Solvency and Financial Condition Report

31st December 2017

Executive Summary

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

A. Business and Performance

MAPFRE MSV Life p.l.c. (hereinafter, MMSV or the Company) 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.

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

Thus, MMSV forms part of the MAPFRE Group, composed of MAPFRE S.A and various companies operating in the insurance, financial, property, and service industries. The ultimate controlling company within the Group is FUNDACIÓN MAPFRE, a non-profit institution domiciled in Madrid at Paseo de Recoletos 23.

MMSV Group[1] registered a profit before tax of €12.3 million for the year ended 31 December 2017, up 6% on the previous year where an €11.6 million profit before tax was generated. Profit after tax is recorded at €10.0 million, up 16% on the previous year.

In aggregate, the result on the long-term business technical account increased to €11.8 million from a prior year €10.7 million. This improvement was well supported by strong business growth and underwriting performance.

Total expenses represented 1.42% of total technical provisions compared to 1.39% as at December 2016.

Total income from investments during the year amounted to €73.2 million, of which total investment expenses were €6.4 million.

B. System of Governance

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

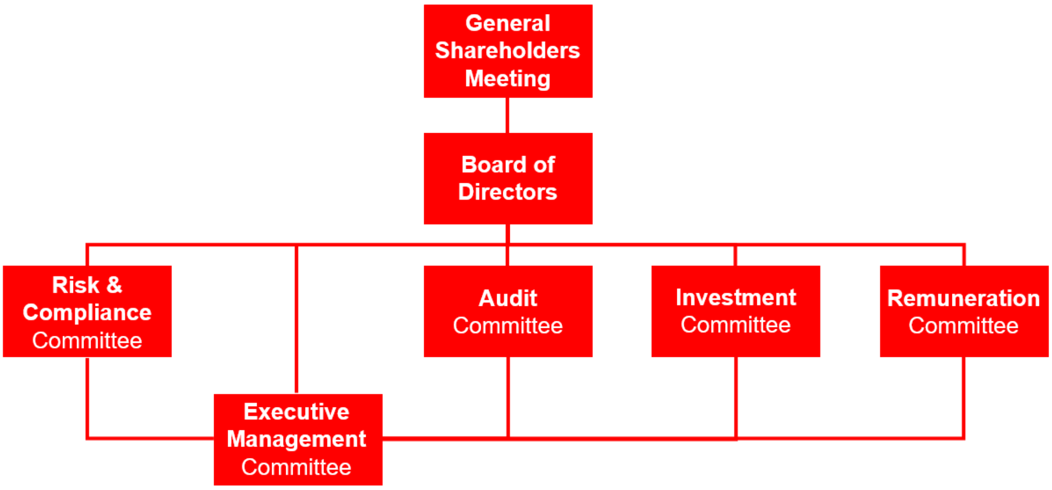
- General Meeting of Shareholders
- Board of Directors
- Executive Management Committee
- Audit Committee
- Investment Committee
- Remuneration Committee
- Risk and Compliance Committee

In addition to the aforementioned management and supervisory bodies, the Company is supervised by the EURASIA Regional Management Committee, which is directly responsible for the supervision of the

[1] MMSV Group refers to MMSV and its subsidiary Growth Investments Limited

management of the Business Units in the region concerned, except for the reinsurance unit, and manages all global and regional corporate projects.

MMSV's Governing Bodies as at 31 December 2017 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 organizational levels, business and corporate environment, in a timely and appropriate manner.

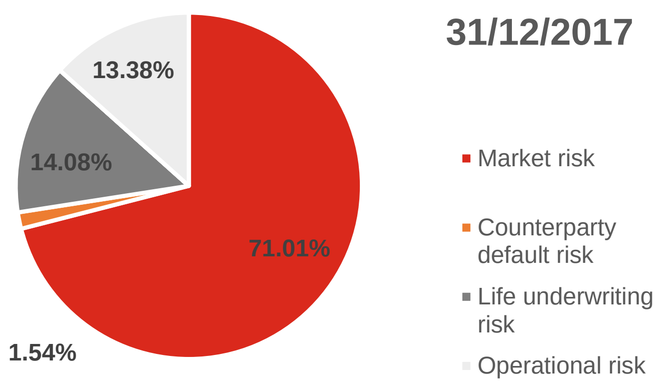
In order to ensure that MMSV's systems of governance has an adequate structure, MMSV has a number of policies that govern the key functions (Risk Management, Compliance, Internal Audit and Actuarial). These policies ensure that these functions follow the requirements imposed by the regulator and are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

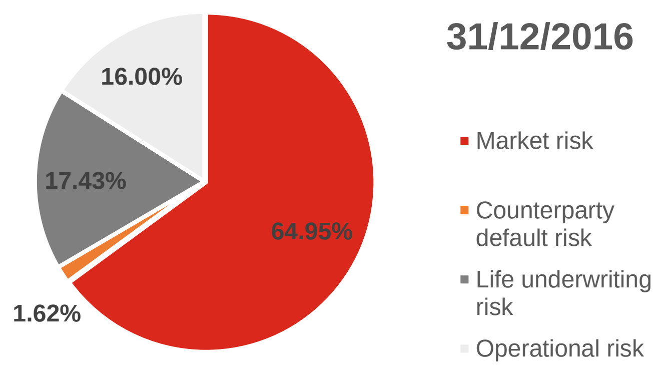
MMSV's Board of Directors determines the policies and strategies regarding the Risk Management System that are aligned with the policies and strategies defined by the Board of Directors of MAPFRE S.A.

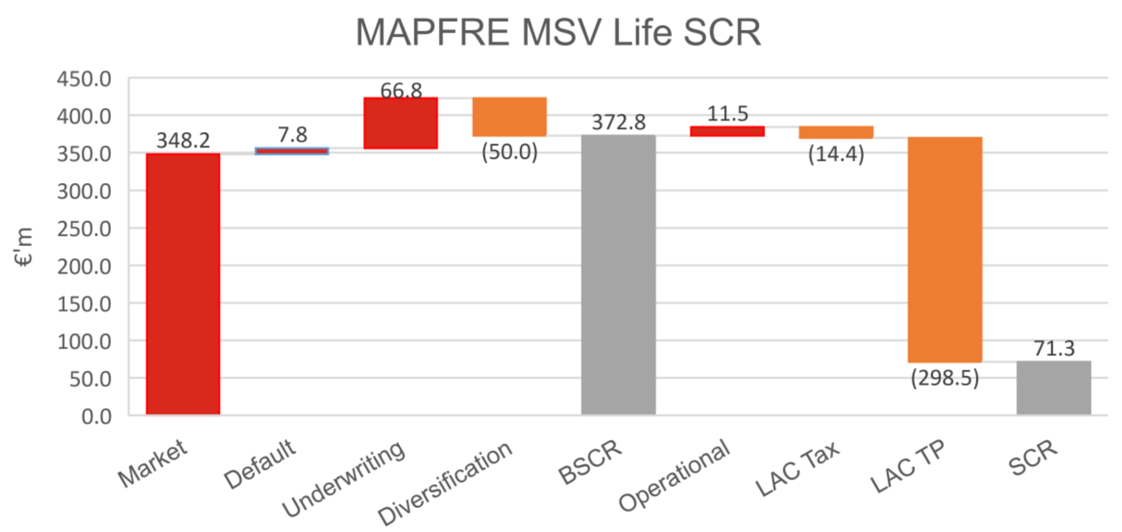
C. Risk profile

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

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







As may be observed, in 2017 the primary risks faced by MMSV were Market risk and Life Underwriting risk, representing 71.0% and 14.1% respectively of the total SCR

Other risks to which MMSV is exposed to include Cybersecurity risk and risk of new distribution channel/s as outlined in Section C.6.

MMSV also analyzes the sensitivity of solvency with respect to certain events, the results of which show that the Company complies with regulatory capital requirements even under adverse circumstances.

D. Valuation for solvency purposes

The Solvency II value of assets amounts to €2.02 billion, while the Accounting value (IFRS value) is equal to €2.12 billion. The differences between the Solvency II value and the IFRS value arose due to the different valuation criteria used for deferred acquisition costs, intangible assets, investments and reinsurance recoverables.

The Solvency II value of liabilities amounts to €1.84 billion, while the IFRS value is equal to €1.96 billion. The main difference between Solvency II value and the IFRS value arose due to the different valuation criteria used for technical provisions. Section D.2 provides an explanation on the actuarial methodology and assumptions used in the calculation of the technical provisions (best estimate and risk margin).

The excess of assets over liabilities for Solvency II purposes amounted to €187.1 million, which represented an increase of 16.16% over the IFRS value of equity. At 31 December 2017 the excess of assets over liabilities increased by €3.6 million compared with the end of last year.

E. Capital Management

MMSV has the appropriate structure and processes necessary to manage and oversee its own funds, and has a policy and medium-term capital management plan to maintain solvency levels within the limits established by the legislation and by MMSV’s own risk appetite

The following table shows details of MMSV's solvency ratio and SCR coverage ratio.

	31/12/2017	31/12/2016
Solvency Capital Requirement (SCR)	**€71.3**	**€56.4**
Eligible Own funds to meet the SCR	**€174.8**	**€171.9**
Solvency ratio (SCR coverage)	**245.2%**	**304.8%**

Figures in millions

MMSV excess capital totaled €187.1 million and has eligible own funds that cover the regulatory solvency requirement by 2.45 times, consisting of the capital that must be held by the Company to limit the likelihood of bankruptcy to 1 in 200 cases, meaning that MMSV is still in a position to comply with its obligations to insurance policyholders and beneficiaries over the following 12 months with a probability of 99.5%.

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

A. Business and Performance

A.1. Business

A.1.1. Company Businesses

MAPFRE MSV Life p.l.c. (hereinafter, MMSV or the Company) 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 authorized by the Malta Financial Services Authority (hereinafter MFSA) to carry on long term business under the Insurance Business Act, 1998.

MMSV forms part of the MAPFRE Group, composed of MAPFRE S.A and various companies operating in the insurance, financial, property, and service industries.

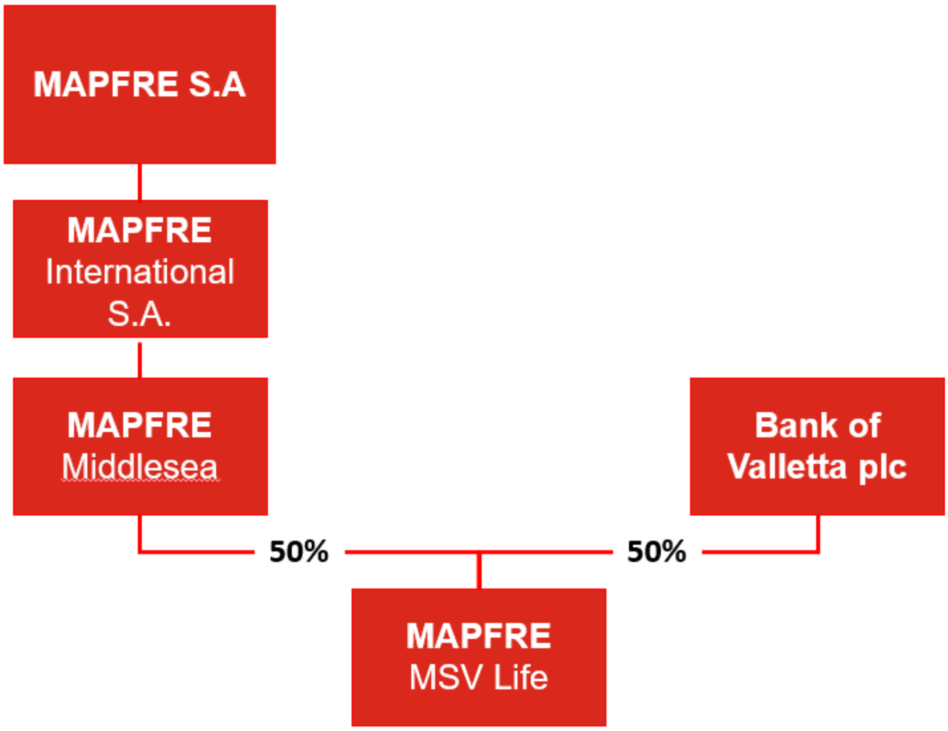
The ultimate controlling company within the Group is FUNDACIÓN MAPFRE, a non-profit institution domiciled in Madrid at Paseo de Recoletos 23.

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

Name	Legal Status	Type of interest	Location	Percentage Ownership
Bank of Valletta p.l.c.	Public limited company	Direct	Malta	50
MAPFRE Middlesea p.l.c.	Public limited company	Direct	Malta	50

MMSV is jointly owned between Bank of Valletta p.l.c. (50%) and MAPFRE Middlesea p.l.c. (50%). However, MAPFRE Middlesea p.l.c. controls MMSV even though it does not own more than 50% of the voting rights. This is because the strategic, operating and financing policies of MMSV are directed by means of a shareholders' agreement which provides MAPFRE Middlesea p.l.c. with the right to select, appoint and remove the key management personnel of MMSV and approve its business plan and capital expenditure. Therefore MMSV is also part of the MAPFRE Group, integrated within MAPFRE S.A. and other companies with activity in different insurance, financial, real estate and service sectors.

A simplified organizational chart is presented below showing the position held by MMSV within the MAPFRE Group's legal structure:



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

In turn, MMSV is the parent company of Growth Investments Limited, which is regulated by the Investment Services Act and is a Category II License holder. Annex 1 to this report provides a breakdown of group entities, jointly controlled entities, and associates.

