

Monument Re Limited

Annual Report

For the year ended 31st December 2021





Contents

| | |
|---|--------------------|
| Strategic Report | 2 |
| Introduction | 2 |
| Chairman’s Report | 5 |
| Chief Executive Officer’s Report | 6 |
| Key Financial Data | 7 |
| Capital Management | 8 |
| Risk Management | 10 |
| Corporate Governance | 12 |
| Directors and Officers | 12 |
| Corporate Governance Structure | 20 |
| Directors’ Report | 22 |
| Statement of Directors’ Responsibilities | 23 |
| Consolidated Financial Statements | 25 |
| Independent Auditor’s Report to the Board of Directors and Shareholders | 25 |
| Monument Re Limited Consolidated Financial Statements | 28 |
| Statement of Accounting Policies | 36 |
| Notes to the Consolidated Financial Statements | 46 |



Strategic Report

Introduction

Monument Re Limited (“Monument Re” or “the Company”) is a Bermuda based reinsurance company established to provide solutions for asset intensive portfolios through reinsurance or acquisition. In executing this dual insurance and reinsurance strategy, the Company looks to acquire asset based risks within its risk appetite, and efficiently operate these businesses or portfolios. The focus includes two principal areas, namely:

- Acquisition of portfolios or direct insurers, primarily those in run-off and targeting mainly annuity, guaranteed savings or linked products; and
- Reinsurance of long-dated, asset intensive liabilities, typically with guarantees.

Monument Re is a Class E reinsurer and holding company of other insurance entities. It is subject to Group Supervision under the Bermuda Monetary Authority through Solvency II Equivalence attained on a permanent basis from the European Insurance and Occupational Pensions Authority.

The Company’s immediate parent company is Monument Finco Limited (“FINCO”), a Cayman based company. FINCO is owned by Monument MIDCO Limited (“MIDCO”), which is owned by the ultimate parent, Monument Insurance Group Limited (“MIGL”). MIGL together with its subsidiaries (the “Group”) is a Bermuda based insurance group.

Monument Re has an established track-record of acquiring life insurance portfolios across Europe. Since incorporation, the following transactions have been signed as detailed below.

2021 and 2022 transactions signed as at the date of issue of these financial statements:

- On 27th April 2022, the Company completed the sale of Robein Leven N.V. and its subsidiary Robein Effectendienstverlening (collectively “Robein”) to the Waard Group, a Netherlands-based platform of Chesnara plc. The sale and the related exit of the Company from the Dutch market was a result of insufficient opportunities that would align with the Company's risk and strategic appetite.
- On 18th March 2022, the Company entered into a reinsurance agreement with Aviva Insurance Ireland Designated Activity Company. The deal covers a block of UK savings and annuities.
- On 18th February 2022, the Company acquired AME Life Luxembourg (“AMELL”) from French Mutual Insurance Group Covéa. AMELL is a well-established Luxembourg-based life insurance company with market presence in Luxembourg, Belgium and Italy.
- On 31st December 2021, the Group completed the acquisition of the closed-block portfolio of variable annuities from Athora Ireland plc, a wholly-owned subsidiary of Athora Holding Ltd. (“Athora Portfolio Transfer”). This transaction was initially effected as reinsurance through Monument Re Limited (“Athora Reinsurance”). In accordance with the approval of the Irish High Court, the portfolio has transferred to Monument Life Insurance DAC (“MLIDAC”) with unchanged terms and conditions for policyholders.
- On 20th December 2021, the Company, through its subsidiary MAB, signed an agreement to acquire a run-off life insurance portfolio from AXA Belgium. This transaction is subject to regulatory approvals.



Introduction Cont'd

- On 15th December 2021, following receipt of regulatory approval, the Company completed the acquisition of the insurance portfolio of Integrale SA ("Integrale")("Integrale Acquisition"). The relevant assets and liabilities as well as personnel were transferred to Monument Re's Belgian subsidiary Monument Assurance Belgium ("MAB").
- On 25th November 2021, the Company entered into a quota share reinsurance agreement on a funds withheld basis with Countrywide Assured plc ("Countrywide"), a subsidiary of Chesnara plc. The deal covers a block of UK annuities and is the first external reinsurance deal for the Company.
- On 1st April 2021, the Company completed the acquisition of a classical life retail insurance block from Allianz (Belgium).
- On 16th February 2021, following receipt of regulatory approval, the Company completed the acquisition of the Charles Taylor Group's Isle of Man life and investment operations, which include LCL International Life Assurance Company Limited (subsequently renamed Monument International Life Assurance Company Limited) and represents the core life insurance entity in the Isle of Man.
- On 22nd December 2020, the Company signed an agreement to acquire a portfolio of unit-linked policies. This transaction is expected to be completed during the third quarter of 2022.

Transactions completed in the previous years:

| Counterparty | Target | Country | Completion |
|--|--|---------------------|--|
| Zurich Life Assurance plc. | Unit-linked international portfolio bond policies | Republic of Ireland | November 2020 |
| Cattolica Assicurazioni | Cattolica Life DAC (subsequently renamed Omega Life DAC). Cattolica Life portfolio consists of unit-linked savings products. | Italy | June 2020 |
| GreyCastle Holdings Ltd | GreyCastle Holdings Ltd and its subsidiaries | Bermuda | May 2020 |
| Societe Generale S.A. | Inora Life Designated Activity Company ("Inora"), unit-linked savings | Republic of Ireland | September 2019 |
| Rothsay Life Plc ("Rothsay") | Annuity portfolio | United Kingdom | Reinsurance in-force deal in March 2019, portfolio transfer to MLIDAC in November 2020 |
| Curalia OVV ("Curalia") | Closed book of life business | Belgium | December 2019 |
| Storebrand Livsforsikring AS | Nordben Life and Pension Insurance Co Limited ("Nordben"), unit-linked and traditional savings | Guernsey | June 2019 |
| Enstar Group Limited (Alpha Insurance S.A.; "Alpha") | A run-off portfolio of traditional life and credit life business | Belgium | May 2019 |



Introduction Cont'd

| Counterparty | Target | Country | Completion |
|--|--|---------------------|---|
| MetLife Europe Designated Activity Company ("MetLife") | A run-off portfolio of linked and traditional business | Republic of Ireland | April 2019 (transferred to MLIDAC) |
| Amerborgh Financial Services B.V. | Robein Leven N.V. ("Robein Leven"), traditional and unit-linked products | Netherlands | March 2019 |
| Talanx AG | Aspecta Assurance International Luxembourg S.A., unit-linked savings | Luxembourg | October 2018 (renamed Monument Assurance Luxembourg S.A. ("MAL")) |
| Ethias S.A. ("Ethias") | FIRST A portfolio, traditional savings | Belgium | September 2018 (transferred to MLIDAC) |
| ABN AMRO Bank N.V. | ABN AMRO Life Capital Belgium N.V., traditional savings | Belgium | March 2018 (renamed Monument Assurance Belgium N.V. ("MAB")) |
| Enstar Group Limited | Laguna Life DAC, term life protection | Republic of Ireland | March 2017 (renamed Monument Life Insurance DAC, "MLIDAC") |
| Barclays Bank PLC | Barclays Insurance (Dublin) Designated Activity Company and Barclays Assurance (Dublin) Designated Activity Company, payment protection insurance ("PPI") and short-term income protection | Republic of Ireland | March 2017 (companies renamed Monument Assurance DAC ("MADAC") and Monument Insurance DAC ("MIDAC"), respectively); now in liquidation and renamed Monument Trinity B DAC and Monument Trinity A DAC respectively; PPI portfolio has transferred to Monument Life Insurance DAC |



Chairman's Report

We are pleased to present the annual report of Monument Re.

In spite of the disruption to business caused by the continuation of the Covid-19 pandemic, Monument Re took significant steps forward in terms of our financial and operational scale ending 2021 with several important transactions completed and a healthy pipeline of transactions signed and announced and awaiting regulatory approval.

The Group successfully executed two important capital raises, firstly through an issue of preference shares, which was then followed closely by the issue of a Tier 2 bond, introducing, inter alia, new shareholders and investors to the Monument Group who are committed to the continued growth of the business both as shareholders and business partners.

The Group ended the year in a strong position financially and operationally and also in terms of the experience and skill of its management team, which has delivered exceptional performance to date and is set to continue to do so.

The principal drivers supporting the dual reinsurance and insurance strategy not only remain valid, but appear to be gathering pace in our core markets, as life insurers turn their focus to ensuring that return on capital by business line is meeting targets and areas of non-core operational distraction are addressed. Both of these tend to feature strongly for legacy business lines, which are the focus of Monument Re's business model, and we expect to continue to deploy capital to take advantage of the anticipated flow of new transaction opportunities in the years ahead, including in the developed European markets.

In the fourth quarter, we were pleased to complete the acquisition of Integrale in Belgium, which was a significant milestone for the group, adding assets under management of over EUR 4 billion. This was followed by signing an important transaction with Axa also in Belgium alongside transactions in Ireland, Bermuda, Isle of Man and Luxembourg. The execution of two pure reinsurance transactions was particularly notable as we continue to develop this exciting aspect of our consolidation strategy.

2022 and the years beyond will be challenging for the global economy and the insurance industry as we come to terms with the consequences of the measures taken to manage the Covid-19 pandemic, including supply issues, and also political instability. A clear understanding and appreciation of the risks faced and the effectiveness of the measures taken to manage them are of critical importance in ensuring our continued success and are amongst the Group's highest priorities.

We end 2021 looking forward to the completion of key innovative transactions in 2022 and beyond that will continue to deliver both further strategic and financial value.

On behalf of all members of the board, I would like to thank the management team and all staff in the Monument Re Group for their achievements in spite of the testing circumstances experienced over the course of 2021. We look forward to continued success in the year ahead.

Jonathan Yates



Chief Executive Officer's Report

2021 was an exceptional year for Monument Re despite the ongoing challenges presented by the Covid pandemic. In our fifth year of existence, the company passed the EUR15bn milestone in assets while adding significant further value to the business.

Through 2021, we were able to execute a further six transactions representing EUR9.5bn in technical provisions. Belgium was especially active with the completion of the acquisition of a portfolio transfer from Allianz, the execution and completion of the acquisition of Integrale, our largest and most complex transaction to date, followed shortly thereafter by the signing of a portfolio transfer from Axa. In Ireland the acquisition and completion of a portfolio transfer of Variable Annuity business from Athora positions us well to acquire further similar blocks of business in future. We were pleased to complete on the acquisition of Charles Taylor Group's life insurance entities in the Isle of Man which provides a base for further consolidation in the Crown Dependencies. We executed two external reinsurance transactions of annuity related business in Ireland and in the UK. Asset intensive reinsurance is an area we are looking to develop further in the years ahead. Throughout the year, the end-to-end process from acquisition through to regulatory approval and on to full integration has been smoothly handled with no disruptions to customer service, continuity or regulatory standing in any cases. These transactions contributed strongly on all bases to the financial results of the company.

We observed modest negative impacts on mortality and lapses in some of our portfolios, not unexpected given the effects of the pandemic and well within tolerances. The 2020 deterioration in unemployment and disability related claims in our credit life book was not repeated in 2021.

We were especially pleased to raise further capital of EUR 850 million into the group in a range of forms in support of our growth plans, to be fully drawn as the business requires. This included introducing new shareholders to the group which was an endorsement of the performance to date and positive outlook of our business going forward.

Our financial results for 2021 show profits after tax of €153 million. Solvency coverage remains very strong at 299% of Capital Requirements with Own Funds of nearly €1.5 billion.

Through 2021 we continued recruiting talented resource across Monument. We welcomed two exceptional individuals to the management team in Tobias Fritsch as Group COO and Riya Sen-Gupta as Group General Counsel.

Despite recent market movements, inflationary impacts and other knock-on effects from the pandemic, the outlook for transactions is strong in 2022. The principal market drivers are intact and remain effective; in particular, sustained pressure on Solvency II capital margins for subscale and legacy portfolios. These drivers have been recognised by EU regulators and EIOPA has paid increasing attention to the activities of consolidators, recognising the benefit of increased focus and capital on backbooks but also seeking to manage service risks to customers and ensure the investment horizon of shareholders matches the long-term nature of the liabilities taken on. Our business model and shareholder base fit well into this framework. In addition, despite increasing market competition, we believe our local presence, reputation, transaction capabilities and solutions-oriented approach are all key factors that differentiate us.

As a group, we continue to benefit very strongly from the invaluable support of our foundational and new shareholders as well as our capital providers. We look forward to continued accretive growth as we build on our capabilities and market standing to capitalise on the opportunities so clearly evident in the European life insurance space.

