



MIDDLESEA VALLETTA LIFE

Assurance Company Limited

Abridged Financial Statements for the year ended 31 December 2009

REVIEW OF THE BUSINESS

Middlesea Valletta Life Assurance Co. Ltd. ("MSV Group" and "Group") registered a profit after tax of €6 million for the year ended 31 December 2009 compared to the profit after tax of €2 million recorded in 2008.

Gross written premiums (including investment contracts without DPF) increased by 14% from €110 million in 2008 to €125 million in 2009. This increase in business is largely attributed to a strong demand for with-profits savings related policies in particular the MSV Single Premium Plan.

Net investment income increased from a loss of €32 million in 2008 to an income of €61 million in 2009. MSV registered a very significant improvement in its investment performance as its conservatively positioned and diversified portfolio of quality assets was very well placed to capture the upturn in investment markets.

The MSV Group's total assets increased from €843 million at the end of 2008 to €999 million at the end of 2009, whilst the Life Fund (including investment contracts without DPF) increased by 18% from €742 million in 2008 to €879 million in 2009. The value of in-force business increased by 2% from €40 million in 2008 to €41 million in 2009. The value of in-force business reflects the discounted value of projected future transfers (after providing for taxation) to shareholders arising from policies in force at the end of the year.

Total equity at the close of 2009 amounted to €107 million an increase of 19% over the previous year.

The shareholders of MSV are wholly committed to ensure that MSV is well capitalised at all times. On 31 August 2009 an increase in the issued share capital of MSV was effected through a fresh issue of shares which was fully subscribed. As a consequence the issued share capital of MSV increased from €42 million to €44 million, whilst on the same date the authorised share capital was increased from €50 million to €60 million.

As a result of new regulatory capital requirements for life companies that came into effect on 1 January 2010, the shareholders of MSV resolved to further increase the issued share capital of MSV from €44 million to €52 million, with

effect from 31 December 2009, through the injection of new capital. Strong capitalisation is necessary to support the new business growth plans for MSV, whilst at the same time meeting in full the requirements of policyholders and the insurance regulator.

The Board of Directors of MSV Group approved a resolution whereby differential rates of Regular Bonuses were declared in respect of with-profits plans held with MSV Group for the year ending 31 December 2009. These amounted to 3.25% for the Comprehensive Life Plan (regular and single premium policies), 3.45% in respect of the Comprehensive Flexi Plan (regular and single premium policies), 3.45% under the Single Premium Plan and 3.45% under the with-profits option of the MSV Investment Bond and of the MSV Retirement Plan. On the 'Old Series' Endowment and Whole Life policies, a Regular Bonus of 2.2% of the basic sum assured plus bonuses was declared. Finally, the Board also approved a Regular Bonus of 3.45% on those Secure Growth policies which formed part of the portfolio of business transferred to MSV Group from Assicurazioni Generali S.p.A. during 2000.

Notwithstanding the prudent investment policy adopted by MSV, past performance is no guarantee for the future. Although MSV's with-profits investments have generally provided policyholders with satisfactory returns when compared with other similar investment products, in the light of the current uncertainty in the capital markets, investment returns could fluctuate further. Fair value movements and lower investment returns impinge directly on the rates of bonuses declared by MSV. Regular Bonuses are therefore expected to vary over the lifetime of the policy.

During 2009, MSV continued to strengthen its position in the local market as the leading provider of life insurance, long term savings and retirement planning. Through the combination of a strong brand, solid reputation, financial strength, product breadth and distribution reach, in particular the successful bancassurance partnership with Bank of Valletta p.l.c., MSV is set to continue to grow its business in the local market by developing new products, by creating new demands for life and investment related products and by delivering the highest standards of service to its customers.

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS:

1. Middlesea Valletta Life Assurance Company Limited is authorised by the Malta Financial Services Authority to carry on long term business of insurance under the Insurance Business Act, 1998.
2. Basis of preparation
These abridged financial statements are being published in accordance with Section 20 of the Insurance Business Act, 1998. These statements have been extracted from the Group's audited financial statements as approved by the Board of Directors on 29 March 2010. The statutory financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU, the Insurance Business Act, 1998 and the Companies Act, 1995.
3. Assets held to cover linked liabilities included in Investments amounted to €96 million as at 31 December 2009 (2008: €79 million). Technical provisions for linked liabilities amounted to €96 million as at 31 December 2009 (2008: €79 million).
4. The Board of Directors recommends the payment of a final dividend of €3 million payable to the shareholders (2008: €2 million). The shareholders have undertaken to re-invest the dividend in the Company and a resolution to increase the issued paid-up share capital of the Company by €3 million will be put forward at the forthcoming Annual General Meeting.
5. The audited financial statements of the Group for the year ended 31 December 2009 are exhibited at Middle Sea House, Floriana. These financial statements are available to the public from the company's registered office and the Registrar of Companies.