Supervision of the Company

MFSA is responsible for the financial supervision of MMSV, as it is based in Malta. MFSA is located at Notabile Road, Attard BKR 3000, Malta, with the following website: http://www.mfsa.com.mt/.

The Directorate General for Insurance and Pension Funds (hereinafter DGSFP) is responsible for the financial supervision of MAPFRE Group since its parent, MAPFRE S.A., is a resident of Spain.

The DGSFP is located at Paseo de la Castellana 44, 28006 Madrid (Spain), and its website is www.dgsfp.mineco.es.

External Audit

On 2 March 2018, 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 31 December 2017. KPMG Malta is located at Portico Building, Marina Street, Pieta PTA 9044.

Lines of business

MMSV's main lines of business, based on the list established by the 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 benefit, if the death occurs whilst the policy is in force.

Geographic areas

MMSV does not write business outside of Malta.

A.1.2. Businesses and/or events with material repercussions on the Company.

There have been no significant events which had a material impact on the Company during 2017.

Events relating to the business

MMSV Group registered a profit before tax of €12.3 million for the year ended 31 December 2017, up 6% on the previous year where an €11.6 million profit before tax was generated. Profit after tax is recorded at €10.0 million, up 16% on the previous year.

In aggregate, the result on the long-term business technical account increased to €11.8 million from a prior year €10.7 million. This improvement was well supported by strong business growth and underwriting performance.

Market and regulatory matters

Going forward one can expect to see greater supervisory scrutiny as more regulations are expected to directly affect the insurance industry. The Insurance Distribution Directive, which is expected to be introduced on 1 October 2018, will impact the conduct of business between insurers and consumers and will require insurers to strengthen their product governance. Similarly the General Data Protection Regulation (GDPR) is also expected to have a significant impact on the insurance industry.

A.2. Underwriting Performance

The quantitative information relating to the Company's underwriting activity and business in 2017 and 2018, by line of business, is presented below.

		Line of Business for: life insurance obligations							
		Insurance with profit participation		Index-linked and unit-linked insurance		Other life insurance		Total	
		C0220		C0230		C0240		C0300	
Premiums written		**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Gross	**R1410**	274,119	258,942	2,650	2,697	12,398	10,993	289,167	272,632
Reinsurers' share	**R1420**	47	38	2	1	3,253	2,892	3,302	2,931
Net	**R1500**	274,072	258,904	2,648	2,696	9,145	8,101	285,865	269,701
Premiums earned									
Gross	**R1510**	274,119	258,942	2,650	2,697	12,398	10,993	289,167	272,632
Reinsurers' share	**R1520**	47	38	2	1	3,253	2,892	3,302	2,931
Net	**R1600**	274,072	258,904	2,648	2,696	9,145	8,101	285,865	269,701
Claims incurred									
Gross	**R1610**	128,646	136,340	3,381	4,141	2,513	1,497	134,540	141,978
Reinsurers' share	**R1620**	0	0	0	212	1,339	730	1,339	942
Net	**R1700**	128,646	136,340	3,381	3,929	1,174	767	133,201	141,036
Changes in other technical provisions									
Gross	**R1710**	182,608	173,008	2,225	1,155	897	2,066	185,730	176,229
Reinsurers' share	**R1720**	0	0	0	0	-1,087	-1,126	-1,087	-1,126
Net	**R1800**	182,608	173,008	2,225	1,155	1,984	3,192	186,817	177,355
Expenses incurred	**R1900**	21,609	18,840	493	509	3,257	3,000	25,359	22,349
Other expenses	**R2500**								
Total expenses	**R2600**							25,359	22,349

Figures in thousand euros

Source: Template S.05.01.02

The above table only presents the relevant columns for the lines of business in which the Company operates and those relating to the lines of business in which it does not operate have been eliminated.

Gross premiums written for the year increased by €16.5 million. This is mainly attributable to an increased demand in single premium savings contracts and life protection business.

Claims incurred on the other hand decreased during 2017 as a result of less maturities compared to the prior year.

The increase in expenses is mainly due to an increase in acquisition costs, which is supported by the strong inflows of premium revenue, investment charges and claims handling costs.

A.3. Investment performance

A.3.1. Information on investment income and expenses by asset class

The following tables present quantitative information regarding income and expenses from investment properties, financial assets at fair value through profit or loss, loans and receivables and net realized and unrealized gains and losses:

Interest, dividend and similar income	2017	2016
INVESTMENT INCOME		
Investment properties	5,058	4,757
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	33,807	34,332
Loans and receivables	1,216	1,654
TOTAL INVESTMENT INCOME	**40,081**	**40,743**
REALIZED AND UNREALIZED GAINS		
Net realized gains	**11,914**	**17**
Investment properties	-	17
Held-to-maturity investment portfolio	-	-
Available-for-sale investment portfolio	-	-
Financial assets at fair value through profit or loss	11,914	-
Other	-	-
Net unrealized gains	**17,821**	**42,441**
Increase in the fair value of financial assets at fair value through profit or loss	17,821	42,441
Other	-	-
TOTAL GAINS	**29,735**	**42,458**
OTHER FINANCIAL INCOME FROM THE INSURANCE BUSINESS		
OTHER FINANCIAL TRANSACTIONS IN THE INSURANCE BUSINESS		
Gains on investments on behalf of policyholders bearing the investment risk	2,891	2,585
Gains on exchange	513	349
Other	-	-
TOTAL OTHER FINANCIAL INCOME FROM THE INSURANCE BUSINESS		
TOTAL INCOME FROM THE INSURANCE BUSINESS	**3,404**	**2,934**
FINANCIAL INCOME FROM OTHER BUSINESSES	**-**	**-**
TOTAL FINANCIAL INCOME	**73,220**	**86,135**

Figures in Thousands

Financial Expenses	2017	2016
INVESTMENT EXPENSES		
Investment properties	456	377
Expenses from the held-to-maturity portfolio	-	-
Expenses from the available-for-sale portfolio	-	-
Expenses from financial assets at fair value through profit or loss		
Other investment expenses	4,412	3,535
TOTAL INVESTMENT EXPENSES	**4,868**	**3,912**
REALIZED AND UNREALIZED LOSSES		

Realized losses	**-**	**3,908**
Property investment	-	-
Held-to-maturity investment portfolio	-	-
Available-for-sale investment portfolio	-	-
Financial assets at fair value through profit or loss	-	3,908
Other		
Unrealized losses	**-**	-
Decrease in the fair value of the trading portfolio and losses on derivatives	-	-
Other		
TOTAL LOSSES	**-**	**3,908**
OTHER FINANCIAL EXPENSES FROM THE INSURANCE BUSINESS		
OTHER FINANCIAL EXPENSES FROM THE INSURANCE BUSINESS		
Losses on investments on behalf of policyholders bearing the investment risk	32	18
Losses on exchange	1,502	197
Other	-	-
TOTAL OTHER FINANCIAL EXPENSES FROM THE INSURANCE BUSINESS	**1,534**	**215**
TOTAL EXPENSES FROM THE INSURANCE BUSINESS	**-**	**-**
FINANCIAL EXPENSES FROM OTHER BUSINESSES	**-**	**-**
TOTAL FINANCIAL EXPENSES	**6,402**	**8,035**
TOTAL INCOME FROM THE INSURANCE BUSINESS	**73,220**	**86,135**
TOTAL EXPENSES FROM THE INSURANCE BUSINESS	**6,402**	**8,035**
FINANCIAL RESULT FROM THE INSURANCE BUSINESS	**66,818**	**78,100**
TOTAL INCOME FROM OTHER BUSINESSES	**-**	**-**
TOTAL EXPENSES FROM OTHER BUSINESSES	**-**	**-**
TOTAL FINANCIAL RESULT FROM OTHER BUSINESSES	**-**	**-**
TOTAL FINANCIAL RESULT	**66,818**	**78,100**

Figures in thousand euros

Total investment income during the year amounted to €73.2 million compared to €86.1 million in 2016.

The decrease in investment income is largely the result of unrealized losses on domestic securities. On the contrary, realized gains were registered on non-domestic investments as opposed to realized losses in the prior year. Income from local securities account for a significant portion of the investment income earned during the current financial year.

The largest investment expense during the year relates to investment management fees amounting to €3.0 million, which are included within '*Other investment expenses'* in the table above.

The With Profits Fund is invested in a very diverse portfolio of assets and underpinned by a rigorous and prudent investment management process and robust governance framework. 2017 was another strong year for the equity markets and the satisfactory investment returns registered by the Fund were driven mainly by the positive returns of the major equity markets.

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

No gains and losses are recognized directly in equity.

A.3.3. Information about asset securitization

MMSV's exposure to securitized assets amounts to €3.9 million (2016: €3.5million).

A.4. Performance of other activities

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

No other material income is generated and no material expenses are incurred by the Company.

A.4.2 Lease Agreements

Finance leases

MMSV does not recognize any finance lease of any type.

Operating Leases

MMSV 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
2017	Property investment	87,855	10.17	5.18
2016	Property investment	87,993	11.22	4.97

Figures in thousands of euros

These leases have an average remaining life of 5 years, with/without no renewal option included in the contracts.

Net book value as at December represents revalued amount.

A.5. Any other information

MMSV does not consider that there are any other relevant information which has not been covered in previous sections.

B. System of Governance

B.1. General Information on the system of governance

MAPFRE MSV Life’s governing bodies ensure that the company follows the Institutional Business and Organizational Principles approved by the Board of Directors. Further to this, the Board of Directors delegates to management the strategic, operational and day-to-day business activities.

This governance structure ensures an adequate and timely response to events which may arise within the organization and within its business and corporate environment.

B.1.1 MMSV’s System of Governance

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

- **General Meeting of Shareholders**: The highest governing body, in that its decisions bind all shareholders. The Board of Directors calls both ordinary and extraordinary Annual General Meetings.

- **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.

- **Executive Management Committee:** This is the governing body delegated by the Board of Directors to coordinate and supervise MMSV ’s top-level actions, covering operational and management aspects, as well as making the necessary decisions to ensure its appropriate functioning, using the powers delegated at any given time.

- **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, the prevention of financial malpractice including money laundering, funding of terrorism, and internal controls.

- **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 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.

The MAPFRE GROUP has a management model centered on rigorous control and supervision at all levels: local, regional, and global. It ensures widespread delegation of the execution and performance of the tasks assigned to the teams, as well as their heads, fostering the deep analysis by the management teams at all levels related to the decision-making process, prior and after their execution.

Apart from the abovementioned administration and supervisory bodies, MMSV is supervised by the URASIA Regional Management Committee within MAPFRE GROUP, which directly supervises the management of regional Business Units.

B.1.2. Key functions

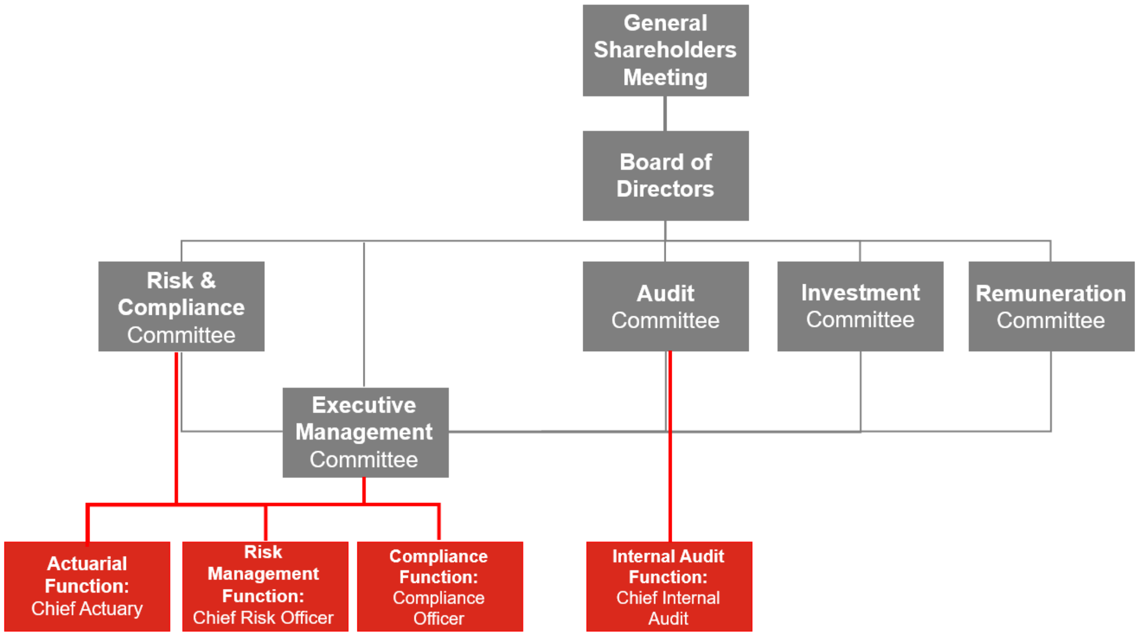
The Board of Directors approved the Actuarial, Risk Management, Compliance and Internal Audit policies. These policies ensure the operational independence of the key functions and their direct reporting to the Governing Body, which delegates the authority necessary to support these functions. The Board of Directors and/or the relevant committees receive reports at least annually from the responsible areas at MMSV. The names of the parties responsible for the key functions are communicated to the Malta Financial Services Authority.

