

Abridged Financial Statements for the year ended 31 December 2011

Review of the business

MSV Life p.l.c. ("MSV Group", "Group" and "Company") reported a profit after tax of €3.53 million for the year ended 31 December 2011 compared to profit after tax of €7.84 million recorded in 2010. Total comprehensive income inclusive of the movement in the value of in-force business was €2.77 million (2010: €9.65 million).

Gross premiums written (including investment contracts without DPF) reduced due to lower single premium business, closing off financial year 2011 at €128.02 million compared to €147.49 million in 2010. This decrease was due to an effort to write more regular premium and protection business as well as to prevailing market conditions.

Nonetheless, premium levels for new business held up well both against prior year and target levels and were well spread across all principal product groups. We continue to see reasonable momentum in all our product groupings as customers continue to choose MSV, reflecting trust in our brand and the quality of our proposition.

Investment conditions in both local and international markets remained difficult and uncertain and this dampened retail demand. Economic conditions continued to be characterised by historically low interest rates through all major markets, tightened fiscal conditions and widened credit spreads between eurozone member states.

Against this background of uncertainty and a weakened euro our investment performance was satisfactory and well underpinned both by the Company's conservative and diversified portfolio of assets as well as its robust investment management process. We have a strong track record of fixed income management and, despite recent market volatility, overall portfolio quality held up well. We continue to manage our balance sheet prudently and have taken extra measures to ensure our market exposures remain within our risk appetite.

MSV Group's total assets increased from €1,130.71 million at the end of 2010 to €1,165.11 million at the end of 2011, whilst the Life Fund (including investment contracts without DPF) increased by 3.41% from €1,000.44 million in 2010 to €1,034.55 million in 2011.

The value of in-force business, disclosed as an intangible asset, decreased by 1.79% from €42.53 million in 2010 to €41.77 million in 2011. The value of in-force business reflects the after tax value of the projected future transfers to shareholders arising from policies in force at the end of the year.

At the end of 2011, the level of net admissible assets stood at €72.61 million (2010: €68.79 million) for statutory solvency purposes. This represents an excess of €30.26 million (2010: €28.45 million) over the 'required margin of solvency' of €42.35 million (2010: €40.35 million) as stipulated in the Insurance Business Regulations.

Total shareholders' funds, at the close of 2011, amounted to €111.65 million (2010: €108.89 million), an increase of 2.53% over the previous year.

The net asset value per share has increased by 13cents during 2011 to €5.10 per share driven by the underlying performance of the business, with adverse movements from falls in equity and credit markets offset by asset growth from new business written.

The shareholders of MSV are wholly committed to ensuring that MSV remains adequately capitalised at all times and well positioned for further business growth. MSV remains focused on the generation of capital and its disciplined allocation.

In February 2012, 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 Life for the year ending 31 December 2011. These amounted to 2.25% for the MSV Comprehensive Life Plan (regular and single premium policies), 2.45% in respect of the MSV Comprehensive Flexi Plan (regular and single premium policies), 2.45% under the MSV Single Premium Plan and 2.45% under the with-profits options 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.

The Board approved a Regular Bonus of 2.45% on those Secure Growth policies which formed part of the portfolio of business transferred to MSV Life from Assicurazioni Generali S.p.A. during 2000.

Finally, the Board also approved a Regular Bonus of 1.75% on the Alico 78 policies and a Regular Bonus of 2.0% on the Alico 66 policies which formed part of the portfolio of business transferred to MSV Life in 2011 from American Life Insurance Company ("ALICO").

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.

MSV has total assets of over €1 billion, a customer base of over 80,000 policyholders and shareholders' equity of over €100 million. It is Malta's leading life insurance company and prospects for continuing growth and development are encouraging, both in the life assurance and in the long term savings and retirement areas.

Through the combination of a strong brand, solid reputation, financial strength, product breadth and significant distribution reach, particularly through its successful bancassurance partnership with Bank of Valletta p.l.c., MSV is set to continue to grow its core business in the local market.

We continue to drive sales of profitable products through our strong bancassurance and retail networks which have been developed further with the opening, in June 2011, of our flagship customer services centre.

We look with enthusiasm towards further strengthening our new alliance with Mapfre and their growing presence in the Maltese Islands.

Notes to the Abridged Financial Statements:

1. MSV Life p.l.c. ("the Company"), and its subsidiary, (together forming "the Group") are licensed under the Insurance Business Act, 1998 to transact long term insurance business. Furthermore, its subsidiary is licensed under the Investment Services Act, 1994.
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 27 February 2012. 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 €89 million as at 31 December 2011 (2010: €103 million). Technical provisions for linked liabilities amounted to €89 million as at 31 December 2011 (2010: €103 million).
4. The Board of Directors recommends the payment of a final dividend of €1.73 million payable to the shareholders.
5. The audited financial statements of the Group for the year ended 31 December 2011 are exhibited at MSV Life p.l.c., Pjazza Papa Giovanni XXIII, Floriana. These financial statements are available to the public from the company's registered office and the Registrar of Companies.

Registered Address:

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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 MSV Life p.l.c. for the financial year ended 31 December 2011 were approved by the Board of Directors on 27 February 2012. On the same date, the Independent Auditor, PricewaterhouseCoopers, expressed an unqualified opinion on those financial statements.

MSV Life p.l.c. (C-15722) is authorised by the Malta Financial Services Authority to carry on long term business under the Insurance Business Act 1998.