Manfred Maske



Key Financial Data

Directors monitor the progress of the Group by reference to the key financial data, including but not limited to:

| | Year Ended 31 st December 2021 €'000 | Year Ended 31 st December 2020 €'000 |
|--|--|--|
| Gross written premium | 2,741,394 | 101,168 |
| Claims incurred, net of reinsurance | 2,455,764 | 41,199 |
| Profit on ordinary activities before tax | 168,631 | 472,962 |
| Enhanced Capital Requirement | 492,367 | 232,371 |
| Economic Balance Sheet Available Capital | 1,472,337 | 1,099,618 |
| Bermuda Economic Balance Sheet Solvency Coverage Ratio | 299% | 473% |



Capital Management

Capital management and allocation is a key driver of the Group's success. Capital is a resource that supports the risk bearing capacity of the Company, forming a foundation for the Company's long-term viability and the trust of its customers. Effective Capital Management is a key element of the Group's strategy and ability to complete and acquire portfolios across different jurisdictions. The Group has a robust capital management policy, which governs the management of our capital resources to provide flexibility to execute new reinsurances and acquisitions, while maintaining financial strength ensuring policyholder and cedant security. An important element of this approach is to maintain financial flexibility by pooling capital at Monument Re, which brings diversification benefits as the business grows.

The primary objective of the Group is to ensure compliance with externally imposed capital requirements and to maintain appropriate capital ratios in order to protect the security of its stakeholders, including cedants and policyholders, while maintaining shareholder value.

As a Bermuda reinsurer, the Group's primary capital benchmark is to maintain sufficient Economic Balance Sheet ("EBS") Available Capital to meet, at all times, the Enhanced Solvency Capital Requirements ("ECR") adhering to EBS Framework.

The principles of capital management at Monument Re are:

Monument Re Capital Management principles

1) Target Setting

Sufficient capital levels set by the Board, so that the Group is able to withstand appropriate stress scenarios, as approved by the Board.

The current Target Capital level for Monument Re is to maintain Available Capital equivalent to 150% of the ECR

The Target Capital level for each subsidiary is approved by the relevant Board, taking into account local requirements.

2) Monitoring

Capital levels shall be assessed regularly to ensure that they remain appropriate to support the Group's operations

Appropriate processes maintained to enable effective monitoring and reporting of capital positions across the Group including the impact of new transactions

3) Management

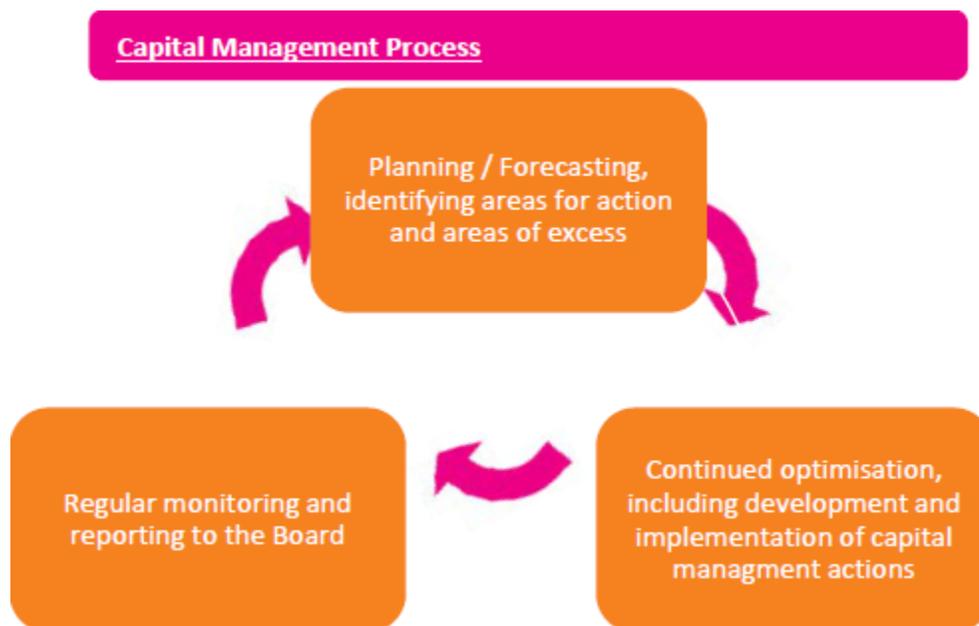
Actions

Activities undertaken to optimise the capital position of the company (and /or subsidiaries)

Actions continuously identified and executed, in order to optimize capital and remedy breaches of capital levels should a breach occur



The process followed for Capital Management is as follows:



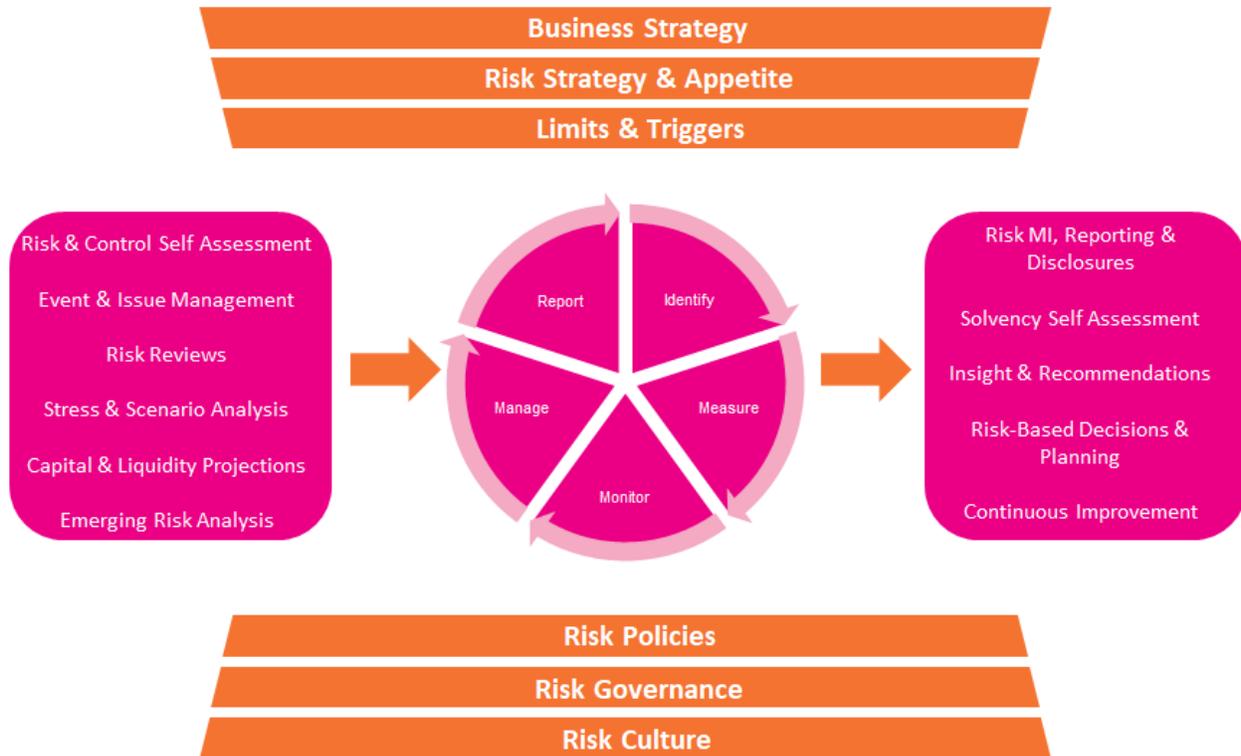
A capital management plan is prepared annually with the business planning period covering five years. This process culminates in an assessment of the capital necessary to maintain solvency at the threshold targeted by senior management and the firm's risk profile. This plan is reviewed and updated on a regular basis to reflect the actual performance of the business.



Risk Management

Monument Re has established and maintains a Risk Management Framework, which is depicted below:

Risk Management Framework



The framework is based on a sound risk culture, an effective system of governance with clear accountabilities, and a suite of supporting risk policies.

Monument Re has implemented a “Three Lines of Defence” model for Enterprise Risk Management, which allows for appropriate segregation of risk ownership, oversight and assurance responsibilities:

- 1st line of defence: individuals and committees with direct responsibility for the management, control and reporting of risk;
- 2nd line of defence: individual and committees with responsibility for the design, coordination, oversight of the effectiveness and integrity of Monument Re’s risk management and internal control framework; and
- 3rd line of defence: individuals and committees providing independent assurance and challenge in respect of the effectiveness and integrity of the risk management framework.

The Board has established a Risk Committee to assist the Board by providing leadership, direction and oversight with regard to Monument Re’s risk management framework, including risk appetite, limits, risk policies and risk reporting.

The risk strategy of the Group is aligned to the business strategy. Risk appetite statements express the Board’s appetite across all categories of risk facing the business. Quantitative risk limits are set for key



risks, along with early warning thresholds, which support proactive risk management. Exposures relative to limits and triggers are regularly monitored and reported to the Board.

Principal Risks and Uncertainties

| Risk | Description | Mitigating actions and controls |
|-------------------------|---|--|
| Market Risk | The risk of loss or other adverse impact on the Group arising from movements in markets e.g. equities, property, exchange rates, interest rates and inflation rates, including basis risk arising from a hedging instrument imperfectly tracking a hedged item. | Investment policy and derivatives and hedging policy reviewed at least annually by the Board, including asset-liability management limits. Regular monitoring of exposures relative to market risk limits, supplemented by stress and scenario testing. |
| Insurance Risk | The risk of loss or other adverse impact on the Group arising from unexpected fluctuations in the timing, frequency or severity of insured events, or timing and amount of claim settlements and expenses. | Regular monitoring of actual versus expected claims and expenses. Regular review of actuarial assumptions. Management of persistency through high quality customer service. Selective use of reinsurance. |
| Credit Risk | The risk of loss or other adverse impact on the Group arising deviation between actual and expected performance of credit investments, or change in the credit standing of a counterparty or debtor. | Credit risk policy and investment policy reviewed and approved at least annually by the Board. Regular monitoring of exposures relative to credit risk limits including credit ratings limits for investment counterparties and concentration limits. |
| Operational Risk | The risk of loss or other adverse impact on the Group arising from inadequate or failed internal processes, personnel or systems or external events. | Operational policies, processes and controls. Regular Risk and Control Self-Assessment process. Event and issue management process, root cause analysis and learning from adverse experience. |
| Liquidity Risk | The risk of loss or other adverse impact on the Group arising from insufficient liquidity resources being available to meet obligations as they fall due. | Liquidity framework reviewed and approved at least annually by the Board. Liquidity buffer maintained to cover severe stress, including derivatives and reinsurance collateral requirements. Close matching of asset and liability cash flows and prudent levels of investment in illiquid assets. |



| Risk | Description | Mitigating actions and controls |
|----------------------------|--|--|
| Group Risk | The risk of loss or other adverse impact on the Group arising from financial or non-financial relationships between entities within the Group. This includes reputational, contagion, accumulation, concentration and intra-Group transactions risk. | <p>Group risk policy reviewed and approved at least annually by the Board.</p> <p>Significant commonality of Board composition across the Group and its subsidiaries.</p> <p>Close scrutiny of intra-group transactions including external specialist input where appropriate.</p> <p>Stress and scenario testing through solvency self-assessment process.</p> <p>Reputational Risk policy and escalation process.</p> |
| Strategic Risk | The risk of loss or other adverse impact on the Group arising from failing to identify or react appropriately to opportunities or threats arising from changes in the market, some of which may emerge over a number of years. | <p>Strategic risk policy reviewed and approved at least annually by the Board.</p> <p>Board members and executive committee members with broad experience and deep industry knowledge.</p> <p>Rigorous due diligence process led by internal experts with support from external specialists as required.</p> <p>Emerging risks forum with senior representation across the group. Topics are debated using a PESTLE framework to ensure broad risk coverage.</p> |
| Sustainability Risk | The risk of loss or other adverse impact on the Group arising from environmental, social and governance ("ESG") risks, or the risk of adverse social or environmental externalities arising from the activities of the Group. | <p>Sustainability Risk policy reviewed and approved at least annually by the Board. ESG limits embedded in the Investment policy.</p> <p>Diversified investment portfolio.</p> <p>Corporate social responsibility, and community investment.</p> |

Further information relating to risk management is outlined in Note 1 to the Consolidated Financial Statements.