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

These functions have the following responsibilities:

- Risk Management Function: in charge of establishing an effective risk management system, which ensures the identification, quantification, monitoring, controlling and reporting on the risks.
- Compliance Function: ensures MMSV meets present and future obligations defined in its regulations.
- Internal Audit Function: in charge of control and verification that the MMSV's internal control and systems of governance are adequately managed.
- Actuarial Function: responsible for the processes and controls related to the calculations of premiums and technical reserves, and modelling of risks, in line with Solvency II requirements.

The below organizational chart lists the MMSV's governance structure, reporting lines, and position responsible, for each key function:



More information on Key Functions may be found in Sections B.3, B.4, B.5, and B.6.

B.1.3. Relevant resolutions adopted by shareholders at a General Meeting and the Board of Directors

During 2017, there were no changes to MMSV's governance structure.

B.1.4. Balances with and remuneration to directors

Remuneration paid to MMSV's management and employees is determined in accordance with current regulations as well as its remuneration policy, approved by the Board on 21st of July 2017.

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

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

Based on the aforementioned policy, employee remuneration is comprised of five items:

a) Fixed remuneration: Provided to all employees in line with the position and professional profile, and paid on fixed installments.
b) Variable remuneration: A non-fixed compensation/incentive which is paid on an annual (short term) or multi-annual (medium to long term) basis. The amount of this incentive is determined by rank in the organization and based on performance evaluations.
c) Recognition programs: Recognition awards paid in recognition of added contribution toward the achievement of the company's objectives, improved quality, and dissemination of MAPFRE corporate culture, and innovation.
d) Social benefits: Products, services, or assistance offered by the company based on collective or individual arrangements with employees.
e) Allowance: Additional allowance based on designation/position (i.e., corporate vehicle, housing, etc.).

The remuneration system for Directors has the following characteristics:

- Transparency in reporting the remuneration paid to Directors.
- It provides an incentive to reward dedication, qualifications and responsibility, without constituting an obstacle to the duty of loyalty.
- It consists of a fixed amount for membership on the Board of Directors and, as appropriate, the Committee, which may be higher for people with positions on the Board or 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 traveling expenses and other costs undertaken in order to attend company meetings or in the performance of their responsibilities.

In addition to the above, MMSV does not offer any supplementary pension or early retirement schemes for Board Members and other key function holders.

B.1.5 Additional information

The related party transactions as disclosed in the Annual Financial Statements are related to:

- Sale of insurance contracts and other services.
- Purchase of products and services.
- Investments.

B.2. Fit and proper requirements

MMSV's Fit and Proper policy was last approved on the 7th December 2017. The Policy establishes the applicable Relevant Personnel[2] and Outsourced Personnel[3] requirements, as follows:

Relevant Personnel, and Outsourced Personnel, where applicable, should have the appropriate qualifications, knowledge, and expertise to ensure that MMSV is professionally managed and supervised.

The expertise and experience of Relevant Personnel will include academically-acquired knowledge and the experience necessary to carry out the respective individual responsibilities assigned.

MMSV's Board members and Directors must have:

Collectively: the appropriate qualifications, experience, and knowledge in at least the following areas:

a) Insurance and financial markets
b) Strategies and business models
c) System of Governance.
d) Financial and actuarial analyses
e) Regulatory Framework.

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

Relevant and, where applicable, outsourced personnel, must have proven personal, professional, and commercial honorability based on trustworthy information on their personal and professional conduct and reputation, covering any criminal, financial, and supervisory aspects considered pertinent.

To this effect, Relevant Personnel (and Outsourced Personnel where applicable) must meet the following requirements:

1. Personal, professional and business integrity:

a) A personal career of compliance with the commercial and other laws regulating the business activity, as well as good commercial, financial, and insurance practices.
b) No criminal records related to crimes involving financial assets, money laundering, against the social/economic order or against the tax authorities and/or social security, and no penalties related to offences involving the insurance industry, securities markets or consumer protection regulations.
c) No serious and motivated criminal or administrative investigations regarding any of the items mentioned in point b) above.
d) Are not prevented to exercise public, administration or management positions in financial or insurance companies.
e) Not disqualified in accordance with local requirements and/or other equivalent legislation in foreign jurisdictions.

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[2] Relevant Personnel: the Directors and Officers, Senior Executives (all those persons in senior management positions who directly report to their administrative body, executive committees or managing directors) and Key Function Holders, as well as all other persons who are required to meet the fit and proper requirements at every moment in accordance with applicable laws.
[2] Outsourced Personnel: should any of the key functions be outsourced, parties employed by the services provider to this end.

2. Eligibility and compatibility:

a) No involvement in legal incompatibility, incapacity, or prohibition proceedings as regards current legislation and internal regulations.
b) No involvement in unavoidable situations of conflict of interest pursuant to the provisions of current legislation and internal regulations.
c) No significant shareholdings or rendering of professional services to businesses competing with MMSV or any Group company, or work as an employee, director, or administrator of such businesses, unless granted express authorization from MMSV's governing bodies.
d) No involvement in circumstances which may cause his or her membership on the MMSV's Board to place its interests at risk.

Appointment procedures

The persons whose designation is proposed to hold the Relevant Positions subject to notification requirements to the Supervisory Authorities or, where required, external personnel, shall make a truthful, and complete statement regarding their personal, family, professional, with particular mention of the following:

a) The persons who, or entities which, are deemed to be linked to them in accordance with the applicable legislation.
b) Those circumstances that may result in incompatibilities pursuant to the law, the company's bylaws and the provisions set out in the internal corporate governance rules, or in conflicts of interests.
c) Any other professional duties, in case they interfere with the dedication that the office requires.
d) Any criminal proceedings in which they appear as the accused or the defendant.
e) Any other relevant matters or situations which may affect performance.

The above declaration must be presented in line with the internal established process for this purpose.

The aforementioned persons shall be obliged to keep the content of their prior statement up to date at all times, and accordingly they must report any relevant change in their circumstances with respect to said statement, periodically updating it when required by MMSV's Board of Directors.

B.3. Risk management system, including the Own Risk and Solvency Assessment

B.3.1 Governance structure

The Board of Directors of MAPFRE MSV Life is ultimately responsible for ensuring the Risk Management System's 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 performing these functions, MMSV's Board of Directors is supported by the Risk & Compliance Committee.

MMSV's Risk Management System is based on the three lines of defense model. It encompasses:

1. The first line of defense

The first line of defense is made up of, the employees, the management, the business and the support operating areas that assume risks, and that are responsible for designing and applying the necessarily control mechanisms to mitigate them. They are also to ensure not to assume risks, which exceed the set tolerance limits.

2. The second line of defense

The second line of defense encompasses the risk function and the other assurance functions such as the compliance function and the actuarial function. The second line of defense facilitates the implementation and establishment of controls by the first line of defense. Furthermore, it assists the risk owners in the identification process.

3. The third line of defense

The Internal Audit function is the third line of defense. It is an independent area that assesses the risk management framework, the internal controls structure and the corporate governance processes within the organization.

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

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

B.3.2 Risk management objectives, policies, and processes

MMSV's Risk Management system has the following main objectives:

- 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 each and every business process, and on the adaptation of risk levels in the established strategic objectives. Thus, in order to guarantee its effectiveness, MMSV's Board of Directors has approved the Risk Management Policy, which defines the framework to be used for an efficient Risk Management practice. The objectives of the said policy are:

- To set general guidelines, basic principles and a general framework for risk management that guarantee a coherent application in the group.

- To promote a solid culture and an effective risk management system.
- To ensure that risk analysis is part of the decision-making process.
- To preserve the solvency and financial soundness of MMSV and the group, helping to position it as the most trusted global insurance group.

Capital is generally estimated in line with the budget for the following year, and is periodically reviewed throughout the year according to risk development, to ensure compliance with the established Risk Appetite limits.

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

In any event, the actions to be taken with respect to identified risks are decided by the Board of Directors, which 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 MMSV at risk.

The Own Risk and Solvency Assessment is another process through which MMVS monitors and identifies any material risks the company may face. Section B.3.3. of this report provides further insight regarding the Own Risk and Solvency Assessment. A breakdown of the processes for the identification, measurement, management, monitoring, and notification of risks, by type, is set out below. A breakdown of the processes for the identification, measurement, management, monitoring, and notification of risks, by type, is set out below.

Type of Risk	Measurement and management	Monitoring and reporting	Gross Solvency Capital Requirement[4]
Underwriting risk Covers the following risks: - Mortality - Expenses - Lapse - Catastrophic	Standard formula	Quarterly	€66.8m
Market risks Covers the following risks: - Interest rate - Equities - Property - Spread - Concentration - Currency	Standard formula	Quarterly	€348.2m
Credit Risk Reflects any possible losses arising from unexpected non-compliance by counterparties and debtors over the subsequent twelve months	Standard formula	Quarterly	€7.8m
Operational risk Risk of possible losses deriving from the inadequacy or malfunction of internal processes, personnel or systems, or from external events (excluding the risks deriving from strategic decisions and reputation risks)	Standard Formula Dynamic qualitative analysis of the risks using processes (RiskM@p) Recognition and monitoring of operational risk events	Quarterly Annual Continuous	€11.5m
Liquidity Risk Risk that the company might not be able to realize its investments and other assets in order to meet its financial commitments at maturity	Liquidity position. Liquidity indicators	Continuous	n/a
Compliance Risk Risk of losses due to legal/regulatory penalties or reputation losses arising from the failure to comply with laws and regulations, or with applicable administrative requirements.	Monitoring and recognition of significant events	Continuous	n/a
Strategic and Corporate Governance Risk Includes the following risks: - Business ethics and good corporate governance - Organizational structure - Alliances, mergers and acquisitions - Market competition	Through the corporate policies aligned with MAPFRE Group's Institutional, Business, and Organizational Principles.	Continuous	n/a

[4] Prior to diversification benefit and Loss Absorbency Capacity of Tax and Technical Provisions

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

B.3.3 Own Risk and Solvency Assessment (ORSA)

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. Further, to ensure a relationship between the business strategy and the overall solvency capital level, the ORSA process is synchronized with MMSV's strategic plan. Thus, the ORSA includes all the significant and potential risk that the company might face and the measures required to mitigate them. The ORSA process ensures that BOD members are engaged throughout this initiative. The Risk Management Function is in charge of the coordination and preparation of the ORSA draft report. The report is reviewed, discussed, and approval by the Risk and Compliance Committee and the Board of Directors. Save for extraordinary events, the ORSA is prepared annually.

Further to the above, the Risk Management function also carries out capital management activities that verify the following:

- The eligibility of capital in line with the current legislation.
- The compatibility of distributable dividends for continuous compliance with the Solvency Capital Requirement.
- Continuous compliance with future solvency capital requirements
- Amounts and quality of the various eligible capital items capable of absorbing losses.

In addition to this, the Risk Management Function is also responsible for the preparation, submission, and approval by MMSV's Board of Directors of the medium-term Capital Management Plan, encompassing the results from forecasts included in the ORSA.

MMSV has built validation mechanism to ensure that the data used is complete, accurate and appropriate.

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

B.4. Internal Control System

B.4.1. Internal Control

MMSV's Internal Control Policy has been approved on 7th December 2017. This policy establishes the actions which must be developed in order to maintain an optimal and effective internal control system.

Due to its nature, Internal Control involves all people, irrespective of their position within the organization, who collectively contribute to provide reasonable assurance on the achievement of the objectives, mainly regarding to:

- Operations objectives: Effectiveness and efficiency of operations, differentiating the insurance operations (mainly underwriting, claims, reinsurance and investment) from the support operations and functions (Human Resources, Administration, Commercial, Legal, IT, etc.).
- Reporting objectives: Trustworthiness of information (financial and non-financial, both internal and external) regarding its reliability, timeliness or transparency, among others.
- Compliance objectives: Compliance with applicable laws and regulations.

For its development in the organization, the MAPFRE and MMSV's Internal Control System is based on the model of three lines of defense in which there is:

1. The first line of defense is made up by the employees, the management and operations, business and support departments who are responsible for maintaining an effective control on a day- to-day basis. These units are responsible to manage the risks, design and apply the control mechanisms needed to mitigate the risks associated to the developed processes, and ensure that the risks do not exceed the set limits.

2. The second line of defense made up by the key functions of risks management, actuarial, compliance and others assurance functions, which provide an independent assurance that the internal control system is present and functioning.

3. The third line of defense made up by Internal Audit, which provides independent assessment of the adequacy, appropriateness and effectiveness of the Internal Control System and communicates eventual weaknesses timely to the unit responsible for taking the corrective measures, including Top Management and Governing Bodies, as appropriate.

The MMSV´s Internal Control System consists of tasks and actions that are present in all the activities of the organization and is fully integrated into the organizational structure of the Company.

B.4.2. Compliance Function

The role of the Compliance function is advise the Board of Directors on the laws, regulations and administrative provisions that affect MMSV's compliance with the established regulations. Further to this, the compliance function also conducts an impact assessment of the changes in the legal environment.

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

MMSV employs its own strategy for implementing and carrying out the Function, in accordance with the reference criteria shared by the Group's Compliance Area Management.

MMSV's Compliance Function policy was approved by the Board on 20th October 2016 and updated on 21 July 2017. The policy defines the structure and responsibilities of the compliance function.

B.5. Internal audit function

The Internal Audit Function is outsourced to MAPFRE Middlesea plc, with a member of management being responsible for overseeing the correct operation of the area. The conditions under which the above outsourced service takes place are outlined in the following point B.7.

