MAPFRE | MSV Life

Solvency and Financial Condition Report 31st December 2024

Executive Summary

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

Business and Performance

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

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

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

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

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

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

MMSV registered a profit before tax of €15.0 million for the year ended 31st December 2024, compared to a restated of €14.6 million registered for the previous year. Profit after tax is at €11.0 million, compared to the €9.6 million restated for the previous year.

Overall, expenses increased during the current year. The increases were mainly in acquisition expenses and overhead expenses.

System of Governance

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

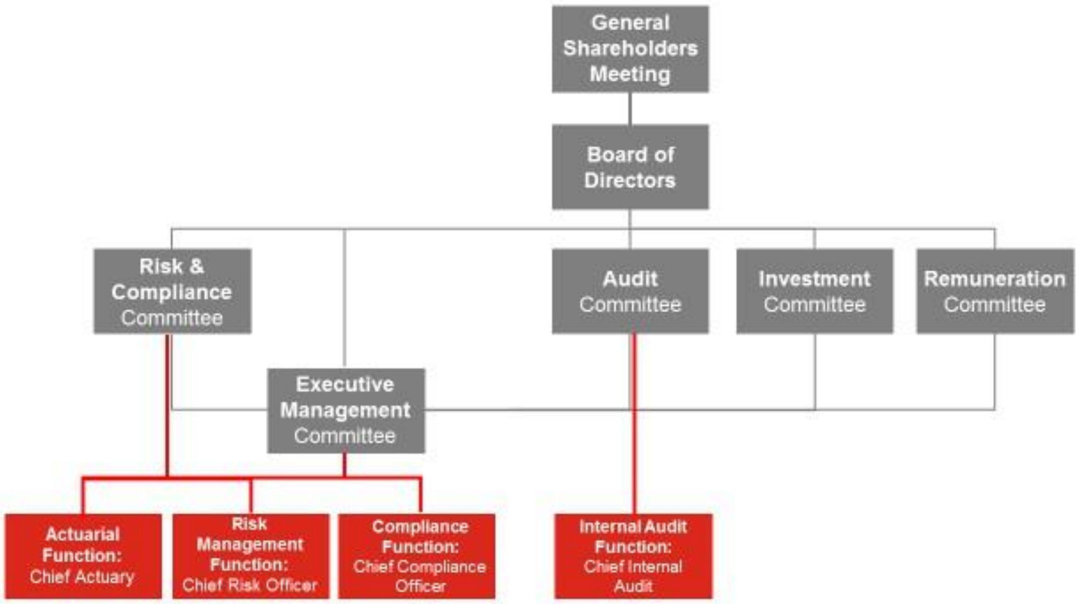
- General Meeting of Shareholders
- Board of Directors
- Executive Management Committee
- Audit Committee
- Investment Committee
- Remuneration Committee
- Risk and Compliance Committee

Additionally, the following committees supplement the list above:

- Security, Crisis and Resilience Committee
- Product Oversight Governance (POG) Committee
- Technical Advisory Group (TAG)
- MAPFRE Malta Steering Committee

MMSV is also supervised by the EMEA Regional Management Committee, which is directly responsible for the supervision of the management of the Business Units in the region concerned except for the reinsurance unit, and which manages all global and regional corporate projects.

MMSV's Governing Bodies as at 31st December 2024 are set out below:



These governing bodies ensure the appropriate strategic, commercial, and operational management, enabling MMSV to respond to any issues which might arise throughout its different organisational levels, business and corporate environment, in a timely and appropriate manner.

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

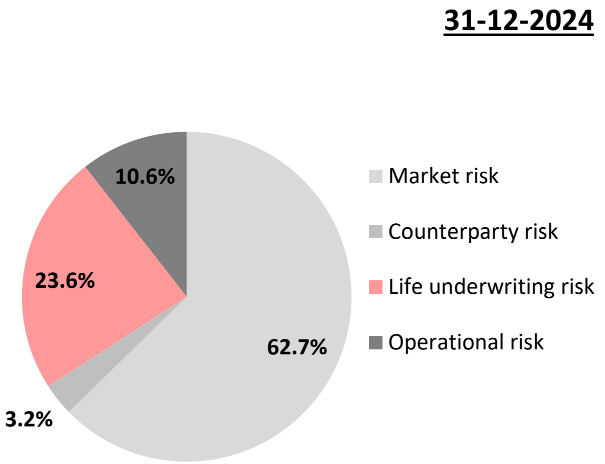
MMSV's Board of Directors determines the policies and strategies for ensuring the effectiveness of the Risk Management System, for establishing the risk profile and tolerance limits, as well as for approving the main risk management strategies and policies within the risk management framework established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

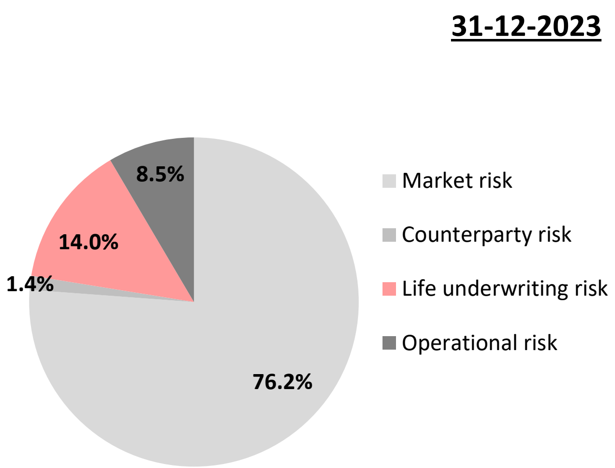
Within this framework, MMSV has a structure composed of areas that, in their respective technical expertise, independently monitor the risks assumed.

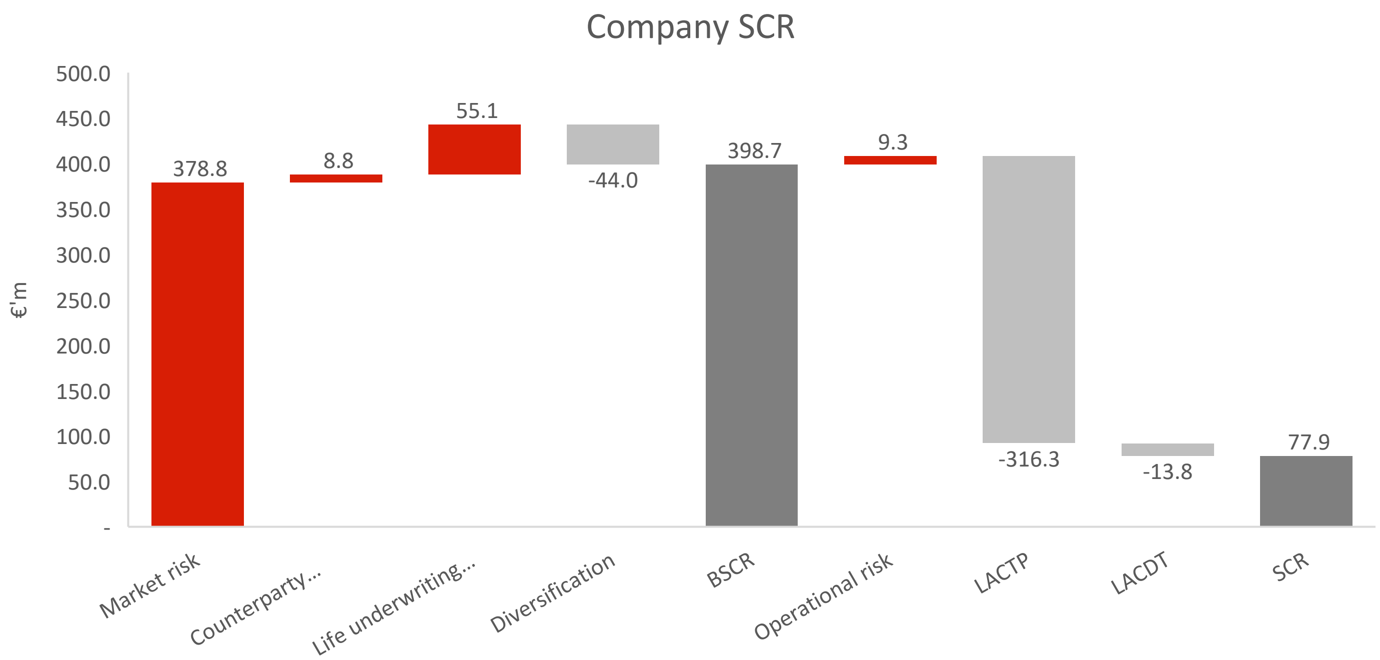
Risk profile

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

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







Figures in million euro

The above reflects the Loss Absorbing Capacity of Technical Provisions.

As can be observed, market risk remains the main risk faced by MMSV, representing 62.7% of the total SCR. In 2024, the relative share of market risk decreased while the relative share of counterparty default risk, life-underwriting risk and operational risk increased.

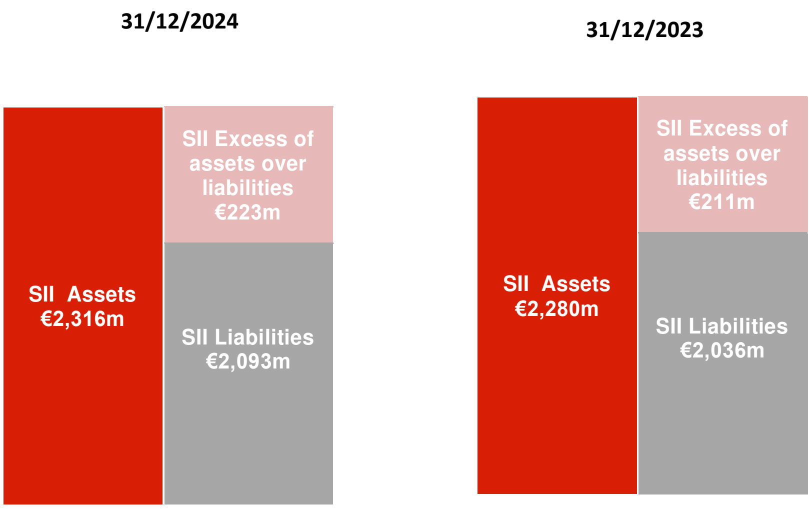
Other material risks which MMSV is exposed to include those derived from low investment yields, movements in interest rates, cyber risk, social-political risks, and regulatory changes. Additionally, several emerging risks have been identified. The details of these risks are included in section C.6.

MMSV also analyses the sensitivity of its solvency position with respect to certain severe but plausible events, the results of which show that the Company complies with regulatory capital requirements even under the considered adverse circumstances.

Valuation for solvency purposes

The Solvency II value of assets amounts to €2.32 billion, whereas the Accounting value (IFRS value) is equal to €2.36 billion. The difference between the Solvency II and the IFRS values arose due to the different valuation criteria used for intangible assets and reinsurance recoverables.

The Solvency II value of liabilities amounts to €2.09 billion, whereas the IFRS value is equal to €2.18 billion. The difference between the Solvency II and IFRS values arose mainly due to the different valuation criteria used for technical provisions.



Figures in thousand euro

The excess of assets over liabilities for Solvency II purposes amounted to €223.1 million, which represented an increase of 28.0% over the IFRS value of equity. At 31st December 2024, the excess of assets over liabilities increased by €12.0 million compared with the end of last year.

Capital Management

MMSV has the appropriate structure and processes necessary to manage and oversee its own funds and has a policy and a medium-term capital management plan to maintain the solvency levels within the limits established by the legislation and the risk appetite set by the Company's Board of Directors.

The following table provides a breakdown of MMSV'S solvency ratio or SCR coverage ratio:

	31/12/2024	31/12/2023
Solvency Capital Requirement (SCR)	**€77.9**	**€90.4**
Own funds eligible for SCR coverage	**€220.1**	**€208.9**
Solvency ratio (SCR coverage)	**282.4%**	**231.0%**

Figures in million euro

MMSV's excess capital totalled €220.1 million, and it has eligible own funds that cover the regulatory solvency requirement by 2.83 times, where the solvency requirement is the amount of capital that must be held by the company to limit the likelihood of bankruptcy to a 1 in 200 probability. This means that MMSV is still in a position to comply with its regulatory obligations to insurance policyholders and beneficiaries over the following 12 months with a probability greater than 99.5%.

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

To calculate the solvency ratio, MMSV has not used matching and volatility adjustments or transitional measures for technical provisions provided by Solvency regulations.

The regulation establishes a Minimum Capital Requirement (MCR), which reflects the minimum level below which MMSV's financial resources must not fall. The MCR is €35.1 million and the eligible own funds to cover it are €220.1 million, making the MCR coverage ratio 627.7%. Regarding the quality of these eligible own funds to absorb losses, all the €220.1 million are of the highest quality (Tier 1).

