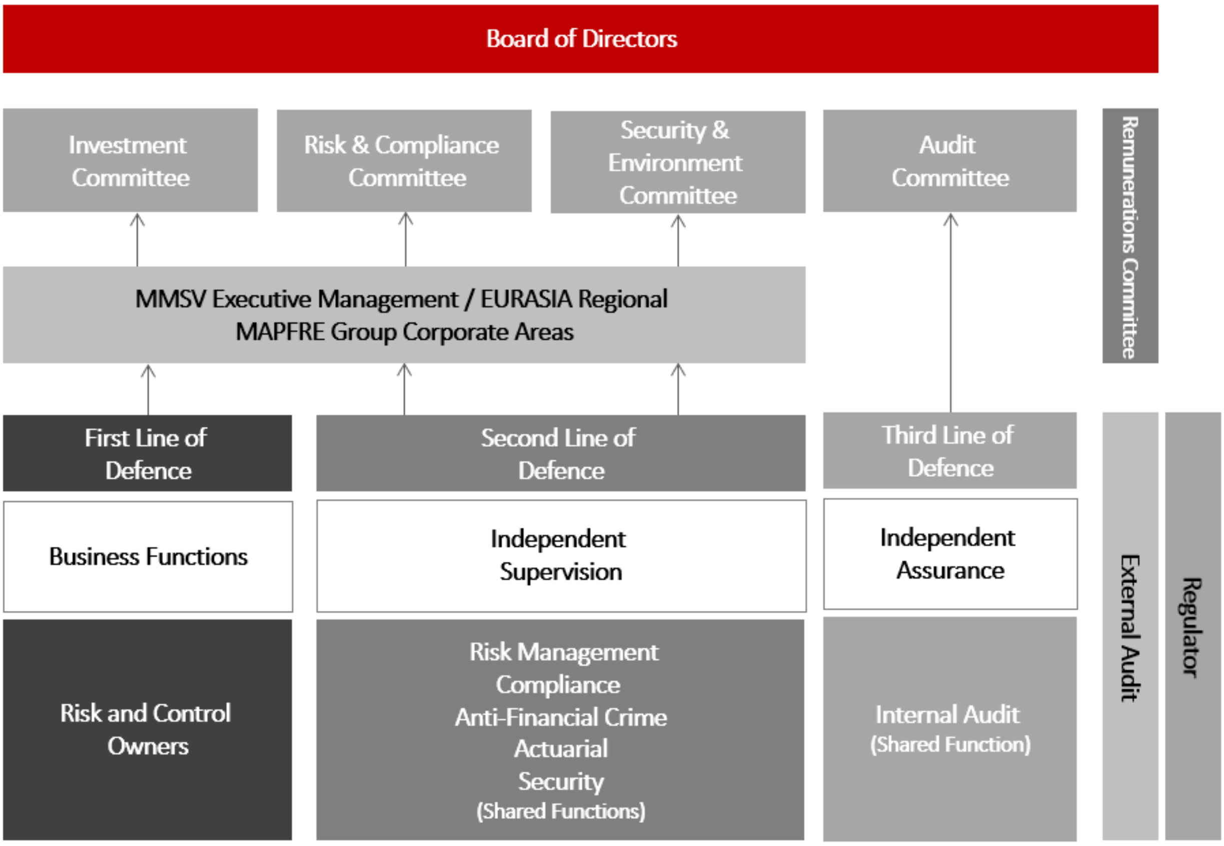
MMSV's Internal Control System involves all personnel, irrespective of their position within the organisation who collectively contribute to provide reasonable assurance on the achievement of the objectives, mainly regarding:

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

The Internal Control System is integrated into the organisational structure under the three lines of 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 Unit, 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 appropriateness, and effectiveness of the Internal Control System, and communicates potential deficiencies timely to the parties responsible for taking the corrective measures, including Executives and governing bodies, as appropriate.

[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 mechanisms and controls that are present in all activities of the organisation, being fully integrated into its organisational structure.

B.4.2. Compliance Function

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

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

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

B.5. Internal audit function

MMSV's governance structure is based on the three lines of 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. The Internal Audit Policy and bylaws updated and approved by the Board of Directors annually, establishes the mission, functions, and attributes of MMSV Internal Audit Function. It also includes the rights and obligations of MMSV´s Internal Auditors as well as their code of ethics, which sets out the rules of conduct of the auditors based on integrity and honourability, objectivity, confidentiality, and competence.

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

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

B.6. Actuarial Function

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

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

Actuarial Unit

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

Approved Actuary

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

Liaison

The Actuarial Function for MMSV falls within the MAPFRE Malta Actuarial Unit, a shared function with MMS, Within MMSV, the Actuarial 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 PLC 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 Unit.

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.

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

During 2022, 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 by the MMSV Board of Directors on 15th July 2022 and is reviewed annually. The policy is in line with the Group Outsourcing Policy approved by the MAPFRE S.A. Board, establishing the general principles, tasks, processes, and the assignment of responsibilities in the event of the outsourcing of a critical or important function and/or activity. In addition to the Outsourcing policy the Board of Directors of the Company approved the Cloud Outsourcing Policy on 15th July 2022.

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 2022.

B.8. Any other information

There is no additional information that has not been included in the preceding sections.

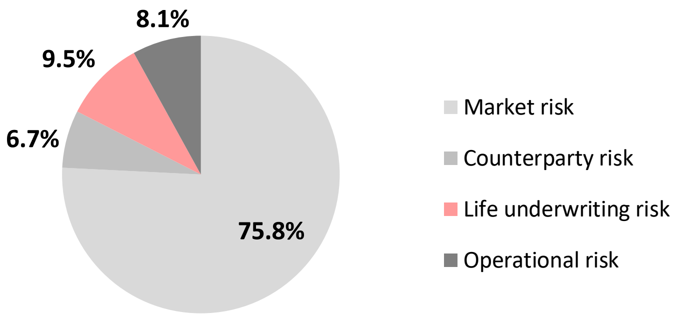
C. Risk profile

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

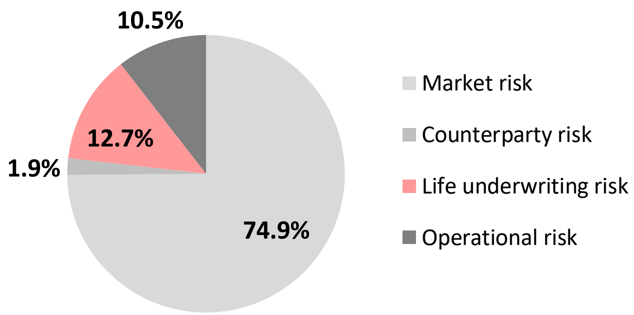
As explained in Sections C.4 and C.6, MMSV's exposure to other risks not included in the standard formula SCR (such as, for example, liquidity risk) is not considered significant, as MMSV's measures are effective for management and mitigation of them.

The following illustrations show the composition of MMSV's company level SCR for the various risk modules as at 31st December 2022 and 2021 (the SCR calculation is explained in Section E.2):

31-12-2022



31-12-2021



As can be observed, market risk remains the main risk faced by MMSV, representing 75.8% of the total SCR.

In 2022, the relative share of market risk and counterparty default risk increased while the relative share of life-underwriting risk decreased.

In 2022, there have been no significant changes with respect to the measures used to assess MMSV's main risks. MMSV reviewed and updated the underlying economic assumptions and modelled management actions.