The Internal Audit function is the third line of defense in MMSV's risk management system. It provides an objective, independent, and value added overview of the company's system of governance.

To ensure the principle of independence, MMS's Internal Audit function reports to the Audit committee, a board delegated committee. This guarantees the Internal Audit function independence from the company's management.

The mission, function, attributes and obligations of the Internal Audit function are outlined in the Internal Audit Policy and Charter. These have been approved by MMSV's Board on 21st July 2017.

Furthermore, the Internal Audit Policy defines the relationship framework between the company's Internal Audit Function and the Audit Committee, its chairman, senior management, business units, corporate areas, assurance functions and external auditors.

Moreover, the policy also includes the rights and obligations of MMSV's internal auditors, as well as their code of ethics. The primary objective is to communicate knowledge and Internal audit aspects, classification of audit work, recommendations and deadlines, treatment of audit reports, and any other circumstance related to internal audit activities.

In addition to the aforementioned rights and obligations, MMSV's internal auditors avail themselves of the code of ethics as spelled out in the Internal Audit charter. The code of ethics embodies the following four main requirements for internal auditors.

1. Fit and proper:

The internal auditors shall:

- Perform their work honestly, diligently, and responsibly.
- Observe the law and make disclosures expected by law and the profession.
- Not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the Company.
- Respect and contribute to the legitimate and ethical objectives of the Company.

Objectivity

The internal auditors shall:

- Not participate in any activity or relationships which might skew their impartial judgment, or be perceived to do so. This participation includes any activities or relationships which might conflict with the Organization's interests.
- Refrain from undertaking any audits which might lead to conflicts of interest.
- Not accept anything that may impair, or be presumed to impair, their professional judgement.
- Disclose all material facts made known to them that, if not disclosed, may distort the reporting of activities under review.

2. Confidentiality

The internal auditors shall:

- Ensure strict care in the use and protection of information acquired in the course of their duties.
- Not use information for personal gain or in any manner that should be contrary to the law or detrimental to the legitimate and ethical objectives of the company.

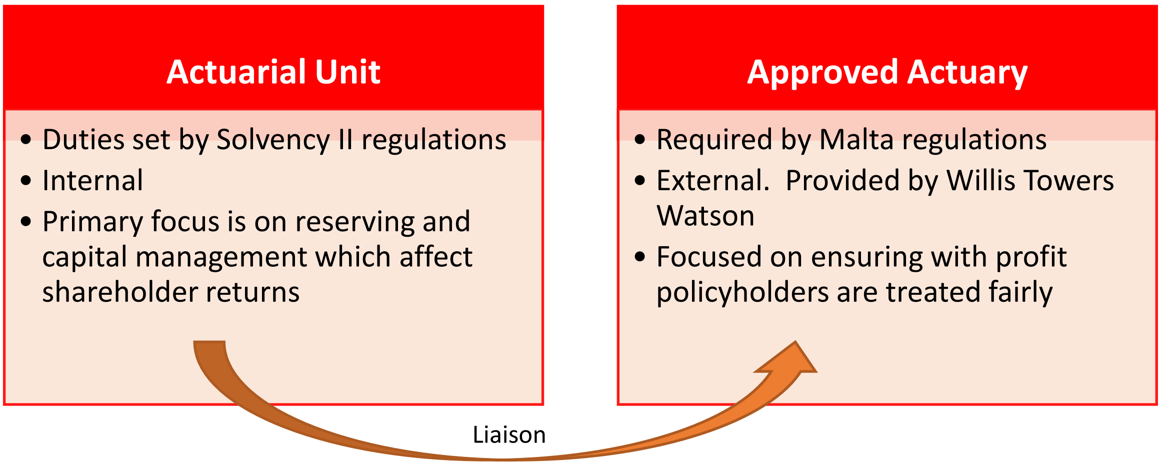
3. Proficiency

The internal auditors shall:

- Collectively have the necessary knowledge, skills and experience on at least the insurance and financial markets, business strategies and business models, systems of governance, financial and actuarial analysis, regulatory frameworks, IT information, risk management, and fraud.
- Have qualities for dealing with people and communication skills to convey clear and effectively the various aspects of work.
- Participate only in those services for which they have sufficient knowledge, skills and experience. May outsource those services that require more specific knowledge.
- Perform internal audit services in accordance with the *International Standards for the Professional Practice of Internal Audit.*
- Continually improve their proficiency and effectiveness and quality of the services they provide.

B.6. Actuarial function

Actuarial work at MMSV is divided between the Actuarial Unit and the Approved Actuary. The diagram below set out more detail about each and their respective remits.



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 capital requirements in the undertakings is based, and which help MMSV achieve its target results and desired solvency levels.

The responsibility for preparing the actuarial quantifications, as well as the technical documentation associated with these valuations, falls directly on the Actuarial Unit, and therefore the Chief Actuary is the ultimate person responsible for these actions.

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

The AAC (MAPFRE GROUP Corporate Actuarial Area) sets general principles and guidelines concerning statistical and actuarial practices within the MAPFRE GROUP. This helps to coordinate and achieve consistency within the Group's actuarial quantifications.

The AAC provides support to MMSV where requested.

B.7. Outsourcing

MMSV's Outsourcing Policy covering functions and/or insurance activities was last approved on 21st July, 2017 by its governing body, and is in line with the Outsourcing Policy approved by MAPFRE S.A's Board for the Group. The policy establishes the general principles, tasks, processes and the assignment of responsibilities in the event of the outsourcing of a critical or important function and/or business.

The basic principle upon which MMSV's Outsourcing Policy is based, establishes that it will continue with 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.

In accordance with the aforementioned Outsourcing Policy, on the 1st October 2012 MMSV's Board of Directors adopted a resolution to outsource the Internal Audit Function, to MAPFRE Middlesea, a GROUP company and 50% shareholder in MMSV, and the oversight of the function is carried out by the Audit Committee, with responsible person being the CEO of MMSV. This outsourced function is in line with the terms set forth in the Function's and/or Outsourcing Policy, and is duly communicated to the Malta Financial Services Authority,

In compliance with the aforementioned Outsourcing Policy, the party responsible for monitoring the outsourced essential function, provides an annual report to the Board regarding the performance and results of the services rendered by the provider with respect to the entrusted obligations in accordance with the Company's internal regulations that govern the essential function and/or critical activity that has been outsourced.

The existing governance structure ensures that the Company has sufficient control over critical functions and/or activities that have been outsourced, in the terms established in the Solvency II Directive and local enabling legislation.

B.8. Any other information

MMSV's system of governance reflects the requirements established in the Solvency II Directive on managing inherent business risks. MMSV employs its own strategy for implementing and carrying out the MAPFRE Group Risk Management Area Function, which involves defining the reference criteria and establishing/validating its organizational structure.

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

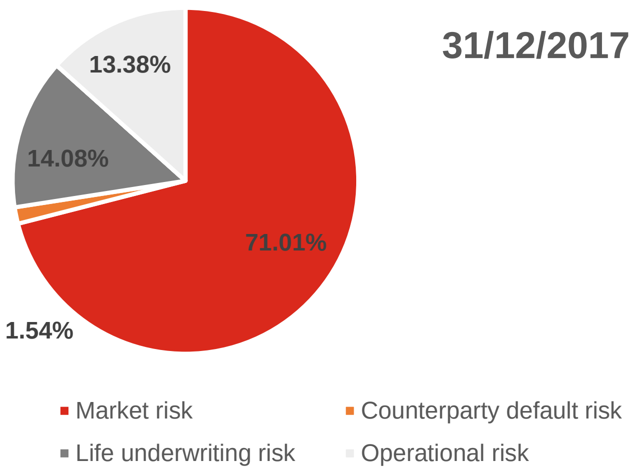
In addition to the above, MMSV's Internal Audit performs a review of the Internal Control Environment on a yearly basis. Through this review, Internal Audit consider and evaluate the company's systems of governance, in line with the Internal Control Policy.

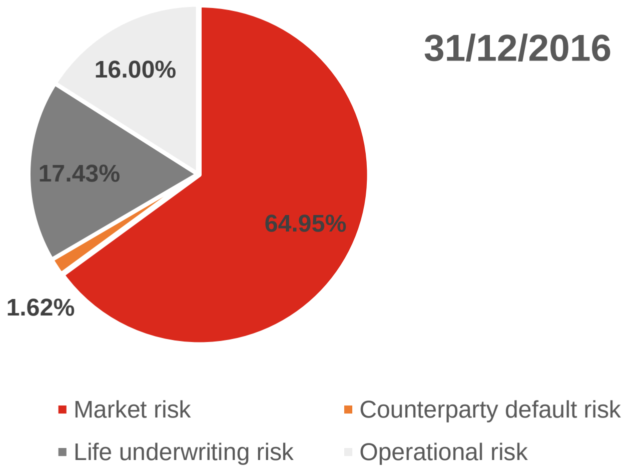
C. Risk profile

MMSV calculates its Solvency Capital Requirement (SCR) in accordance with 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 recognizes the capital charge corresponding to key risks (such as underwriting, market, counterparty and operational risk).

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 SCR for the various risk modules at December 31, 2017 and 2016 (Section E.2 explains the SCR calculation):





As may be observed, in 2017 the primary risks faced by the MMSV were Market risk and Life Underwriting risk, representing 71.0% and 14.1% respectively of the total SCR.

In 2017 the relative share of the market risk increased while the relative share of the all the other risks declined. Further information is available in the following sections and summarized in section E.2.1.

In 2017, there have been no significant changes with respect to the measures used to assess MMSV's main risks

MMSV considers that there have been no material changes in the significant risks to which it is exposed, which are described in section C.6.

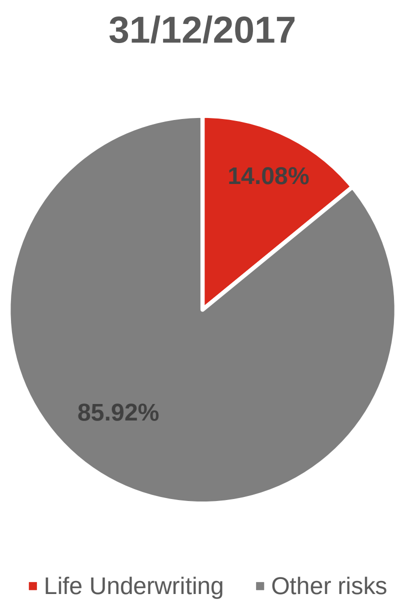
A description of the main risk categories, the exposure to the risks, their management and mitigation techniques, and possible concentrations are indicated below.

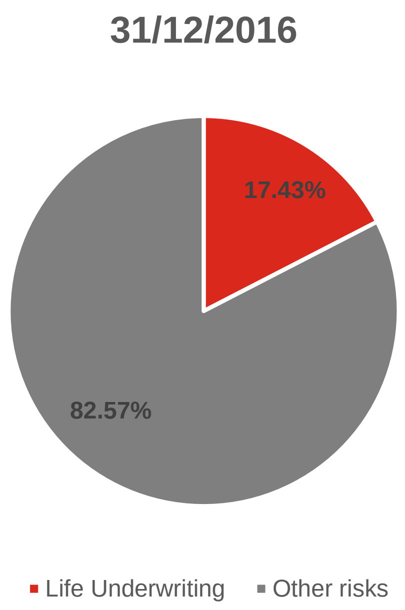
C.1. Underwriting risk

Underwriting Risk is the risk of loss as a result of an insurance event not anticipated when setting the premiums for a policy.

Exposure

Underwriting risk as at 31 December 2017 represents 14.1% of all of the risk modules included in the SCR. The details by module and changes compared to last year are presented in the following illustrations:





Management and mitigation techniques

MMSV manages underwriting risk through a number of measures:

- **Establishing policy limits, and exclusions in underwriting risk:**

MMSV establishes authorization 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 a sufficient premium:**

Premium sufficiency is of special importance.

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

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

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

a) The type and characteristics of the insurance activity, such as insurance risk type which MMSV is prepared to accept.
b) Reinsurance and other risk mitigation techniques within the process of designing a new insurance product and when calculating the premium.

c) Internal underwriting limits for different products or classes of products
d) Maximum acceptable exposure to specific risk concentrations.

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

Claims handling and the sufficiency of technical provisions are basic principles of insurance company management. Technical provisions are calculated by MMSV's actuarial team. The establishment of technical provisions is regulated by specific policies.

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

To this end, MMSV uses Reinsurance Policies as well as other insurance risk techniques.

At 31 December 2017, MMSV had ceded 1.0% of its technical provisions.

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

Annually, MMSV's Actuarial Function reviews reinsurance contracts in force, and determines the adequacy of the coverage in place.

Concentration

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

The highest exposures to underwriting risk arise from mass lapse. This 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) or the surrender amount payable is greater than the best estimate of liabilities.

The product features of savings contracts mitigate mass lapse risk through earlier redemption surrender charges. Furthermore, in case of With Profits products, MMSV can apply an MVR (Market Value Reduction) to protect the interest of the remaining policyholders.

Transfer of risk to special-purpose entities

MMSV does not transfer underwriting risk to special-purpose entities

C.2. Market Risk

Market risk reflects the risk arising from the level or volatility of market prices of financial instruments that have an impact upon the value of the assets and liabilities of the undertaking.

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

The management of investment portfolios is broken down into two portfolios for non-profit and with profits business.