A. Business and Performance

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

A.1. Business

A.1.1. Company Businesses

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

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

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

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

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

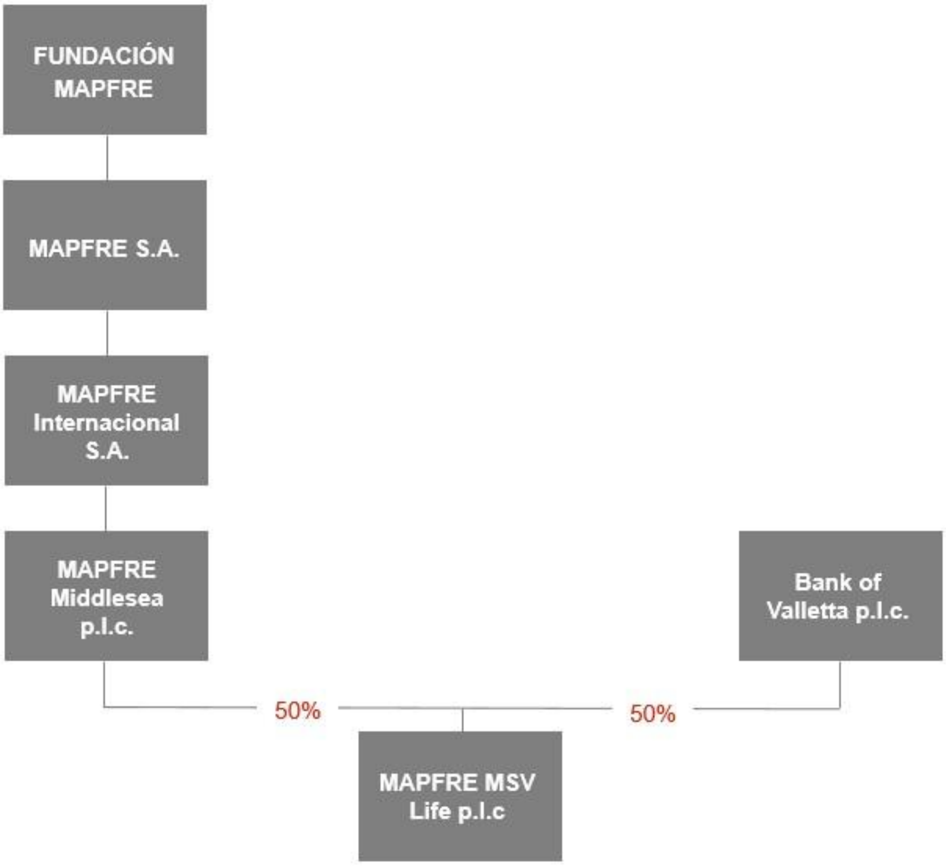
The following table shows the companies that possess direct or indirect qualifying holdings in the Company:

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

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

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

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



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

Supervision

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

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

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

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

External Audit

On 20th March 2025, KPMG Malta issued an unqualified audit opinion in its audit report on the Company's financial statements prepared as at 31st December 2024.

KPMG also review sections D "Valuation for solvency purposes" and E "Capital management" of the Solvency and Financial Condition Report.

KPMG is located at: Portico Building,
Marina Street,
Pieta', PTA 9044,
Malta.

Lines of business

The Company's main lines of business, based on the list established by current Solvency II regulations, are as follows:

- **Insurance with profit participation**: Savings products where the annual investment return is discretionary (the declared bonus rate).

- **Index-linked and Unit-linked insurance**: Unit-linked products where the obligation of MMSV towards the insured is represented by the value of the underlying units.

- **Other life insurance**: Pure insurance contracts where the only obligation of MMSV towards the insured is the payment of a death or incapacity benefit, if the insured event occurs whilst the policy is in force.

Geographic areas

MMSV does not write business outside of Malta.

A.1.2. Events with material repercussions

Business review

MAPFRE MSV Life registered a profit before tax of €15.0 million for the year ended 31 December 2024, compared to a profit of €14.6 million registered for the previous year. Profit after tax is at €11.0 million, compared to a €9.6 million for the previous year.

These results are underpinned by a positive contribution both from the insurance activities and financial income.

In terms of the insurance activities, the release of the Contractual Service Margin (CSM) remains the main determinant of reported profitability. Most of the release in CSM relates to business written in prior years. New profitable business being written adds to the stock of CSM for future release. Thus, normally, in life insurance, as long as business written is profitable, a lower volatility in insurance performance from one year to the next is observed. During 2024, the CSM release represented €10.8m (2023: €9.8m).

Market developments and outlook

The global economy continued to show great resiliency notwithstanding the complex geopolitical situation, policy uncertainty and stickier than expected inflation. The US economy continued to register positive economic growth while in the EU growth was more subdued and is expected to remain so in the near future. In Malta, economic activity remained robust, with the country's GDP growth exceeding the European average.

Notwithstanding the unstable geopolitical situation and the global policy uncertainty, MMSV remains cautiously optimistic. The baseline global economic outlook remains positive. The EU member states' economies continue to face significant headwinds. However, the local economy is expected to continue in with its positive trajectory. This augurs well and should be conducive to sustainable business performance, though we remain cognizant of the highly competitive landscape which is expected to persist. We are confident that MMSV's capital strength and diversified business model will continue to underpin its resiliency and future success.

A.2. Underwriting results

Below is a comparison of the quantitative information regarding the activity and underlying results for 2024 and 2023 by line of business.

	Line of Business for: life insurance obligations						Total	
	Insurance with profit participation		Index-linked and unit-linked insurance		Other life insurance			
	2024	2023	2024	2023	2024	2023	2024	2023
Premiums written								
Gross	138,688	132,722	51,397	53,433	15,762	15,117	205,847	201,271
Reinsurers' share	30	27	1	1	4,633	4,423	4,664	4,451
Net	138,658	132,695	51,396	53,432	11,129	10,694	201,183	196,821
Premiums earned								
Gross	138,688	132,722	51,397	53,433	15,762	15,117	205,847	201,271
Reinsurers' share	30	27	1	1	4,633	4,423	4,664	4,451
Net	138,658	132,695	51,396	53,432	11,129	10,694	201,183	196,821
Claims incurred								
Gross	239,230	254,234	7,769	5,783	3,873	2,543	250,872	262,560
Reinsurers' share	-	-	-	-	1,858	974	1,858	974
Net	239,230	254,234	7,769	5,783	2,016	1,570	249,014	261,587
Expenses incurred	25,082	23,786	1,638	1,152	4,257	3,609	30,977	28,547
Total expenses							30,977	28,547
Total amount of surrenders	22,111	11,938	4,889	3,975	-	-	27,000	15,913

Figures in thousand euro

Source: S05.01.02

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

Gross premiums written for the year marginally increased in 2024, as demand for with-profits business improved. Also, regular business continued to perform well with strong demand for life protection business and sustained pension business. Premiums represent all business written including investment contracts without DPF.

Gross claims incurred in 2024, continued to decrease mainly due to lower maturity claims.

Overall, expenses increased during the current year. The increases were mainly in acquisition expenses and overhead expenses.

A.3. Investment performance

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

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

Net investment return (losses)	2024	2023
Interest revenue from financial assets not measured at FVTPL	5,085	5,001
Net gains on FVTPL instruments	98,148	179,427
Other investment income	322	853
Net losses from fair value adjustments to investment properties and revaluation of properties for own use	(365)	(3,925)
Investment income from investment properties	5,980	5,698
Expenses arising from investment properties	(437)	(368)
Other investment expenses	(6,513)	(5,954)
Net credit impairment losses	8	(22)
Investment income	**102,228**	**180,710**

Figures in thousand euro

Total investment income during the year amounted to €102.2 million compared to €180.7 million in 2023.

Net investment return is mainly the results of fair value market movements. While all asset classes contributed positively to the overall investment return, their performance varied significantly.

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

No gains and losses are recognised directly in equity.

A.4. Performance of other activities

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

During the year, no material other income was generated and no material other expenses were incurred by MMSV.

A.4.2 Lease Agreements

Finance leases

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

Operating leases

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

Year	Type of Asset	Net book value	Weighted average duration of contracts (years)	Weighted average years elapsed
2024	Property Investment	93,127	9.54	5.78
2023	Property Investment	92,944	9.65	5.34

These leases have an average remaining life of 3.76 years, with or without renewal option included in the contracts.

Net book value as at December represents the revalued amount.

A.5. Any other information

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

B. System of Governance

B.1. General Information on the system of governance

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

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

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

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

B.1.1 System of Governance

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

- **Shareholder's Annual General Meeting**: This is the highest governing body, as its decisions bind all shareholders. Both ordinary and extraordinary Annual General Meetings are called by the Board of Directors.
- **Board of Directors:** The body in charge of managing, administering, and representing the Company and has the ultimate decision-making. It establishes the roles of the Executive Management Committee and its Delegated Committees, designating its members, where necessary.
- **Audit Committee:** The main role of this committee is to assist the Board of Directors in discharging its responsibilities relating to accounting and financial reporting, ensuring adequate systems of internal control, and in managing its relationships with internal and external auditors.
- **Risk and Compliance Committee:** The main role of this committee is to assist the Board of Directors in providing leadership, direction, and oversight with regards to MMSV's risk and regulatory policies and procedures related to risk management, regulatory compliance, anti-financial crime, and overall internal control framework.
- **Investment Committee:** The main role of this committee is to advise the Board of Directors on the main Investment policies. This committee is responsible for securing the safety, yield, and marketability of the investment portfolio, to oversee the management of the investment portfolio and ensure compliance with all policies, and report to the Board of Directors on the performance of the investment portfolio.
- **Remuneration Committee:** This committee is responsible for ensuring that the Company has coherent remuneration policies and practices which are observed, and which attract and retain executives and directors who can create value and support MMSV's mission statement.
- **Executive Management Committee:** This is the governing body delegated by the Board of Directors to coordinate and supervise MMSV's top-level actions, covering operational and

management aspects, as well as making the necessary decisions to ensure its appropriate functioning, using the powers delegated at any given time.

Additionally, as part of the system of governance, the Company has the following committees:

- **EMEA Regional Management Committee**, which is the body that directly supervises the management of the Business Units in the region, with the exception of the Reinsurance Unit (understood as MAPFRE RE, Compañía de Reaseguro, S.A. and its subsidiaries), as well as the promotion of all global and regional corporate projects.
- **Security, Crisis and Resilience Committee:** The main role of this management committee is to direct and provide oversight to the Security and Environment Function within the Company.
- **Product Oversight Governance (POG) Committee:** This is a key decision-making body in terms of the Product Oversight and Governance Arrangements of the Company. In this respect, the POG Committee is responsible for the governance oversight related to development, approval, and launch of new products; development and approval of significant adaptations or alterations to existing products; and deciding on remedial action to be taken in terms of the POG Arrangements.
- **Technical Advisory Group (TAG)** has been set up to review technical documentation prepared by the MMSV Actuarial Unit on matters such as profit testing of new and existing products, solvency capital projections, actuarial systems development, bonus declaration and projected illustration rates. The TAG does not replace any of the governing bodies of the Company or independent actuarial reviews, however it is a forum where detailed actuarial investigations and analysis are discussed prior to formalisation for presentation to the relevant governing body.
- **MAPFRE Malta Steering Committee:** This is set up to oversee and manage the consolidated activity of the MAPFRE Group of companies in Malta including its liquidity and strategy, to ensure synergies between the Malta companies and to be the sole reference point for the EMEA Regional Committee.

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

B.1.2. Key functions

In order to ensure that the governance system has an adequate structure, MMSV has policies which regulate the key functions (Risk Management, Compliance, Internal Audit and Actuarial). These policies ensure that key functions follow the requirements defined by the regulator and that they are in accordance with the governance structures established by MMSV and by the MAPFRE Group. MMSV's Board of Directors approved the Actuarial, Risk Management, Compliance and Internal Audit policies which are subject to review on an annual basis. The last update of the aforementioned policies was on 12th September 2024.

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

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

There were no significant changes to MMSV's governance structure during 2024.

B.1.4. Remuneration

Remuneration paid to the members of MMSV's governing bodies and employees is determined in accordance with current regulations and in the Company's Remuneration Policy which was approved by the Board of Directors and was last reviewed on 12th September 2024.

The remuneration policy endeavours to establish adequate compensation 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 tolerance level and to avoid conflicts of interest. Its general principles are as follows:

- Based on the position/job, it includes measures to avoid any conflicts of interest that may arise.
- It takes into account merit, technical knowledge, professional skills and performance.
- Non-discrimination on grounds of sex, race or ideology, and equal pay for jobs of equal value.
- Transparency, being well known by all affected parties.
- Flexible in structure and adaptable to different groups and market circumstances.
- Adequate proportion of fixed and variable components, avoiding excessive reliance on variable components.
- Aligned with MMSV's strategy as well as its risk profiles, objectives, risk-management practices, and interests. In this regard, the risks to be considered by MMSV will include long-term sustainability risks (environmental, social and governance).
- Market competitiveness.

Based on the aforementioned policy, employee remuneration is comprised of five items: fixed remuneration, variable remuneration/incentives, recognition programs, social benefits and in-kind benefits.

The remuneration system for Directors has the following characteristics:

- Transparent reporting in the remuneration paid to Directors.
- It provides an incentive to reward dedication, qualifications and responsibility, without constituting an obstacle to the duty of loyalty.
- It consists of a fixed amount for membership on the Board of Directors and, as appropriate, the Steering and Delegated Committees, which may be higher for people with positions on the Board or who hold the position of Chairman of the Delegated Committees. This remuneration may be supplemented by non-monetary compensation such as life insurance in the event of death, health insurance, bonuses on products marketed by MAPFRE Group companies and others in line with those established in general for the company's employees.
- It does not include variable components or those linked to share value.
- Directors are reimbursed for traveling expenses and other costs undertaken in order to attend company meetings or in the performance of their responsibilities.

The remuneration system for the senior executives is based on the following criteria:

- It is established in accordance with the functions, level of responsibility and professional profile, based on the criteria for the MAPFRE Group senior executives.
- Balanced ratio between fixed and variable components of remuneration and long-term performance orientation.
- Senior executive may not receive the remuneration assigned to the Directors for their status as such.
- It is configured with a medium and long-term vision, which promotes their performance in strategic terms, in addition to the achievement of short-term and long-term results.
- It is consistent with the strategy, interests and long-term sustainability of the Entity and its Group.
- It takes into account market trends and faces these trends with the strategic approach of the Company, being effective for attracting and retaining the best professionals.

Executive directors, in their capacity as members of the Group's management team, are beneficiaries of (i) defined contribution pension commitments to cover retirement, permanent disability and death contingencies, commitments externalised through life insurance and (ii) certain social benefits and allowances established for MMSV's senior management. The conditions of contribution and consolidation of the economic rights in their favour and social benefits and allowances are detailed in their respective contracts. Additionally, executive directors, like the rest of MMSV's employees, are beneficiaries of the MAPFRE Employment System Pension Plan, savings insurance and mixed savings insurance, and social benefits and other benefits. The main characteristics are included in the Collective Agreement of MAPFRE Grupo Asegurador.

B.1.5 Additional information

There are no additional disclosures not mentioned in the previous sections.