Corporate Governance

Directors and Officers

Directors

- **Jonathan Yates, Non-Executive Director and Chairman of the Board**

Jonathan is a Fellow of the Institute of Actuaries with over thirty years' experience in the life insurance industry. He was previously CEO of Windsor Life Assurance Company Limited and, subsequently, Guardian Assurance Company Limited and a Director of various companies within the respective Groups, including Ark Life Assurance Company Limited in Ireland. Jonathan was also previously Group Finance Director of Phoenix Group Holdings plc; a UK listed company as



well as a Director of various Group companies, including the life insurance companies within the Group and Ignis Asset Management.

He has previously held non-Executive Directorships of Paternoster Insurance Company Limited, in the UK, and The Empire Life Insurance Company, in Canada. Jonathan is currently a non-Executive Director with the Viridium Group in Germany, including the various life insurance companies within the Group. He is also Chairman of MLIDAC.

- **Clive Rowe, Non-Executive Director and Chairman of the Investment Committee**

Until October 2019 Clive was a General Partner and Managing Member of Oskie Capital Management, a New York based investment fund focused on companies going through significant transformations. He founded the firm in 2010 and was a Portfolio Manager responsible for investments in media, telecom, energy and health care including managed care organisations (health insurers). Prior to founding Oskie Capital, Clive was a partner at SLS Capital, a New York based long short equity fund which he co-founded in 1999. Prior to his career in the investment business, Clive worked at Monitor Company, a strategy consultancy where he co-led the restructuring Group.

Clive is currently a Board Member of E-L Financial, a Toronto based holding company with a portfolio of investments. E-L owns a Canadian life insurer Empire Life Insurance Company (regulated by OSFI) and he serves on its Board and as Chairman of its Investment Committee. He is also on the Board of Algoma Central Corporation, a publicly traded shipping company and there he is Chairman of the Corporate Governance Committee. In the past, Clive served on the Board of Dominion of Canada, a property and casualty insurer prior to its sale to Travellers in 2013. Clive also served as Chairman of the Board of Roadone Logistics, a Boston based trucking company, from 2012 to June 2015.

- **Paul Bohus, Non-Executive Director and Chairman of the Audit & Compliance Committee**

Paul is a Senior Vice President of Corporate Development at Enstar. He has significant experience in the (re)insurance industry, particularly in mergers and acquisitions. Paul has been with Enstar since 2014 and is responsible for executing and overseeing all stages of the acquisition process including strategy, alternative capital, due diligence, valuation, financial impact analysis and integration. Prior to joining Enstar, Paul spent over ten years in public accounting, focusing on the reinsurance industry. Paul is a Certified Public Accountant (Ohio, USA).



- **Michael Winkler, Non-Executive Director and Chairman of the Risk Committee**

Michael is a member of the Swiss Association of Actuaries. He is the Managing Director of RefinSol GmbH, of which he is also the founder and Executive Director, providing consulting services for international reinsurance companies.

Michael has also served as CEO of WRM Reinsurance AG, a specialised carrier for bespoke reinsurance transactions for life insurance companies in the area of Financial Solutions.

Michael brings over thirty years of experience to Monument Re, having covered multiple roles in the life reinsurance industry since 1980.

- **Manfred Maske, Executive Director and Group Chief Executive Officer**

Manfred is a Fellow of the Institute of Actuaries with over twenty years of experience in the life industry across a number of territories. He was previously CEO and Director of Legal and General Reinsurance in Bermuda and CEO and Director of Legal & General Gulf in the Middle East. He has worked previously in a range of management and technical roles within Legal & General in the UK, culminating in the role of International Actuary, where he sat on the Boards of start-ups and either as member or chair of the Investment Committee. Prior to this, Manfred held actuarial roles with PricewaterhouseCoopers in the UK, Old Mutual and Momentum Life in South Africa.

Appointed Actuary

- Quintin Li
PricewaterhouseCoopers LLP
300 Madison Avenue
New York, NY 10017
USA

Company Secretary and Registered Office

- Conyers Corporate Service (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton, HM11
Bermuda

Auditors

- PricewaterhouseCoopers Ltd.,
Chartered Professional Accountants
Washington House
16 Church Street
Hamilton, HM12
Bermuda



Officers

- **Alex Brogden, Group Chief Underwriting Officer**

Alex is a Fellow of the Institute of Actuaries with over fifteen years of experience in the life industry. His previous role was Senior Corporate Actuary at the Phoenix Group, where his role included pricing and capital structuring of acquisitions and reinsurance, managing the Group's defined benefit pension schemes and developing significant capital management actions. He was previously Pricing Actuary at Admin Re (part of the Swiss Re Group), pricing closed fund transactions, including the c.GBP750m acquisition of Barclays Life. Prior to that, Alex was a life insurance consultant at Willis Towers Watson and worked on a number of client projects, across the UK, Europe, US and Asia. Alex joined the Company as Group Chief Financial Officer, and, effective 1st April 2022, assumed the role of Group Chief Underwriting Officer.

- **Carlo Elsinghorst – Group Chief Financial Officer**

Carlo has over 20 years of experience in the life and pensions industry in Ireland, The Netherlands and the UK. Before he was appointed CEO of Monument Insurance Ireland in 2020, his most recent positions were CFRO of Monuta Holding in The Netherlands, CFO of Friends First in Ireland and CRO & Interim CEO of Eureko Reinsurance Ireland. He also held senior management positions at Achmea in The Netherlands. Before entering into managerial roles, he worked as a consulting actuary at Mercer in London. Carlo holds a Master's degree in Mathematics from Delft University of Technology, qualified as an actuary and completed an MBA at INSEAD in France. Carlo joined the Group as CEO Ireland and, effective 1st April 2022, assumed the role of the Group Chief Financial Officer.

- **Roger Thompson, Group Chief Investment Officer**

Roger is a Chartered Accountant and Chartered Financial Analyst with over twenty-five years of experience in treasury and investments. His previous role was Chief Investment Officer at Enstar Group Limited, where his role included oversight of external investment managers, modelling of investment returns for potential acquisition targets, designing and executing optimal investment strategies for newly acquired companies. Roger was previously an Executive Vice President, Chief Investment Officer at AXIS Capital Holdings Limited and had involvement in AXIS's IPO and various capital raising projects, including debt, equity, preferred shares and LOC credit facilities.

- **Neil Burt, Group Chief Actuary**

Neil is a Fellow of the Institute of Actuaries with over fifteen years of experience in the life industry and a first class honours degree in mathematics. Neil was previously the Approved Actuary and Head of Actuarial Reporting for Legal & General Re, responsible for providing an opinion on the sufficiency of the company's long-term reserves and determining capital requirements in accordance with the Bermuda Monetary Authority ("BMA") rules. Prior to Legal & General Re, Neil transferred from within the Legal & General Group in the UK where he worked within the Legal & General Retirement Finance team. In the UK, Neil supported the development of the Solvency II reporting, strategic planning and the international expansion of the Retirement division. Prior to Legal & General, Neil was an actuarial manager at Deloitte working on a number of Solvency II and M&A projects.



- **David Leach, Group Chief Risk Officer**

David is a Fellow of the Institute of Actuaries, with over twenty years of experience in life insurance. Prior to joining Monument Re, David held senior risk management roles at ReAssure Life Limited and Guardian Financial Services. He has also worked as an actuarial consultant at EY, Deloitte and Willis Towers Watson and as a pricing actuary at Munich Re. His consulting work focused on mergers and acquisitions in Europe and Asia, risk management, financial reporting and actuarial audit. David has written a number of articles on risk and actuarial topics, and chaired the Stress and Scenario Testing working party of the Institute and Faculty of Actuaries. David has a first class honours degree in economics from the University of Warwick.

- **Anthony Philip, Group Head of Compliance and Corporate Governance**

Anthony has over twenty-five years of experience serving as a Barrister and Attorney in the financial services industry in Bermuda. His last role was CEO of American International Company Ltd. (“AIG Bermuda”). Prior to that, he was Senior Vice President & General Counsel of AIG Bermuda. Anthony has served as a Senior Legal Adviser with Flagstone Reinsurance Limited, West End Capital Management (Bermuda) Limited (a fund management company) and Appleby, Spurling and Kempe Barristers and Attorneys. He was also the Manager of the Companies, Partnerships and Permits Division at the BMA.

- **Tobias Fritsch, Group Chief Operating Officer**

Tobias has over fifteen years of experience in the insurance sector, ranging broadly across various jurisdictions in Europe, Asia and North-America. He has deep experience in IT, Operations and Change Management, leading sizable international business transformation initiatives, BPO projects and M&As before taking C-level roles within Operations. Tobias started his career as a strategy consultant before joining Allianz. Within Allianz, he led teams in the P&C, Life & Health and Investment sectors.

Prior to joining Monument Re, Tobias was the COO for Allianz Investment Management in North America. As a dedicated learner, Tobias holds two PhDs and over ten masters degrees spanning relevant areas including business administration, economics, computer science and law.

- **Fiona Davies, Group Chief of Staff**

Fiona is a Fellow of both the Academy of Life Underwriting and the Life Management Institute with over 25 years of experience in the life insurance industry. Fiona was previously the Transactions Manager for Monument Re before assuming the role of Group Chief of Staff in March 2022. Prior to joining Monument Re Fiona held the position of Senior Underwriter for Hannover Life Reassurance Bermuda Ltd, a role which included traditional mortality and longevity underwriting, underwriting manual development and mortality evidence-based research projects. Prior to Hannover Re, Fiona was an Assistant Vice President at BF&M Insurance Group with responsibility for various underwriting and policy administration functions.

- **Riya Sen Gupta, Group General Counsel**

Riya is an English qualified lawyer with over twelve years’ experience in the financial services industry. Prior to starting her current role, she spent her career as a corporate lawyer at the



international law firm Clifford Chance LLP, most recently holding the role of Director of Insurance: Transactions and Regulation. Riya has a wealth of experience in advising on complex M&A, corporate restructurings, reinsurance and distribution arrangements for (re)insurers and other financial institutions across the UK, Europe, US and Asia.

- **Gemma Cerasi, Group Head of Human Resources**

Gemma has over 15 years' experience within the Financial Services and IT sector. Prior to joining Monument Gemma's last role was Head of Human Resources for Ark Life. Prior to that she held various senior human resource roles within Aviva at a local and European level across their Life and Pensions and General Insurance businesses. Gemma started her career with Oracle where she previously held positions within their Learning and Development division.

Officers of the Group, employed by the subsidiary entities

- **Olivier Schmidt-Berteau, Chief Executive Officer, Luxembourg**

Olivier has 21 years of experience in the insurance industry. He has served in Luxembourg since December 2006, first as Risk Manager and Financial Controller, then Chief Financial Officer and finally from June 2010 as Chief Executive Officer of Aspecta Luxembourg International S.A., a company of the Talanx Group. In his latest function, he had responsibility to set up the run-off of the company. From June 2009 Olivier was also Executive Director of the finance and investment company of the Group in Luxembourg, Talanx Finanz (Luxemburg) S.A. From June 2009, Olivier also held this position within EURO International Reinsurance S.A. Luxembourg to prepare and complete the sale of the company one year later. Prior to that, Olivier had nearly 10 years of experience in Germany in a number of senior management roles primarily in Risk Management and Financial Controlling with Gerling Beteiligungs-GmbH, Gerling G&A Versicherungs-AG and General Accident Versicherungs-AG. Olivier graduated from the Institut d'Etudes Politiques de Paris and holds a law degree.

- **Chris Carson, Group Integrations, Change & Technology Director and UK Country Manager**

Chris is an operational strategy and change expert and has delivered restructurings, mergers, demergers and transformations for a number of companies over the past 15 years including M&G Prudential, Direct Line, MetLife, AVIVA, and HBOS. He was an insurance Consulting Partner at PwC and also led their EMEA Insurance Advisory practice from 2013 – 2015.

He began his career as a management trainee with Aachen Re in the US and moved with them to Ireland in 1993. He worked with Scottish Amicable and St. James's Place Capital in Dublin before moving into management consulting with Deloitte Bacon & Woodrow and then PwC in the UK. Before joining Monument Re Chris led the operational separation of M&G Prudential from Prudential Group ahead of their listing on the LSE.

- **Colm Brennan, Group Head of Internal Audit**

Colm has 17 years of experience in the Financial Services sector with 10 years of experience in the insurance industry. Prior to taking up his current role he held the position of Head of Financial Control for Monument Assurance and Monument Insurance. In this role, Colm had overall responsibility for the controllership, financial reporting and regulatory reporting activities for the organisation. Prior to joining Monument, Colm held the position of Financial Accountant



with Friends First Finance, an asset finance company. Colm is a Fellow of the Association of Chartered Certified Accountants, a Chartered Tax Adviser and member of the Chartered Institute of Internal Auditors.