Non-Profits Portfolio Objectives

- Maintaining the sufficient appropriate assets to provide cover for the required statutory solvency position at all times.
- Meeting guaranteed liabilities and commitments to policyholders as they fall due by ensuring there are sufficient levels of liquid assets of an appropriate nature and term available.

With Profits Portfolio Objectives

The objectives are the following in the order of priority:

- Maintaining the required statutory solvency position at all times.
- Meeting guaranteed liabilities and commitments to policyholders as they fall due by ensuring there are sufficient levels of liquid assets available.
- Maximising the long–term investment returns for the with profits policyholders within an acceptable level of solvency risk.

Maximising shareholders' value within an acceptable level of risk.

Exposure

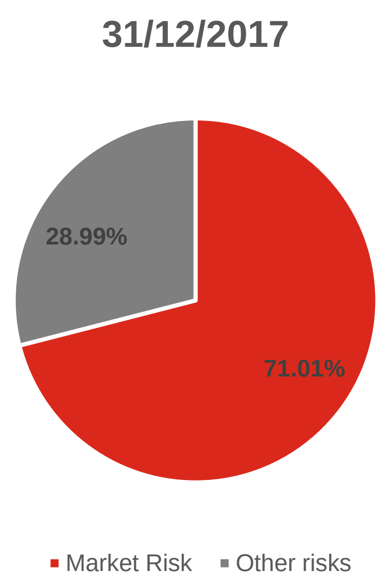
The following is a breakdown of MMSV's investments by asset category:

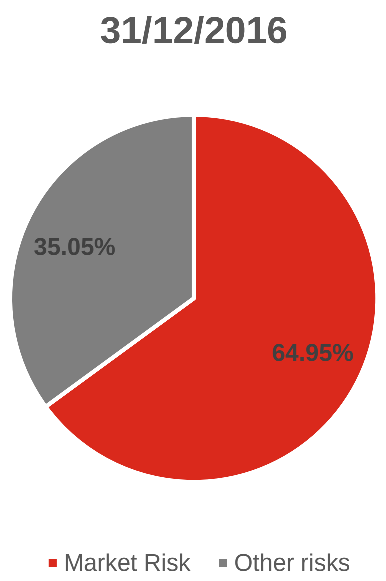
Investments	Investments at 31/12/2017	(%) Investments	Investments at 31/12/2016	(%) Investments
Investment properties	**87,855**	4.7%	**87,993**	**5.2%**
Financial investments	**1,603,278**	**85.3%**	**1,397,602**	**83.1%**
Fixed income	844,407	44.9%	819,900	48.7%
Equities	674,417	35.9%	561,952	33.4%
Other	84,455	4.49%	15,750	0.0%
Deposits	**187,875**	**10.0%**	**197,567**	**11.7%**
Hedging derivatives	**808**	**0.0%**	**(320)**	**(0.0)%**
Total	**1,879,816**	**100.0%**	**1,682,842**	**100.0%**

Figures in thousand euros

At 31 December 2017, 95.2% percent of fixed-income securities had an investment-grade credit rating. Sovereign Government Debt exposure represented 63.9% of the total investment grade exposure. Maltese Government bonds represented 42.8% of the total fixed income exposure.

Market risk as at 31 December 2017 represents 71.0% of all of the risk modules included in the SCR, the details by module and changes compared to last year are presented in the following illustrations:





The increase in equity risk and the reduction in concentration risk reflects the With- Profits Fund's new Strategic Asset Allocation (SAA) adopted in 2017.

Management and mitigation techniques

The Investment Policy and the Policies and Procedure Manual also establish generic and specific limits for holdings in assets to mitigate market risk exposure and in maintaining the desired level of diversification.

Further, Market Risk is managed in accordance with the following:

- Modified duration management. This is one of the tools employed for interest rate risk management. The Investment policy and the ALM policy, inter alia, set upper and lower limits for fixed interest investment. This should ensure that a prudent approach to interest rate risk is taken.

- Spread and concentration risks are mitigated through restrictions related to investment in lower credit rating. As a result there is a high proportion of fixed income securities with credit ratings classified as investment grade. The policy also has limits on investments in specific issuers which creates issuer diversification in the portfolio.

- 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.

- In the case of real estate risk, the portfolio of properties at market value consists mostly of commercial office space.

Concentration

The highest concentration of investments is in Malta Government Debt and deposits with Bank of Valletta plc. The relative percentage exposure to Maltese Government Debt has decreased over the years, however, it is normal that insurance companies are exposed to the debt issued by the government of the country in which they operate. The Bank of Valletta exposure reflects the high liquidity profile maintained by MMSV over the past year/s.

C.3. Credit Risk

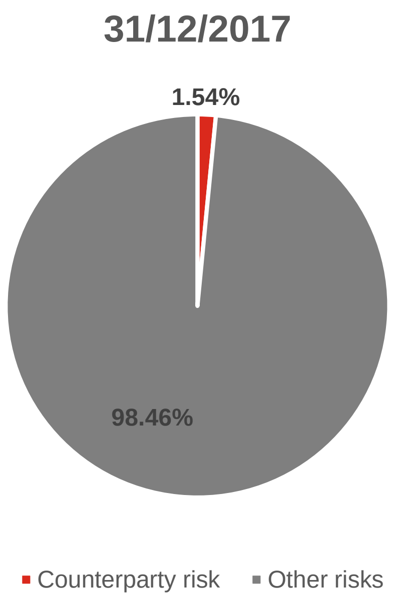
Credit Risk is the possibility of losses due to unexpected default or deterioration in the credit standing of counterparties and debtors over the next 12 months

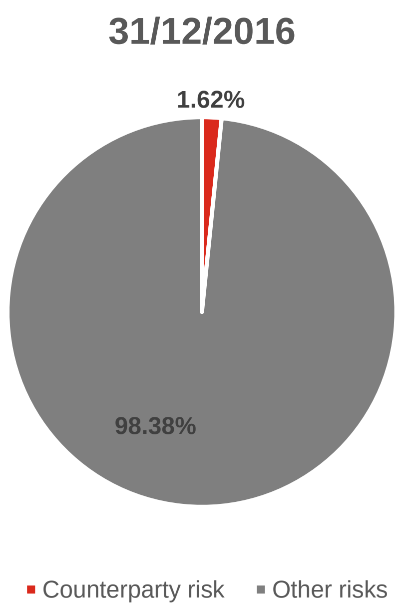
Credit Risk under the SCR Standard Formula calculation includes:

- Spread and concentration risk, in section "C.4 Market Risk" of this report.
- Counterparty default risk is broken down into two types of exposures:
  - Type 1 exposure: includes, among others, reinsurance contracts, swaps and cash in bank accounts, where the companies generally have credit ratings.
  - Type 2 exposure: includes accounts receivable from intermediaries, and policyholder debts, among others.

Exposure

Counterparty default risk at 31 December 2017 represents 1.5% of all of the risk modules included in the SCR, the details by module and changes compared to last year are presented in the following illustrations:





Both in 2017 and 2016, 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 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:

- Optimization of capital consumption.
- Optimization of conditions.
- Solvency of counterparties.
- The effective transferability of risk.
- Suitability of the risk transfer.

Concentration

Apart from the cash held with Bank of Valletta, the other important concentration relates to the reinsurance exposure with the group reinsurers which, in turn, have a broad diversified reinsurance.

C.4. Liquidity Risk

This is the risk that MMSV might not be able to realize 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 prudent investment strategy established in the investment policy, which is characterized by a high proportion of highly rated fixed income securities that are listed on liquid markets and cash held at bank.

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. Action has generally been based on maintaining sufficient cash balances to comfortably cover the commitments arising from its obligations to insured parties and creditors. Thus, as at 31 December 2017, the cash and cash equivalents balance amounted to €48.5 million (€61.5 million in the preceding year), equivalent to 2.5% of total financial investments and cash.

With regard to Life and Savings policies, the investment policy applied involves the matching the proceeds of the investments with the commitments set out in in-force insurance contracts, and hence reduce long-term Liquidity Risk. Additionally, the majority of fixed-income investments have high credit ratings and are traded on organized financial markets, which ensures that these positions can be sold more easily should liquidity tensions arise.

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

Concentration

No liquidity risk concentrations have been identified.

Expected profits included in future premiums

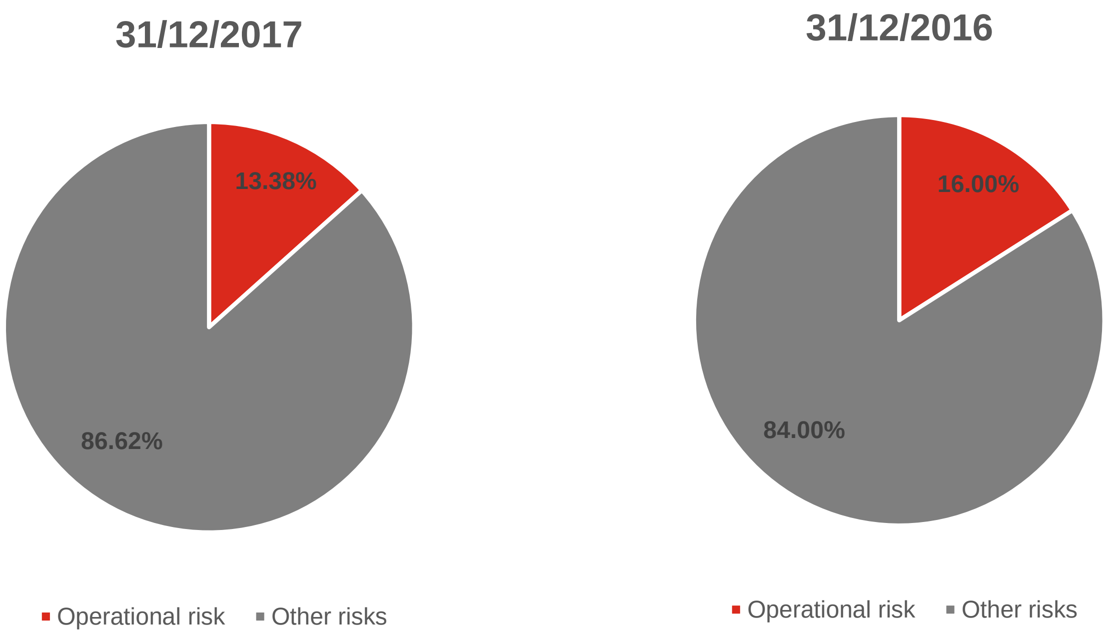
The calculation of the best estimate of the technical provisions included the expected profits from future premiums (as a reduction in the value of the best estimate when positive, or a higher value in the case of expected losses). At 31 December 2017, those expected profits were estimated to total €55.7 million euros gross of reinsurance.

C.5. Operational Risk

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

Quantitative Exposure of Operational Risk

Operational risk as at 31 December 2017 represents 13.4% (2016:16.0%) of all of the risk modules included in the SCR. The relative decrease over last year is a result of the increase in the market risk module.



Management and mitigation techniques

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

Risk control is the mechanism through which risk self-assessment questionnaires are managed, along with internal control manuals, inventory controls associated with risks, assessments of their effectiveness and management of the corrective measures in place to mitigate or reduce the risks and/or improve the control environment.

The foregoing operational risk management model consists of a process-based dynamic qualitative analysis of the Company, which enables the managers of each area to identify and assess the potential risks and the effectiveness of the related controls affecting the business and support processes: Product Development, Underwriting, Claims / Benefits, Administrative Management, Sales Activities, Human Resources, Committees, Coinsurance / Reinsurance, Technical Provisions, Investments, IT Systems, and Customer Service.

Furthermore, MMSV has implemented the recognition of operational loss events for categorization and monitoring, as well as business continuity scenario analyses.

Concentration

MMSV relies on its Life Systems to process and underwrite insurance contracts. The absence of such systems for a significant period of time would have negative consequences for the company's ability to write new business. However, this possibility is considered as being remote, since business continuity mechanisms are in place to mitigate such a risk.

C.6. Other material risks

C.6.1. Non-compliance risk

Non-compliance risk is defined as the possibility of incurring losses as a result of legal or regulatory penalties, or loss of reputation that may affect MMSV as a result of the failure to comply with the laws, regulations, rules, internal and external standards or administrative requirements applicable to its business.

This risk is primarily mitigated through the valuation, identification, monitoring, and mitigation tasks performed by MMSV's Compliance Area. The Compliance Area has put in place a Compliance Risk Management Process.

C.6.2. Legal risk

Legal risk is defined as the event comprising a change in regulations, law or administrative procedures that could adversely affect MMSV.

In recent years, the legislative framework to which the insurance industry adheres has been growing with new regulations both internationally as well as locally. In this regard, it should be borne in mind that MMSV works in a complex environment under increasing regulatory pressures, not only in the insurance sector but also insofar as matters including technology, corporate governance or criminal corporate responsibility.

This risk is primarily mitigated through the valuation, identification, monitoring, and mitigation tasks performed by the Company's Compliance Area. The Compliance Area has put in place a Legal Risk Management Process.

C.6.3. Cybersecurity risk

Cyber risks are those related to workplace security and the use of IT and communication technologies (including intentional acts originating from or caused by cyberspace), to ensure that there are no threats to the confidentiality, integrity, and availability of information and storage, processing, and transfer systems.

MAPFRE Group has a Corporate Security and Environmental Department that is responsible for analyzing and managing cyber security risks that could cause damage to MMSV.