B.2. Fit and proper requirements

MMSV's Aptitude and Integrity Policy was approved by the Board of Directors and was last reviewed on 12th September 2024. This policy establishes the applicable Key Personnel requirements, as follows:

- They should have the appropriate qualifications, know-how, and expertise to ensure that the Company is professionally managed and supervised.

- The expertise and experience of Key Personnel will include academically acquired knowledge as well as the experience in the development of functions in other companies similar to those that are going to be developed and the respective individual responsibilities assigned.

Likewise, Directors and Officers of MMSV must have:

- Collectively: the appropriate qualifications, experience, and knowledge in at least the following areas:
    - Insurance and financial markets
    - Strategies and business models
    - System of Governance
    - Financial and actuarial analyses
    - Regulatory framework

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

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

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

Company Designation Procedures

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

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

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

B.3.1 Governance framework

The responsibilities of the Risk Management System are an integral part of MMSV's organisational structure. MMSV's Risk Management System follows the three lines of the defence model (described in section B.4.1). This ensures ownership by all employees of risks and corresponding controls, in line with their role and responsibilities, and objectives.

The Board of Directors of MMSV is ultimately responsible for ensuring the Risk Management System effectiveness and for determining the Company's risk profile and tolerance limits. Further to this, the Board of Directors is also responsible for approving the Risk Management Strategies and policies within the Risk Management Framework

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

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

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

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

B.3.2 Risk management objectives, policies, and processes

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

- To promote a solid culture and an effective system of risk management.
- To ensure that risk analysis is part of the decision-making process.
- To preserve MMSV's financial solvency and strength contributing to the Group's positioning as a trusted global insurer.

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

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

Each policy aims to:

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

- Assign responsibilities, strategies, processes and the reporting procedures required to identify, measure, monitor, manage and report the risks included within their scope.

- Establish reporting structures and communication channels for the business area responsible for the risk.

In the Risk Appetite Policy, approved by the Board of Directors, MMSV establishes the level of risk that it is willing to assume in order to carry out its business objectives without relevant deviations, even in adverse situations. This level, articulated in its limits and sublimits by type of risk, configures the Entity's risk appetite and is established in the Risk Appetite Policy and in the specific risk policies, which detail the risk assessment process established, as well as the metrics established for this purpose.

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

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

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

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

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

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

Covers the following risks:
- Interest rate
- Equity
- Property
- Spread
- Concentration
- Currency</td><td>Standard formula</td><td>Quarterly</td></tr>
<tr><td>Credit Risk

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

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

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

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

B.3.3 Own Risk and Solvency Assessment

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

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

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

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

The Risk Office also carries out capital management activities, and verifies:

- The adequate classification of the eligible capital in accordance with the applicable regulations.

- The feasibility of distributable dividends for continuous compliance with the Solvency Capital Requirement.

- Continuous compliance with eligible capital in projections.

- Amounts and deadlines for the various eligible capital items capable of absorbing losses.

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

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

B.4. Internal Control System

B.4.1. Internal Control

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

The implementation of the Internal Control System in MAPFRE has been based on the broad and exhaustive application of the COSO[1] standard. According to COSO, there is a direct relationship between the objectives that the company expects to achieve, the components of the internal control system (which represent what the organisation needs to achieve the objectives), and its organisational structure (operating units, legal companies, etc.).

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

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

The Internal Control System is integrated into the organisational structure under the three lines of defense model, by assigning responsibilities and ensuring compliance with the internal control objectives. According to this model, there is:

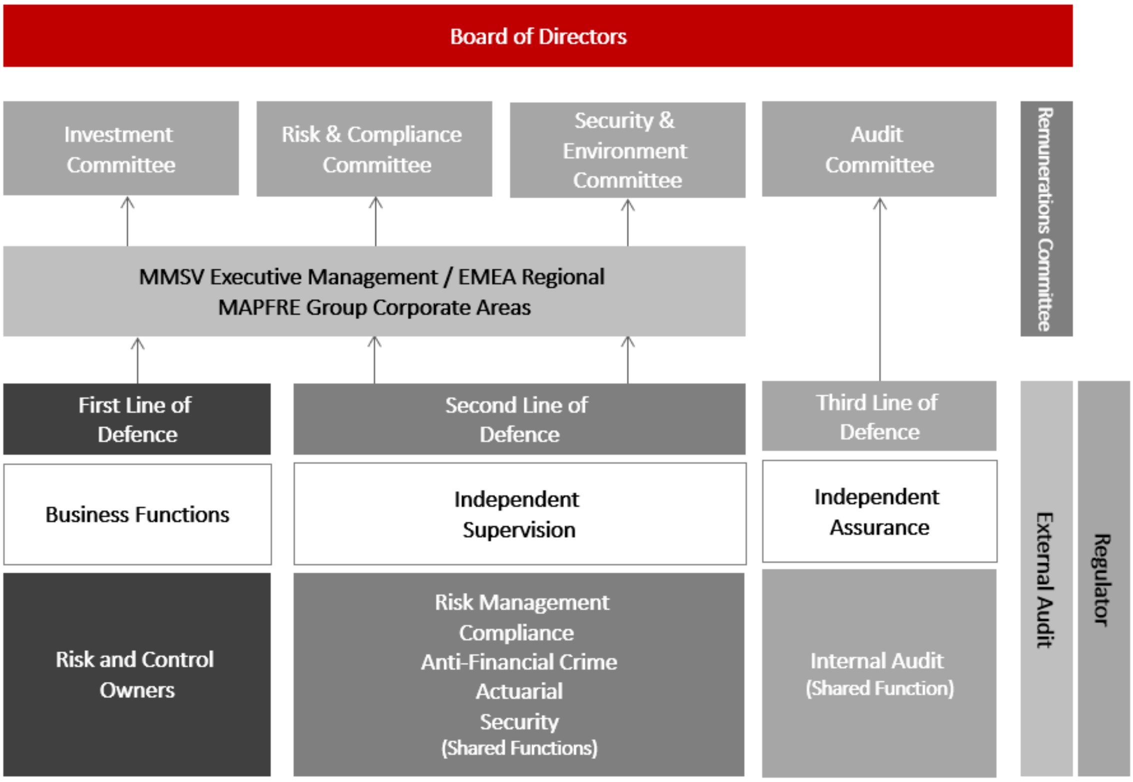
1. The first line of defence consists of employees, management, and the business, operational and supporting areas that are responsible for maintaining effective control of activities carried out as an inherent part of their day-to-day work. Therefore, these units are responsible to manage the risks relevant to their processes, design and apply the control mechanisms that are necessary to mitigate these risks and to ensure that they do not exceed established limits.

   The front-line areas have reference models and operational management models that detail, in the internal control dimension, the responsibilities assigned to them in the various risk control procedures.

2. The second line of defence is made up of the key functions i.e. Risk Management, Compliance and Actuarial functions, as well as other assurance functions such as Anti-Financial Crime and Security, all providing an independent assurance that the internal control system is present and functioning.

3. The third line of defence made up by Internal Audit, which provides an independent assessment of the appropriateness and effectiveness of the Internal Control System and communicates potential deficiencies timely to the parties responsible for taking the corrective measures, including Executives and governing bodies, as appropriate.

[1] Committee of Sponsoring Organisations of the Treadway Commission.



MMSV's Internal Control System is integrated and organised around five components: Control Environment, Risk Assessment, Control Activities, Information and Communication and Supervision Activities, and consists of mechanisms and controls that are present in all activities of the organisation, being fully integrated into its organisational structure.

B.4.2. Compliance Function

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

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

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

B.5. Internal audit function

MMSV's governance structure is based on the three lines of defense model, with the Internal Audit Function being the third line of defense. This function provides an independent opinion in respect of appropriateness and effectiveness of the Internal Control System, as well as other elements of the System of Governance. Its main function is to strengthen governance, risk management and control processes. Internal Audit contributes to the overall stability and sustainability of the organization by providing reasonable assurance on its operational efficiency, reliability of its reports, compliance with laws and/or regulations, safeguarding of assets and its ethical culture.

In ensuring the principle of independence, MMSV's Internal Audit Unit (IAU) reports to the Audit Committee, a board delegated committee. The Internal Audit Policy and bylaws updated and approved by the Board of Directors annually establishes functions, and attributes of MMSV Internal Audit Unit. It also includes the rights and obligations of MMSV´s Internal Auditors as well as their Code of Ethics, which sets out the rules of conduct of the auditors based on integrity and honorability, objectivity, confidentiality, and competence.

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

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

B.6. Actuarial Function

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

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

Actuarial Unit

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

Approved Actuary

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

Liaison

The Actuarial Function for MMSV falls within the MAPFRE Malta Actuarial Unit, a shared function with MMS, within MMSV. The Actuarial Function performs a complete range of actuarial duties and contributes to both MMSV's first and second lines of defense. Where MMSV Actuarial Function performs first line of defense duties such as pricing of new products and setting valuation/pricing assumptions, segregation of duties is achieved by an initial review of such work by Willis Towers Watson PLC and in the case of profit testing, a further review by the MAPFRE Corporate Actuarial Office.

The Actuarial Function is responsible for preparing the mathematical, actuarial, statistical, and financial calculations that allow the setting of premiums, technical provisions and modelling of risks on which the calculation of the Company's capital requirements is based, and which help MMSV achieve its target results and desired solvency levels. Calculation of the insurance company's capital requirements is performed in close collaboration with Risk Management Function.

The Actuarial Function also has responsibility for calculation of the IFRS 17 best estimate of liabilities, risk adjustment and preparations of disclosures setting out their analysis of change and underlying assumptions and methodology.

The Actuarial Function is directly responsible for preparing actuarial calculations and other predictive models for MMSV, together with the technical documentation associated with those assessments. The Chief Actuary is the ultimate person responsible for these actions and for all of the tasks defined in the applicable Solvency II regulations, amongst other things.

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

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

During 2024, the Chief Actuary at MMSV reported to the Company's Board of Directors through the meetings of the Board of Directors, the Audit Committee and the Risk and Compliance Committee and was in attendance at Investment Committee meetings.

The MAPFRE Group Corporate Actuarial Office sets the general principles and guidelines that take into account the best statistical and actuarial practices within the MAPFRE Group in order to coordinate and unify the Group's actuarial calculations.

The Corporate Actuarial Office also ensures compliance with the general actuarial calculation principles and guidelines. It can thus foster corrective actions in cases in which irregularities are detected, or when the general guidelines established have not been followed.

Notwithstanding the foregoing, the Corporate Actuarial Office provides support to those Business Unit. Actuarial Areas requiring its collaboration to comply with their individual responsibilities.

B.7. Outsourcing

MMSV's Outsourcing Policy was approved by the MMSV Board of Directors and was last reviewed on 12th September 2024. The policy is in line with the Group Outsourcing Policy approved by the MAPFRE S.A. Board, establishing the general principles, tasks, processes, and the assignment of responsibilities in the event of the outsourcing of a critical or important function and/or activity. In addition to the Outsourcing policy the Board of Directors of MMSV reviewed the Cloud Outsourcing Policy on 12th September 2024.

The basic principle established by the Outsourcing Policy is that the Company will continue to have full responsibility for meeting all obligations arising from the functions or activities susceptible to being outsourced, in the same manner as if they were to be performed internally.

It is to be noted that no Key functions were outsourced during 2024.

B.8. Any other information

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

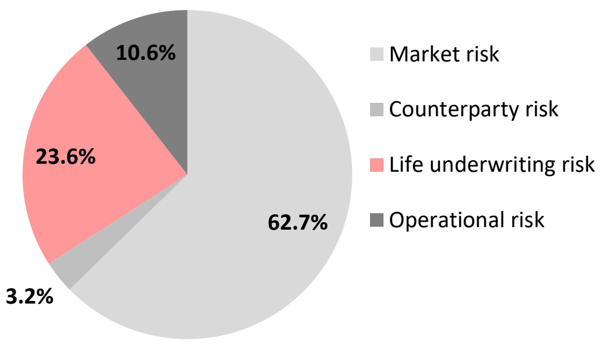
C. Risk profile

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

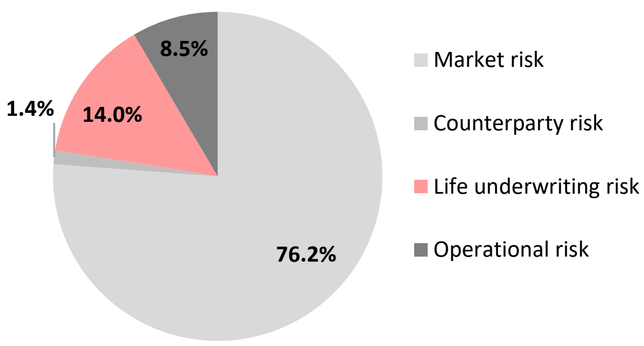
As explained in Sections C.4 and C.6, MMSV's exposure to other risks not included in the standard formula SCR (such as, for example, liquidity risk) is not considered significant, as MMSV's measures are effective for management and mitigation of them.

The following illustrations show the composition of MMSV's company level SCR for the various risk modules as at 31st December 2024 and 2023 (the SCR calculation is explained in Section E.2 of this report):

<u>31-12-2024</u>



<u>31-12-2023</u>



As can be observed, market risk remains the main risk faced by MMSV, representing 62.7% of the total SCR.

In 2024, the relative share of market risk decreased while the relative share of counterparty default risk, life-underwriting risk and operational risk increased.

In 2024, there have been no significant changes with respect to the measures used to assess MMSV's main risks. MMSV reviewed and updated the underlying economic assumptions and modelled management actions. As in the previous year particular attention was paid to future inflation.

Other material risks to which MMSV is exposed to include those derived from regulatory risk, macroeconomic environment risk, socio-political risks, strategic initiatives and projects risk, talent and human resource management risk. The details of these risks are included in section C.6.