- **Warwick Helps, Chief Executive Officer, Nordben, Guernsey**

Warwick is a Fellow of the Association of Chartered Certified Accountants with thirteen years of experience in the finance industry. Warwick has served at Nordben since January 2012, first as Deputy Chief Financial Officer, then Chief Financial Officer and finally from May 2016 as Chief Executive Officer. In his latest function, he has taken responsibility for executing Nordben's strategy to ensure the business is run off as efficiently and profitably as possible with a strong focus on excellent operational management and communication skills to be able to motivate the staff to meet the challenges of running off the liabilities of the Company. Prior to Nordben, Warwick was an audit manager at Deloitte working predominantly with a mixture of insurance clients.

- **Koen Depaemelaere, Chief Executive Officer, Belgium**

Koen has more than 15 years of relevant experience in the BeNeLux insurance market and was Director and CEO of the Life Insurance business at AXA Belgium. He held a mandate as President and previously CEO of AXA Private Management. He was also the CEO of the largest BeNeLux broker Vanbreda Risk & Benefits. He has led several digital transformations as CEO of Portima/Assurnet, the leading IT-platform in the Be Insurance sector, Chief Transformation Officer at SD Worx and CCO at Banksys/Worldline. Koen holds a Master of Engineering Science (ir.) from KU Leuven and an MBA from Vlerick Business School.

- **Alan Rae, Interim Chief Executive Officer, Ireland**

Alan is an Fellow of the Faculty of Actuaries with over 35 years' experience in the insurance industry across Europe, including periods living and working in the UK, Spain, Ireland, and, for the last 12 years, The Netherlands. Amongst many roles he was a Partner of Watson Wyatt heading the insurance M&A team for Europe, and Finance Director for Division Europe at Achmea. He has been a Non-Executive Director of insurance companies in a number of countries including Friends First in Ireland. In 2016 he was elected as a member of the Council of the Institute & Faculty of Actuaries in the UK and in 2019 was also appointed to its Management Board. Effective 1st April 2022, Alan assumed the role of Interim CEO for Ireland.

- **Jeffrey Moore, Chief Executive Officer, Crown Dependencies**

Jeffrey is a Fellow of the Faculty of Actuaries with thirty-five years' experience in life assurance. He continues as CEO and as a director of Monument's life insurance, insurance management and fund manager businesses, very recently acquired from Charles Taylor of London, where he served on the Group Executive Committee. He was CFO and then CEO of that business under its ownership by Aberdeen Asset Management and was on the Board of Aberdeen funds in Ireland. Jeffrey has been a director of life insurers in the Isle of Man, Guernsey and Jersey acquired by Charles Taylor and transferred into the main Isle of Man life insurer. He was previously Appointed Actuary of Scottish Provident International in the Isle of Man. He was previously Product Development Actuary for Scottish Provident Institution in the UK.



The Board of Directors plays a critical role in the successful operation of Monument Re, being ultimately responsible for sound and prudent governance and oversight of the Company. The Board's duties, membership, frequency of meetings and quorum is defined in the Board charter. The mix of skills and experience of Board members ensures that there is an appropriate level of experience, knowledge and expertise that is commensurate with the nature, scale and complexity of Monument Re's business. Membership of the Board and its committees will be reviewed at least every three years, or more frequently upon a material change in business activities or risk profile, in compliance with the Bermuda Monetary Authority ("BMA")'s Group Supervision Rules.

Monument Re's Board includes four non-Executive Directors and one Executive Director whose duties include, but are not limited to:

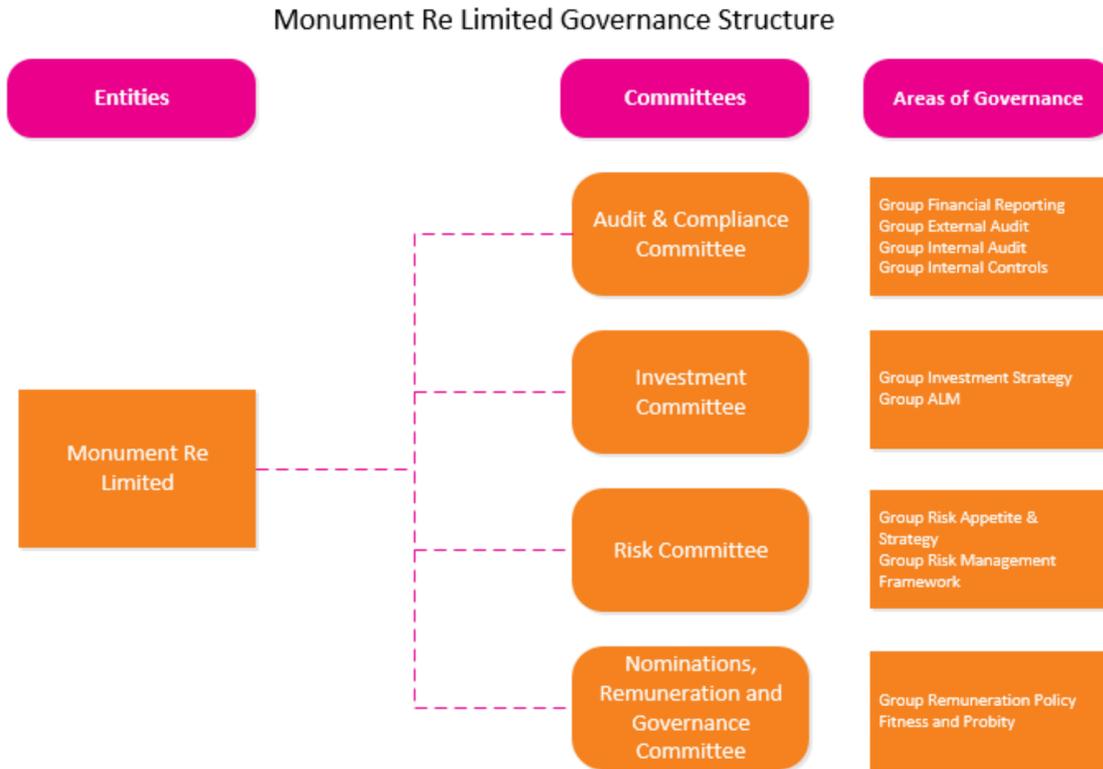
- Maintain an adequate understanding of the Company's total business and operations to be able to test and challenge the decisions of other Directors and Senior Management;
- Devote sufficient time to enable the proper discharging of the Director's governing function duties and attend all Board meetings where possible;
- Through Board meetings and activities, assist with determining the long and short-term strategy of the Company;
- When requested by the Board, represent the Company in its dealings with third parties;
- At all times comply with the legal, fiduciary and common law duties as a Director, as well as applicable regulation, including the requirements of the BMA and ensure that any conflicts of interest are properly resolved; and
- Liaise with external auditors, PricewaterhouseCoopers ("PwC") Bermuda, as to their findings.

In line with international best practices, the Board has delegated its authority either directly or indirectly to a number of committees, which meet in Bermuda, each with their own terms of reference.



Corporate Governance Structure

The key Board committees at Monument Re are depicted below:



Note that the other Monument entities are each governed by a Board of Directors and have additional committees as their size and scope requires.



| Committee | Members | Key Responsibilities |
|--|---|---|
| Audit and Compliance | <ul style="list-style-type: none"> ▪ Paul Bohus (Chairman); ▪ Michael Winkler; and ▪ Clive Rowe | <p>Ensuring the integrity of financial statements and the financial reporting process;</p> <p>Overseeing, challenging and reviewing both the internal and external audit functions; and</p> <p>Reviewing and monitoring the adequacy and effectiveness of the Company's compliance function, and risk and compliance training programs.</p> |
| Risk | <ul style="list-style-type: none"> ▪ Michael Winkler (Chairman); ▪ Paul Bohus; ▪ Clive Rowe; ▪ Jonathan Yates; and ▪ Manfred Maske | <p>Providing leadership, direction and oversight to Monument Re's risk appetite and tolerance, and Risk Management Framework;</p> <p>Reviewing and recommending for Board approval all risk policies; and</p> <p>Overseeing the effectiveness of the internal control system.</p> |
| Investment | <ul style="list-style-type: none"> ▪ Clive Rowe (Chairman); ▪ Manfred Maske ▪ Jonathan Yates ▪ Michael Winkler | <p>Overseeing the development of the investment strategy and the making, holding and disposal of investments;</p> <p>Monitoring compliance of investment portfolios with the policies, guidelines and risk limits; and</p> <p>Reviewing and approving periodically investment benchmarks and KPI's for investment portfolios and investment function.</p> |
| Nominations, Remunerations and Governance | <ul style="list-style-type: none"> ▪ Jonathan Yates (Chairman); ▪ Clive Rowe; and ▪ Paul Bohus | <p>Assisting with the determination of the overall remuneration policy for the Group;</p> <p>Reviewing membership of the Board and Committees to ensure fitness and probity; and</p> <p>Assisting the Board in ensuring it retains an appropriate balance of skills to support Monument Re's strategic objectives.</p> |



Directors' Report

Principal Activities

Monument Re is a Bermuda based Class E life reinsurer. Within risk appetite Monument Re seeks opportunities to assume European life (re)insurance companies, and efficiently operate these businesses and/or portfolios. The key activities relate to two principal areas, namely:

- Acquisition of portfolios or direct insurers, primarily those in run-off and targeting mainly annuity, guaranteed savings or linked products; and
- Reinsurance of long-dated, asset intensive liabilities, typically with guarantees.

Additionally Monument Re is the parent company and designated insurer of Monument Re Group (the "Group"), which is made of Monument Re and its subsidiaries and as such is subject to Group supervision by the BMA.

Accounting Records

The measures taken by the Directors to secure compliance with the Company's obligations to keep adequate accounting records are the use of appropriate systems, procedures and controls, and the employment of competent persons. The accounting records are kept at Crown House, 4 Par-la-Ville Road, Hamilton, HM08, Bermuda.

Accounting Period-End

These Consolidated Financial Statements are prepared for the year ended 31st December 2021.

Going Concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore, the Consolidated Financial Statements have been compiled on a going concern basis.

Auditors

A resolution concerning the reappointment of the auditors, PricewaterhouseCoopers Ltd., was confirmed by Shareholders' Resolution in lieu of an Annual General Meeting on 18th March 2022.

Results and Dividends

Results for the year are set in the Consolidated Statement of Comprehensive Income below and show a profit before tax of €168.6 million on ordinary activities for the year ended 31st December 2021. The parent company contributed €66.0 million to Monument Re and dividends of €89.1 million were paid to the shareholder during the year ended 31st December 2021.

Business Review

In 2021, the Group completed acquisitions of the entire insurance portfolio and personnel of Integrale SA ("Integrale") and the Charles Taylor Group's Isle of Man life and investment operations, including LCL



International Life Assurance Company Limited (renamed Monument International Life Assurance Company Ltd.). Combined, these transactions have led to a bargain purchase gain of €92.7 million.

In 2021, the Group completed the acquisitions of a classical life retail insurance book from Allianz Benelux (Belgium) and of a closed-block portfolio of variable annuities from Athora Ireland plc.

See the CEO report for further details.

Directors

The names of the persons who were Directors during the year ended 31st December 2021 are set out below:

| Director | Date Appointed |
|-----------------|-------------------------------|
| Clive Rowe | 1 st March 2017 |
| Jonathan Yates | 31 st October 2016 |
| Manfred Maske | 4 th May 2017 |
| Michael Winkler | 1 st March 2017 |
| Paul Bohus | 4 th May 2017 |

Events after the Period End

Please see Note 24 to the Consolidated Financial Statements.

Directors' Compliance Statement

The Directors acknowledge that they are responsible for securing the Company's compliance with its relevant obligations.

Disclosure of Information to Auditors

The Directors in office at the date of this report have each confirmed that as far as he is aware, there is no relevant audit information of which the Company's statutory auditors are unaware and he has taken all the steps that he ought to have taken as a Director in order to make himself aware of all the relevant audit information and to establish that the Company's statutory auditors are aware of that information.

Statement of Directors' Responsibilities

The Directors submit their report together with the audited Consolidated Financial Statements for the year ended 31st December 2021.