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MIDDLESEA VALLETTA LIFE

Assurance Company Limited

Abridged Financial Statements for the year ended 31 December 2009

Consolidated Balance Sheets as at 31 December 2009

	Group		Company	
	2009	2008	2009	2008
	€'000	€'000	€'000	€'000
ASSETS				
Intangible assets	44,050	42,796	43,999	42,728
Investments	926,538	776,722	925,929	776,197
Other assets	4,777	4,843	4,755	4,816
Reinsurers' share of technical provisions	2,117	467	2,117	467
Income tax receivable	1,222	2,060	1,158	1,978
Debtors	1,649	2,005	1,887	2,468
Prepayments and accrued income	12,092	8,676	11,973	8,518
Cash at bank and in hand	6,799	5,449	6,469	5,107
TOTAL ASSETS	999,244	843,018	998,287	842,279
LIABILITIES				
Capital & reserves	107,195	90,015	106,408	89,372
Technical provisions				
- insurance contracts	362,376	331,626	362,376	331,626
- investment contracts with DPF	450,725	352,927	450,725	352,927
- investment contracts without DPF	68,220	58,193	68,220	58,193
Derivative financial instruments	313	-	313	-
Provision for other risks and charges	5,188	4,068	5,178	4,065
Creditors	3,322	4,391	3,173	4,309
Accruals and deferred income	1,905	1,798	1,894	1,787
TOTAL LIABILITIES	999,244	843,018	998,287	842,279

These abridged financial statements were authorised for issue by the Board on 29 March 2010 and were signed on its behalf by:

R. E. D. Chalmers
Chairman

D.G. Curmi
Chief Executive Officer

Consolidated Profit and Loss Accounts Non-technical Account for the financial year ended 31 December 2009

	Group		Company	
	2009	2008	2009	2008
	€'000	€'000	€'000	€'000
Balance on the long term business technical account	4,801	2,685	4,801	2,685
Investment income	2,092	1,827	2,037	1,945
Unrealised capital gains / (losses)	864	(3,141)	823	(3,005)
Investment expenses and charges	(63)	(31)	(63)	(31)
Other income - commission receivable	656	635	-	-
Other charges - administrative expenses	(708)	(775)	(168)	(170)
Profit before tax	7,642	1,200	7,430	1,424
Tax (expense) / income	(1,441)	723	(1,373)	667
Profit for the financial year	6,201	1,923	6,057	2,091
Earnings per share (cents)	37c0	12c3		

Statements of Comprehensive Income for the financial year ended 31 December 2009

	Group		Company	
	2009	2008	2009	2008
	€'000	€'000	€'000	€'000
Profit for the financial year	6,201	1,923	6,057	2,091
Other comprehensive income:				
Movement in value of in-force business	979	(3,018)	979	(3,018)
Total comprehensive income / (expense) for the year	7,180	(1,095)	7,036	(927)

Consolidated Cash Flow Statements for the financial year ended 31 December 2009

	Group		Company	
	2009	2008	2009	2008
	€'000	€'000	€'000	€'000
Net cash generated from operating activities	101,713	99,613	101,673	99,423
Net cash used in investing activities	(110,363)	(99,874)	(110,311)	(99,860)
Net cash generated from financing activities	10,000	-	10,000	-
Movement in cash and cash equivalents	1,350	(261)	1,362	(437)
Cash and cash equivalents at beginning of year	5,449	5,710	5,107	5,544
Cash and cash equivalents at end of year	6,799	5,449	6,469	5,107

Statement of Changes In Equity

Group	Share capital	Other reserves	Profit and loss account	Total
	€'000	€'000	€'000	€'000
Balance at 1 January 2008	34,941	36,594	19,575	91,110
Comprehensive income				
Profit for financial year	-	-	1,923	1,923
Other comprehensive income:				
Decrease in value of in-force business	-	(3,018)	-	(3,018)
Total comprehensive (expense) / income for the year	-	(3,018)	1,923	(1,095)
Transactions with owners				
Dividends	4,809	-	(4,809)	-
Balance at 31 December 2008	39,750	33,576	16,689	90,015
Balance at 1 January 2009	39,750	33,576	16,689	90,015
Comprehensive income				
Profit for the financial year	-	-	6,201	6,201
Other comprehensive income:				
Increase in value of in-force business	-	979	-	979
Total comprehensive income for the year	-	979	6,201	7,180
Transactions with owners				
Issue of share capital	10,000	-	-	10,000
Dividends	2,000	-	(2,000)	-
Total transactions with owners	12,000	-	(2,000)	10,000
Balance at 31 December 2009	51,750	34,555	20,890	107,195

Company	Share capital	Other reserves	Profit and loss account	Total
	€'000	€'000	€'000	€'000
Balance at 1 January 2008	34,941	36,594	18,764	90,299
Comprehensive income				
Profit for financial year	-	-	2,091	2,091
Other comprehensive income:				
Decrease in value of in-force business	-	(3,018)	-	(3,018)
Total comprehensive (expense) / income for the year	-	(3,018)	2,091	(927)
Transactions with owners				
Dividends	4,809	-	(4,809)	-
Balance at 31 December 2008	39,750	33,576	16,046	89,372
Balance at 1 January 2009	39,750	33,576	16,046	89,372
Comprehensive income				
Profit for financial year	-	-	6,057	6,057
Other comprehensive income:				
Increase in value of in-force business	-	979	-	979
Total comprehensive income for the year	-	979	6,057	7,036
Transactions with owners				
Issue of share capital	10,000	-	-	10,000
Dividends	2,000	-	(2,000)	-
Total transactions with owners	12,000	-	(2,000)	10,000
Balance at 31 December 2009	51,750	34,555	20,103	106,408

STATEMENT PURSUANT TO SUBARTICLE C OF ARTICLE 1 OF THE THIRD SCHEDULE OF THE INSURANCE BUSINESS (COMPANIES ACCOUNTS) REGULATIONS, 2000

The statutory financial statements of Middlesea Valletta Life Assurance Company Limited for the financial year ended 31 December 2009 were approved by the Board of Directors on 29 March 2010. On the same date, the Independent Auditor, PricewaterhouseCoopers, expressed an unqualified opinion on these financial statements.