C.6.4. Risk of new distribution channels

The risk of new distribution channels is the risk deriving from the failure to adapt Company product distribution and services channels quickly enough in response to changes in client preferences, the Internet, mobile devices and digitalization in general, giving rise to a severe decline in demand.

MAPFRE Group strategic initiatives relating to Digital Transformation and Client Orientation allow this risk to be handled. In 2017, MMSV made significant progress in the development of a new digital product offering.

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, among which the following are notable:

- Interest rates (increases and decreases).
- Currency (appreciation of the euro).
- Valuation of equities (decrease).
- Corporate and sovereign spreads (increase).

The sensitivity of the solvency ratio to changes in these variables is set out below.

	31/12/2017	% Change
Solvency Ratio (SR)	245%	
SR In the event of a 100 basis point increase in the interest rate	244%	(1.29) p.p
SR In the event of a 100 basis point decrease in the interest rate	239%	(6.44) p.p
SR in the event of a 10% appreciation of the euro	244%	(1.49) p.p.
SR In the event of a 25% decrease in equities	230%	(15.29) p.p.
SR In the event of a 50 basis point increase in corporate spreads	245%	(0.3) p.p.
SR In the event of a 50 basis point increase in corporate and sovereign spreads	243%	(2.56) p.p.

p.p. percentage points

The method applied to obtain the results consisted of:

-Establish a benchmark solvency ratio based on the economic situation, solvency capital required (SCR) and the solvency ratio at the current valuation date.

-Select the initial variables that would be affected by the application of the sensitivity assumptions.

-Determine the change in eligible own funds as a result of the respective stress.

- The new solvency ratio is derived by dividing the respective stressed eligible own funds by the end of 2017 Solvency Capital requirement figure (i.e. the SCR is kept constant)

The results of these stress tests show that the Company would continue to comply with the solvency capital requirement in the analyzed situations.

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 of the assets and liabilities in accordance with the International Financial Reporting Standards (IFRS). These standards were the basis for preparing MMSV's financial statements at 31 December 2017, and were approved by the Board of Directors during their meeting on 2 March 2018. The "Solvency II Value" column reflects the assets and liabilities valued in accordance with the Solvency 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.

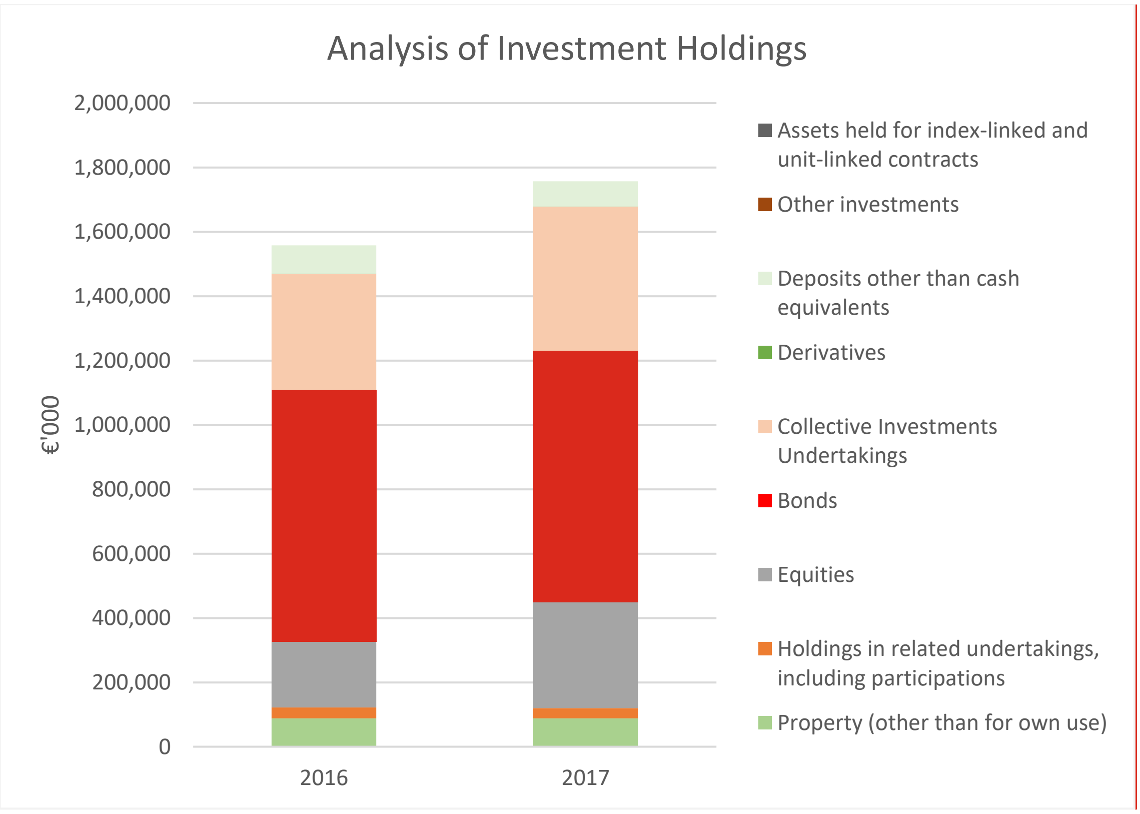
The following table compares the asset valuations that arise when using Solvency II rather than accounting criteria at 31 December 2017:

Assets	Solvency II Value 2017	Accounting Value 2017
Goodwill		0
Prepaid fees and other acquisition expenses		451
Intangible assets		66,020
Deferred tax assets		
Pension benefit surplus		
Property, plant & equipment held for own use	9,034	9,034
Investments (other than assets held for index-linked and unit-linked contracts)	1,879,816	1,871,802
Property (other than for own use)	87,855	87,855
Holdings in related companies	32,352	32,244
Equities	330,416	330,415
Equities - listed	330,383	330,382
Equities - unlisted	33	33
Bonds	792,858	785,359
Government Bonds	615,026	609,154
Corporate Bonds	173,913	172,294
Structured notes		
Collateralized securities	3,919	3,911
Collective Investments Undertakings	447,652	447,652
Derivatives	808	709
Deposits other than cash equivalents	187,875	187,569
Other investments		
Assets held for index-linked and unit-linked contracts	93,999	93,999
Loans and mortgages		9,511
Loans on policies		9,511
Loans and mortgages to individuals		
Other loans and mortgages		
Reinsurance recoveries for:	-16,575	609
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	-16,575	609
Health similar to Life		
Life, excluding health and index-linked and unit-linked	-16,575	609
Life index-linked and unit-linked		
Deposits to cedants		

Assets	Solvency II Value 2017	Accounting Value 2017
Insurance and intermediaries receivables	91	91
Reinsurance receivables	609	
Receivables (trade, not insurance)	3,228	3,228
Own shares (held directly)		
Amounts due in respect of own fund items or initial fund called up but not yet paid in		
Cash and cash equivalents	48,518	48,512
Any other assets, not elsewhere shown	5,531	13,343
TOTAL ASSETS	2,024,251	2,116,600

Figures in thousand euros

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 is shown in the graph below. Note in addition, that there has been a reduction in cash and cash equivalent holdings of €13 million over the year.



The most significant changes in the asset mix have arisen through increased allocation to equity assets in the with-profits fund in line with the new strategic asset allocation, which targets a higher level of return seeking assets. This is evident from the increases in equity asset holdings and collective investment undertakings. The increase in the latter asset class relates to a reduction in equity assets, which is more than offset by increases in exposure to property, money market and other collective funds.

The significant asset valuation differences using Solvency II criterion, including qualitative explanations for the main differences arising from their valuations using Solvency II and those used in preparing the financial statements ("Accounting value") at 31 December 2017 are shown below.

Prepaid fees and other acquisition expenses

Under IFRS acquisition costs are quantified separately and are deferred/amortized 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 capitalized software costs. The value of in force business represents the discounted value of projected future transfers to shareholders from in force contracts at year end, net of tax. Computer software is capitalized based on costs incurred, amortized over the useful life. However, for solvency reserving these are not taken into account and no value is assigned to intangible assets.

Property, plant & equipment held for own use

a) Valuation for Solvency II purposes

In accordance with Solvency II criteria, property, plant & equipment held for own use must be measured at fair value. Market value used to determine the fair value of property for own use amounting to €7.8 million is that which corresponds to appraisals made by an expert independent certified architect. For the remaining PPE the carrying amount of the assets is deemed to be a reasonable approximation of their fair value.

b) Valuation differences between Solvency II and IFRS criteria

The same valuation criteria is used so there are no differences between the Solvency II basis and the IFRS basis.

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

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

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.

The following investments are included under this heading:

- ***Property (other than for own use)***

This category includes items which are not considered for own use, and are invested to earning income, capital gains, or both. Investment property is measured at fair value in both balance sheets. Fair value is based on active market prices, adjusted, if necessary for any difference in the nature, location or condition of the specific asset. If this information is not available, the Company uses alternative valuation methods such as discounted cash flow projections or recent prices in less active markets. An independent valuation expert reviews these valuations annually.

- .***Holdings in related undertakings, including participations***

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 subsidiary is measured at cost, whilst the Solvency II value includes the subsidiary’s Surplus Assets.

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

The difference of €108 thousand in the valuation between the two balance sheets is related to the valuation of Growth Investments Limited.

- ***Equities, bonds, collective investment entities, derivatives and deposits other than cash equivalents.***

All equities, bonds, collective investment schemes, derivatives and deposits other than cash equivalents are investments recognized at fair value on the financial statements. As a result, there are no valuation differences with regard to Solvency II. The only difference relates to the classification of accrued interest on bonds, which is included under Other Assets in the IFRS balance sheet.

Unlisted equity investments amount to €33 thousand. These investments are valued by reference to the most recent financial information available, generally net asset value. This valuation basis is used in the IFRS financial statements and Solvency II purposes.

Loans and mortgages

Loan on Policies

For Solvency II purposes, these are included with the technical provisions calculation. To be more accurate, the BEL is determined after allowing expected policy values to repay the loan value.

Under IFRS, loans on policies are reported separately and not as part of technical provisions. These are carried at amortized cost using the effective interest method.

Amounts recoverable from reinsurance

For solvency purposes, the calculation of the reinsurance recoverable is in line with that of the technical provisions. This means that these amounts are recognized at their best estimate levels, take into account the difference in timing between collections and direct payments, and consider expected losses.

Under IFRS, technical reserves for cessions to reinsurers are calculated similarly but use the IFRS basis, which is prudent and does not allow for default.

Receivables (trade, not insurance)

There are no differences between the recognition and valuation bases for the insurance and intermediaries receivables, which are measured at fair value under both IFRS and Solvency II. Subsequent to initial recognition, receivables are measured at amortized cost. The carrying amount of the assets is deemed to be a reasonable approximation of their fair value.

Reinsurance receivables

Reinsurance receivables, which are measured at the present value, represent the reinsurers' share of claims outstanding ceded in the normal course of business. These are classified as part of the Technical Provisions in the IFRS balance sheet. For solvency purposes, the value of reinsurance receivables are shown separately in the balance sheet. They are calculated as the present value of cash-flows receivable in the event of claims on protection policies less the present value of reinsurance premiums using the same methodology and assumptions as used for the BEL itself. A further adjustment is made to the value calculated in order to allow for the probability of default or non-recovered of ceded sums insured.

Receivables (trade, not insurance)

There are no difference in the valuation basis between Solvency II and IFRS in relation to this asset.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits in current accounts, deposits held on call with banks, and other short-term highly liquid investments, which are easily convertible to certain cash amounts.

Cash and cash equivalents are recognized at face value under both IFRS and Solvency II. The main difference is the treatment of accrued interest, which is included with “any other assets” in the IFRS valuation.

Any other assets, not elsewhere shown

As these assets are recognized at 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 31 December 2017 are shown below.

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

Technical provisions	Solvency II Value 2017	Accounting Value 2017
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)	1,687,585	1,825,367
Technical provisions - health (similar to Life)	0	0
Technical provisions calculated as a whole	0	
Best Estimate (BE)	0	
Risk margin (RM)	0	
Technical provisions - Life (excluding health and index-linked and unit-linked)	1,687,585	1,825,367
Technical provisions calculated as a whole	0	
Best Estimate (BE)	1,666,008	
Risk margin (RM)	21,577	
Technical provisions - index-linked and unit-linked	93,999	93,999
Technical provisions calculated as a whole	93,999	
Best Estimate (BE)	0	
Risk margin (RM)	0	
Other technical provisions	0	0
TOTAL TECHNICAL PROVISIONS	**1,781,584**	**1,919,366**

Figures in thousand euros

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

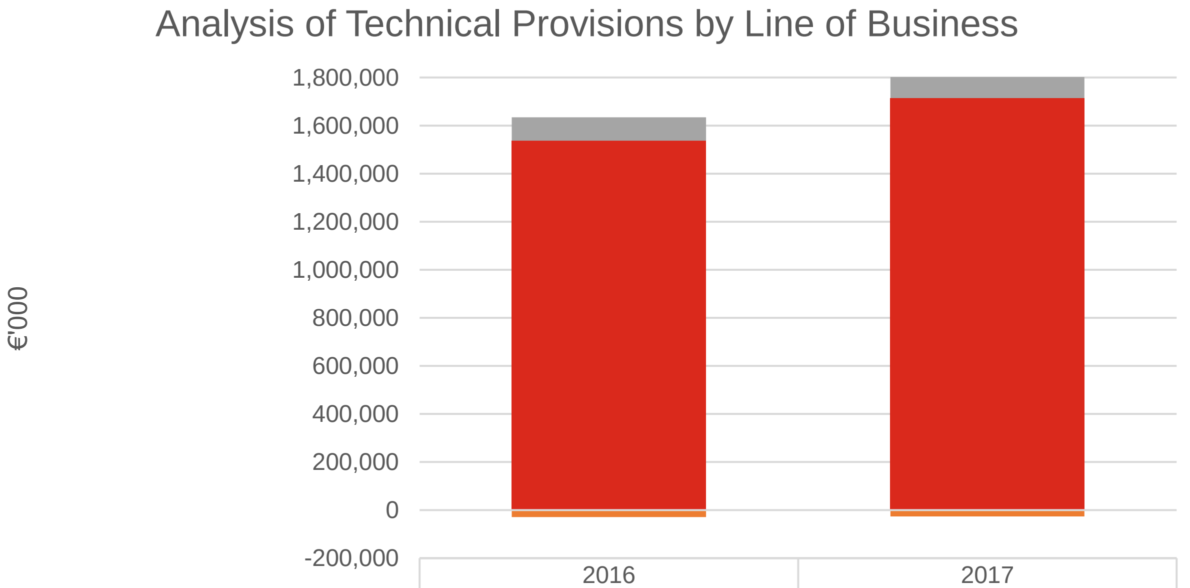
- With-profits investment and savings contracts
- Non-profit protection contracts
- Unit-linked investment and savings contracts.