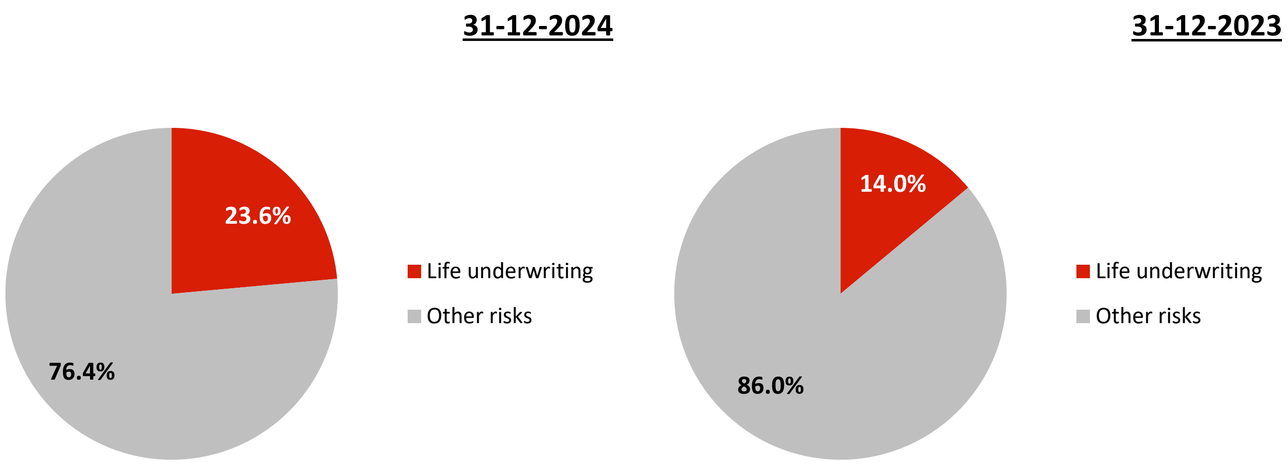
A description of the main risk categories, the exposure to the risks, their management and mitigation techniques, and possible concentrations are indicated below.

C.1. Underwriting risk

Underwriting Risk is the risk of loss or adverse change in the value of insurance liabilities, due to inadequate pricing and provisioning assumptions.

Exposure

As at 31st December 2024, underwriting risk represents 23.6% of all of the risk modules included in the SCR. The following charts present details by module and any changes when compared to the previous year:



The increase in life underwriting risk as a percentage of overall risks is due to the reduction in market value adjustment rates and higher expense risk.

Management and mitigation techniques

MMSV manages underwriting risk through a number of measures:

- **The establishment of policies, limits, and exclusions in underwriting risk:**

MMSV establishes authorisation and exclusion limits for reducing undesired underwriting risk in its manual and/or automated policies. These limits and exclusions are set in line with the Company's risk appetite.

- **Setting of a sufficient premium**:

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

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

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

a) The type and characteristics of the insurance activity, such as insurance risk type which MMSV is prepared to accept.

b) Reinsurance and other risk mitigation techniques within the process of designing a new insurance product and when calculating premium.
c) Internal underwriting limits for different products or classes of products.
d) Maximum acceptable exposure to specific risk concentrations.

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

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

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

To this end, MMSV uses reinsurance policies as well as other insurance risk techniques. As at 31st December 2024, MMSV ceded 1.3% of its total technical provisions.

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

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

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

Concentration

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

At company level, the highest exposure to underwriting risk arises from the risk of mass lapses and surrenders. At the individual fund level, the biting lapse scenario for the RFF is now the same as the unchanged biting mass lapse stress in the REM.

Generally, fewer expected surrenders increase the likelihood of with-profits guarantees crystallising at maturity and increase the amount of capital required, the higher the excess of assets over the present value of liabilities, the lower the impact on the capital charge. For non-profit protection policies written in the remaining part, mass lapse is more onerous. A large mass lapse event causes a reduction in own funds on contracts where the best estimate of liabilities is negative (meaning that the policy is expected to generate a profit over its remaining term) and additional lapses reduce the profits expected to be earned in future on these policies. This effect is exacerbated by a higher per-policy expense allowance due to fewer in force policies post mass lapse bearing a higher share of fixed costs.

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

Transfer of risk to special-purpose entities

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

C.2. Market Risk

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

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

The management of investment portfolios is broken down into two portfolios for non-profit[2] and With-Profits business.

Exposure

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

Investments	Investments at 31/12/2024	(%) Investments	Investments at 31/12/2023	(%) Investments
Property investments	**93,127**	**4.6%**	**92,844**	**4.7%**
Financial investments	**1,926,949**	**95.4%**	**1,986,263**	**99.5%**
Fixed income	1,005,724	49.8%	925,077	46.3%
Equity	320,897	15.9%	381,795	19.1%
Collective investment undertakings	537,992	26.6%	557,006	27.9%
Holdings in related companies	22,416	1.1%	43,378	2.2%
Deposits other than cash	39,780	2.0%	76,109	3.8%
Hedging derivatives	141	0.0%	2,898	0.1%
Other investments	-	-	-	-
Total	**2,020,076**	**100.0%**	**2,079,107**	**100.0%**

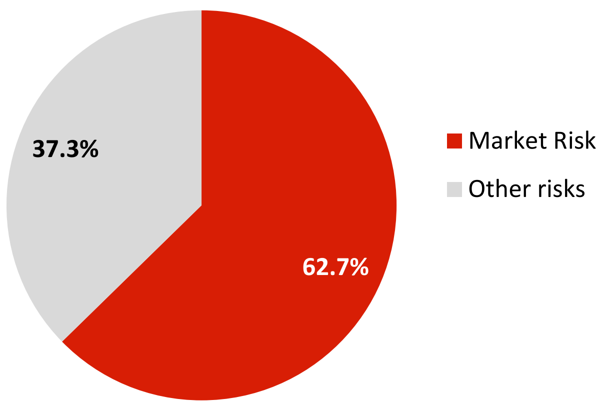
Figures in thousand euro

As at 31st December 2024, 98.3% of fixed-income investments had an investment-grade credit rating. Sovereign Government Debt exposure represented 61.4% of the total investment grade exposure. Maltese Government bonds represented 23.4% of the total fixed income exposure. Equities remain a very important asset class in the investment portfolio. Equity exposure is diversified across geographical areas, sectors and industry. Portfolio diversification is also sought in terms of currency, style and equity market capitalisation. MMSV also invests in a renewables and infrastructure fund with a view to adding further diversification and mitigating drawdown impact after a market shock.

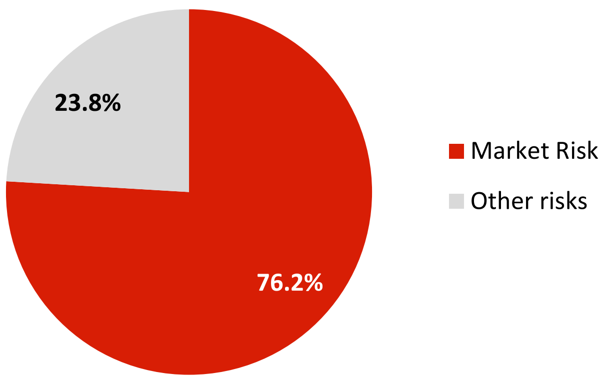
Market risk as at 31st December 2024 represents 62.7% of all of risk modules included in the SCR. The changes compared to last year are presented in the following charts:

[2] Remaining part

31-12-2024



31-12-2023



As noted above, market risk as a percentage of overall risks decreased significantly when compared to 2023, due to a decrease mainly in interest rate and equity risk exposures and also an increase in the life underwriting and counterparty-default risk exposures.

Management and mitigation techniques

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

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

- Modified duration management: This is one of the tools employed for interest rate risk management. The Investment policy and the ALM policy, inter alia, set upper and lower limits for fixed interest investments. This supports a prudent approach to interest rate risk in the context of the Company's liability profile.

- Spread and concentration risks are mitigated through restrictions related to maximum allowed investment per issuer and limits in terms of credit rating. As a result, there is a high proportion of fixed income securities with credit ratings classified as investment grade.

- Equity investments are subject to a maximum allocation limit within the investment portfolio. Issuer limits also apply.

- Currency risk is assumed mainly as a result of maintaining a global securities portfolio. Any non-euro currency exposure is primarily in relation to the mainstream currencies. Maximum limits are in place to ensure that the portfolio is not overexposed to any single currency or having, on an aggregate basis, a non-euro exposure in excess of the established risk appetite limit.

Concentration

The highest concentration of investments remains in Italian and Maltese government bonds, deposits with Bank of Valletta p.l.c. and APS Bank p.l.c. and investment property situated in Malta. The relative percentage exposure to Maltese Government Debt has continued to decrease over the past year. Insurance companies are normally exposed to the assets (particular debt issued by the government) of the country in which they operate, MMSV is no exception. The Bank of Valletta and APS Bank exposure reflect the high liquidity profile maintained by MMSV over the past year.

C.3. Credit Risk

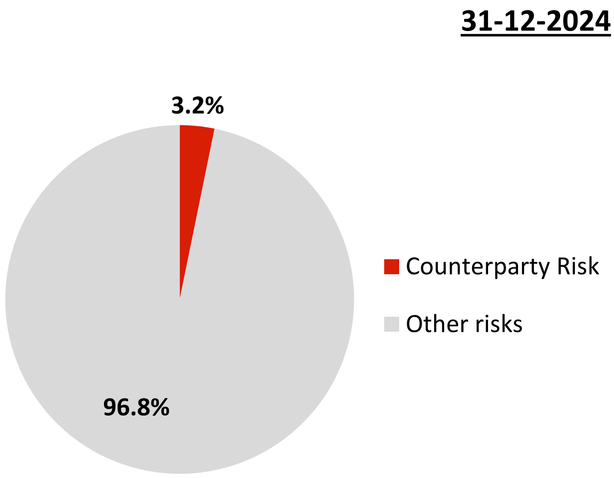
Credit Risk is the possibility of losses due to unexpected default or deterioration in the credit standing of counterparties and debtors over the next 12 months.

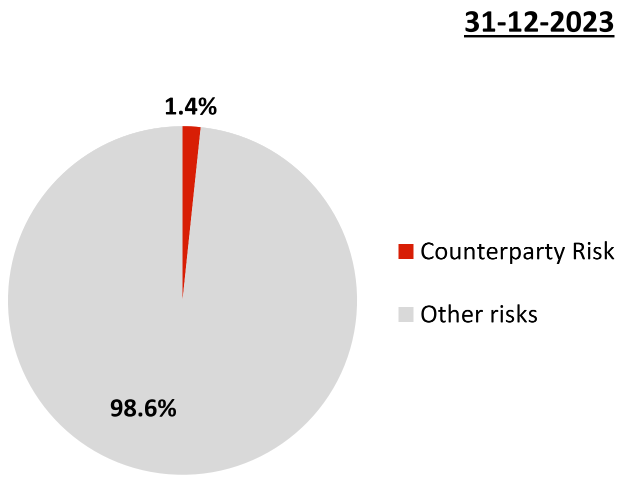
Credit Risk is included under the SCR Standard Formula calculation as:

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

Exposure

Counterparty default risk as at 31st December 2024 represents 3.2% of all of the risk modules included in the SCR. The changes compared to last year are presented in the following charts:





In 2024 and 2023, MMSV exposure consisted of Type 1 exposures only.

Management and mitigation techniques

MMSV's Credit Risk Management Policy establishes exposure limits according to the counterparty's credit rating, as well as a system of identification, measurement, vigilance, management and mitigation, as well as of monitoring and notifying the exposure to this risk.

Reinsurance credit risk

MMSV's strategy for reinsurance counterparties is to cede the business to reinsurers with proven financial capacity. Generally, reinsurance is obtained from companies with a financial solvency rating no lower than "High" (credit step rating of 2) and that have been accepted by the Security Committee at the MAPFRE Group. Exceptionally, business is ceded to other reinsurers after an internal analysis that demonstrates the availability of a solvency level equivalent to the rating mentioned above or the delivery of adequate collateral, and the acceptance of the Security Committee.

The mandatory basic principles which must be met in the management of reinsurance and other risk-reduction techniques within MMSV are:

- Optimisation of capital consumption.
- Optimisation of conditions.
- Solvency of the counterparties.
- Effective transferability of risk.
- Suitability of the risk transfer.

Concentration

Apart from the cash held with local banks and the global custodian, the other important concentration relates to the reinsurance exposure with the group reinsurers which, in turn, have a broad diversified reinsurance. The strong financial credentials of these organisations are very important in times of financial stress stemming from pandemic, market and geopolitical risks.

C.4. Liquidity Risk

Liquidity risk is the risk that MMSV is unable to realise its investments and other assets in order to meet its financial commitments at maturity or early surrender.

Exposure

Liquidity risk is not included in the SCR Standard Formula calculation.

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

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

Management and mitigation techniques

MMSV has a Liquidity Risk Management Policy and an Asset and Liability Management Policy, which together represent the benchmark framework for taking action in this regard. Sufficient cash balances are maintained to comfortably cover the commitments arising from its obligations to insured parties and creditors. Thus, as at 31st December 2024, the cash and cash equivalents balance amounted to €67.1 million (€36.1 million in the preceding year), equivalent to 3.2% of the total financial investments and cash. On top of this, MMSV has €39.8 million in Deposits other than cash equivalents.

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

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

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

Concentration

No liquidity risk concentrations have been identified.

Expected profits included in future premiums

The calculation of best estimate of the technical provisions includes the expected profits from future premiums. This represents the proportion of expected future profitability borne by future premiums. As at 31st December 2024, the expected profits were estimated to total €34.4 million, net of reinsurance.

C.5. Operational Risk

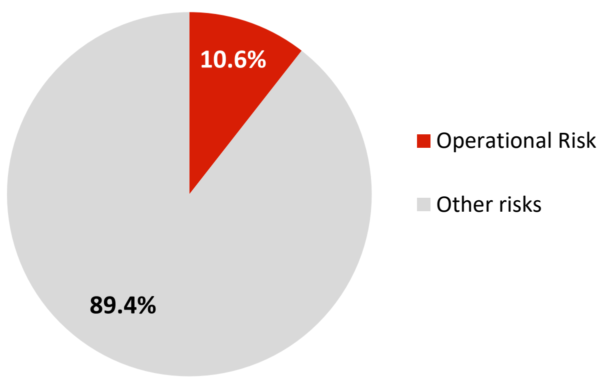
Operational Risk is the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events.