Bermuda law requires the Directors to prepare consolidated financial statements for each financial period that give a true and fair view of the Group, assets, liabilities and financial position at the end of the financial period and the profit or loss of the Group for the financial year. Under that law, the Directors have prepared the Consolidated Financial Statements in accordance with Generally Accepted Accounting Practice in UK & Ireland (accounting standards issued by the Financial Reporting Council of the UK, and promulgated by the Institute of Chartered Accountants in Ireland and Irish law), including



Financial Reporting Standard 102, "The Financial Reporting Standard Applicable in the UK and Republic of Ireland" ("FRS 102"), and Financial Reporting Standard 103, "Insurance Contracts" ("FRS 103").

Additionally in accordance with the Insurance Act 1978 as amended and regulations promulgated thereunder ("Regulations") issued by the BMA, the Group has to prepare Statutory Financial Statements ("SFS").

The Directors are responsible for keeping adequate accounting records that are sufficient to:

- Correctly record and explain the transactions of the Group;
- Enable, at any time, the assets, liabilities, financial position and profit or loss of the Group to be determined with reasonable accuracy; and
- Enable the Directors to ensure that the consolidated financial statements comply with FRS 102 and FRS 103 and enable those consolidated financial statements to be audited.

Under Bermuda law, the Directors shall not approve the consolidated financial statements unless they are satisfied that they give a true and fair view of the Group's assets, liabilities and financial position at the end of the financial period and the profit or loss of the Group for the financial period.

In preparing the financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether the consolidated financial statements have been prepared in accordance with applicable accounting standards and identify the standards in question, subject to any material departures from those standards being disclosed and explained in the Notes to the Financial Statements;
- Notify the company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 102; and
- Prepare the consolidated financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Board

Director
29th April 2022

Director
29th April 2022



Independent auditor's report

To the Board of Directors and Shareholder of Monument Re Limited

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Monument Re Limited (the Company) and its subsidiaries (together 'the Group') as at December 31, 2021, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FR3 103 "Insurance Contracts".

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2021;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include the statement of accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Chartered Professional Accountants of Bermuda Rules of Professional Conduct (CPA Bermuda Rules) that are relevant to our audit of the consolidated financial statements in Bermuda. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the CPA Bermuda Rules.

Other information

Management is responsible for the other information. The other information comprises all of the information in the Annual Report other than the financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.



In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FR3 103 "Insurance Contracts", and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers Ltd.

Chartered Professional Accountants
Hamilton, Bermuda

April 29, 2022



Monument Re Limited Consolidated Financial Statements

Consolidated Statement of Comprehensive Income General Business Technical Account For the years ended 31st December 2021 and 2020

| | | Year Ended 31 st December 2021 €'000 | Year Ended 31 st December 2020 €'000 |
|--|-------|--|--|
| | Notes | | |
| Earned premiums, net of reinsurance | | | |
| Gross premiums written | 4 | 14,472 | 16,885 |
| Net premiums earned | | 14,472 | 16,885 |
| Investment income | 5 | 263 | 151 |
| Gains/(losses) on realisation of investments | 5 | (73) | (158) |
| Unrealised gains/(losses) on investments | 5 | (244) | 59 |
| Other income | | 125 | — |
| Claims incurred | | | |
| Claims paid | | | |
| - gross amount | 15 | (7,363) | (8,207) |
| Net claims paid | | (7,363) | (8,207) |
| Change in the provision for claims | | | |
| - gross amount | 15 | 3,004 | (2,670) |
| Change in the net provision for claims | | 3,004 | (2,670) |
| Claims incurred | | (4,359) | (10,877) |
| Operating expenses | 6 | (6,442) | (5,483) |
| Foreign exchange gains/(losses) | | 738 | 116 |
| Tax on profit on the general business account | 7 | — | 454 |
| Balance on the general business technical account | | 4,480 | 1,147 |



Consolidated Statement of Comprehensive Income
Long-Term Business Technical Account
For the years ended 31st December 2021 and 2020

| | | Year Ended 31 st December 2021 €'000 | Year Ended 31 st December 2020 €'000 |
|--|-------|--|--|
| | Notes | | |
| Earned premiums, net of reinsurance | | | |
| Gross premiums written | 4 | 2,726,922 | 84,283 |
| Outward reinsurance premiums | | (3,492) | (3,050) |
| Net premiums earned | | <u>2,723,430</u> | <u>81,233</u> |
| Investment income | 5 | 50,604 | 36,502 |
| Gains/(losses) on realisation of investments | 5 | (29,854) | 25,344 |
| Unrealised gains/(losses) on investments | 5 | (71,105) | (4,224) |
| Income/(loss) from deposits with ceding undertakings | 5 | (79,386) | 167,859 |
| Other technical income, net of reinsurance | | 5,954 | 19,975 |
| Other income/(loss) | | 7,909 | 1,074 |
| Claims incurred, net of reinsurance | | | |
| Claims paid | | | |
| - gross amount | 15 | (502,186) | (270,609) |
| - reinsurers' share | 15 | 2,678 | 1,661 |
| Net claims paid | | <u>(499,508)</u> | <u>(268,948)</u> |
| Change in the provision for claims | | | |
| - gross amount | 15 | (1,952,110) | 237,262 |
| - reinsurers' share | 15 | 213 | 1,364 |
| Change in the net provision for claims | | <u>(1,951,897)</u> | <u>238,626</u> |
| Net claims incurred | | <u>(2,451,405)</u> | <u>(30,322)</u> |
| Operating expenses | 6 | (80,403) | (73,031) |
| Other technical charges, net of reinsurance | | (1,218) | (3,794) |
| Foreign exchange gains/(losses) | | 45,761 | (4,488) |
| Tax on profit on the long-term business account | 7 | (15,524) | 2,174 |
| Balance on the long-term business technical account | | <u>104,763</u> | <u>218,302</u> |



Consolidated Statement of Comprehensive Income
Non-Technical Account
For the years ended 31st December 2021 and 2020

| | | Year Ended 31 st December 2021 €'000 | Year Ended 31 st December 2020 €'000 |
|---|-------|--|--|
| | Notes | | |
| Balance on the General business technical account | | 4,480 | 1,147 |
| Balance on the Long-term business technical account | | 104,763 | 218,302 |
| Tax credit/(charge) attributable to balance on General and Long-term business | 7 | 15,524 | (2,628) |
| Shareholder's pre-tax profit from technical accounts | | 124,767 | 216,821 |
| Investment income | 5 | 6,774 | 2,008 |
| Unrealised gains/(losses) on investments | 5 | (11,412) | 3,448 |
| Other income/(loss) | | 3,272 | (1,574) |
| Gain on acquisition | 2 | 92,663 | 278,414 |
| Foreign exchange gains/(losses) | | (339) | (544) |
| Operating expenses | 6 | (47,094) | (25,611) |
| Profit on ordinary activities before tax | | 168,631 | 472,962 |
| Tax on profit on ordinary activities | 7 | (15,764) | 2,581 |
| Profit on ordinary activities after tax | | 152,867 | 475,543 |
| Total comprehensive income after tax | | 152,867 | 475,543 |

The accounting policies and estimation techniques in Statement of Accounting Policies and Notes to the Financial Statements below form an integral part of these Consolidated Financial Statements.

All of the amounts above relate to continuing activities.



Consolidated Statement of Financial Position
As at 31st December 2021 and 2020

| | | 31 st December 2021 €'000 | 31 st December 2020 €'000 |
|--|--------|--|--|
| | Notes | | |
| Assets | | | |
| Investments | | | |
| Investment property | 8 | 669,238 | — |
| Investments in participating interests | | 39,149 | — |
| Other financial investments | 10 | 7,426,142 | 1,266,779 |
| Deposits with ceding undertakings | 10, 17 | 2,704,931 | 2,955,259 |
| | | 10,839,460 | 4,222,038 |
| Assets covering unit-linked liabilities | 10,11 | 2,174,054 | 1,403,992 |
| Reinsurers' share of technical provisions | | | |
| Long-term business provision | 15 | 13,842 | 11,070 |
| Technical provisions for unit-linked liabilities | 15 | 89,005 | 93,322 |
| | | 102,847 | 104,392 |
| Debtors | | | |
| Debtors arising out of direct insurance and reinsurance operations | 13 | 1,072,518 | 26,949 |
| Other debtors | 13 | 44,120 | 15,368 |
| | | 1,116,638 | 42,317 |
| Cash and cash equivalents | | 1,230,611 | 349,408 |
| <i>(restricted 2021: €44,944 and 2020: €10,981)</i> | | | |
| Intangible assets | 12 | 19,253 | 14,941 |
| Other assets | | 6,372 | 3,458 |
| Prepayments and accrued income | | | |
| Accrued interest | | 36,547 | 12,989 |
| Deferred expenses | | — | 871 |
| Other prepayments and accrued income | | 14,179 | 7,254 |
| | | 50,726 | 21,114 |
| Total assets | | 15,539,961 | 6,161,660 |


 Consolidated Statement of Financial Position – Continued
 As at 31st December 2021 and 2020

| | | 31 st December 2021 €'000 | 31 st December 2020 €'000 |
|--|--------|--|--|
| | Notes | | |
| Liabilities, Capital and Reserves | | | |
| Capital and reserves | | | |
| Called up share capital | 14 | 52,491 | 52,491 |
| Capital contribution | 14 | 552,758 | 486,758 |
| Profit and loss account | | 631,605 | 567,879 |
| Other comprehensive income | | (375) | (375) |
| Total shareholder's equity | | <u>1,236,479</u> | <u>1,106,753</u> |
| Non-controlling interests | 14 | 45,131 | — |
| Total capital and reserves | | <u>1,281,610</u> | <u>1,106,753</u> |
| Liabilities | | | |
| Technical provisions | | | |
| Long-term business provision | 15 | 9,749,347 | 3,458,261 |
| General business provision | 15 | 6,498 | 9,558 |
| Technical provisions | | <u>9,755,845</u> | <u>3,467,819</u> |
| Technical provisions for linked liabilities | 10, 11 | 2,174,054 | 1,403,992 |
| Reinsurance liability | 15 | 97,814 | 96,314 |
| Creditors | | | |
| Creditors arising out of direct insurance operations | 18 | 41,598 | 21,087 |
| Creditors arising out of reinsurance operations | 18 | 1,123,346 | 867 |
| Debt outstanding | 16 | 813,624 | — |
| Other financial liabilities | 17 | 77,518 | — |
| Other creditors including taxation and social security | 19 | 137,842 | 40,488 |
| | | <u>2,193,928</u> | <u>62,442</u> |
| Accruals and deferred income | | 36,710 | 24,340 |
| Total liabilities and equity | | <u><u>15,539,961</u></u> | <u><u>6,161,660</u></u> |



The accounting policies and estimation techniques in Statement of Accounting Policies and Notes to the Financial Statements below form an integral part of these Consolidated Financial Statements.

On behalf of the Board

A handwritten signature in black ink, consisting of several vertical strokes and a few horizontal lines.

Director

29th April 2022

A handwritten signature in black ink, appearing to be 'P. An' followed by a cursive flourish.