The Life Technical Provisions can be further broken down into the following categories.

Technical provisions	Solvency II Value	Accounting Value
Technical provisions – with profits	1,713,641	1,789,918
Technical provisions calculated as a whole	0	
Best Estimate	1,703,712	
Risk margin	9,928	
Technical provisions – term assurance	-26,056	35,449
Technical provisions calculated as a whole	0	
Best Estimate	-37,704	
Risk margin	11,648	

Figures in thousands of euros

The following graph analyses the change in the Solvency II technical provisions by line of business from 31 December 2016 to 31 December 2017. It shows that the most significant increase in TP has arisen from an 11.5% increase in the with-profits technical provisions. This was mainly due to both strong sales of with-profits contracts and a positive return on the with-profits fund during 2017. There was a reduction in unit-linked liabilities mainly because of a tranche of maturing business in the year. There was an increase in the risk margin on with-profits contracts of c €5 million which arose following a change to the calculation methodology.



	2016	2017
Technical provisions - index-linked and unit-linked	97,109	93,999
Technical provisions – term assurance	-28,717	-26,056
Technical provisions – with profits	1,537,308	1,713,641

In general terms, the main difference between both valuations is the regulatory framework under which each regulation falls. While under Solvency II technical provisions are measured using market economic criteria and realistic demographic and non-demographic assumptions, for financial statements, annual technical provisions are calculated based on accounting standards. The most significant differences were as follows.

D.2.1 Best estimate and risk margin

Best estimate

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

Under IFRS, a single valuation interest rate (rather than a curve) is used. This rate is set allowing for a prudent margin above the risk free rates by taking into account the running 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 established by the Board. Similarly, prudential margins are applied to each of the non-economic assumptions.

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

The best estimate liability may be negative for certain contracts where the present value of expected future outflows is expected to be less than the present value of expected future inflows. This could for example happen on protection business where future premiums are expected to exceed future claims. 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 portfolio having regard to likely future trends as well as the operating and economic assumptions outlined in below. Under IFRS, however, technical provisions are calculated using a prudent set of assumptions.

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 business have a maturity guarantee and a small block of generally older single premium business has a surrender guarantee. To be clear though, the value of these guarantees relates to benefits accumulated. The payout on withdrawal is not defined as guaranteed amount or future return.

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.

Protection policies are valued for all policies accepted on risk at the valuation date and expected cash flows are projected until the contractual benefit expiry date.

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

With-profits policies are 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.

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 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 shown above on a policy-by-policy basis. A deterministic method is used to assess the value of the non-profit liabilities while stochastic projections are required to determine the value of guaranteed benefits and future discretionary benefits which comprise the best estimate of liabilities for with-profits contracts.

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

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

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

MMSV Life 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 maintenance expenses which are incurred throughout the duration of the contracts
  - Customer lapse rates and policy surrenders.
  - Mortality and longevity rates.
  - Incapacity and other risks.

  These assumptions are based on MMSV's own experience.

It is also worth noting that under IFRS, management actions and policyholder behaviour are not considered when calculating technical provisions. However, under Solvency II, MMSV has established a plan to describe future management decisions with regard to with-profits business and these are taken into account when evaluating the best estimate liability.

<u>Degree of uncertainty regarding to the amount of technical provisions</u>

The value of the technical provisions is directly linked to estimates and projections of future cash flows that are subject to uncertainly. The main factors affecting the results are:

- The likelihood that a claim will arise.
- The timing of a claim.
- The probability of a contract remaining in force.
- The risk-free interest rate.

The first three factors are generally estimated based on MMSV's own claims experience.

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 Reconciliation adjustments

MMSV does not make use of any reconciliation adjustments.

D.2.2.b Volatility adjustments

MMSV does not make use of any volatility adjustments.

D.2.2.c Transitory term structure of risk-free interest rate

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

D.2.2.d Transitional deduction

MMSV does not make use of the transitional deduction.

D.2.3 Reinsurance recoveries and special purpose entities

MMSV does not make use of any special purpose entities.

D.2.4 Significant changes in assumptions used when calculating technical provisions

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

D.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) at 31 December 2017.

Other Liabilities	Solvency II Value 2017	Accounting Value 2017
Total technical provisions	1,781,584	1,919,366
Contingent liabilities	0	0
Other non-technical provisions	0	0
Pension benefit obligations	0	0
Deposits from reinsurers	0	0
Deferred tax liabilities	26,687	26,483
Derivatives	97	0
Bank borrowings	0	0
Financial liabilities other than bank borrowings	0	0
Insurance & intermediaries payables	22,503	3,413
Reinsurance payables	2,202	2,202
Payables (trade, not insurance)	2,242	2,242
Subordinated liabilities	0	0
Subordinated liabilities not in basic equity	0	0
Subordinated liabilities included in basic equity	0	0
Other liabilities, not shown elsewhere	1,799	1,799
TOTAL LIABILITIES	1,837,114	1,955,505
EXCESS OF ASSETS OVER LIABILITIES	187,136	161,095

Figures in thousand euros

The key changes in the profile of the other liabilities are:

- an increase in insurance and intermediaries payable from €18.4M to €22.5M
- A reduction in the value of derivatives from €0.9M to €0.1M.

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

Deferred tax liabilities

Under the accounting standards deferred taxes are recognized on all temporary differences at the consolidated balance sheet date between the tax bases of assets and liabilities and their carrying amounts. MMSV recognized deferred tax liabilities on its IFRS Balance sheet at a carrying amount of €26.5 million.

MMSV recognized deferred tax liabilities on the Solvency II balance sheet at €26.7 million. This amount was determined by assessing the future profits on insurance business that would arise on a best estimate basis. It 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 in the two assessments.

Insurance & intermediaries payables

The Solvency II value includes outstanding claims payable amounting to €19.2 million, which is included under the technical provisions caption in the IFRS financial statements. The amounts are stated at amortized cost which is considered to be a reasonable approximation of the fair value.

Reinsurance payables

There is no difference in the recognition and valuation bases for Reinsurance Payables, which are recognized initially at fair value and subsequently measured at amortized cost. The carrying amount is a reasonable approximation of fair value.

Payables (trade)

There is no difference in the recognition and valuation bases for Trade Payables, which are recognized initially at fair value and subsequently measured at amortized cost. The carrying amount is a reasonable approximation of fair value.

D.3.1 Additional information

MMSV does not have any other relevant additional information to disclose.

D.4. Alternative methods for valuation

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

D.5. Any other information

There is no other significant information regarding the valuation of assets and liabilities that has not been included in the preceding sections.

D.6. Annexes

A) Assets

Template **S.02.01.02** detailing quantitative asset disclosures at 31 December 2017:

Figures in thousand euros

Annex I
S.02.01.02
Balance sheet

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	
Deferred tax assets	**R0040**	
Pension benefit surplus	**R0050**	
Property, plant & equipment held for own use	**R0060**	9,034
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	1,879,816
Property (other than for own use)	**R0080**	87,855
Holdings in related undertakings, including participations	**R0090**	32,352
Equities	**R0100**	330,416
Equities - listed	**R0110**	330,383
Equities - unlisted	**R0120**	33
Bonds	**R0130**	792,859
Government Bonds	**R0140**	615,026
Corporate Bonds	**R0150**	173,913
Structured notes	**R0160**	
Collateralised securities	**R0170**	3,919
Collective Investments Undertakings	**R0180**	447,651
Derivatives	**R0190**	808
Deposits other than cash equivalents	**R0200**	187,875
Other investments	**R0210**	
Assets held for index-linked and unit-linked contracts	**R0220**	93,999
Loans and mortgages	**R0230**	
Loans on policies	**R0240**	
Loans and mortgages to individuals	**R0250**	
Other loans and mortgages	**R0260**	
Reinsurance recoverables from:	**R0270**	-16,575
Non-life and health similar to non-life	**R0280**	
Non-life excluding health	**R0290**	
Health similar to non-life	**R0300**	
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	-16,575
Health similar to life	**R0320**	
Life excluding health and index-linked and unit-linked	**R0330**	-16,575
Life index-linked and unit-linked	**R0340**	
Deposits to cedants	**R0350**	
Insurance and intermediaries receivables	**R0360**	91
Reinsurance receivables	**R0370**	609
Receivables (trade, not insurance)	**R0380**	3,228
Own shares (held directly)	**R0390**	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	
Cash and cash equivalents	**R0410**	48,518
Any other assets, not elsewhere shown	**R0420**	5,531
Total assets	**R0500**	2,024,250

B) Technical provisions

B.1 Template **S.02.01.02** detailing quantitative technical provisions disclosures at 31 December 2017:

Liabilities		Solvency II value C0010
Technical provisions – non-life	R0510	
Technical provisions – non-life (excluding health)	R0520	
TP calculated as a whole	R0530	
Best Estimate	R0540	
Risk margin	R0550	
Technical provisions - health (similar to non-life)	R0560	
TP calculated as a whole	R0570	
Best Estimate	R0580	
Risk margin	R0590	
Technical provisions - life (excluding index-linked and unit-linked)	R0600	1,687,585
Technical provisions - health (similar to life)	R0610	
TP calculated as a whole	R0620	
Best Estimate	R0630	
Risk margin	R0640	
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	1,687,585
TP calculated as a whole	R0660	
Best Estimate	R0670	1,666,008
Risk margin	R0680	21,576
Technical provisions – index-linked and unit-linked	R0690	93,999
TP calculated as a whole	R0700	93,999
Best Estimate	R0710	
Risk margin	R0720	

Figures in thousand euros

S.12.01.02
Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	**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			
		C0020	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0150**
Technical provisions calculated as a whole	**R0010**		93,999								93,999
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**R0020**										
Technical provisions calculated as a sum of BE and RM											
Best Estimate											
Gross Best Estimate	**R0030**	1,703,712					-37,704				1,666,008
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**						-16,575				-16,575
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	**R0090**	1,703,712					-21,129				1,682,583
Risk Margin	**R0100**	9,928				11,648					21,576

Amount of the transitional on Technical Provisions											
Technical Provisions calculated as a whole	**R0110**										
Best estimate	**R0120**										
Risk margin	**R0200**										
Technical Provisions - Total	**R0200**	1,713,641	93,999			- 26,056					1,781,584

C) Other Liabilities

Template **S.02.01.02** detailing quantitative disclosures of other liabilities at 31 December 2017:

Liabilities		**Solvency II value**
		C0010
Contingent liabilities	**R0740**	
Provisions other than technical provisions	**R0750**	
Pension benefit obligations	**R0760**	
Deposits from reinsurers	**R0770**	
Deferred tax liabilities	**R0780**	26,687
Derivatives	**R0790**	97
Debts owed to credit institutions	**R0800**	
Financial liabilities other than debts owed to credit institutions	**R0810**	
Insurance & intermediaries payables	**R0820**	22,503
Reinsurance payables	**R0830**	2,202
Payables (trade, not insurance)	**R0840**	2,243
Subordinated liabilities	**R0850**	
Subordinated liabilities not in BOF	**R0860**	
Subordinated liabilities in BOF	**R0870**	
Any other liabilities, not elsewhere shown	**R0880**	1,800

Figures in Thousands

E. Capital Management

E.1. Own funds

E.1.1. Equity objectives, policies and management processes

To manage and monitor its own funds and capital, MMSV has approved a Capital Management 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.
- Establish an identification and documentation process of ring-fenced fund/s 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 Fund Risk and Solvency Assessment (ORSA), as well as the conclusions reached during that process.
- Within the framework of the capital management plan in the medium term, 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 is insufficient at any point during the 3-year projection period, the Risk Function will propose measures to resolve the situation and to maintain solvency levels in line with regulatory requirements and the company's Risk Appetite.

The medium-term Capital Management Plan prepared by the Risk Function must at least consider the following:

a) Compliance with applicable Solvency legislation throughout the projection period, with special attention on known upcoming regulatory developments, and maintain solvency levels within the Risk Appetite framework.

b) All foreseen eligible capital instruments issues.

c) 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.

d) The results of the ORSA projections.

e) Foreseeable dividends and their impact on eligible capital.