Operational risks are both quantitative and qualitative in nature. In this regard, MMSV measures the quantitative aspect through the calculation of the standard formula. On the other hand, the qualitative aspect is evaluated through various risk assessments as described below.

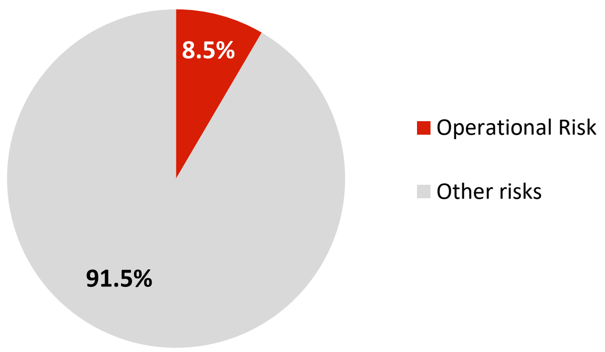
Exposure

As at 31st December 2024, operational risk represents 10.6% of all of the risk modules included in the SCR. The following charts present details by module and changes compared to last year are presented in the following illustrations:

31-12-2024



31-12-2023



The relative weight of operational risk increased slightly due to a decrease in the relative weight of the other risk modules. In absolute terms, operational risk increased from €9.1 million as at 31st December 2023 to €9.3 million as at 31st December 2024.

Management and mitigation techniques

MMSV has systems for monitoring and controlling operational risk, although the possibility of suffering operational losses cannot be excluded given the difficulty of forecasting and quantifying this type of risk.

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

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

Concentration

No risk concentrations have been identified in relation to operational risk, except for the dependency on the Core Administration Systems. A prolonged unavailability of these systems could have a negative impact on operations, but this possibility is considered remote, since there are proven mechanisms of business continuity that would mitigate the risk.

C.6. Other material risks

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

C.6.1 Material risks

Top 5 risks that have been identified at the beginning of 2025 as risks that the Company faces in the period covered in its business plan and that could significantly affect the company results:

Low investment yields

The risk of low investment yields on investments and real estate assets is mitigated through several important elements such as, diversification of investments, active asset management, and hedging strategies. The Company conducts stress tests, carries out asset liability management analyses, optimises capital management, and continuously monitors market trends to adjust strategies effectively. With respect to the real estate held as investments it is important to implement flexible leasing strategies and reposition underperforming assets to better align with changing demand, such as converting office spaces into mixed-use properties.

Movements in Interest Rates

Interest rate volatility remains one of the key risks for 2025 due to its unpredictability and significant financial impact. While some forecasts indicate potential rate cuts, these remain uncertain and highly dependent on inflation trends and central bank policies. The timing and extent of any monetary easing remain unclear, increasing market uncertainty. A prolonged period of high interest rates could negatively impact asset valuations, raise borrowing costs, and disrupt investment strategies. Conversely, sharp rate declines could affect long-term returns on fixed-income investments, creating challenges in achieving stable portfolio performance.

To manage this risk, the company continues to optimise its Strategic Asset Allocation, improving the alignment between assets and liabilities to minimise duration mismatches. This approach enhances financial stability by reducing exposure to interest rate fluctuations. Additionally, ongoing monitoring of market conditions and central bank policies enables proactive adjustments to investment strategies. By maintaining a balanced and flexible portfolio, the company aims to mitigate the financial impact of interest rate movements and ensure long-term resilience.

Cyber risk

Cyber risk remains high due to the increasing frequency and sophistication of cyberattacks, heightened regulatory requirements, and the growing reliance on digital infrastructure. A successful breach could result in financial losses, reputational damage, operational disruptions, and regulatory penalties. The emergence of AI-driven threats, advanced phishing techniques, and ransomware attacks further worsens the risk, making cybersecurity a critical concern. As cybercriminals continue to evolve their tactics, the company must remain vigilant in protecting sensitive data and ensuring system integrity.

To manage this risk, the company implements daily monitoring through the Corporate Security Office (CSO), continuous investment in security controls, and regular vulnerability assessments conducted by the Group and addressed locally. Proactive measures include strengthening security protocols, enhancing employee cybersecurity awareness through training programs, and conducting regular risk assessments to identify and mitigate potential threats. By maintaining a robust cybersecurity framework, the company aims to enhance protection, ensure regulatory compliance, and safeguard long-term operational resilience against evolving cyber threats.

Socio-political risks

Socio-political risk remains high due to persistent geopolitical tensions, armed conflicts, and economic uncertainty, particularly in light of upcoming elections in key global economies. The energy sector is especially vulnerable to supply disruptions, while climate change and migration crises continue to exacerbate social unrest and economic disparities. Additionally, the rapid advancement and misuse of artificial intelligence, along with the spread of misinformation, are eroding trust in democratic institutions and contributing to global instability. These factors create an unpredictable environment that could impact economic growth, regulatory frameworks, and market confidence.

To manage this risk, the company employs a diversification strategy to minimise reliance on any single market or sector, reducing exposure to region-specific socio-political disruptions. Regular monitoring at the management level ensures that emerging risks are identified early and remain within acceptable limits. By maintaining flexibility in its operations and investment strategies, the company aims to adapt to shifting political and economic landscapes while safeguarding long-term stability and resilience.

Regulatory changes

The risk associated with regulatory changes has intensified due to the increasing diversity, scope, and complexity of new and changing regulations being introduced across regulatory bodies. The simultaneous implementation of these changes places significant pressure on the company's expertise, resources, and costs, requiring continuous adaptation to maintain compliance. Failure to effectively manage these demands could result in delays, increased compliance costs, operational disruptions, or potential regulatory penalties. Additionally, regulatory uncertainty and evolving interpretations of existing laws further contribute to the complexity of compliance efforts, increasing the risk of non-compliance across different business areas.

To address these challenges, the company remains committed to continuously enhancing its regulatory risk management framework and compliance strategies. The Compliance function plays a vital role in overseeing and managing regulatory processes within its designated scope, as outlined in the Compliance Function Policy. Its key responsibilities include monitoring legislative and regulatory developments, assessing their impact on the company's operations, and ensuring proactive adaptation to regulatory changes. This involves engaging with regulatory authorities, industry groups, and internal stakeholders to stay informed about upcoming regulatory changes, providing timely guidance, and coordinating the necessary actions for compliance. Additionally, the company invests in training, technology, and process improvements to strengthen its ability to respond to regulatory changes, reducing the risk of non-compliance and ensuring alignment with increasing legal and regulatory expectations.

C.6.2. Emerging risks

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

The main emerging risks identified in 2025 are listed below:

1. **Environmental Risks and Climate Change Impact**

Both life and non-life insurance will face increasing challenges due to climate change and environmental risks over the next 5 to 10 years. In life insurance, climate change remains a long-term concern due to its potential effects on public health, mortality trends, and policyholder behaviour. Additionally, the lack of alignment between US and EU approaches to ESG regulation may impact competition, creating challenges in risk pricing and underwriting strategies. As climate risks continue to evolve, insurers will need to enhance their risk models, adjust pricing strategies, and strengthen ESG integration to remain competitive and financially resilient.

2. Economic and Social Risks

Both life and non-life insurance companies will be impacted by economic and social changes over the next 5 to 10 years. In life insurance, demographic shifts in Malta, including an aging population and changing workforce dynamics, may influence policy demand, lapse rates, and long-term claims patterns. These trends will require the company to adapt their product offerings, pricing strategies, and underwriting models to align with evolving customer needs and healthcare accessibility.

3. Technology Risks: Cybersecurity and AI

The impact of cyber threats and data breaches will continue increasing whereby, making strong cybersecurity measures essential. Regulatory changes will continue to introduce new compliance requirements, adding complexity to risk management. Customer expectations are also shifting, with greater demand for digital services and personalized products. The rise of AI presents additional risks, including liability concerns and ethical considerations, while geopolitical instability could further disrupt market stability. Additionally, data quality and collection remain critical challenges, affecting technical analysis and decision-making. To remain competitive, insurers must invest in advanced data analytics, enhance cybersecurity resilience, and adopt flexible strategies to navigate these evolving risks.

C.7. Any other information

C.7.1. Sensitivity analysis of significant risks

MMSV performs sensitivity analyses of the solvency ratio involving certain macroeconomic variables, including:

- Interest rates (increases and decreases)
- Currency (appreciation of the euro)
- Equity valuation (decrease)
- Corporate and sovereign spreads (increase)

The sensitivity of the solvency ratio to the changes in these variables is shown below:

	31/12/2024	Percentage points Change
Solvency Ratio (SR)	282.4%	-
SR In the event of a 100 basis point increase in the interest rate	337.2%	54.6 p.p.
SR In the event of a 100 basis point decrease in the interest rate	226.1%	-56.3 p.p.
SR in the event of a 10% appreciation of the euro	221.1%	-61.3 p.p.
SR In the event of a 25% decrease in equities	188.3%	-94.1 p.p.
SR In the event of a 50 basis point increase in corporate spreads	224.2%	-58.2 p.p.
SR In the event of a 50 basis point increase in corporate and sovereign spreads	175.2%	-107.2 p.p.

p.p. percentage points

Likewise, the sensitivity of the solvency ratio[3] to certain Life business variables has been calculated:

	31/12/2024	Percentage points Change
Solvency Ratio (SR)	282.4%	-
SR in case of 5% increase in the mortality rate (products without longevity risk)	281.3%	-1.1 p.p.
SR in case of 10% increase in expenses	279.2%	-3.2 p.p.
SR in case of 10% increase in lapses	282.2%	-0.2 p.p.

p.p. percentage points

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

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

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

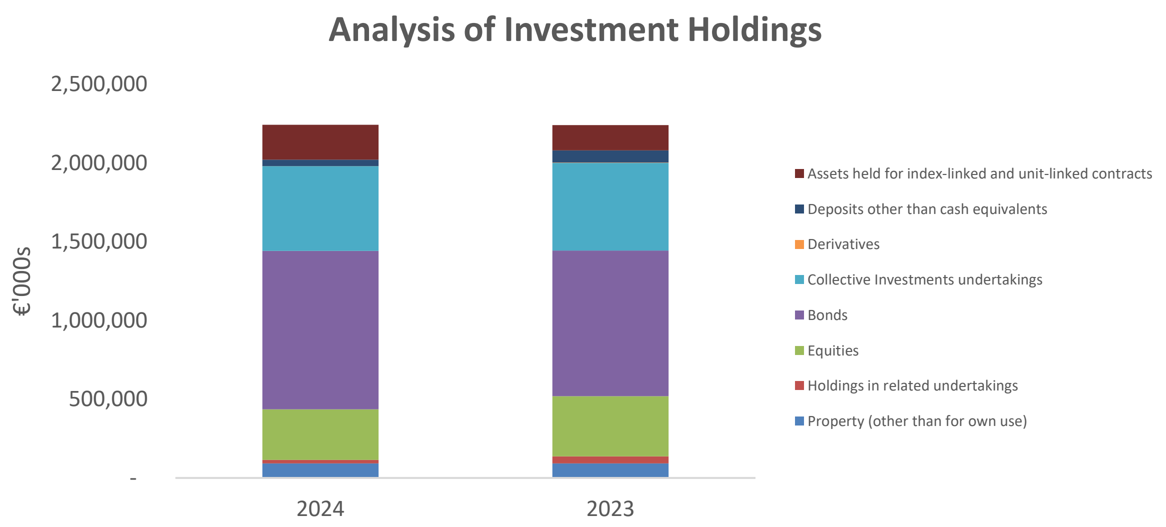
The following are the main differences between the measurement of assets under Solvency II ("Solvency II Value") and IFRS ("Accounting value") as at 31st December 2024. It is important to note that the balance sheet presented is in-line with the Solvency II regulations, and therefore, it was necessary to re-classify data included under certain headings in the financial statements to different headings as presented under "Accounting value" in the table below:

Assets	Solvency II Value 2024	Accounting Value 2024
Goodwill	-	-
Deferred acquisition costs	-	-
Intangible assets	-	23,838
Deferred tax assets	-	-
Pension benefit surplus	-	-
Property, plant & equipment held for own use	12,513	12,513
Investments (other than assets held for index-linked and unit-linked contracts)	2,020,076	2,018,261
Property (other than for own use)	93,127	93,127
Holdings in related undertakings	22,416	5,793
Equities	320,897	320,897
Equities – listed	320,897	320,897
Equities – unlisted	-	-
Bonds	1,005,724	1,004,171
Government Bonds	617,647	616,094
Corporate Bonds	387,553	387,553
Structured notes	-	-
Collateralised securities	524	524
Collective Investments Undertakings	537,992	554,615
Derivatives	141	-
Deposits other than cash equivalents	39,780	39,658
Other investments	-	-
Assets held for index-linked and unit-linked contracts	221,133	221,133
Loans and mortgages	11,887	-
Loans on policies	11,887	-
Loans and mortgages to individuals	-	-
Other loans and mortgages	-	-
Reinsurance recoverables from:	(25,956)	-
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	(25,956)	-

Assets	Solvency II Value 2024	Accounting Value 2024
Health similar to life	-	-
Life, excluding health and index-linked and unit-linked	(25,956)	-
Life index-linked and unit-linked	-	-
Deposits to cedants/Deposits for Accepted Reinsurance	-	-
Insurance contract assets	-	7,080
Insurance and intermediaries' receivables	-	-
Reinsurance receivables	-	-
Receivables (trade, not insurance)	2,939	2,939
Own shares (held directly)	-	-
Amounts due in respect of own funds items	-	-
Cash and cash equivalents	67,119	67,119
Any other assets, not elsewhere shown	6,736	4,353
TOTAL ASSETS	**2,316,447**	**2,357,236**

Figures in thousand euro

The assets shown above are for the total Company. Investments represent the most significant category of asset and the change in the market value of broad asset classes over 2024 is shown in the graph below:



For 2025, we expect more volatility and less upside potential for equities, especially for US equities, which have already priced in a great deal of positive news. 2025 will be about the fiscal, geopolitical, and corporate deals on the table. In the US, the expected procyclical Trump tax cuts and deregulation are likely to strengthen the economy. However, policymakers will need to ensure that inflation does not roar back. Meanwhile, European countries are under pressure to address their growth weakness. Interest rates are being cut, but there is a real need for structural reforms and fiscal stimulus. The impact of any Trump tariffs is an additional consideration. These tariffs would also put additional pressure on

Chinese policymakers to implement meaningful fiscal stimulus measures that create a floor under house prices and stimulate consumption. The good news is that inflation is no longer the main challenge for policymakers. As a result, major central banks can afford to lower interest rates. Some will have to cut more (e.g. the European Central Bank), while others will be able to cut less (e.g. the US Federal Reserve). Against this backdrop, we continue to see an attractive investment environment in 2025.