Director

29th April 2022


**Consolidated Statement of Changes in Equity
For the years ended 31st December 2021 and 2020**

| | Called up share capital €'000 | Capital contribution €'000 | Profit and loss account €'000 | Other comprehensive income €'000 | Total shareholder's equity €'000 | Non- controlling interests €'000 | Total capital and reserves €'000 |
|---|--|----------------------------------|--|---|---|---|--|
| Balance at 1 st January 2021 | 52,491 | 486,758 | 567,879 | (375) | 1,106,753 | — | 1,106,753 |
| Profit on ordinary activities, after tax | — | — | 152,867 | — | 152,867 | — | 152,867 |
| Total comprehensive income/(loss), net of tax | — | — | 152,867 | — | 152,867 | — | 152,867 |
| Dividend distributions | — | — | (89,141) | — | (89,141) | — | (89,141) |
| Capital contributions | — | 66,000 | — | — | 66,000 | — | 66,000 |
| Total transactions with owners, recognised directly in equity | — | 66,000 | (89,141) | — | (23,141) | — | (23,141) |
| Non-controlling interests acquired during the year | — | — | — | — | — | 45,131 | 45,131 |
| Balance at 31 st December 2021 | 52,491 | 552,758 | 631,605 | (375) | 1,236,479 | 45,131 | 1,281,610 |

| | Called up share capital €'000 | Capital contribution €'000 | Profit and loss account €'000 | Other comprehensive income €'000 | Total capital and reserves €'000 |
|---|--|----------------------------------|--|---|--|
| Balance at 1 st January 2020 | 52,491 | 109,924 | 117,336 | (375) | 279,376 |
| Profit on ordinary activities, after tax | — | — | 475,543 | — | 475,543 |
| Total comprehensive income/(loss), net of tax | — | — | 475,543 | — | 475,543 |
| Dividend distributions | — | — | (25,000) | — | (25,000) |
| Capital contributions | — | 376,834 | — | — | 376,834 |
| Total transactions with owners, recognised directly in equity | — | 376,834 | (25,000) | — | 351,834 |
| Balance at 31 st December 2020 | 52,491 | 486,758 | 567,879 | (375) | 1,106,753 |



Consolidated Statement of Cash Flows
For the years ended 31st December 2021 and 2020

| | | Year Ended 31 st December 2021 €'000 | Year Ended 31 st December 2020 €'000 |
|---|-------|--|--|
| | Notes | | |
| Net cash from operating activities | 22 | 2,131,826 | 34,854 |
| Interest received/(paid) | | (6,767) | 25,628 |
| Taxation received/(paid) | | — | 2,581 |
| Net cash generated from operating activities | | 2,125,059 | 63,063 |
| Cash flow from investing activities | | | |
| Acquisition of subsidiary (net of cash acquired) | | 364,999 | (371,733) |
| Proceeds from the sale of investments | | 2,550,640 | 1,569,615 |
| Purchases of investments | | (4,334,074) | (1,544,606) |
| Net cash used in investing activities | | (1,418,435) | (346,724) |
| Cash flow from financing activities | | | |
| Debt raised | | 200,000 | — |
| Capital contribution | | 66,000 | 376,833 |
| Dividends paid | | (89,141) | (25,000) |
| Net cash generated from financing activities | | 176,859 | 351,833 |
| Net increase in cash and cash equivalents | | 883,483 | 68,172 |
| Cash and Cash Equivalents at the beginning of the year | | 349,408 | 281,236 |
| Effect of exchange rate on cash and cash equivalents | | (2,280) | — |
| Cash and Cash Equivalents at the end of the year | | 1,230,611 | 349,408 |



Statement of Accounting Policies

General Information

Monument Re Limited (“Monument Re” or the “Company”) is a long-term class E reinsurer under Bermuda’s Insurance Act of 1978. The principal activities of the Company together with its subsidiaries (the “Group”) are to reinsure in-force blocks of long-dated, asset intensive liabilities, typically with guarantees and to acquire closed blocks of annuity, guaranteed savings or linked products. Monument Re is the Designated Insurer of the Group. The Company is a private company incorporated in Bermuda with its principal place of business being Crown House, 4 Par-la-Ville, Hamilton, HM08, Bermuda.

The Company’s immediate parent company is Monument Finco Limited (“FINCO”), a Cayman based company. FINCO is owned by Monument MIDCO Limited (“MIDCO”), which is owned by the ultimate parent, Monument Insurance Group Limited (“MIGL”). Both of these entities are Bermuda domiciled.

Statement of Compliance

The Consolidated Financial Statements have been prepared in compliance with United Kingdom Accounting Standards (“UK GAAP”), including Financial Reporting Standard 102, “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (“FRS 102”), and Financial Reporting Standard 103, “Insurance Contracts” (“FRS 103”).

Summary of Significant Accounting Policies

The significant accounting policies used in the preparation of the Consolidated Financial Statements are set out below.

Basis of Presentation

The Consolidated Financial Statements have been prepared under the historical cost convention, as modified by the measurement of certain financial assets and liabilities at fair value through profit and loss. The preparation of Consolidated Financial Statements in conformity with FRS 102 and FRS 103 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements, are disclosed in Critical Accounting Judgements and Estimation Uncertainty below.

In addition, certain items were reclassified to conform to the current year presentation.

a. Going Concern

When preparing Consolidated Financial Statements, management performs an assessment of the Company’s ability to continue as a going concern. An entity is a going concern unless management either intends to liquidate the entity, cease trading, or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the date when the Consolidated Financial Statements are authorised for issue. The Consolidated Financial Statements are compiled on a going concern basis, unless management determines in their assessment applying the above criteria that such a basis of presentation would not be appropriate.



b. Basis of Consolidation

The Consolidated Financial Statements include the financial statements of the Company and all of its subsidiary undertakings.

A subsidiary is an entity controlled by the parent. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The Company consolidates its investees when it owns directly or indirectly through its subsidiaries more than 50% of voting power of that entity, unless it can be clearly demonstrated that such ownership does not constitute control. The Company also consolidates its investees when it has less than 50% of voting power of that entity, however it has control based on other factors.

Any subsidiary undertakings or associates sold or acquired during the period are included up to, or from, the dates of change of control or change of significant influence respectively.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business Combination and Goodwill

Business combinations are accounted for by applying the purchase method. The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued as would be determined by an independent market participant plus the costs directly attributable to the business combination.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities. Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.

Intangible assets acquired as part of an acquisition of a business are not capitalised separately from goodwill unless, based on circumstances, such recognition would provide meaningful information and the fair value can be measured reliably on initial recognition. Intangible assets acquired as part of an acquisition are not recognised where they arise from legal or other contractual rights, and where there is no history of exchange transactions. Negative value-in-force (asset VIF or "AVIF") related to acquired unit-linked investment products is recognized as an intangible asset. AVIF related to non-linked business is offset against technical provisions. Amortization pattern is based on the expected run-off of the unit linked assets, based on the lapse rate assumed on the acquisition date (the AVIF should generally move in line with the unit linked assets). Impairment analysis is required to be performed annually. Impairment is driven by excessive lapses rather than market movements post acquisition.

Goodwill represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the Company's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

Where the fair value of the Company's interest in the assets, liabilities and contingent liabilities acquired exceeds the fair value of the purchase consideration and directly attributable costs, a gain on acquisition arises. The gain up to the value of the monetary assets and liabilities over which it has been attributed is recognized in the Consolidated Statements of Comprehensive Income for the period in which the Company is expected to benefit. Any material non-monetary residual balance is recognized in the Consolidated Statements of Financial Position and released to profit and loss over the period in which said assets are recovered.



Portfolio Transfer

Transferred assets and liabilities are valued in accordance with the Company's accounting policies for specific assets and liabilities. The Company presents the compensation received as premiums within Gross premiums written and losses transferred are recorded within Claims incurred - Change in the provision for claims in the Consolidated Statements of Comprehensive Income.

Basis of Accounting for Insurance and Reinsurance Business

a. Contract Classification

The Group issues or assumes contracts that transfer insurance risk, financial risk or both. The contracts issued or assumed by the Group include savings and protections contracts, annuity risks and unit-linked products.

Insurance contracts are those contracts that transfer significant insurance risk or contracts designated as discretionary participation contracts. Such contracts may also transfer financial risk. As a general guideline, the Company determines whether it has significant insurance risk by comparing benefits payable after an insured event with benefits payable if the insured event had not occurred.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk and are not contracts designated as discretionary participation contracts. Unit-linked contracts written by the Company, where the liability under the contract is dependent on the value of the underlying financial assets, are classified as either insurance contracts or investment contracts depending on the level of insurance risk transferred.

b. Insurance and Reinsurance Business

- *Premiums Written - Long-term and General Business*

Premiums are written and earned when due for payment, irrespective of whether they relate in whole or in part to a later accounting period, together with regular periodic premiums received on contracts entered into in previous years. Any related commissions are expensed as incurred.

- *Claims - Long-term and General Business*

Claims are accounted for when notified or due for payment. Claims payable include related external claims handling costs.

- *Technical Provision - Long-term and General Business*

The Company has determined UK GAAP liabilities to be equivalent to Bermudian Technical Provisions ("TP") which is the sum of Best Estimate Liabilities ("BEL") and a Risk Margin ("RM"), as determined under the Economic Balance Sheet regime.

The BEL is based on an assessment of cash flows required to satisfy insurance obligations. Best estimate corresponds to a probability weighted average of future cash flows with an allowance, where applicable, for contract boundaries. The BEL is determined by discounting the best estimate cash flows at the applicable curve depending on the underlying approach adopted. The currency of the curve is represented by the currency of the policyholder liabilities.

The cash flow projections used in the calculation of the best estimate take account of all future cash in- and out-flows required to settle the insurance obligations attributable to the lifetime of the policy, subject to contract boundaries. The cash flows are defined to continue up to the point at which:



- The insurer is no longer required to provide coverage;
- The insurer has the right or the practical ability to reassess the risk of the particular policyholder and, as a result, can set a price that fully reflects that risk; and
- The insurer has the right or the practical ability to reassess the risk of the portfolio that contains the contract and, as a result, can set a price that fully reflects the risk of that portfolio.

The RM reflects the cost of capital that a third party would apply were it to provide a price for the assumption of the BEL. It follows a cost of capital approach, with a prescribed 6% cost of capital charge. It covers all non-hedgeable risks, including insurance, operational and counterparty risk capital, projected over the contract period and discounted at risk-free.

We consider this to be an appropriate approximation of fair value, and consistent with how the business is managed more generally.

Where reserves on policies are negative (i.e. an asset rather than a liability) the negative reserve is offset against positive reserves for policies within the same grouping.

Liability adequacy testing on its insurance liabilities is performed to ensure that the carrying amount of the liabilities is sufficient to cover current estimates of future cash flows. When performing the liability adequacy test, the Company discounts all contractual cash flows and compares this amount with the carrying value of the liability. Any deficiency is immediately charged to the Consolidated Statements of Comprehensive Income by establishing a provision for reserves.

For general insurance products, the same approach is adopted as used for calculating the long-term business provision.

- *Discretionary participation features*

A discretionary participation contract entitles the policyholder to receive bonuses as a supplement to guaranteed benefits. Bonuses are declared and credited annually.

These discretionary increases or bonuses increase policy benefits and, once credited, become guaranteed. Discretionary increases or bonuses are recognized in the Consolidated Statements of Comprehensive Income within 'Change in the net provision for claims'.

- *Reinsurance*

The Company cedes insurance premiums and risk in the normal course of business. Outwards reinsurance premiums are accounted for in the same accounting period as the related premiums for the direct insurance business being reinsured. Reinsurance assets include balances due from reinsurance companies for paid and unpaid losses, ceded unearned premiums and ceded future life policy benefits. Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policy. Amounts recoverable under reinsurance contracts are assessed for impairment at each Statement of Financial Position date. If objective evidence of impairment exists, reinsurance assets are reduced to the level at which they are considered to be recoverable and an impairment loss is recognised in the technical account.

- *Deposits with ceding undertakings*

Deposits with ceding undertakings represents a receivable for assets held by ceding companies in accordance with reinsurance agreements in which the Company acts as the reinsurer. The assets withheld by the ceding company are legally owned by those companies, however the assets are legally segregated from other accounts of the cedants and all economic rights and obligations on the underlying



assets accrue to the Company. The assets are required to be sufficient to meet the associated policyholder obligations and any surplus or shortfall is periodically settled. The asset is recorded at fair value determined based on the fair value of the assets held on the Company's behalf by the ceding company.

- *Unit-linked investment contracts*

These represent portfolios maintained to meet the specific investment objectives of policyholders who bear the credit, market and liquidity risks related to the investments. Financial liabilities in respect of unit-linked investment contracts are measured at fair value through profit and loss and are presented in the Consolidated Statements of Financial Position within 'Technical provisions for linked liabilities'. Fair values are determined at each reporting date by reference to the underlying financial assets and fair value adjustments are recognised in the Consolidated Statements of Comprehensive Income. Deposits and withdrawals in respect of unit-linked investment contracts are recorded directly as an adjustment to the liability to the policyholder in the Consolidated Statements of Financial Position. Fees from unit-linked investment contracts (included in 'Other technical income') and investment income and interest payable on contract balances are recognised in the Consolidated Statements of Comprehensive Income in the year they are assessed unless they relate to services to be provided in future years, in which case they are deferred and recognised as the service is provided. The liability is derecognised when the contract expires, is discharged or is cancelled.

Foreign Currency

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions, except where this is not practical and the average exchange rates do not fluctuate significantly during the reporting period. The Company uses the posting date as an approximation of the date of the transaction.

At the end of each financial period foreign currency monetary items are translated to the functional currency using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are translated using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at exchange rates at the end of the financial period of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statements of Comprehensive Income.

For subsidiaries for which their local functional currency is not consistent with the functional currency of the Group, the results and financial position of the subsidiary are translated to the Group's presentational currency as follows:

- Assets and liabilities are translated at the closing rate at the balance sheet date;
- Income and expenses are translated at the average rate of exchange during the period; and
- All resulting exchange differences are recognised in Foreign currency translation reserve in the Capital and Reserves section of the Consolidated Balance Sheets.