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

During 2017 there have not been any significant changes in the objectives, policies and processes used to manage MMSV's own funds.

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

The structure, amount and quality of own funds as at 31 December 2017 are set out in the following table. MMSV's coverage ratios are defined as follows:

- 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
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	54,750	54,750			
Share premium account related to ordinary share capital	R0030					
Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070	66,767	66,767			
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	53,308	53,308			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	174,825	174,825			
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					

Total ancillary own funds	**R0400**					
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	174,825	174,825			
Total available own funds to meet the MCR	**R0510**	174,825	174,825			
Total eligible own funds to meet the SCR	**R0540**	174,825	174,825			
Total eligible own funds to meet the MCR	**R0550**	174,825	174,825			
SCR	**R0580**	71,313				
MCR	**R0600**	32,091				
Ratio of Eligible own funds to SCR	**R0620**	245.15%				
Ratio of Eligible own funds to MCR	**R0640**	544.78%				

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	**R0700**	187,135	
Own shares (held directly and indirectly)	**R0710**		
Foreseeable dividends, distributions and charges	**R0720**	12,310	
Other basic own fund items	**R0730**	121,517	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**		
Reconciliation reserve	**R0760**	53,308	
Expected profits			
Expected profits included in future premiums (EPIFP) - Life business	**R0770**	58,634	
Expected profits included in future premiums (EPIFP) - Non- life business	**R0780**		
Total Expected profits included in future premiums (EPIFP)	**R0790**	58,634	

Figures in thousand euros

The table below compares the position at the end of 2016 and 2017 for the items of own funds relevant to MMSV.

	Amount	
	2017	**2016**
Own Funds		
Ordinary share capital	54,750	54,750
Surplus funds	66,767	60,759
Reconciliation Reserve	53,308	56,417
Total Basic Own Funds	**174,825**	**171,926**
Total available own funds to meet the SCR	174,825	171,926
Total available own funds to meet the MCR	174,825	171,926
Total eligible own funds to meet the SCR	174,825	171,926
Total eligible own funds to meet the MCR	174,825	171,926
SCR	71,313	56,392
MCR	32,091	25,376
Ratio of Eligible own funds to SCR	245.2%	304.9%
Ratio of Eligible own funds to MCR	544.8%	677.5%
Reconciliation reserve		
Excess of assets over liabilities	187,135	183,476
Foreseeable dividends, distributions and costs	12,310	11,550
Other basic own fund items	121,517	115,509
Reconciliation reserve	**53,308**	**56,417**
Expected benefits		
Expected profits included in future premiums — Life Business	**58,634**	**58.656**
Total Expected profits included in future premiums	**58,634**	**58,656**

Figures in thousand euros

The above table is for comparison purposes and only reflects rows showing MMSV's own funds and coverage ratios, and those with a value of zero have been eliminated.

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 Level 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.

At 31 December, 2017, MMSV has unrestricted basic Tier 1 own funds totaling €174.8 million euros (€171.9 million as at 31 December 2016). These own funds consist of:

- Ordinary paid-in share capital which is unchanged from the previous year since there have been no new issues or redemptions during the year,
- Reconciliation reserve which has fallen by 5.5% over the year reflecting movements in assets and liabilities during the period.
- Surplus funds which represent the present value of expected future shareholder transfers arising from contracts written in the with-profits fund. This has increased by 10% mainly due to an equivalent increase in the size of the with-profits fund during the year.

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

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 €187.1 million. To determine the reconciliation reserve the following was deducted:

- Foreseeable Dividends €12.3 million
- Other basic own funds items €121.5 million

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

Solvency Capital Requirement (SCR)

The SCR corresponds to the own funds that MMSV must possess to limit the probability of bankruptcy to one case per 200, or that MMSV be still 99.5% 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 from Tier 1 own funds.

The solvency ratio that measures the relationship between eligible own funds and the SCR as calculated by applying the standard formula is 245.2% as at 31 December 2017. This shows MMSV's high capacity to absorb extraordinary losses deriving from a 1 every 200 years adverse scenario. This ratio falls within the Risk Appetite established and approved by the Board of Directors. It has fallen from the 304.9% as at 31 December 2016 as MMSV has taken on more market risk as a consequence of the revised strategic asset allocation implemented in 2017.

Minimum Capital Requirement (MCR)

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

The MCR is the amount of basic eligible Own Funds, under 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.

The ratio of eligible own funds to the MCR amounts to 544.8% in 2017. The MCR coverage has fallen in 2017 as a consequence of the increase in the SCR in line with the calculation methods stipulated in the regulations.

Difference between the equity in the financial statements and the 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 differences between the equity stated in the financial statements and excess of assets over liabilities for Solvency II purposes.

At 31 December 2017, the excess of assets over liabilities for Solvency II purposes amounts to €187.1 million, while IFRS equity was equal to €161.1 million. The main adjustments that arise from the reconciliation of IFRS equity and own funds under Solvency II may be observed below:

	2017	2016
IFRS Equity	**161,095**	**160,018**
Difference in valuation of assets	**(92,349)**	**(90,486)**
Deferred Acquisition Costs	(451)	(559)
Intangible Assets	(66,020)	(63,644)
Other adjustments	(25,878)	(26,283)
Difference in valuation of liabilities	**118,391**	**113,946**
Technical provisions	137,782	129,314
Other Liabilities	(19,187)	(15,113)
Deferred Taxes	(204)	(255)
Excess assets over liabilities (Solvency II Value)	**187,136**	**183,478**

Figures in thousand euros

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

Items deducted from own funds

MMSV has not deducted items from the calculation of own funds.

Own Funds issued and instruments surrendered

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. Amount of the Solvency Capital Requirement

SCR and MCR amounts

The Solvency Capital Requirement (SCR) broken down by risk modules and calculated using the Standard Formula is set out below:

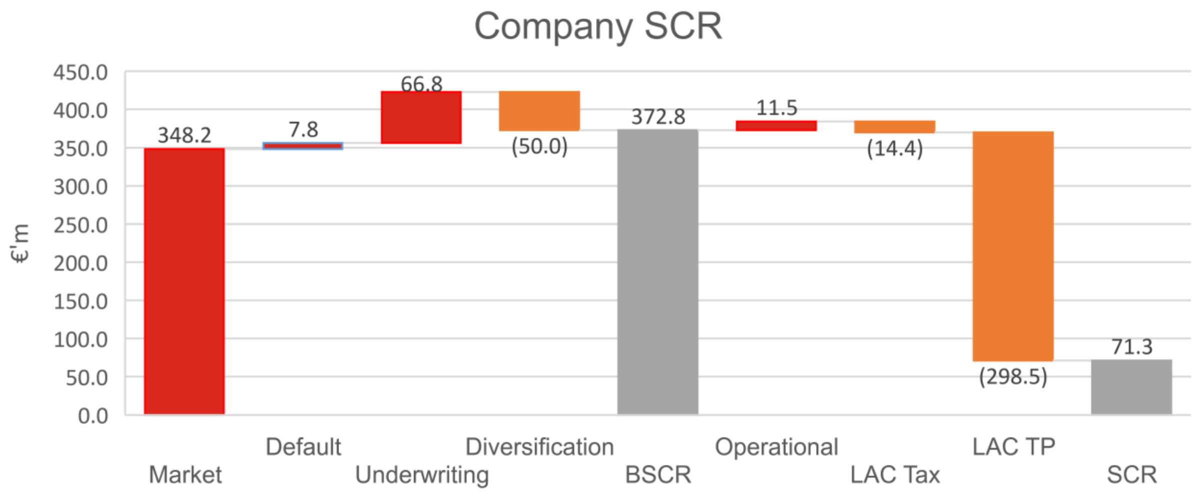
S.25.01.21
Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
Market risk	R0010	348,164		
Counterparty default risk	R0020	7,811		
Life underwriting risk	R0030	66,799		
Health underwriting risk	R0040			
Non-life underwriting risk	R0050			
Diversification	R0060	-49,960		
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	R0100	372,814		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	11,471
Loss-absorbing capacity of technical provisions	R0140	-298,523
Loss-absorbing capacity of deferred taxes	R0150	-14,449
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	R0200	71,313
Capital add-on already set	R0210	
Solvency capital requirement	R0220	71,313
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirement for remaining part	R0410	21,587
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	49,726
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

Figures in thousand euros

The composition of the SCR is set out below and descriptive information is offered in Section C of this report:

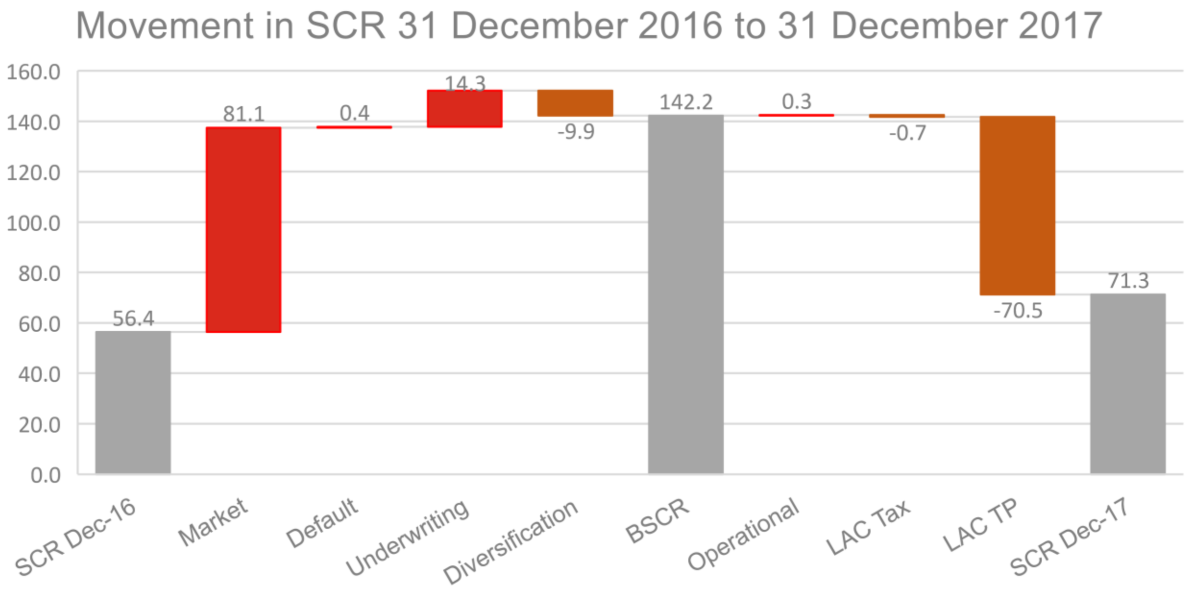


MMSV's total SCR amount was €71.3 million. At 31 December 2016, it was €56.4 million. The increase was mainly due to the increase in the Balance Sheet from new business and the increased equity exposure in 2017 giving rise to additional market risk.

MMSV's total MCR amount at 31 December 2017 was €32.1 million. At 31 December 2016, it was €25.4 million and the increase was driven by the increase in the SCR.

MMSV does not use any simplifications to calculate its SCR.

In total, the loss absorption capacity of technical provisions amount to €298.52 million and for deferred tax losses amounts to €14.45 million. The table below compares the movement in SCR over 2017.



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

Linear formula component for life insurance and reinsurance obligations

		C0040
MCR_L Result	R0200	36,616

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210	1,383,290	
Obligations with profit participation - future discretionary benefits	R0220	320,423	
Index-linked and unit-linked insurance obligations	R0230	93,999	
Other life (re)insurance and health (re)insurance obligations	R0240		
Total capital at risk for all life (re)insurance obligations	R0250		2,055,257

Overall MCR calculation

		C0070
Linear MCR	R0300	36,616
SCR	R0310	71,313
MCR cap	R0320	32,091
MCR floor	R0330	17,828
Combined MCR	R0340	32,091
Absolute floor of the MCR	R0350	3,700
-	-	C0070
Minimum Capital Requirement	R0400	32,091

Figures in thousand euros

The linear MCR for Life insurance is €36.2 million. This linear MCR was obtained by applying the factors relating to the data used in their calculation, which are included in the above tables. The combined MCR is €32.1 million. The combined MCR is the result of applying maximum and minimum limits to the linear MCR.

Since the combined MCR is higher than the MCR's absolute limit, the amount of the combined MCR is considered to be the Minimum Capital Requirement, in the amount of €32.1 million.

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 any internal model used.

No Internal Models are used when calculating regulatory solvency needs.

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

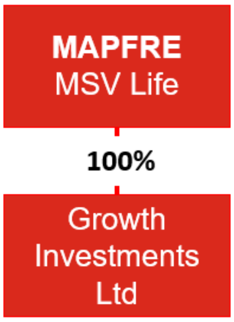
At 31 December 2017, MMSV maintained high coverage of the Solvency Capital Requirement using eligible own funds, and therefore it was considered unnecessary to adopt any other action or corrective measure.

E.6. Any other information

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

Annex I

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



Name	Type of investment	Country	Activity	Legal status	Ownership interest	Ownership interest
					2017	2016
Growth Investments Limited	Subsidiary	Malta	Provision of investment services	Limited liability company	100.00%	100.00%
Premium Realty Limited	Associate	Malta	Liquidated	Liquidated	-	25.00%
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	28.36%	28.36%
Tigne Mall p.l.c.	Associate	Malta	Ownership and manageme nt of 'The Point Shopping Mall'	Public limited company	35.46%	35.46%