The significant asset valuation differences using Solvency II criteria, including qualitative explanations for the main differences arising from their valuations using Solvency II and those used in preparing the financial statements ("Accounting value") as at 31st December 2024 are shown below:

Intangible assets

For accounting purposes, the value of intangible assets includes capitalised software costs and deferred policy acquisition costs. Computer software is capitalised based on costs incurred and amortised over the useful life and acquisition costs relating to investment contracts valued under IFRS 9 are deferred/amortised over the life of the contract. However, for solvency reserving these are not taken into account and no value is assigned to intangible assets.

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

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

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

- ***Holdings in related undertakings***

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

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

  The difference of €16.6m in the valuation between the two balance sheets is mainly a classification difference of MMSV's investments in a renewables fund. Under IFRS, this is classified as "Collective Investments undertakings".

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

  All equities and collective investment schemes are investments recognised at fair value on the financial statements. As a result, there are no valuation differences with regards to Solvency II. Under IFRS bonds are either measured at fair value or at amortised cost while under Solvency II bonds are measured at fair value. The difference of €1.5m between the Solvency II and IFRS balance sheet relates to the difference between the fair value and the amortised cost.

- ***Derivatives***

  Derivatives are investments recognised at fair value on the financial statements. As a result, there are no valuation differences but only presentation differences between the Solvency II and the IFRS balance sheet. Under Solvency II, any derivatives with a positive value are considered as assets and derivatives with a negative value are considered as a liability, whereas the net value is presented under IFRS reporting.

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

  Deposits other than cash equivalents are investments that are classified and measured at amortised cost in the financial statements. As a result, the valuation differences between the Solvency II and the IFRS balance sheet relate to expected credit losses.

Loans and mortgages

Under IFRS Loans on policies are netted off from Insurance contract liabilities.

Reinsurance recoverables

For solvency purposes, the calculation of the reinsurance recoverables is in line with that used to value the technical provisions. This means that these amounts are recognised at their best estimate, also considering the timing difference between collection and direct payments, as well as the expected losses from the counterparty default. In line with the calculation of the best estimate of liabilities, cash flows relating to reinsurance recoverables are projected over the entire outstanding term of each contract in force.

Under IFRS, technical reserves for cessions to reinsurers are calculated similarly but use the IFRS basis which requires explicit allowance for non-performance risk.

Any other assets, not elsewhere shown

The difference relates to accrued interest on Loans on policies which under IFRS are netted off from Insurance contract liabilities.

D.2. Technical provisions

The technical provision valuations using Solvency II criteria (hereinafter, "Technical Provisions"), including qualitative explanations for the main differences arising from their valuations using Solvency II and those used in preparing the financial statements, "IFRS 17 Technical Provisions" (under "Accounting value") at 31st December 2024 are shown below:

Technical provisions	Solvency II Value 2024	Accounting Value 2024
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)	-	
Insurance contract liabilities		1,954,478
Reinsurance contract liabilities		17,073
Investment contract liabilities		179,685
Technical provisions - Life (excluding index-linked and unit-linked)	1,803,327	
Technical provisions - health (similar to Life)	-	
Technical provisions calculated as a whole	-	
Best Estimate (BE)	-	
Risk margin (RM)	-	
Technical provisions - Life (excluding health and index-linked and unit-linked)	1,803,327	
Technical provisions calculated as a whole	-	
Best Estimate (BE)	1,784,524	
Risk margin (RM)	18,803	
Technical provisions - index-linked and unit-linked	222,845	
Technical provisions calculated as a whole	222,845	
Best Estimate (BE)	-	
Risk margin (RM)	-	
Other technical provisions	-	-
TOTAL TECHNICAL PROVISIONS	**2,026,172**	**2,151,236**

Figures in thousand euro

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

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

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

Technical provisions	Solvency II Value 2024	Accounting Value 2024
Insurance contract liabilities - with profits		1,912,450
Technical provisions - with profits	1,848,111	
Technical provisions calculated as a whole	-	
Best Estimate (BE)	1,840,028	
Risk margin (RM)	8,083	
Technical provisions - term assurance	(44,784)	
Technical provisions calculated as a whole	-	
Best Estimate (BE)	(55,504)	
Risk margin (RM)	10,720	
Reinsurance contract liabilities		17,073

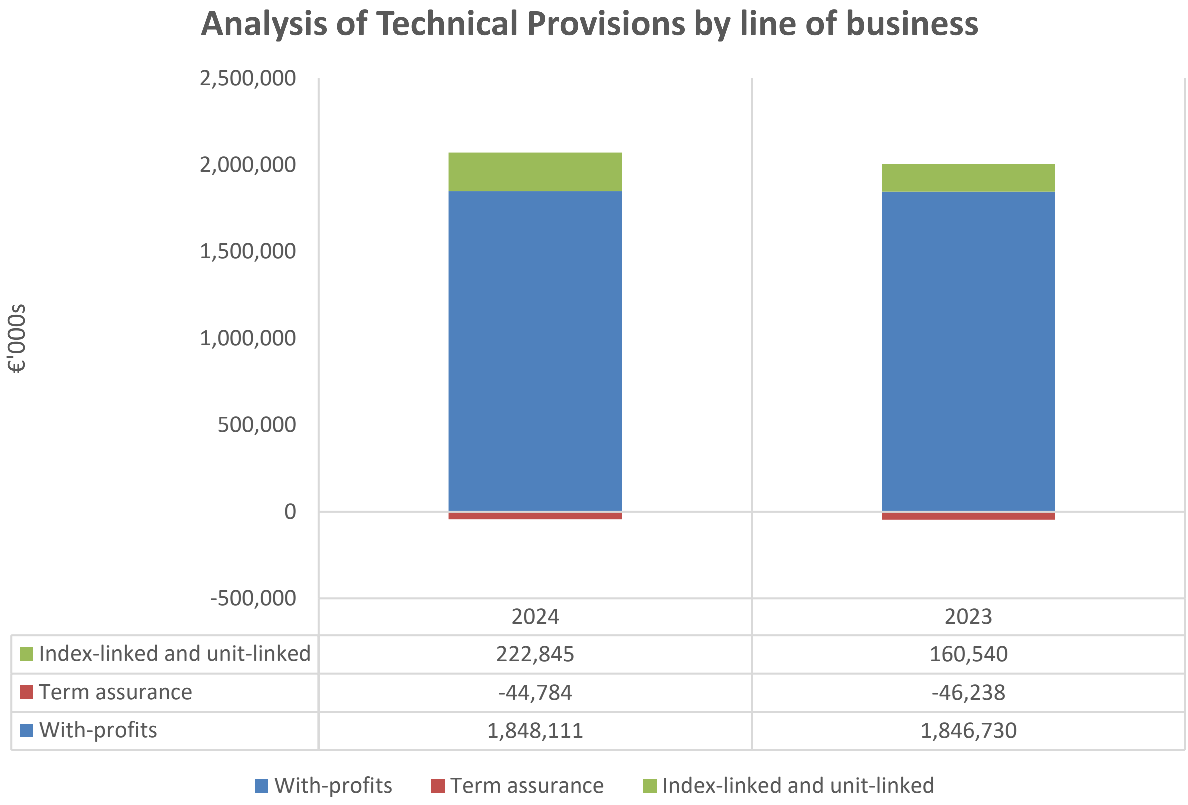
The graph below analyses the change in the Solvency II technical provisions by line of business from 31st December 2023 to 31st December 2024. The term assurance BEL is negative, and this line of business therefore represents an asset.

The technical provisions as at 31st December 2024 include outstanding claims. This change in presentation has been adopted to align with the IFRS 17 technical provisions

The most significant percentage change in technical provisions is due to a 37.7% (when excluding outstanding claims) increase in index-linked and unit-linked technical provisions as a whole. This was mainly due to sales of two separate tranches of the new Guaranteed Capital and Income Plan and an increase in market value of the underlying assets of unit linked contracts.

With-Profits technical provisions reduced by 2.8% (when excluding outstanding claims) mainly due to the maturities being higher than new business and due to a decrease in long-term bond volatility which impacted the Economic Scenario Generator (ESG).

Term assurance technical provisions (considered as an asset), increased by 3.1% (when excluding outstanding claims) mainly due to the modelling of select mortality and lower lapse assumptions.



Figures in thousand euro

In general terms, the main difference between Solvency II and Accounting valuations is the regulatory framework which underpins them. Both frameworks require that technical provisions are measured using market consistent economic criteria and realistic demographic and non-demographic assumptions, however there are differences in the classification of expenses and allowance for non-performance risk between the standards.

D.2.1. Best estimate and risk margin

Best estimate

The calculation of MMSV's best estimate under Solvency II projects all the future expected cash inflows and outflows necessary to settle the Company's contractual obligations at the valuation date[4]. The assessment takes into account the time-value of money[5] by applying the appropriate term structure of risk-free interest rates[6] to the expected future cash-flows.

Under IFRS, future fulfilment cash-flows are calculated using best estimate assumptions and discounted using the same structure of risk-free interest rates with an adjustment for an illiquidity premium where appropriate. The main difference in the IFRS 17 fulfilment cashflows is the different allocation of expenses as stipulated under the different standards.

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

The best estimate liability may be negative for certain contracts where the present value of expected future outflows is expected to be less that the present value of future inflows. This could for example happen to the protection business where future premiums are expected to exceed future claims and expenses. In this case, MMSV does not value these contracts at zero, but rather, as an asset that decreases the value of its overall technical provisions.

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

<u>Options and guarantees</u>

The best estimate of the value of options and guarantees is also taken into account.

MMSV has no financial options. MMSV's financial guarantees relate to maturity and surrender. All With-Profits policies have a maturity guarantee (also payable on earlier death) and a small block of generally older single premium business also has a surrender guarantee. The value of these guarantees relates to benefits accumulated at the valuation date. The payout on early withdrawal is not defined either as a guaranteed amount or future return for contracts without a surrender value guarantee.

<u>Contract boundaries</u>

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.

In the accounts, there are similar constraints for unit-linked contracts that are in scope of IFRS 17.

Protection policies are valued for all policies which have been accepted on risk by the valuation date and expected cashflows are projected until the contractual benefit expiry date after allowing for expected decrements such as early exits and deaths.

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

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

premiums or partial withdrawals, however, there is an implicit allowance for the latter in the surrender assumption, based on actual experience.

Risk margin

The risk margin is conceptually equivalent to the cost of supplying eligible own funds to cover the non-hedgeable Solvency Capital Requirement (SCR) necessary to support insurance obligations during their lifespan.

MMSV calculates the risk margin using the cost of capital procedure set out in the regulations.

For the with-profits business, a risk driver approach is used whereby the future SCRs are projected in line with the run-off of the business.

For term assurance business, a different method is used. The risk margin is calculated on the basis of projected SCRs that are calculated using the results of the projected best estimate cash flows.

The risk margin is calculated using the prescribed 99.5% confidence level over a one-year time horizon. Under IFRS a Risk adjustment is required to represent the compensation an entity requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk as the entity fulfils insurance contracts. This is calibrated at the 85th percentile.

Actuarial methods and assumptions used when calculating technical provisions

MMSV calculates the best estimate liability on a policy-by-policy basis. A deterministic method is used to assess the value of the non-profit protection liabilities while stochastic projections are required to determine the value of guaranteed benefits and future discretionary benefits, which comprise the best estimate of liabilities for With-Profits contracts.

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

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

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

MMSV considers that the methodologies used are appropriate, applicable, and relevant. The projection requires the following assumptions:

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

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

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

Under both Solvency II and IFRS 17, MMSV has established a set of assumptions used to model future management decisions with regards to With-Profits business and these are taken into account when evaluating the best estimate liability or future fulfilment cash-flows.

Degree of uncertainty associated with the amount of technical provisions

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

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

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

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

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

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

D.2.2.a. Matching adjustment

MMSV does not make use of the matching adjustment.

D.2.2.b. Volatility adjustment

MMSV does not make use of any volatility adjustments.

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

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

D.2.2.d. Transitional measure for technical provisions

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

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

A detailed expense analysis was done to better reflect the allocation per business. Also, for the non-participating business, the select mortality over 5 years was used.

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

D.2.4. Other technical provision

MMSV does not have any other technical provisions.

D.3. Other Liabilities

The evaluation of other liabilities for the purposes of Solvency II are set out below together with the qualitative explanations for the main valuation differences between the Solvency II criteria and those employed to prepare the financial statements ("Accounting Value" column) as at 31st December 2024:

Other Liabilities	Solvency II Value 2024	Accounting Value 2024
Total technical provisions / Insurance/Reinsurance/Investment Contract Liabilities	**2,026,172**	**2,151,236**
Contingent liabilities	-	-
Provisions other than technical provisions	-	-
Pension benefit obligations	-	-
Deposits from reinsurers	-	-
Deferred tax liabilities	37,788	11,545
Derivatives	6,957	6,816
Debts owed to credit institutions	-	-
Financial liabilities other than debt owed to credit institutions	82	82
Insurance & intermediaries payables	4,546	-
Reinsurance payables	7,407	-
Payables (trade, not insurance)	6,942	9,740
Subordinated liabilities	-	-
Subordinated liabilities not in basic own funds	-	-
Subordinated liabilities included in basic own funds	-	-
Any other liabilities, not elsewhere shown	3,485	3,485
TOTAL LIABILITIES	**2,093,378**	**2,182,904**
EXCESS OF ASSETS OVER LIABILITIES	**223,069**	**174,332**

Figures in thousand euro

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

Deferred tax liabilities

Under the accounting standards, deferred taxes are recognised on all temporary differences at the balance sheet date between the tax basis of assets and liabilities and their carrying amounts. MMSV recognised deferred tax liabilities on its IFRS-17 Balance sheet at a carrying amount of €11.5 million (more information on this amount is shown in the MMSV's Financial Statements).