Other material risks to which MMSV is exposed to include those derived from the Ukraine-Russia geopolitical crisis, cybersecurity risk, regulatory and non-compliance risk, inflation and macroeconomic risk, climate change risk, and talent and human resources management risk. Additional information on these risks is provided in Section C.6.

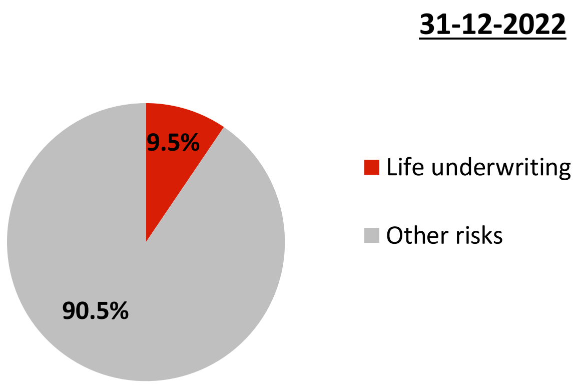
A description of the main risk categories, the exposure to the risks, their management and mitigation techniques, and possible concentrations are indicated below.

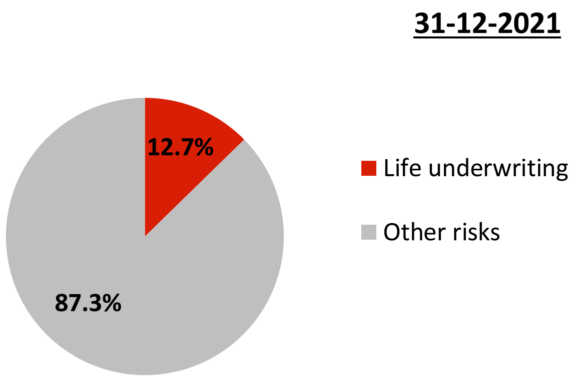
C.1. Underwriting risk

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 31st December 2022, underwriting risk represents 9.5% 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 due to the reduction in lapse risk which is driven by the market value adjustments which were applied on 1st August 2022 and primarily impact the mass lapse scenario.

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 Actuary. These standard rates cannot be changed although an underwriting loading may be added. Any other special terms are authorised by the Actuarial Unit after an assessment of the impact on expected profitability.

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

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

a) The type and characteristics of the insurance activity, such as insurance risk type which MMSV is prepared to accept.
b) Reinsurance and other risk mitigation techniques within the process of designing a new insurance product and when calculating premium.
c) Internal underwriting limits for different products or classes of products.
d) Maximum acceptable exposure to specific risk concentrations.

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

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

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

To this end, MMSV uses reinsurance policies as well as other insurance risk techniques.

As at 31st December 2022, MMSV ceded 1.06% of its total technical provisions.

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

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

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

Concentration

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

At company level, the highest exposure to underwriting risk arises from the risk of mass lapses and surrenders. At the individual fund level the biting lapse scenario for the RFF is 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 a low interest rate environment (as experienced in prior years), a greater value is placed on guarantees payable on maturity on With-Profits contracts. Fewer surrenders increase the likelihood of guarantees crystallising and increasing the amount of capital required. For non-profit protection policies written in the remaining part, mass lapse is more onerous. A large mass lapse event causes a reduction in own funds on contracts where the best estimate of liabilities is negative (meaning that the policy is expected to generate a profit over its remaining term) and additional lapses reduce the profits expected to be earned in future on these policies. This effect is exacerbated by a higher per-policy expense allowance due to fewer in force policies post mass lapse bearing a higher share of fixed costs.

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

Transfer of risk to special-purpose entities

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

C.2. Market Risk

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

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

The management of investment portfolios is broken down into two portfolios for non-profit[4] and With-Profits business.

Exposure

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

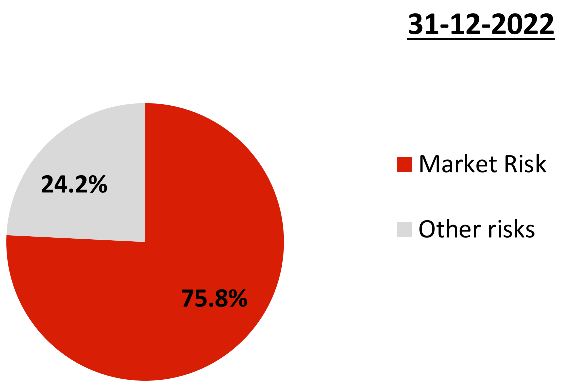
Investments	Investments at 31/12/2022	(%) Investments	Investments at 31/12/2021	(%) Investments
Property investments	**95,504**	**4.8%**	**98,726**	**4.1%**
Financial investments	**1,900,844**	**95.2%**	**2,323,442**	**95.9%**
Fixed income	783,146	39.2%	1,011,436	41.8%
Equity	387,867	19.4%	560,231	23.1%
Collective investment undertakings	525,328	26.3%	521,711	21.5%
Holdings in related companies	84,175	4.2%	24,208	1.0%
Deposits other than cash equivalents	117,123	5.9%	205,383	8.5%
Hedging derivatives	3,206	0.2%	473	0.0%
Other investments	-	-	-	-
Total	**1,996,348**	**100.0%**	**2,422,168**	**100%**

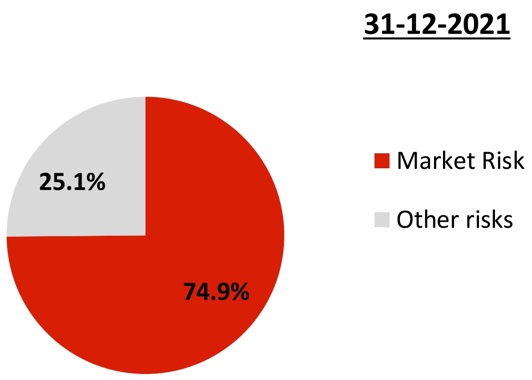
Figures in thousand euro

As at 31st December 2022, 95.4% of fixed-income investments had an investment-grade credit rating. Sovereign Government Debt exposure represented 68.1% of the total investment grade exposure. Maltese Government bonds represented 8.0% 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 2022, MMSV invested in a renewables fund with a view to adding further diversification and mitigating drawdown impact after a market shock.

[4] Remaining part

Market risk as at 31st December 2022 represents 75.8% of all of risk modules included in the SCR. The changes compared to last year are presented in the following charts:





As noted above, market risk as a percentage of overall risks slightly increased when compared to 2021, due to the reduction in underwriting risk. However, market risk decreased in absolute terms from €94.1m in December 2021 to €92.3m in December 2022.

Management and mitigation techniques

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

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

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

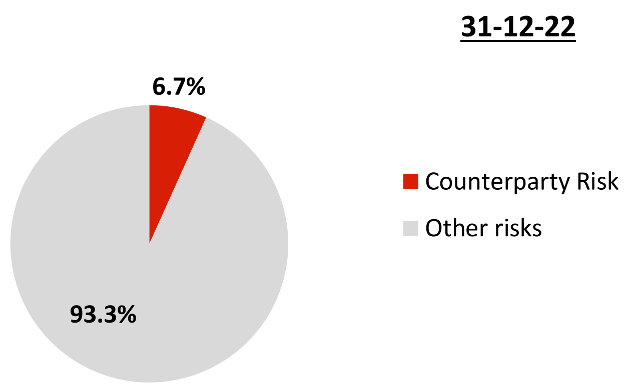
Credit Risk is the possibility of losses due to unexpected default or deterioration in the credit standing of counterparties and debtors over the next 12 months.