Share Capital Presented as Equity

An equity instrument is a contract that references a residual interest in the net assets of an entity and for which there is (i) no contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity, potentially on unfavourable terms; or (ii)



cannot be settled in a variable number of the entity's own equity instruments or other than by exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Equity shares are recognised when issued. Incremental costs directly attributable to the issue of new equity shares or options, if material, are shown in equity as a deduction, net of tax, from the proceeds.

A non-controlling interest in the net assets of a subsidiary is included in equity.

Dividend Recognition

A dividend distribution to the Company's shareholders is recognized as a liability in the period in which the dividends are declared.

Cash and Cash Equivalents

Cash and cash equivalents includes cash-in-hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

Financial Instruments

The Company has chosen to apply the provisions of Sections 11 and 12 of FRS 102 to account for all of its financial instruments.

- *Basic Financial Assets*

Basic financial assets, including cash, trade and other debtors, short-term deposits and investments in corporate bonds are initially recognised at transaction price (including transaction costs).

Cash, trade and other debtors are subsequently measured at amortised cost using the effective interest method. The Company's corporate bonds, equities, loans and certain term deposits are upon their initial recognition designated as at fair value through profit and loss (see Other Financial Assets for further discussion).

- *Other Financial Assets*

Other financial assets are initially recognised at transaction price excluding transaction costs except for any other financial assets not measured at fair value through profit and loss. Other financial assets, as well as corporate bonds, equities, loans and certain term deposits are subsequently measured at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are subsequently measured at cost less impairment.

Realised gains and losses on investments carried at fair value through profit and loss are calculated as the difference between net sales proceeds and carrying value. In the case of investments included at amortised cost, realised gains and losses are calculated as the difference between sale proceeds and their latest carrying value. Movements in unrealised gains and losses on investments represent the difference between the fair value at the balance sheet date and their purchase price or their fair value at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

The Company uses derivatives to meet risk management objectives. Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value are recognised immediately



in the profit and loss account. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Financial assets are de-recognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of ownership of the financial asset are transferred to another party or (c) control of the financial asset has been transferred to another party who has the practical ability to unilaterally sell the financial asset to an unrelated third party without imposing additional restrictions.

At the end of each financial period, financial assets measured at amortised cost and equities whose fair values cannot be measured reliably are assessed for objective evidence of impairment. If there is objective evidence that a financial asset measured at amortised cost is impaired, an impairment loss is recognised in the Consolidated Statements of Comprehensive Income. The impairment loss is reversed if, in a subsequent period, the amount of an impairment loss decreases as a result of an event occurring after the impairment was recognized.

- *Assets covering Unit-linked Liabilities*

Assets covering linked liabilities include managed funds which hold equities, corporate bonds, cash and cash deposits and derivatives. These assets are measured at fair value at each reporting date.

- *Financial Liabilities*

Basic financial liabilities, including trade and other creditors and bank loans are initially recognised at transaction price and are subsequently carried at amortised cost, using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires. Borrowing costs are not capitalized.

Investment Property

Investment property is initially recognized at cost comprising its purchase price and any directly attributable expenditure and is subsequently measured at fair value with changes in fair value recognised in the Consolidated Statements of Comprehensive Income.

Investments in Participating Interests

Investments in participating interests are accounted for at fair value.

Fair Value Measurements

The Company measures certain financial instruments, such as debt securities, equities whose values can be measured reliably, loans, certain term deposits and derivatives, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.



The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The values of financial assets and financial liabilities are measured at fair values that are quoted in active markets based on bid prices for financial assets or ask prices for financial liabilities.

All assets, liabilities and equity items for which fair value is measured or disclosed in the Consolidated Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

- Level 1 – The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3 – Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

For assets and liabilities that are measured at fair value in the Consolidated Financial Statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole at the end of each reporting period).

Investment Income

Investment income includes interest and dividend income and is net of investment expenses and withholding taxes.

Interest income is recognised as it accrues.

Dividend income is recognised when the right to receive payment is established.

Leases

The lease that does not meet the criteria for a financial lease is recognized by the Company as an operating lease. The expenses are recognized on a straight-line basis.

The Company recognises lease income from operating leases (excluding amounts for services such as insurance and maintenance) in profit or loss on a straight-line basis over the lease term. The related asset is recognized based on its nature.

The Company recognises assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The net investment in a lease, consisting of minimum lease payments receivable and any unguaranteed residual value, is discounted at the interest rate implicit in the lease.

Employee Benefits

The Group operates a number of annual bonus plans for employees. An expense is recognised in the Consolidated Statements of Comprehensive Income when the Group has a legal or constructive obligation to make payments under the plans as a result of past events and a reliable estimate of the obligation can be made.



In addition to the annual bonus plans for employees, the Company also operates a long-term incentive ("LTI") plan. An expense is recognized when the Company has a legal or constructive obligation to make payments under the LTI plan as a result of past events and a reliable estimate of the obligation can be made. The Company recognises a liability under the LTI plan measured at the present value of the benefit obligation at the reporting date.

The Group operates a number of country-specific defined contribution plans for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

Income Tax

Income tax expense for the financial period comprises current and deferred tax. Income tax expense is presented in the same component of total comprehensive income (profit and loss reserve or other comprehensive income) as the transaction or other event that resulted in the income tax expense. Current or deferred tax assets and liabilities are not discounted.

- *Current Tax*

Current tax is the amount of income tax payable in respect of the taxable profit for the financial period or past financial periods. Current tax is measured at the amount of current tax that is expected to be paid using tax rates and laws that have been enacted or substantively enacted by the end of the financial period.

- *Deferred Tax*

Deferred tax is recognised in respect of timing differences, which are differences between taxable profits and total comprehensive income as stated in the Consolidated Financial Statements. These timing differences arise from the inclusion of income and expenses in tax assessments in financial periods different from those in which they are recognised in the Consolidated Financial Statements.

Deferred tax is recognised on all timing differences at the end of each financial period with certain exceptions. Unrelieved tax losses and other deferred tax assets are recognised only when it is probable that they will be recovered against the reversal of deferred liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the end of each financial period end and that are expected to apply to the reversal of the timing difference.

Assets Held for Sale and Discontinued Operations

The decision to sell an asset, or plans to discontinue the operation to which an asset belongs, is considered an impairment indicator, which triggers an impairment review for assets subject to this guidance. If the impairment review indicates that a loss should be recognised and such loss can be allocated to the available assets it is recognised immediately in the profit or loss. Any loss that remains unallocated will be recognized once the sale completes.



Related Party Transactions

The Company discloses transactions with related parties which are not wholly owned within the same Group. This disclosure includes transactions with shareholders and Directors. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the Directors, separate disclosure is necessary to understand the effect of the transactions on the Consolidated Financial Statements.

Critical Accounting Judgements and Estimation Uncertainty

Estimates and judgements made in the process of preparing the Consolidated Financial Statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonably possible under the circumstances.

a. Critical Judgement in Applying the Entity's Accounting Policies

In the application of the Company's accounting policies, as described in the Statement of Accounting Policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

b. Critical Accounting Estimates and Assumptions

The Directors make estimates and assumptions concerning the future of the Company in the process of preparing the Company's Consolidated Financial Statements. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

- *Technical Provisions*

The estimation of the ultimate liability arising from claims under life insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liability that the Company will ultimately pay for those claims. Estimates are made to the expected number of claims for each of the periods in which the Company is exposed to risk. The calculation incorporates assumptions regarding average claims costs, durations and delay factors. The life assurance provision is based on assumptions in relation to mortality, persistency, expenses, inflation and the discount rate.

- *Fair Value Measurements* – see Note 10 for further details.



1. Risk Management

a. Framework

The Company applies a risk governance framework aligned to the “Three Lines of Defence” model for Enterprise Risk Management. Such a model is widely adopted across the financial services industry and allows for appropriate segregation of risk ownership, oversight and assurance responsibilities.

- 1st line of defence: individuals and committees with direct responsibility for the management, control and reporting of risk;
- 2nd line of defence: individual and committees with responsibility for the design, coordination, oversight of the effectiveness and integrity of Monument Re’s risk management and internal control framework; and
- 3rd line of defence: individuals and committees providing independent assurance and challenge in respect of the effectiveness and integrity of the risk management framework.

The Company has defined principles and standards to ensure that situations that could lead to potential conflicts of interest are appropriately managed. These are formally described in the Company’s Conflicts of Interest Policy.

The Board is ultimately accountable to ensure the effective implementation of the risk management framework, which the Board reviews and approves at least annually. The Risk Committee is a committee of the Board and assists the Board by providing leadership, direction and oversight with regard to the risk management framework and other risk matters.

The risk management function, led by the Group Chief Risk Officer (“CRO”), supports the Board and its Committees in discharging their risk management-related responsibilities. The risk management function also provides challenge to the business consistent with the three lines of defence risk governance model outlined above.

The risk management framework includes the following overarching components:

- Risk strategy and appetite, aligned to the Company’s business strategy;
- Risk tolerances, limits and triggers; and
- Risk management policies and ongoing processes to identify, measure, monitor, manage and report risk.

The material risks addressed by the risk management framework include:

- Market Risk;
- Insurance Risk;
- Credit Risk;
- Operational Risk;
- Liquidity Risk;
- Group Risk;
- Strategic Risk; and
- Sustainability Risk.



The risk management framework addresses both existing and emerging risks and includes the following key risk management tools:

- Risk and Control Self-Assessment (“RCSA”);
- Event and Issue Management;
- Risk Reviews;
- Stress and Scenario Testing;
- Capital and Liquidity Projections; and
- Emerging Risk Analysis.

A period of integration is typically required in order that the risk management framework can be embedded for newly acquired businesses.

At least annually, the Company carries out a Commercial Insurer Solvency Self-Assessment and ensures that a Group Solvency Self-Assessment is performed. Stress and scenario testing and capital and liquidity projections are key aspects, as is the assessment of management actions available to mitigate risk and support capital or liquidity, either pre-emptively or in response to stress events. The results are used principally to review the appropriateness of capital and liquidity planning and to assess financial and operational resilience.

b. Market Risk

Market risk is the risk of loss or other adverse impact on the Group arising from movements in markets. The principal exposures of the Group are to interest rates, credit spreads, foreign exchange rates (currency risk), inflation rates, property and equities (and associated basis risk from hedging).

- *Interest Rate Risk*

Movements in interest rates impact the value of fixed interest assets, policyholder liabilities and associated regulatory capital requirements. The Group mitigates this risk by holding assets (including derivatives) with a slightly greater sensitivity to interest rate movements than the policyholder liabilities. This approach acts to protect Monument Re from the consequential changes to regulatory capital requirements resulting from interest rate movements. Monument Re manages its interest rate exposures in accordance with its investment and hedging policies that have strict tolerances, applied across the interest rate curve, which are monitored against the benchmark derived for each sub-portfolio.

| Sensitivities (€'000) | Net Assets Delta | Description |
|-------------------------|------------------|--|
| Interest Rate Up Risk | (70,880) | 100 basis points ("bps") parallel shift up in interest rates |
| Interest Rate Down Risk | 82,980 | 100 bps parallel shift down in interest rates |

- *Credit Spread Risk*

At 31st December 2021, Monument Re had a €8,703.1 million portfolio of fixed income and mortgage fund investments. Movements in spreads impact the market value of these fixed



interest assets. At 31st December 2021, a 50 basis point increase in spreads reduces net assets by €42.4 million.

- *Currency risk*

The Group recognises two forms of currency risk:

- Currency risk where there is a mismatch between assets and liabilities by currency ('Currency Mismatch Risk'). The Company has very low risk appetite for this risk and mitigates currency risk by matching policyholder liabilities with assets denominated in the same currency or hedged back to the same currency as the liabilities; and
- Reporting risk when translating the financial results into the reporting currency, EUR ('Currency Translation Risk').

At 31st December 2021, the Company had limited exposure to Currency Mismatch Risk. However, the Company does have exposure to Currency Translation Risk as a result of holding surplus assets, mainly in GBP and USD. The Company's main exposures to Currency Translation Risk are given below:

- A 10% appreciation in EUR relative to USD would reduce the Company's net assets by €6.2 million (\$7.8 million).
- A 10% appreciation in EUR relative to GBP would reduce the Company's net assets by €54.7 million (£50.6 million).

Conversely, the impact of a depreciation would cause an equal but opposite change in the Company's net assets.