MMSV recognised deferred tax liabilities on the Solvency II balance sheet at €37.8 million. Deferred taxes are measured under Solvency II as the amounts reported in the audited financial statements as adjusted by the tax impact on the difference between the values assigned to assets and liabilities for solvency purposes, and their carrying values as recognised in the financial statements and valued for tax purposes.

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

Derivatives

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

Insurance and intermediaries payables

The Solvency II value includes premium received in advance (coverage started and coverage not yet started) and accrued commissions. Under Accounting values premium received in advance (coverage started) and accrued commissions are included under Insurance and Investment contract liabilities. The amounts are stated at amortised cost, which is considered to be a reasonable approximation of the fair value.

Reinsurance payables

IFRS and Solvency II valuations coincide and therefore there are no measurement differences. The difference is mainly a classification difference. Under IFRS, reinsurance payables are included with reinsurance contract liabilities.

Payables (trade, not insurance)

The Accounting value includes premium received in advance (coverage not yet started) that is included in Insurance and intermediaries payable under Solvency II.

D.4. Alternative methods for valuation

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

D.5. Any other information

There have been no significant changes in valuation criteria for assets and liabilities during the year other than changes to the underlying demographic and economic assumptions used in the valuation of the best estimate liabilities outlined above.

Finance and operating leases

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

D.6. Annexes

A) Assets

S.02.01.02 – Balance sheet

Assets (*)	Solvency II Value 2024	Solvency II Value 2023
Intangible assets	-	-
Deferred tax assets	-	-
Pension benefit surplus	-	-
Property, plant & equipment held for own use	12,513	12,401
Investments (other than assets held for index-linked and unit-linked contracts)	2,020,076	2,079,107
Property (other than for own use)	93,127	92,844
Holdings in related undertakings, including participations	22,416	43,378
Equities	320,897	381,795
Equities — listed	320,897	381,795
Equities — unlisted	-	-
Bonds	1,005,724	925,077
Government Bonds	617,647	608,542
Corporate Bonds	387,553	315,874
Structured notes	-	-
Collateralised securities	524	662
Collective Investments Undertakings	537,992	557,006
Derivatives	141	2,898
Deposits other than cash equivalents	39,780	76,109
Other investments	-	-
Assets held for index-linked and unit-linked contracts	221,133	160,540
Loans and mortgages	11,887	11,022
Loans on policies	11,887	11,022
Loans and mortgages to individuals	-	-
Other loans and mortgages	-	-
Reinsurance recoverables from:	(25,956)	(27,069)
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	(25,956)	(27,069)
Health similar to life	-	-
Life excluding health and index-linked and unit-linked	(25,956)	(27,069)
Life index-linked and unit-linked	-	-
Deposits to cedants	-	-
Insurance and intermediaries receivables	-	-
Reinsurance receivables	-	828
Receivables (trade, not insurance)	2,939	889

Assets (*)	Solvency II Value 2024	Solvency II Value 2023
Own shares (held directly)	-	-
Amounts due in respect of own fund items or initial fund called but not yet paid in	-	-
Cash and cash equivalents	67,119	36,066
Any other assets, not elsewhere shown	6,736	6,188
Total assets	**2,316,447**	**2,279,973**

Figures in thousand euro

B) Technical provisions

S.02.01.02 – Balance sheet

Liabilities (*)	Solvency II Value 2024	Solvency II Value 2023
Technical provisions — non-life	**-**	**-**
Technical provisions — non-life (excluding health)	-	-
Technical provisions calculated as a whole	-	-
Best Estimate	-	-
Risk margin	-	-
Technical provisions — health (similar to non-life)	-	-
Technical provisions calculated as a whole	-	-
Best Estimate	-	-
Risk margin	-	-
Technical provisions — life (excluding index-linked and unit-linked)	**1,803,327**	**1,800,492**
Technical provisions — health (similar to life)	-	-
Technical provisions calculated as a whole	-	-
Best Estimate	-	-
Risk margin	-	-
Technical provisions — life (excluding health and index-linked and unit-linked)	1,803,327	1,800,492
Technical provisions calculated as a whole	-	-
Best Estimate	1,784,524	1,783,701
Risk margin	18,803	16,791
Technical provisions — index-linked and unit-linked	**222,845**	**160,540**
Technical provisions calculated as a whole	222,845	160,540
Best Estimate	-	-
Risk margin	-	-
Total technical provisions	**2,026,172**	**1,961,032**

Figures in thousand euro

S.12.01.02 – Life and Health SLT Technical Provisions

	Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Total (Life other than health insurance, incl. Unit-Linked)
			Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees	
Technical provisions calculated as a whole	-	222,845			-			222,845
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	-	-			-			-
Technical provisions calculated as a sum of BE and RM								
Best Estimate								
Gross Best Estimate	1,840,028		-	-		(55,504)	-	1,784,524
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-		-	-		(25,956)	-	(25,956)
Best estimate minus recoverables from reinsurance/SPV and Finite Re — total	1,840,028		-	-		(29,548)	-	1,810,480
Risk Margin	8,083	-			10,720			18,803
Technical provisions — total	**1,848,111**	**222,845**			**(44,784)**			**2,026,172**

Figures in thousand euro

C) Other liabilities

S.02.01.02 – Balance sheet

Liabilities	Solvency II Value 2024	Solvency II Value 2023
Contingent liabilities	-	-
Provisions other than technical provisions	-	-
Pension benefit obligations	-	-
Deposits from reinsurers	-	-
Deferred tax liabilities	37,788	35,890
Derivatives	6,957	928
Debts owed to credit institutions	-	-
Financial liabilities other than debts owed to credit institutions	82	57
Insurance & intermediaries payables	4,546	54,340
Reinsurance payables	7,407	5,571
Payables (trade, not insurance)	6,942	8,212
Subordinated liabilities	-	-
Subordinated liabilities not in basic own funds	-	-
Subordinated liabilities included in basic own funds	-	-
Any other liabilities, not elsewhere shown	3,485	3,083
Total liabilities[7]	**2,093,378**	**2,069,114**
Excess of assets over liabilities	**223,069**	**210,858**

Figures in thousand euro

[7] The amount of Total liabilities includes not only the sum of the Other liabilities in this table, but also the total of Technical provisions of Annex D.6.B).

E. Capital Management

MMSV has the appropriate structure and processes for the management and monitoring of its own funds, with a medium-term capital management plan and solvency levels within the limits established in the regulations and in its Risk Appetite Policy.

E.1. Own funds

E.1.1. Own funds objectives, policies and management processes

To manage and monitor its own funds and capital, MMSV has approved an ORSA Policy covering the following objectives:

- Eligible capital continually meets eligible regulatory requirements and Risk Appetite.

- Eligible capital projections take into account ongoing compliance with the applicable regulations during the whole period under consideration.

- Establishment of an identification and documentation process of ring-fenced funds and the circumstances under which eligible capital can absorb losses.

- Ensure that MMSV has a medium-term Capital Management Plan.

- Capital management will consider the results from the Own Risk and Solvency Assessment (ORSA), as well as the conclusions reached during that process.

- Within the framework of the medium-term Capital Management Plan, should it be deemed necessary to obtain new resources, the newly-issued capital instruments should be assessed to determine that they meet the conditions for inclusion within the desired eligible capital quality level.

If eligible capital should be insufficient at any time during the three-year projection period, the Risk Office will propose measures to be taken into account in order to i) rectify this shortfall and ii) maintain solvency margins by the applicable regulations and Risk Appetite Policy.

The medium-term Capital Management Plan prepared by the Risk Office must at least take into account the following:

- Compliance with applicable solvency regulations throughout the projection period, taking into consideration any known future changes to regulations while maintaining solvency levels within the Risk Appetite Policy.

- All foreseen eligible capital instruments issues.

- Refunds, both contractual on the due date and those which it is possible to make on request before maturity, relating to elements of eligible capital.

- The results of the ORSA projections.

- Foreseeable dividends and their impact on eligible capital.

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

MMSV has carried out analysis covering both current and prospective capital needs and determined that in respect of the financial year 2024, profit retention should be much stronger than profit distribution. This would enable further strengthening of the balance sheet. It is being proposed that an ordinary dividend of €3m is paid. This is equivalent to a distribution of 27.4% of the 2024 MMSV Profit after tax.

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

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

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

- Ratio of eligible own funds to MCR.

	Total		Tier 1–unrestricted		Tier 1 – restricted		Tier 2		Tier 3	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Commission Delegated Regulation (EU) 2015/35										
Ordinary share capital (gross of own shares)	94,750	94,750	94,750	94,750			-	-		
Share premium account related to ordinary share capital	-	-	-	-			-	-		
Initial funds, members' contributions or the equivalent basic own — fund item for mutual and mutual-type undertakings	-	-	-	-			-	-		
Subordinated mutual member accounts	-	-			-	-	-	-	-	-
Surplus funds	65,730	62,951	65,730	62,951						
Preference shares	-	-			-	-	-	-	-	-
Share premium account related to preference shares	-	-			-	-	-	-	-	-
Reconciliation reserve	59,589	51,158	59,589	51,158						
Subordinated liabilities	-	-			-	-	-	-	-	-
An amount equal to the value of net deferred tax assets	-	-							-	-
Other own fund items approved by the supervisory authority as basic own funds not specified above	-	-	-	-	-	-	-	-	-	-
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds										

	Total		Tier 1–unrestricted		Tier 1 – restricted		Tier 2		Tier 3	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	-	-								
Deductions										
Deductions for participations in financial and credit institutionsº	-	-	-	-	-	-	-	-		
Total basic own funds after deductions	**220,069**	**208,858**	**220,069**	**208,858**	-	-	-	-	-	-
Ancillary own funds										
Unpaid and uncalled ordinary share capital callable on demand	-	-					-	-		
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual — type undertakings, callable on demand	-	-					-	-		
Unpaid and uncalled preference shares callable on demand	-	-					-	-	-	-
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	-	-					-	-	-	-
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	-	-					-	-		
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	-	-					-	-	-	-

	Total		Tier 1–unrestricted		Tier 1 – restricted		Tier 2		Tier 3	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	-	-					-	-		
Supplementary members calls — other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	-	-					-	-	-	-
Other ancillary own funds	-	-					-	-	-	-
Total ancillary own funds	-	-					-	-	-	-
Available and eligible own funds										
Total available own funds to meet the SCR	220,069	208,858	220,069	208,858	-	-	-	-	-	-
Total available own funds to meet the MCR	220,069	208,858	220,069	208,858	-	-	-	-		
Total eligible own funds to meet the SCR	220,069	208,858	220,069	208,858	-	-	-	-	-	-
Total eligible own funds to meet the MCR	220,069	208,858	220,069	208,858	-	-	-	-		
SCR	77,915	90,422								
MCR	35,062	40,690								
Ratio of Eligible own funds to SCR	282.4%	231.0%								
Ratio of Eligible own funds to MCR	627.7%	513.3%								

	Amount	
	2024	2023
Reconciliation reserve		
Excess of assets over liabilities	223,069	210,858
Own shares (held directly and indirectly)	-	-
Foreseeable dividends, distributions and charges	3,000	2,000
Other basic own fund items	160,480	157,701
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring-fenced funds	-	-
Reconciliation reserve	**59,589**	**51,158**
Expected profits		
Expected profits included in future premiums (EPIFP) — Life business	34,398	33,663
Expected profits included in future premiums (EPIFP) — Non-life business	-	-
Total Expected profits included in future premiums (EPIFP)	**34,398**	**33,663**

Figures in thousand euro

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

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

As at 31st December 2024, MMSV has unrestricted basic Tier 1 own funds totalling €220.1 million (€208.9 million as at 31st December 2023). These own funds consist of:

- Ordinary paid-in share capital.
- Reconciliation reserve, which has increased by 16.5% over the year reflecting movements in assets and liabilities during the period.
- Surplus funds, which represent the present value of expected shareholder transfers arising from contracts written in the With-Profits fund. These have increased by 4.4% mainly due to the positive investment performance of the with-profits fund in 2024 coupled with improved matching which helped to increase the margin of assets over policyholder obligations and decrease expected future volatility. These benefits were partially offset by a lower risk discount.

The With-Profits fund is considered a ring-fenced fund. The future transfers attributable to shareholders are considered as eligible own funds in line with the Solvency II Level 2 Delegated Regulation Article 80, paragraph 2.

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

Solvency Capital Requirement (SCR) coverage

The SCR corresponds to the own funds that MMSV must hold to absorb extraordinary losses from adverse scenarios expected to occur one in every 200 years, in other words that MMSV remains 99.5% confident that it will be able to meet its commitments to insurance beneficiaries and policyholders during the following year.

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

The solvency ratio measures the relationship between eligible own funds and the SCR as calculated by applying the standard formula. As at 31st December 2024, MMSV's solvency ratio was 282.4%. This shows MMSV's capacity to absorb extraordinary losses deriving from a 1 every 200 years adverse scenario, this is higher when compared to the previous year's reported solvency ratio of 231.0%. This is mainly attributable to the increase in eligible own funds mainly resulting from 2024 de-risking measures and lower volatility assumptions for bonds.

Minimum Capital Requirement (MCR) coverage

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

The MCR is the minimum amount of basic eligible own funds before which policyholders and beneficiaries are exposed to an unacceptable level of risk, should MMSV continue with its business.

All MMSV's own funds are basic unrestricted Tier 1 and therefore they are all eligible to cover the MCR.

The ratio of eligible own funds to the MCR amounts to 627.7% in 2024. The MCR coverage has increased in 2024 when compared to 2023 (513.3%).