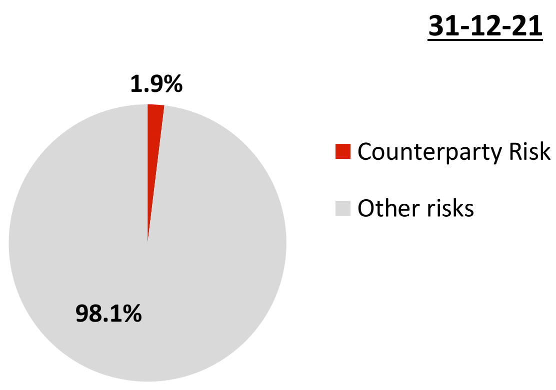
Credit Risk is included under the SCR Standard Formula calculation as:

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

Exposure

Counterparty default risk as at 31st December 2022 represents 6.7% of all of the risk modules included in the SCR. The changes compared to last year are presented in the following charts:





In 2022 and 2021, 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.

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

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

Management and mitigation techniques

MMSV has a Liquidity Risk Management Policy and an Asset and Liability Management Policy, which together represent the benchmark framework for taking action in this regard. Sufficient cash balances are maintained to comfortably cover the commitments arising from its obligations to insured parties and creditors. Thus, as at 31st December 2022, the cash and cash equivalents balance amounted to €124.8 million (€59.1 million in the preceding year), equivalent to 5.88% of the total financial investments and cash. On top of this, MMSV has €117.1 million in Deposits other than cash equivalents.

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

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

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

Concentration

No liquidity risk concentrations have been identified.

Expected profits included in future premiums

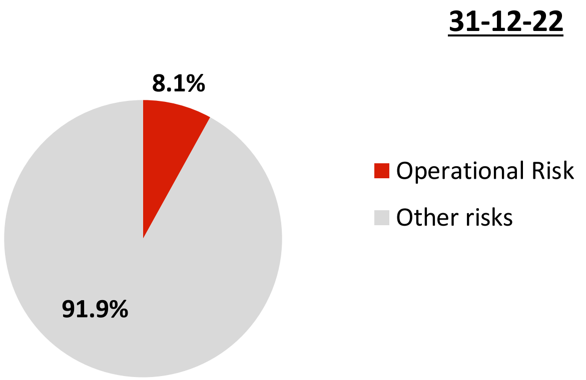
The calculation of best estimate of the technical provisions includes the expected profits from future premiums. This represents the proportion of expected future profitability borne by future premiums. As at 31st December 2022, the expected profits were estimated to total €64.1 million, gross of reinsurance.

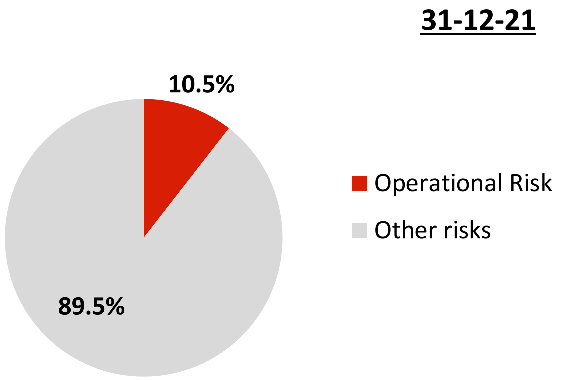
C.5. Operational Risk

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

Exposure

As at 31st December 2022, operational risk represents 8.1% of all of the risk modules included in the SCR. The following charts present details by module and changes compared to last year are presented in the following illustrations:





The relative weight of operational risk decreased when compared to 2021, resulting from a decrease 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.

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

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

C.6. Other material risks

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

C.6.1 Material risks

Regarding the main risks that have been identified at the beginning of 2023 as risks that the Company faces in the period covered in its business plan and that could significantly affect the company results, the following stand out:

Geopolitical Risk: Ukraine-Russia Conflict

The conflict in Ukraine-Russia has created a significant amount of uncertainty for the global economy, particularly for the countries where both the MAPFRE Group and MMSV operates. While the direct impact of the conflict on underwriting and investment operations may be minor due to limited exposure in the affected territories, the conflict could still have indirect effects on the Group and MMSV's business.

The current situation has already led to an increase in volatility in financial markets and prices in the commodities market, which could further impact consumer prices. If the conflict continues, it could lead to more significant macroeconomic tensions, potentially affecting the GDP growth rates of the countries in which MAPFRE operates. As a result, the performance of the insurance market as a whole could be impacted.

Moreover, there is a risk of political instability, increased trade tensions, and a slowdown in global economic growth as a result of the conflict, which could further affect MMSV's business operations. Additionally, the possibility of a wider military conflict in the region cannot be ruled out, which could have severe implications for the global economy, including the insurance market.

Although the impact of the conflict in Ukraine and Russia on underwriting and investment operations may be limited, the potential indirect effects on the insurance market should also be taken into consideration. For MMSV, asset diversification remains fundamental in achieving better risk-adjusted returns and mitigating this risk.

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 personal and confidential data.

MAPFRE Group, through its 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 Centre (CCG-CERT), integrated in the FIRST network and in the CSIRT.es group, acting as a Global Security Operation Centre (SOC) which allows for continuous monitoring (24 hours, 7 days a week). The CCG-CERT enables the Group to detect a cyber security incident at an early stage and be agile in its response, safeguarding MAPFRE's and other Third-Party technological platforms, as well as the information contained in them. 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.

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.

Furthermore, remote working has brought about new cyber security risks and has expanded attack mechanisms that challenged the security capabilities of the Company. These new challenges necessitated a revision and revamp of the existing Cybersecurity Culture. For this reason, a new Corporate Plan for Awareness and Training on this matter has been launched, covering the entire MAPFRE Group and which will be developed during the next three-year period.

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 2022 included the following up on developments with relevant impact to MMSV's activity and results in respect of: IFRS 17 and IFRS 9, and Solvency II Review. Other regulatory matters being monitored included Sustainable Finance Disclosures Regulation (SFDR), the EIOPA Guidelines on Outsourcing to Cloud Service Providers, PRIIPs Review, MFSA Proposed Corporate Governance Framework, better enforcement and modernisation of Union consumer protection rules, Directive on the protection of persons who report breaches of Union law, IDD Review, DORA, CRS amendments and DAC6.

Non-compliance risk

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 2022, MMSV ran the Compliance Risk Management Process in line with Corporate Compliance Office methodology. In addition specific reviews in the prudential, conduct and cross-sectoral regulatory areas were also carried out in line with local regulatory framework priorities.

Inflation and macroeconomic environment

The current period of high inflation began in 2021 due to supply side tensions, particularly from the direct impact of the energy component and the lack of components necessary for production. The transfer of production costs to prices and wages has created second-hand effects, prolonging the uncertain duration and intensity of the inflationary period. In response, central banks have initiated an abrupt interest rate hike movement, reaching levels not seen in 15 years and continuing to rise. The highest possible interest rates will be determined by how effectively this increase counteracts inflationary pressures.