Abridged Financial Statements for the year ended 31 December 2011

Consolidated Balance Sheets as at 31 December 2011

	Group		Company	
	2011	2010	2011	2010
	€'000	€'000	€'000	€'000
ASSETS				
Intangible assets	44,220	45,720	44,207	45,689
Investments	1,096,126	1,059,458	1,096,350	1,059,663
Reinsurers' share of technical provisions	228	3,375	228	3,375
Income tax receivable	4,264	3,008	4,151	3,008
Debtors	26	33	152	117
Prepayments and accrued income	12,406	12,602	12,279	12,472
Cash at bank and in hand	6,078	5,153	5,576	4,706
Other assets	1,757	1,359	1,755	1,346
TOTAL ASSETS	1,165,105	1,130,708	1,164,698	1,130,376
LIABILITIES				
Capital & reserves	111,653	108,891	111,287	108,596
Technical provisions				
- insurance contracts	388,693	385,722	388,693	385,722
- investment contracts with DPF	585,748	547,096	585,748	547,096
- investment contracts without DPF	60,338	70,994	60,338	70,994
Subordinated loan	6,000	6,000	6,000	6,000
Derivative financial instruments	189	-	189	-
Provision for other risks and charges	6,986	5,479	6,984	5,465
Creditors	3,807	4,699	3,783	4,684
Accruals and deferred income	1,691	1,827	1,676	1,819
TOTAL LIABILITIES	1,165,105	1,130,708	1,164,698	1,130,376

These abridged financial statements were authorised for issue by the Board on 27 February 2012 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 year ended 31 December 2011

	Group		Company	
	2011	2010	2011	2010
	€'000	€'000	€'000	€'000
Balance on the long term business technical account	5,161	8,519	5,161	8,519
Investment income	2,020	2,340	2,011	3,350
Unrealised (losses)/gains on investments	(1,403)	984	(1,383)	970
Investment expenses and charges	(32)	(84)	(32)	(84)
Other income - commission receivable	590	726	-	-
Other charges - administrative expenses	(902)	(851)	(437)	(360)
Profit before tax	5,434	11,634	5,320	12,395
Tax expense	(1,905)	(3,793)	(1,862)	(4,062)
Profit for the year	3,529	7,841	3,458	8,333
Earnings per share (cents)	16c1	36c4		

Consolidated Statements of Comprehensive Income for the year ended 31 December 2011

	Group		Company	
	2011	2010	2011	2010
	€'000	€'000	€'000	€'000
Profit for the year	3,529	7,841	3,458	8,333
Other comprehensive income:				
Movement in value of in-force business	(767)	1,805	(767)	1,805
Total comprehensive income	2,762	9,646	2,691	10,138

Consolidated Statements of Changes In Equity

Group	Share capital	Other reserves	Profit and loss account	Total
	€'000	€'000	€'000	€'000
Balance at 1 January 2010	51,750	34,555	20,890	107,195
Comprehensive income				
Profit for the financial year	-	-	7,841	7,841
Other comprehensive income:				
Increase in value of in-force business	-	1,805	-	1,805
Total comprehensive income for the year	-	1,805	7,841	9,646
Transactions with owners				
Dividends in respect of 2009	3,000	-	(3,000)	-
Dividends in respect of 2010	-	-	(7,950)	(7,950)
Total transactions with owners	3,000	-	(10,950)	(7,950)
Balance at 31 December 2010	54,750	36,360	17,781	108,891
Balance at 1 January 2011	54,750	36,360	17,781	108,891
Comprehensive income				
Profit for the financial year	-	-	3,529	3,529
Other comprehensive income:				
Decrease in value of in-force business	-	(767)	-	(767)
Total comprehensive income for the year	-	(767)	3,529	2,762
Balance at 31 December 2011	54,750	35,593	21,310	111,653

Company	Share capital	Other reserves	Profit and loss account	Total
	€'000	€'000	€'000	€'000
Balance at 1 January 2010	51,750	34,555	20,103	106,408
Comprehensive income				
Profit for the financial year	-	-	8,333	8,333
Other comprehensive income:				
Increase in value of in-force business	-	1,805	-	1,805
Total comprehensive income for the year	-	1,805	8,333	10,138
Transactions with owners				
Dividends in respect of 2009	3,000	-	(3,000)	-
Dividends in respect of 2010	-	-	(7,950)	(7,950)
Total transactions with owners	3,000	-	(10,950)	(7,950)
Balance at 31 December 2010	54,750	36,360	17,486	108,596
Balance at 1 January 2011	54,750	36,360	17,486	108,596
Comprehensive income				
Profit for the financial year	-	-	3,458	3,458
Other comprehensive income:				
Decrease in value of in-force business	-	(767)	-	(767)
Total comprehensive income for the year	-	(767)	3,458	2,691
Balance at 31 December 2011	54,750	35,593	20,944	111,287

Consolidated Cash Flow Statements for the year ended 31 December 2011

	Group		Company	
	2011	2010	2011	2010
	€'000	€'000	€'000	€'000
Net cash generated from operating activities	72,491	104,250	72,435	104,965
Net cash used in investing activities	(71,566)	(103,946)	(71,565)	(104,778)
Net cash used in financing activities	-	(1,950)	-	(1,950)
Net movement in cash and cash equivalents	925	(1,646)	870	(1,763)
Cash and cash equivalents at beginning of year	5,153	6,799	4,706	6,469
Cash and cash equivalents at end of year	6,078	5,153	5,576	4,706