Difference between Equity in the financial statements and Excess of assets over liabilities for Solvency II purposes

When valuing assets and liabilities for the purposes of Solvency II, different criteria are used from those used when preparing the financial statements. The above criteria differences lead to a variation between the equity stated in the financial statements and excess of assets over liabilities for Solvency II purposes.

As at 31st December 2024, the excess of assets over liabilities for Solvency II purposes amounted to €223.1 million, while IFRS equity was equal to €174.3 million. The main adjustments that arise from the reconciliation of IFRS equity and own funds under Solvency II are found below:

	2024	2023
IFRS Equity	**174,332**	**165,381**
Intangible assets	-23,838	-20,341
Difference in valuation of investments	1,675	1,344
Deferred front end fees	255	256
Difference in net reserves	96,888	88,706
Difference in deferred tax	-26,243	-24,487
Excess of assets over liabilities (Solvency II value)	**223,069**	**210,858**

Figures in thousand euro

The quantitative and qualitative explanations are provided in Sections D.1 Assets, D.2 Technical Provisions and D.3 Other liabilities, in this report.

E.1.3. Other information

Essential items in the reconciliation reserve

The tables included at the start of the section indicate the structure, amount and quality of own funds and present the essential items taken into account to calculate the reconciliation reserve based on the amount of excess assets compared to liabilities for Solvency II purposes.

This excess of assets over liabilities amounts to €223.1 million. To determine the reconciliation reserve "other basic own funds" items (€160.5 million) and "foreseeable dividends" (€3 million) was deducted.

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

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

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

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

Items deducted from own funds

MMSV has not deducted any items from the Own funds.

Own Funds issued and instruments redeemed

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

Transitional measures

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

E.2. Solvency Capital Requirement and Minimum Capital Requirement

E.2.1. Solvency Capital Requirement amounts and valuation methods

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

	Gross solvency capital requirement		USP	Simplifications
	2024	2023		
Market risk	378,843	405,586		
Counterparty default risk	8,803	9,084		
Life underwriting risk	55,143	39,311	-	-
Health underwriting risk	-	-	-	-
Non-Life underwriting risk	-	-	-	-
Diversification	(44,046)	(34,314)		
Intangible assets risk	-	-		
Basic Solvency Capital Requirement	**398,743**	**419,667**		

Figures in thousand euro

Calculation of the Solvency Capital Requirement	Amount	
	2024	2023
Operational Risk	9,259	9,078
Loss-absorbing capacity of technical provisions	(316,264)	(321,638)
Loss-absorbing capacity of deferred taxes	(13,822)	(16,685)
Capital requirement for businesses operated in accordance with Article 4 of Directive 2003/41/EC	-	-
Solvency Capital Requirement excluding additional capital	77,915	90,422
Capital add-on already set	-	-
Of which, capital add-ons already set – Article 37 (1) Type a	-	-
Of which, capital add-ons already set – Article 37 (1) Type b	-	-
Of which, capital add-ons already set – Article 37 (1) Type c	-	-
Of which, capital add-ons already set – Article 37 (1) Type d	-	-
Solvency capital requirement	**77,915**	**90,422**
Other information regarding the SCR		
Capital requirement for duration-based equity risk sub-module	-	-
Total amount of the notional solvency capital requirement for the remaining part	26,436	31,534
Total amount of the notional solvency capital requirement for ring-fenced funds	51,479	58,888

Calculation of the Solvency Capital Requirement	Amount	
	2024	2023
Total amount of notional solvency capital requirement for portfolios subject to matching adjustments	-	-
Diversification effects due to the aggregation of the notional SCR for ring-fenced funds for the purposes of Article 304	-	-

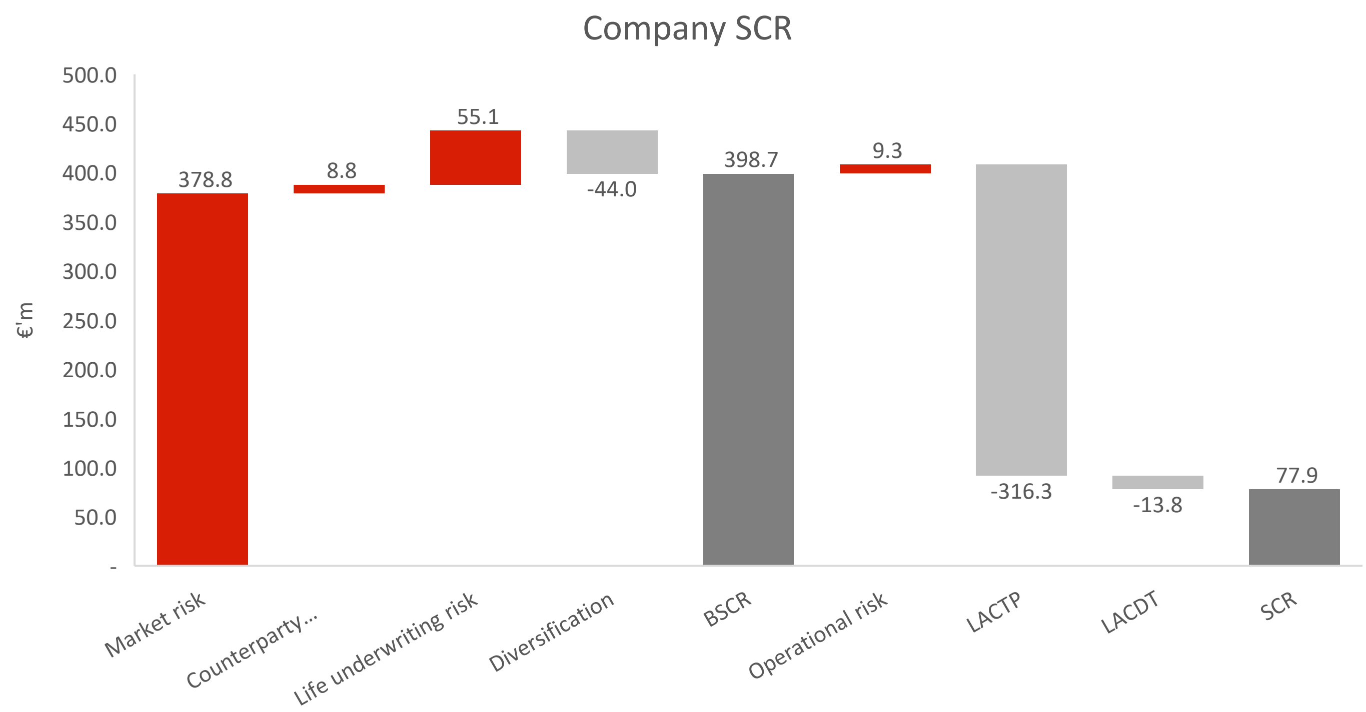
Figures in thousand euro

Approach to tax rate	Yes/N	
	2024	2023
Approach based on average tax rate	1 - Yes	1 - Yes

Calculation of loss absorbing capacity of deferred taxes	LAC DT	
	2024	2023
LAC DT	(13,822)	(16,685)
LAC DT justified by reversion of deferred tax liabilities	(13,822)	(16,685)
LAC DT justified by reference to probable future taxable economic profit	-	-
LAC DT justified by carry back, current year	-	-
LAC DT justified by carry back, future years	-	-

Figures in thousand euro

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



Figures in million euro

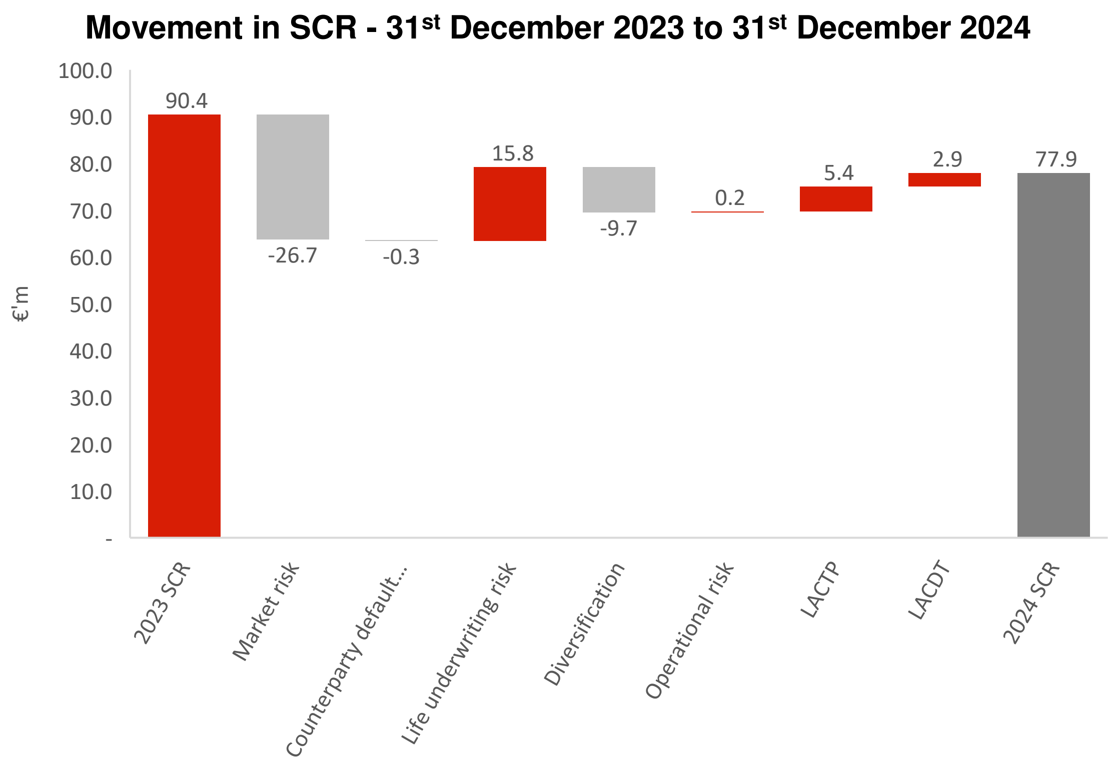
As at 31st December 2024, MMSV's total SCR amount was €77.9 million compared to €90.4 million as at 31st December 2023. The main drivers for this change include reduced market risk which benefitted from the 2024 asset de-risking measures and lower long-term bond volatility assumptions.

MMSV's total MCR amount at 31st December 2024 was €35.1 million compared to €40.7 million as at 31st December 2023, the reduction driven by lower With-Profits fund obligations.

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

In total, the loss-absorbing capacity of technical provisions amounted to €316.3 million, and the loss-absorbing capacity of deferred tax amounted to €13.8 million.

The table below compares the movement in SCR over 2024:



Figures in million euros

As mentioned earlier, market risk reduced following the 2024 asset de-risking measures and lower long term bond volatility assumptions. Life underwriting risk increased following the reduction in market value adjustment rates in 2024. The loss absorbing capacity of technical provisions decreased from €321.6 million as at 31st December 2023 to €316.3 million as at 31st December 2024.

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

Source: S28.01.01

	2024	2023
Resulting MCR (L)	35,062	40,690

	2024		2023	
	Net best estimate (of reinsurance/special purpose entities) and technical provisions calculated as a whole	Total net capital at risk (reinsurance/special -purpose entities)	Net best estimate (of reinsurance/special purpose entities) and technical provisions calculated as a whole	Total net capital at risk (reinsurance/special -purpose entities)
Obligations with profit participation – guaranteed benefits	1,523,764		1,512,116	
Obligations with profit participation – future discretionary benefits	316,264		327,829	
Index-linked and unit-linked insurance obligations	222,845		160,540	
Other life (re)insurance and health (re)insurance obligations	-		-	
Total capital at risk for all life (re)insurance obligations		2,806,215		2,718,125

Overall MCR calculation	2024	2023
Linear MCR	43,458	41,928
SCR	77,915	90,422
MCR cap	35,062	40,690
MCR floor	19,479	22,606
Combined MCR	35,062	40,690
Absolute floor of the MCR	4,000	4,000
Minimum Capital Requirement	**35,062**	**40,690**

Figures in thousand euro

The linear MCR for Life insurance is €43.5 million. The linear MCR was obtained by applying the factors (specified in Articles 248 -251 of the Delegated Regulation (EU) 2015/35) to the data included in the above tables. The combined MCR is equal to €35.1 million, which is the result of applying maximum and minimum limits to the linear MCR.

E.2.2. Information regarding the Solvency Capital Requirement and the Minimum Required Capital with regard to the loss-absorbing capacity of deferred taxes

The Company has adjusted the Solvency Capital Requirement to take into account the loss-absorbing capacity of deferred taxes, in the amount of €13.8 million. The Company does not have a deferred tax asset as the contracts are not projected to be loss-making in both the Best Estimate Liabilities and the prescribed stress scenarios. For this reason, there is no requirement to test recoverability of any tax.

E.3. Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

MMSV did not use this option when performing its solvency valuation.

E.4. Differences between the standard formula and the internal model used

MMSV does not use Internal Models in its Solvency calculations.

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

At 31st December 2024 MMSV had sufficient own funds to meet its Solvency Capital Requirement and Minimum Capital Requirement and support its new business plans. The Company was compliant with the MCR and SCR at each quarter end of 2024, when a full calculation based on the standard formula calculation has been carried out. As a result, no mandatory remedial actions or corrective measures are required.

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

E.6. Any other information

MMSV management regularly monitors the impact of the current market fluctuations having regard to the solvency position of the company.

Annex I

The below table portrays MMSV's shareholding in associates:

Name	Type of investment	Country	Activity	Legal status	Ownership interest FY 2023	Ownership interest FY 2024
Church Wharf Properties Limited	Associate	Malta	Ownership of immovable property	Limited liability company	50.00%	50.00%
Plaza Centres p.l.c.	Associate	Malta	Lease, manage and market its shopping and commercial centres	Limited liability company	31.42%	31.42%
Tigne Mall p.l.c.	Associate	Malta	Ownership and management of 'The Point Shopping Mall'	Limited liability company	35.46%	-