From a (re)insurance sector perspective, the unforeseen levels of inflation risk have an impact on the non-life business through an increase in claims expenses causing collected premiums to be insufficient to cover claims and related expenses. Similarly, the increase in interest rates decreases the value of companies' financial investment portfolios, especially affecting life companies. In either case, an increase in inflation results in a loss of purchasing power for families, potentially impacting the subscription to new products, both life and non-life.

C.6.2. Emerging risks

Emerging risks are expected or possible risks, or changes in the current risk profile due to future events whose impacts are unknown or subject to great uncertainty. Although both the solvency position and the Company's Internal Control and Risk Management Systems are solid, considering that the risk landscape is constantly evolving, it is important: i) to identify the factors that both the insurance industry and the Company may face in the long-term (5-10 years); ii) to know the degree of preparation with which it is counted; and iii) to be able to adapt reaching the objectives and the success in business results.

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

Climate change risk

The risk of climate change derives from the long-term changes in the average weather patterns that have shaped the earth's local, regional, and global climates. This risk may give rise to:

- Extreme climatic events (tropical cyclones, floods, forest fires, etc.).
- Economic uncertainty due to various changes (regulatory, technological, social, etc.).
- The transition to a low-carbon sustainable economy.
- Claims for environmental responsibility when climate risks are not prevented, mitigated, or disclosed; and
- Mortality and morbidity rates.

In this regard, the actions carried out in 2022 focused, fundamentally, on increasing the 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.

- Implementation of a Responsible Investment (RI) policy based on MAPFRE's ESG policy.

- Ensuring that MMSV's underlying portfolios are in line with the RI Policy.

- Work carried out with MMSV's custodian to implement a rating methodology which will be able to measure portfolio exposures from an ESG perspective.

- Permitted links in MMSV's UL products include sustainability features – in 2022 launched three New MAPFRE AM ESG Funds in Malta.

- 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 Authority Directives in relation to the COVID-19 Pandemic.

- Membership of the Malta ESG Alliance which intends to act as a catalyst for change motivating and informing others to take action and engaging with policy makers so as to create the right incentives and framework for achieving a sustainable transition of the economy.

- Obtained ISO certification of MMSV's Head office at The Mall, Floriana.

Talent and Human Resource Management Risk

The risk associated with talent and human resources management pertains to the challenges related to attracting and retaining skilled and valuable employees, managing high turnover rates, dealing with changes in the organisational structure due to internal and external factors, and planning for the succession of key positions. In the current job market with low unemployment rates and intense competition for talent across various industries, it has become increasingly difficult for companies, including those in the insurance sector, to retain talented employees and recruit skilled individuals, particularly for specialised and technical roles. For MMSV, this was in fact highlighted as one of the main operational risks by management as part of the Material Risk Identification exercise.

To mitigate this risk, MMSV has implemented strategic initiatives that focus on succession planning, identifying gaps in employee profiles, and promoting career progression through talent management, mobility, and training programs. These initiatives aim to enable employees to advance their careers within the company and ensure the continuity of key positions.

The Company's Own Risk and Solvency Assessment (ORSA) report dated 31st December 2022 includes further information regarding the analysis of the above risks.

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:

	31/12/2022	Change in percentage points
Solvency Ratio (SR)	161.6%	
SR In the event of a 100 basis point increase in the interest rate	238.9%	77.3%
SR In the event of a 100 basis point decrease in the interest rate	108.4%	-53.2%
SR in the event of a 10% appreciation of the euro	138.3%	-23.3%
SR In the event of a 25% decrease in equities	102.4%	-59.2%
SR In the event of a 50 basis point increase in corporate spreads	149.9%	-11.7%
SR In the event of a 50 basis point increase in corporate and sovereign spreads	131.3%	-30.3%

p.p. percentage points

Likewise, the sensitivity of the solvency ratio[5] to certain Life business variables has been calculated:

	31/12/2022
Solvency Ratio (SR)	161.6%
SR in case of 5% increase in the mortality rate (products without longevity risk)	160.3%
SR in case of 10% increase in expenses	160.3%
SR in case of 10% increase in lapses	161.8%

p.p. percentage points

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

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

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

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 2022, and were approved by the Board of Directors during their meeting on 21st March 2023. The "Solvency II Value" column reflects the assets and liabilities value as at 31st December 2022 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.

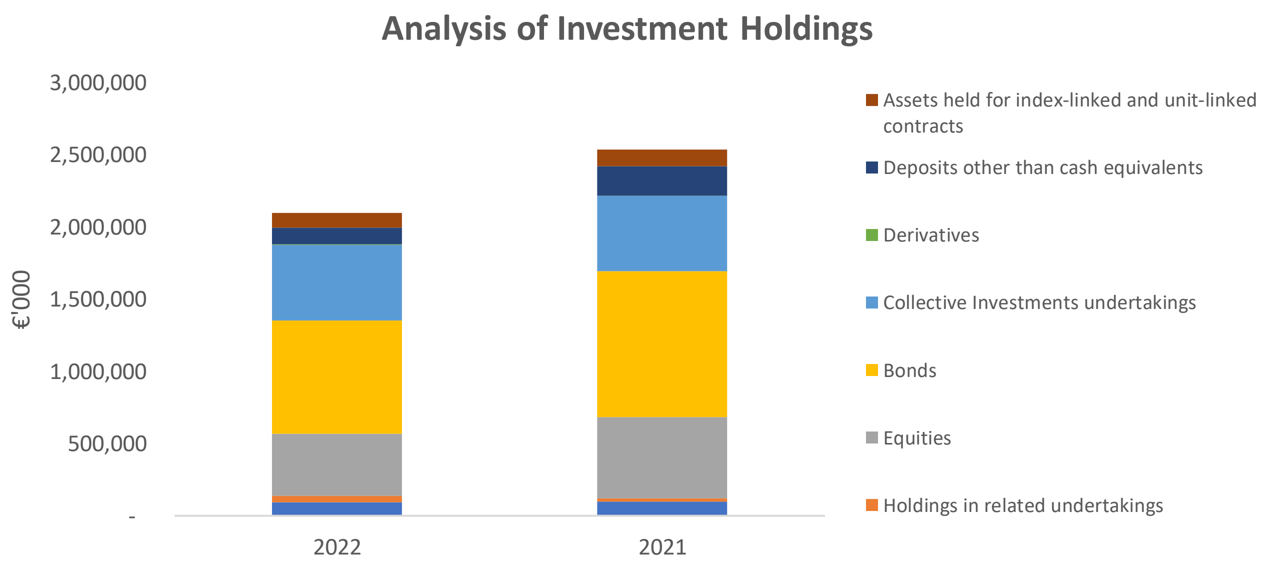
The following table compares the asset valuations that arise when using the Solvency II basis rather than accounting criteria as at 31st December 2022:

Assets	Solvency II Value 2022	Accounting Value 2022
Goodwill	-	-
Deferred acquisition costs	-	308
Intangible assets	-	97,709
Deferred tax assets	-	-
Pension benefit surplus	-	-
Property, plant & equipment held for own use	12,541	12,541
Investments (other than assets held for index-linked and unit-linked contracts)	1,996,348	1,989,196
Property (other than for own use)	95,504	95,504
Holdings in related undertakings	40,875	24,275
Equities	431,166	431,166
Equities – listed	431,166	431,166
Equities – unlisted	-	-
Bonds	783,146	777,251
Government Bonds	532,948	529,138
Corporate Bonds	249,836	247,750
Structured notes	-	-
Collateralised securities	363	363
Collective Investments Undertakings	525,328	541,574
Derivatives	3,206	2,699
Deposits other than cash equivalents	117,123	116,728
Other investments	-	-
Assets held for index-linked and unit-linked contracts	102,256	102,256
Loans and mortgages	9,132	9,132
Loans on policies	9,132	9,132
Loans and mortgages to individuals	-	-
Other loans and mortgages	-	-
Reinsurance recoverables from:	(20,352)	476
Non-life and health similar to non-life		
Non-life, excluding health		
Health similar to non-life	-	-

Assets	Solvency II Value 2022	Accounting Value 2022
Life and health similar to life, excluding health and index-linked and unit-linked	(20,352)	476
Health similar to life	-	-
Life, excluding health and index-linked and unit-linked	-	-
Life index-linked and unit-linked	-	-
Deposits to cedants/Deposits for Accepted Reinsurance	-	-
Insurance and intermediaries receivables	-	-
Reinsurance receivables	476	-
Receivables (trade, not insurance)	941	941
Own shares (held directly)	-	-
Amounts due in respect of own funds items	-	-
Cash and cash equivalents	124,780	124,779
Any other assets, not elsewhere shown	6,559	12,850
TOTAL ASSETS	**2,232,681**	**2,350,188**

Figures in thousand euro

The assets shown above are for the total Company. Investments represent the most significant category of asset and the change in the market value of broad asset classes over 2022 is shown in the graph below:



2022 was a difficult year. The war in Ukraine and central banks' battle against inflation have been the main sources of bond and equity markets' struggles. However, the final quarter of the year has brought some relief. Value stocks have significantly outperformed growth stocks. Arguably, the most painful move in markets has been the sharp decline in government bond prices.

Turning toward 2023[6], the monetary policy tightening drag is building and central banks remain on the march. 28 countries have raised rates, with more rate hikes likely to come. The Fed has delivered a further rate hike by 25bps in the month of March 2023. The substantial rise in borrowing costs will reduce housing activity and

[6] *2023 Market Outlook: Stocks Set to Fall Near-Term as Economic Growth Slows – J.P. Morgan Global Research*

together with the sharp climb in USD will likely weigh on US corporate profit margins. With China's COVID problems and Europe's natural gas crisis, global growth outlook remains depressed, but so far no imminent risk for the global economy to slide into a recession in early 2023. Stock markets movement will largely depend on the depth and length of the recession and the central banks actions. Market volatility is expected to remain elevated. Earnings expectations are likely to be further reduced in line with worsening economic data. For bonds, inflation and Fed rate policy remain the two most important factors for fixed income markets. Outlook on commodities is positive.

The significant asset valuation differences using Solvency II criteria, including qualitative explanations for the main differences arising from their valuations using Solvency II and those used in preparing the financial statements ("Accounting value") as at 31st December 2022 are shown below:

Deferred acquisition costs

Under IFRS, acquisition costs are quantified separately and can be 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 2022, net of tax. Computer software is capitalised based on costs incurred and 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 and other collective investment schemes)

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

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

- ***Holdings in related undertakings***

  Holdings in related companies are 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 under the adjusted equity method.

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

  The difference of €354 thousand in the valuation between the two balance sheets is related to the valuation of Growth Investments Limited.

  The difference of €16.2m in the valuation between the two balance sheets is mainly a classification difference of MMSV's investments in a renewables fund. Under IFRS, this is classified as "Collective Investments undertakings".

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

  All equities, bonds and collective investment schemes are investments recognised at fair value on the financial statements. As a result, there are no valuation differences with regards to Solvency II. 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. Under Solvency II, any derivatives with a positive solvency value are considered as assets and derivatives with a negative solvency value are considered as a liability, whereas the net value is presented under IFRS reporting.

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

  Deposits other than cash equivalents are investments 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 reinsurance recoverables.

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 2022 are shown below:

Technical provisions	Solvency II Value	Accounting Value
	2022	2022
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)	1,809,276	1,962,004
Technical provisions - health (similar to Life)	-	-
Technical provisions calculated as a whole	-	-
Best Estimate (BE)	-	-
Risk margin (RM)	-	-
Technical provisions - Life (excluding health and index-linked and unit-linked)	1,809,276	102,256
Technical provisions calculated as a whole	-	
Best Estimate (BE)	1,794,159	
Risk margin (RM)	15,117	
Technical provisions - index-linked and unit-linked	102,256	-
Technical provisions calculated as a whole	102,256	
Best Estimate (BE)	-	
Risk margin (RM)	-	
Other technical provisions	-	-
TOTAL TECHNICAL PROVISIONS	**1,911,532**	**2,064,259**

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.

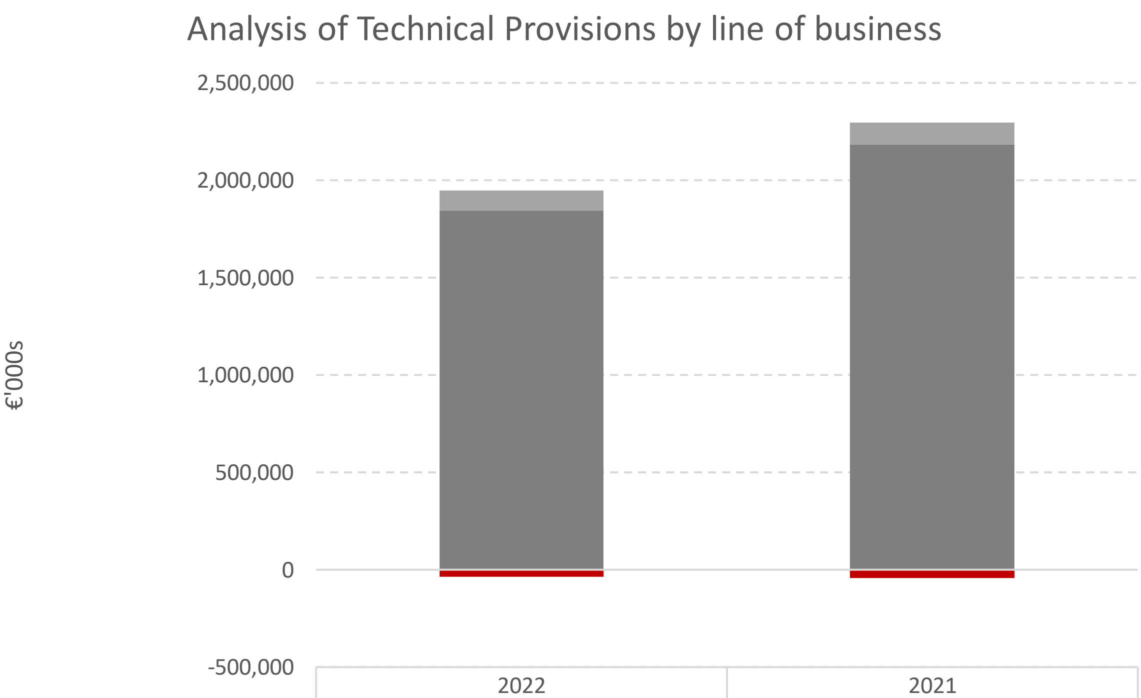
The Life Technical Provisions excluding index-linked and unit-linked can be further broken down into the following categories:

Technical provisions	Solvency II Value 2022	Accounting Value 2022
Technical provisions - with profits	1,844,098	1,894,787
Technical provisions calculated as a whole	-	
Best Estimate (BE)	1,837,753	
Risk margin (RM)	6,345	
Technical provisions - term assurance	(34,822)	67,216
Technical provisions calculated as a whole	-	
Best Estimate (BE)	(43,594)	
Risk margin (RM)	8,772	

Figures in thousand euro

The below graph analyses the change in the Solvency II technical provisions by line of business from 31st December 2021 to 31st December 2022. The term assurance BEL is negative, and this line of business therefore represents an asset.

The most significant percentage change in technical provisions has arisen from a 17.5% decrease in term assurance. This has mainly arisen from ageing of the portfolio reducing the value of technical provisions by more than the value of new business added. With-Profits and unit-linked technical provisions decreased by 9.9% and 15.5% respectively. This was mainly due to the reduction in market values of the underlying assets.



	2022	2021
Index-linked and unit-linked	102,256	113,509
Term assurance	-34,822	-42,218
With-profits	1,844,098	2,183,524

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 assumption, 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 projects 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 that the present value of future inflows. This could for example happen to the protection business where future premiums are expected to exceed future claims and expenses. In this case, MMSV does not value these contracts at zero, but rather, as an asset that decreases the value of its technical provisions.

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

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. Demographic assumptions 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 (also payable on earlier death) and a small block of generally older single premium business also has a surrender guarantee. The value of these guarantees relates to benefits accumulated at the valuation date. The payout on early withdrawal is not defined either as a guaranteed amount or future return for contracts without a surrender value guarantee.

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.

[7] The above includes contracts in effect as well as tacit renewals.
[8] Current value 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 cashflows are projected until the contractual benefit expiry date after allowing for expected decrements such as early exits and deaths.

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

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

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

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

MMSV considers that the methodologies used are appropriate, applicable, and relevant.

The projection requires the following assumptions:

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

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

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

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

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

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

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

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

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

D.2.2.a. Matching adjustment

MMSV does not make use of the matching adjustment.

D.2.2.b. Volatility adjustment

MMSV does not make use of any volatility adjustments.

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

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

D.2.2.d. Transitional measure for technical provisions

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

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

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

D.2.4. Other technical 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 2022.

Other Liabilities	Solvency II Value 2022	Accounting Value 2022
Total technical provisions	**1,911,532**	**2,064,259**
Contingent liabilities	-	-
Provisions other than technical provisions	-	-
Pension benefit obligations	-	-
Deposits from reinsurers	-	-
Deferred tax liabilities	16,311	2,766
Derivatives	507	-
Debts owed to credit institutions	-	-
Financial liabilities other than debt owed to credit institutions	44	44
Insurance & intermediaries payables	54,051	6,028
Reinsurance payables	3,070	3,070
Payables (trade, not insurance)	47,160	47,160
Subordinated liabilities	-	-
Subordinated liabilities not in basic own funds	-	-
Subordinated liabilities included in basic own funds	-	-
Any other liabilities, not elsewhere shown	2,918	2,918
TOTAL LIABILITIES	**2,035,592**	**2,126,245**
EXCESS OF ASSETS OVER LIABILITIES	**197,089**	**223,944**

Figures in thousand euro

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

- A decrease in the value of deferred tax liabilities from €29.2 million to €16.3 million.
- An increase in insurance and intermediaries payables from €52.0 million to €54.0 million.
- An increase in trade payables from €5.7 million to €47.2 million.

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

Deferred tax liabilities

Under the accounting standards, deferred taxes are recognised on all temporary differences at the balance sheet date between the tax basis of assets and liabilities and their carrying amounts. MMSV recognised deferred tax liabilities on its IFRS Balance sheet at a carrying amount of €2.8 million, significantly lower than the deferred tax liability recognised in 2021. Following the crystallisation of the current tax liability due to unrealised losses, this has been classified under “Payables, (trade, not insurance)” in 2022.

MMSV recognised deferred tax liabilities on the Solvency II balance sheet at €16.3 million. This amount was determined by assessing the future profits on insurance business that would arise on a best estimate basis and applying the appropriate tax rate to these expected profits. Therefore, expert judgement was applied in the same way as described for the calculation of the best estimate of liabilities. The methodology applied is therefore closer to an economic assessment of the tax obligation that will arise.

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

Derivatives

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

Insurance and intermediaries payables

The Solvency II value includes, among others, outstanding claims payable amounting to €48.2m, 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 valuation criteria for assets and liabilities during the year other than changes to the underlying demographic and economic assumptions used in the valuation of the best estimate liabilities outlined above.

Finance and operating leases

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

D.6. Annexes

A) Assets

S.02.01.02 – Balance sheet

Assets	Solvency II Value
Intangible assets	-
Deferred tax assets	-
Pension benefit surplus	-
Property, plant & equipment held for own use	12,541
Investments (other than assets held for index-linked and unit-linked contracts)	1,996,348
Property (other than for own use)	95,504
Holdings in related undertakings	40,875
Equities	431,166
Equities – listed	431,166
Equities – unlisted	-
Bonds	783,146
Government Bonds	532,948
Corporate Bonds	249,836
Structured notes	-
Collateralised securities	363
Collective Investments Undertakings	525,328
Derivatives	3,206
Deposits other than cash equivalents	117,123
Other investments	-
Assets held for index-linked and unit-linked contracts	102,256
Loans and mortgages	9,132
Loans on policies	9,132
Loans and mortgages to individuals	-
Other loans and mortgages	-
Reinsurance recoverables from:	(20,352)
Non-life and health similar to non-life	-
Non-life, excluding health	-
Health similar to non-life	-
Life and health similar to life, excluding health and index-linked and unit-linked	(20,352)
Health similar to life	-
Life, excluding health and index-linked and unit-linked	(20,352)
Life index-linked and unit-linked	-
Deposits to cedants/Deposits for Accepted Reinsurance	-
Insurance and intermediaries receivables	-
Reinsurance receivables	476
Receivables (trade, not insurance)	941
Own shares (held directly)	-

Assets	Solvency II Value
Amounts due in respect of own funds items	-
Cash and cash equivalents	124,780
Any other assets, not elsewhere shown	6,559
TOTAL ASSETS	**2,232,681**

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)	**1,809,276**
Technical provisions - health (similar to Life)	-
Technical provisions calculated as a whole	-
Best Estimate (BE)	-
Risk margin (RM)	-
Technical provisions - Life (excluding health and index-linked and unit-linked)	1,809,276
Technical provisions calculated as a whole	-
Best Estimate (BE)	1,794,159
Risk margin (RM)	15,117
Technical provisions - index-linked and unit-linked	**102,256**
Technical provisions calculated as a whole	102,256
Best Estimate (BE)	-
Risk margin (RM)	-
Total technical provisions	**1,911,532**

	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	-	102,256			-			102,256
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	-	-			-			-
Technical provisions calculated as a sum of BE and RM								
Best Estimate								
Gross Best Estimate	1,837,753		-	-		(43,594)	-	1,837,753
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-		-	-		(20,352)	-	0
Best estimate minus recoverables from reinsurance/SPV and Finite Re — total	1,837,753		-	-		(23,242)	-	1,837,753
Risk Margin	6,345	-			8,772			15,117
Amount of the transitional on Technical Provisions	-							
Technical Provisions calculated as a whole	-	-			-	-	-	-
Best estimate	-		-	-		-	-	-
Risk margin	-	-			-			-
Technical provisions — total	1,844,098	102,256			(34,822)			1,911,532

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	16,311
Derivatives	507
Debts owed to credit institutions	
Financial liabilities other than debt owed to credit institutions	44
Insurance & intermediaries payables	54,051
Reinsurance payables	3,070
Payables (trade, not insurance)	47,160
Subordinated liabilities	
Subordinated liabilities not in basic own funds	
Subordinated liabilities included in basic own funds	
Any other liabilities, not elsewhere shown	2,918
TOTAL LIABILITIES	**2,035,592**
EXCESS OF ASSETS OVER LIABILITIES	**197,089**

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

No distribution of dividends is being recommended for 2022.

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

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

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

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

- Ratio of eligible own funds to MCR.

	Total		Tier 1–unrestricted		Tier 1 – restricted		Tier 2		Tier 3	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Commission Delegated Regulation (EU) 2015/35										
Ordinary share capital (gross of own shares)	94,750	94,750	94,750	94,750			-	-		
Share premium account related to ordinary share capital	-	-	-	-			-	-		
Initial funds, members' contributions or the equivalent basic own — fund item for mutual and mutual-type undertakings	-	-	-	-			-	-		
Subordinated mutual member accounts	-	-			-	-	-	-	-	-
Surplus funds	50,689	68,469	50,689	68,469						
Preference shares	-	-			-	-	-	-	-	-
Share premium account related to preference shares	-	-			-	-	-	-	-	-
Reconciliation reserve	51,650	76,719	51,650	76,719						
Subordinated liabilities	-	-			-	-	-	-	-	-
An amount equal to the value of net deferred tax assets	-	-							-	-
Other own fund items approved by the supervisory authority as basic own funds not specified above	-	-	-	-	-	-	-	-	-	-
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds										

	Total		Tier 1–unrestricted		Tier 1 – restricted		Tier 2		Tier 3	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
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 institutions[9]	-	-	-	-	-	-	-	-		
Total basic own funds after deductions	**197,089**	**239,937**	**197,089**	**239,937**	-	-	-	-	-	-
Ancillary own funds										
Unpaid and uncalled ordinary share capital callable on demand	-	-					-	-		
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual — type undertakings, callable on demand	-	-					-	-		
Unpaid and uncalled preference shares callable on demand	-	-					-	-	-	-
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	-	-					-	-	-	-
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	-	-					-	-		
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	-	-					-	-	-	-

	Total		Tier 1–unrestricted		Tier 1 – restricted		Tier 2		Tier 3	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
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	197,089	239,937	197,089	239,937	-	-	-	-	-	-
Total available own funds to meet the MCR	197,089	239,937	197,089	239,937	-	-	-	-		
Total eligible own funds to meet the SCR	197,089	239,937	197,089	239,937	-	-	-	-	-	-
Total eligible own funds to meet the MCR	197,089	239,937	197,089	239,937	-	-	-	-		
SCR	121,952	106,116								
MCR	43,325	47,752								
Ratio of Eligible own funds to SCR	161.6%	226.1%								
Ratio of Eligible own funds to MCR	454.9%	502.5%								

	Amount	
	2022	2021
Reconciliation reserve		
Excess of assets over liabilities	197,089	241,937
Own shares (held directly and indirectly)	-	-
Foreseeable dividends, distributions and charges	-	2,000
Other basic own fund items	145,439	163,219
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring-fenced funds	-	-
Reconciliation reserve	**51,650**	**76,719**
Expected profits		
Expected profits included in future premiums (EPIFP) — Life business	64,099	80,832
Expected profits included in future premiums (EPIFP) — Non-life business	-	-
Total Expected profits included in future premiums (EPIFP)	**64,099**	**80,832**

Figures in thousand euro

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

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

As at 31st December 2022, MMSV has unrestricted basic Tier 1 own funds totalling €197.1 million (€239.9 million as at 31st December 2021). These own funds consist of:

- Ordinary paid-in share capital.
- Reconciliation reserve, which has decreased by 32.7% 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 decreased by 26.0% mainly due to a decrease in the assets of the With-Profits fund, changes to assumptions, a higher yield curve and increased 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 remains 99.5% confident that it will be able to meet its commitments to insurance beneficiaries and policyholders during the following year.

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

The solvency ratio measures the relationship between eligible own funds and the SCR as calculated by applying the standard formula. As at 31st December 2022, MMSV's solvency ratio was 161.6%. This shows MMSV's capacity to absorb extraordinary losses deriving from a 1 every 200 years adverse scenario, however, this is lower when compared to the previous year's reported solvency ratio of 226.1%. This is mainly attributable to the reduction in eligible own funds, resulting from the crystallisation of the current tax liability due to unrealised losses.

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 454.9% in 2022. The MCR coverage has decreased in 2022 when compared to 2021 (502.5%).

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 2022, the excess of assets over liabilities for Solvency II purposes amounted to €197.1 million, while IFRS equity was equal to €223.9 million. The main adjustments that arise from the reconciliation of IFRS equity and own funds under Solvency II are found below:

	2022	2021
IFRS Equity	223,944	221,718
Difference in valuation of assets	**(96,679)**	**(99,045)**
Deferred Acquisition Costs	(308)	(165)
Intangible Assets	(97,709)	(100,411)
Other adjustments	1,338	1,531
Difference in valuation of liabilities	**69,825**	**119,263**
Technical provisions	131,899	155,556
Other Liabilities	(48,530)	(47,432)
Deferred Taxes	(13,544)	11,139
Excess of assets over liabilities (Solvency II value)	**197,089**	**241,937**

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 €197.1 million. To determine the reconciliation reserve "other basic own funds" items (€145.4 million) was deducted.

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

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

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

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

Items deducted from own funds

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

Own Funds issued and instruments redeemed

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

Transitional measures

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

E.2. Solvency Capital Requirement and Minimum Capital Requirement

E.2.1. Solvency Capital Requirement amounts and valuation methods

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

	Gross solvency capital requirement		Undertaking-specific parameters
	2022	2021	
Market risk	418,051	478,356	
Counterparty default risk	27,193	10,635	
Life underwriting risk	32,581	43,966	-
Health underwriting risk	-	-	-
Non-Life underwriting risk	-	-	-
Diversification	(42,503)	(38,828)	
Intangible assets risk	-	-	
Basic Solvency Capital Requirement	**435,322**	**494,130**	

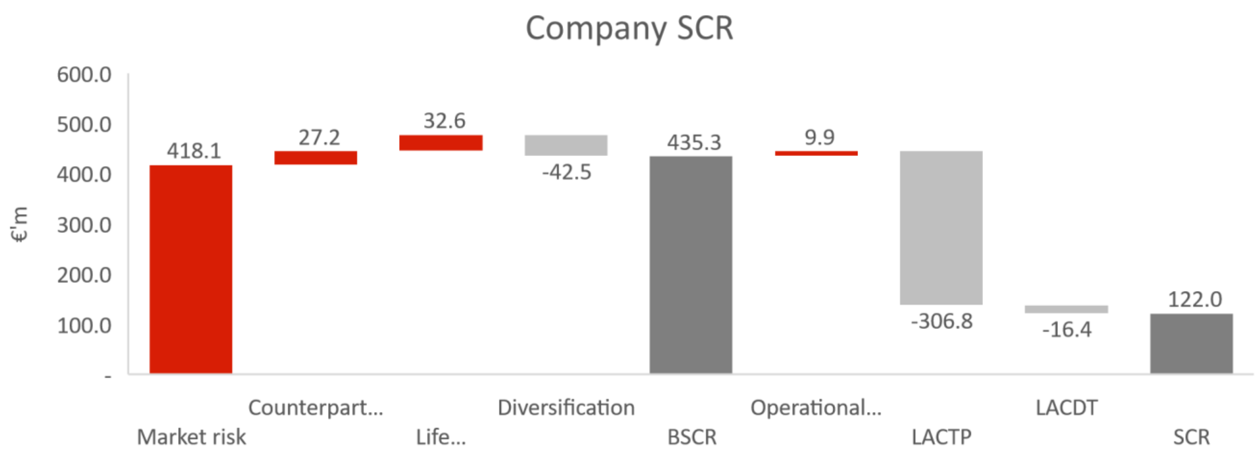
Calculation of the Solvency Capital Requirement	Amount	
	2022	2021
Operational Risk	9,880	13,022
Loss-absorbing capacity of technical provisions	(306,808)	(383,379)
Loss-absorbing capacity of deferred taxes	(16,441)	(17,658)
Capital requirement for businesses operated in accordance with Article 4 of Directive 2003/41/EC	-	-
Solvency Capital Requirement excluding additional capital	121,952	106,116
Capital add-on already set	-	-
Solvency capital requirement	**121,952**	**106,116**
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	27,462	27,488
Total amount of the notional solvency capital requirement for ring-fenced funds	94,490	78,628
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	
	2022	2021
Approach based on average tax rate	1 - Yes	1 - Yes

Calculation of loss absorbing capacity of deferred taxes	LAC DT	
	2022	2021
LAC DT	(16,441)	(17,658)
LAC DT justified by reversion of deferred tax liabilities	-	-
LAC DT justified by reference to probable future taxable economic profit	(16,441)	(17,658)
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:



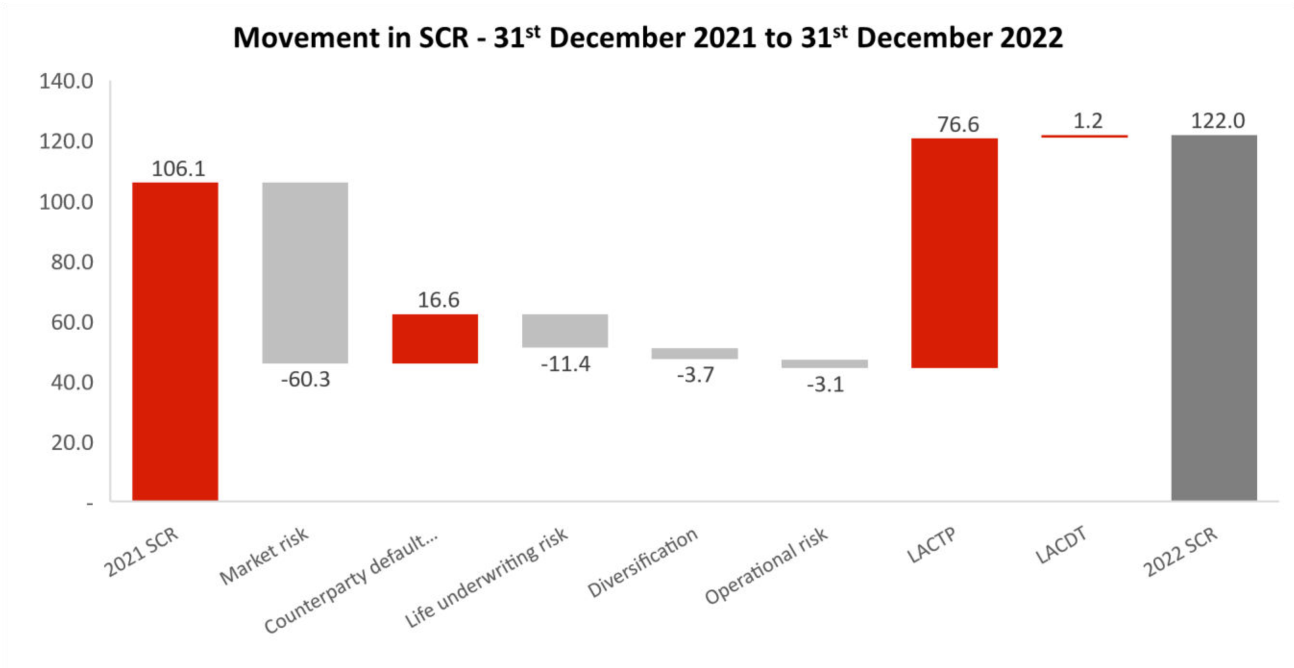
As at 31st December 2022, MMSV's total SCR amount was €122.0 million compared to €106.1 million as at 31st December 2021.The main drivers for this change is the reduction in the loss absorbing capacity of technical provisions from €383.4 million as at 31st December 2021 to €306.8 million as at 31st December 2022, restricted as at 31st December 2022 by the amount of future discretionary benefits.

MMSV's total MCR amount at 31st December 2022 was €43.3 million compared to €47.8 million as at 31st December 2021, the reduction driven by lower With-Profits fund obligations.

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

In total, the loss-absorbing capacity of technical provisions amounted to €306.8 million and the loss-absorbing capacity of deferred tax amounted to €16.4 million. Unlike 2021, the future discretionary benefits are now restricting the amount of loss absorbency in the technical provisions.

The table below compares the movement in SCR over 2022:



Market risk SCR decreased significantly, driven by the deterioration in equity markets when compared to the last quarter of 2021.

As mentioned earlier, the loss absorbing capacity of technical provisions decreased from €383.4 million as at 31st December 2021 to €306.8 million as at 31st December 2022, restricted by the amount of future discretionary benefits.

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)	43,325		
		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		1,530,945	
Obligations with profit participation – future discretionary benefits		306,808	
Index-linked and unit-linked insurance obligations		102,256	
Other life (re)insurance and health (re)insurance obligations		-	
Total capital at risk for all life (re)insurance obligations			2,740,874

Overall MCR calculation	
Linear MCR	43,325
SCR	121,952
MCR cap	54,879
MCR floor	30,488
Combined MCR	43,325
Absolute floor of the MCR	4,000
Minimum Capital Requirement	**43,325**

Figures in thousand euro

The linear MCR for Life insurance is €43.3 million. The linear MCR was obtained by applying the factors (specified in Articles 248 -251 of the Delegated Regulation (EU) 2015/35) to the data included in the above tables. The combined MCR is equal to €43.3 million, which is the result of applying maximum and minimum limits to the linear MCR.

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

The Company has adjusted the Solvency Capital Requirement to take into account the loss-absorbing capacity of deferred taxes, in the amount of €16.4 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 2022, 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 2022, when a full calculation based on the standard formula calculation has been carried out. As a result, no mandatory remedial actions or corrective measures are required.

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

E.6. Any other information

MMSV management 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 subsidiaries/associates:

Name	Type of investment	Country	Activity	Legal status	Ownership interest FY 2022	Ownership interest FY 2021
Growth Investment[10]	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%	31.42%
Tigne Mall p.l.c.	Associate	Malta	Ownership and management of 'The Point Shopping Mall'	Limited liability company	35.46%	35.46%

[10] Company in Liquidation