- *Inflation rate risk*

The Group is exposed to inflation rates being higher than expected, in particular wage inflation. The impact of a 1% increase in expense inflation would reduce the Company's net assets by €32.6 million.

- *Equity risk*

Equity risk is borne directly through private equity investments and indirectly through unit-linked policies where the investor bears the investment risk. The latter exposure arises because fund charges, a source of income for the Company, depend on future performance of the unit-linked funds. These funds are typically invested in a mixture of asset classes, including equities. At the reporting date, the impact of a 20% fall in equity prices would reduce net assets by €30.2 million. This allows for the equity hedges that were in place at the reporting date.

- *Property risk*

Property risk exists from direct property exposure and the Company is at risk from a fall in property valuations.

At the reporting date, a 10% decrease in property values, and a 100 bps widening of residential mortgages would decrease Available Capital by €75.9 million.

c. Insurance Risk

Insurance risk is the risk of loss or other adverse impact on the Group arising from unexpected fluctuations in the timing, frequency or severity of insured events, or timing and amount of claim settlements and expenses.



The insurance technical provisions are sensitive to the key assumptions set out in Note 15. The sensitivity of certain variables like legislative change, uncertainty in the estimation process, etc., is not possible to quantify. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim provisions are not known with certainty at the balance sheet date.

Consequently, the ultimate liabilities will vary, possibly materially, as a result of subsequent developments. Differences resulting from reassessment of the ultimate liabilities are recognised in subsequent periods' Consolidated Financial Statements.

The Group has a large and diversified insurance portfolio. Individual sums assured are limited by product type, and reinsurance is used to further mitigate insurance concentration risk.

The table below shows the impact on net assets for a number of relevant insurance risks, allowing for reinsurance covers in place at the reporting date.

| Sensitivities (€'000) | Net Assets Delta | Description |
|----------------------------------|------------------|---|
| Unemployment and Sickness Risk | (180) | A 35% increase in morbidity rates in year 1 followed by a 25% increase in years 2+, and a 20% decrease in recovery rates; and A 40% increase in claim frequencies for one year followed by a 20% increase in claim frequencies for a further year, and a 20% decrease to claim termination rates |
| Mass Lapse Risk | (14,180) | An immediate 20% lapse of unit-linked policies in-force. Expenses are assumed to reduce in line with policies in force |
| Lapse Down (Guaranteed Savings) | (14,510) | A permanent 10% decrease in lapse rates for guaranteed savings business |
| Non-Annuitant Mortality | (20,750) | Increase in mortality for non-annuitants by 5% |
| Annuitant Mortality Improvements | (53,260) | Longevity improvements increase by 0.25% p.a. in all future years |
| Expense Risk | (65,290) | A permanent 10% increase in expenses |

The above stresses have been performed assuming contract boundaries apply.

The financial impact of a pandemic on the Company is sensitive to the age profile of excess deaths, due to opposing financial impacts on the Company's protection and annuity business. Covid-19 excess deaths in 2020 were substantially weighted towards older ages resulting in a benign overall financial impact on the Company from Covid-19.

d. Credit Risk

Credit risk is the risk of loss or other adverse impact on the Group arising from one party to a financial instrument failing to discharge an obligation. The credit risk exposures of the Group at 31st December 2021 are:

- Liquidity funds and cash deposited with banks;
- Amounts due from bond issuers;



- Deposits with ceding undertakings; and
- Amounts due from reinsurers in respect of claims already paid.

The Group manages the levels of credit risk it accepts by imposing minimum credit ratings for investment counterparties, and concentration limits to avoid overexposure to any investment counterparty, and limits in respect of reinsurance counterparty risk.

The risk of changes in the credit standing of counterparties (e.g. downgrades for rated counterparties) is an aspect of credit risk. Credit investments are also typically exposed to the risk of changes in market value arising from market movements, which may or may not be related to changes in the market's perception of the creditworthiness of the counterparty. This is considered under Market Risk below.

The following table provides information regarding credit risk exposure of financial instruments within the Group at 31st December 2021 and 2020 by classifying them according to external credit ratings.

| | AAA | AA | A | BBB | BB | Not rated | Total ⁽¹⁾ |
|---|------------------|------------------|----------------|----------------|---------------|------------------|----------------------|
| December 31, 2021 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| Financial instruments: | | | | | | | |
| Debt securities and other fixed income securities | 1,167,230 | 1,645,339 | 320,397 | 766,755 | 13,685 | 318,160 | 4,231,566 |
| Equities and equity funds | — | — | — | — | — | 1,228,940 | 1,228,940 |
| Residential mortgage funds ⁽²⁾ | — | 106,421 | — | — | — | — | 106,421 |
| Loans and receivables | — | — | — | — | — | 907,750 | 907,750 |
| Fixed income mutual funds | — | — | — | — | — | 457,428 | 457,428 |
| Private credit funds | — | — | — | — | — | 244,481 | 244,481 |
| Alternative funds | — | — | — | — | — | 50,543 | 50,543 |
| Derivatives | — | (9,471) | (2,431) | (66) | — | — | (11,968) |
| Other | — | — | — | — | — | 23,946 | 23,946 |
| Total | 1,167,230 | 1,742,289 | 317,966 | 766,689 | 13,685 | 3,231,248 | 7,239,107 |

(1) The financial instruments at 31st December 2021 above exclude financing leases of €150.2 million and policyholder loans of €36.9 million.

(2) The rating represents an assigned internal rating as stated in the Group Investment Policy. The rating is determined based on input from the investment manager and Management's knowledge and expertise.



| December 31, 2020 | AAA €'000 | AA €'000 | A €'000 | BBB €'000 | BB €'000 | B €'000 | Not rated €'000 | Total ⁽¹⁾ €'000 |
|---|----------------|----------------|----------------|----------------|---------------|------------|--------------------|-------------------------------|
| Financial instruments: | | | | | | | | |
| Debt securities and other fixed income securities | 254,678 | 296,261 | 155,449 | 275,121 | 12,325 | 87 | 10,339 | 1,004,259 |
| Equity mutual funds | — | — | — | — | — | — | 76,887 | 76,887 |
| Residential mortgage funds ⁽²⁾ | — | 100,343 | — | — | — | — | — | 100,343 |
| Loans and receivables | — | 17,769 | — | — | — | — | — | 17,769 |
| Term deposit | — | — | 5,006 | — | — | — | — | 5,006 |
| Infrastructure debt | — | — | — | — | — | — | 11,700 | 11,700 |
| Private credit funds | — | — | — | — | — | — | 12,076 | 12,076 |
| Alternative funds | — | — | — | — | — | — | 25,000 | 25,000 |
| Derivatives | — | 3,118 | (2,219) | 780 | — | — | — | 1,679 |
| Other | — | — | — | — | — | — | 491 | 491 |
| Total | 254,678 | 417,491 | 158,236 | 275,901 | 12,325 | 87 | 136,493 | 1,255,210 |

(1) The financial instruments at 31st December 2020 above exclude policyholder loans of €11.6 million.

(2) The rating represents an assigned internal rating as stated in the Group Investment Policy. The rating is determined based on input from the investment manager and Management's knowledge and expertise.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim, the Group remains liable for the payment to the policyholder. Management assesses the creditworthiness of all the Group's reinsurers on a periodic basis.

Certain subsidiaries within the Group are also exposed to credit risk on its insurance policies for which premiums are collected by monthly direct debit. This risk is accepted as part of the normal business practice of collecting premiums by monthly direct debits. No debtors were past due at 31st December 2021.

e. Operational Risk

Operational risk is the risk of loss or other adverse impact on the Group arising from inadequate or failed internal processes, personnel or systems or external. Operational risks include, inter alia, outsourcing arrangements to external providers, information systems (including information and cyber security), legal, compliance, regulatory, fraud and people risks. The main operational risks of the Group are:

- The risk of the inability to protect customer and Group data from unauthorised access, use and disclosure from, for example, a cyber-security incident;



- The risk of exposing the Group to overseas taxation through the creation of a Permanent Establishment (“PE”) outside Bermuda; and
- The risk of financial or reputational loss from the failure/non-performance of outsourcing/ third party arrangements.

The Company's risk management framework provides for the timely identification, measurement, monitoring and control of operational risk. The Company has in place a tested business continuity plan and a cyber insurance policy.

f. Liquidity Risk

Liquidity risk is the risk of loss or other adverse impact on the Group arising from insufficient liquidity resources being available to meet obligations as they fall due. The main liquidity risks facing the Group are obligations to:

- pay policyholder claims and expenses; and
- meet derivative margin and reinsurance collateral requirements.

These risks are mitigated by cash holdings and highly liquid investments held in accordance with the Group's Liquidity Framework. The Liquidity Framework requires a forward-looking assessment of liquidity requirements, including those arising from derivative margin and reinsurance collateral mechanisms, and maintenance of a liquidity buffer to cover severe market and demographic stress. Further details of the Group's exposure to derivatives at 31st December 2021 is provided in Note 10.

Analysis of contract liabilities maturities

The maturities of the Company's contract liabilities for the years ended 31st December 2021 and 2020 are shown below. Cash flows assume the application of contract boundaries and are gross of reinsurance.

| For the year ended 31 st December 2021 | Premiums | Claims | Expenses | Total |
|---|--------------------|-------------------|----------------|------------------|
| Maturities | €'000 | €'000 | €'000 | €'000 |
| Less than 1 year | (224,203) | 1,279,054 | 52,811 | 1,107,662 |
| 1-2 years | (202,202) | 671,050 | 42,875 | 511,723 |
| 2-3 years | (186,531) | 657,495 | 40,173 | 511,137 |
| 3-4 years | (171,315) | 619,968 | 39,488 | 488,141 |
| Over 5 years | (1,319,777) | 7,218,155 | 417,519 | 6,315,897 |
| Total | (2,104,028) | 10,445,722 | 592,866 | 8,934,560 |



| For the year ended 31 st December 2020 | Premiums | Claims | Expenses | Total |
|---|--------------------|------------------|----------------|------------------|
| Maturities | €'000 | €'000 | €'000 | €'000 |
| Less than 1 year | (146,315) | 418,112 | 23,781 | 295,578 |
| 1-2 years | (135,076) | 375,453 | 18,623 | 259,000 |
| 2-3 years | (124,250) | 354,772 | 19,026 | 249,549 |
| 3-4 years | (113,965) | 338,055 | 16,196 | 240,287 |
| Over 5 years | (854,836) | 3,373,294 | 110,941 | 2,629,399 |
| Total | (1,374,442) | 4,859,687 | 188,568 | 3,673,812 |

See also Note 16 in relation to maturities associates with outstanding debt.

g. Group Risk

Group risk is the risk of loss or other adverse impact on the Group arising from financial or non-financial relationships between entities within the Group. This includes reputational, contagion, accumulation, concentration and intra-group transactions risk.

Risk reporting at Group level mitigates the risk of unidentified risk accumulations or concentrations. Significant commonality of Board composition mitigates the risk of lack of awareness or communication of activity in different parts of the Group. Intra-group transaction risks are mitigated by close scrutiny of intra-group transactions including external specialist input where appropriate. Conflicts are managed in accordance with the Group's conflicts of interest policy.

h. Strategic Risk

Strategic risk is the risk of loss or other adverse impact on the Group arising from failing to identify and react appropriately to opportunities and/or threats arising from changes in the market, some of which may emerge over a number of years.

The Group includes solvency and financial condition risk within strategic risk, given the importance of the group's solvency position to the achievement of the Group's objectives.

The nature of the Group's operations within the EU means that different regulatory capital regimes apply to subsidiaries subject to the Solvency II Framework Directive as adopted by local regulators. This requires the Group to operate a robust capital management framework to ensure applicable regulatory requirements and stakeholder expectations are met.

The Company maintains sufficient equity shareholders' funds to meet the regulatory capital requirements of the business. The Company is licensed by the BMA as a Class E long-term insurer and is subject to the Insurance Act 1978, as amended (Bermuda Insurance Act) and regulations promulgated thereunder. The BMA also acts as the Insurance Group regulatory supervisor. The BMA has integrated the EBS framework into the determination of Bermuda Solvency and Capital Requirement ("BSCR"). The European Commission has granted the BMA's regulatory regime for reinsurance, group solvency calculation and group supervision full equivalence to the European Union's Directive (2009/138/EC, or "Solvency II"). Under the Bermuda Insurance Act, the Company is required to maintain statutory capital and surplus to meet the Minimum Margin of Solvency ("MSM") which is equal to the greater of USD 8 million (€6.5 million) or 2% of the first USD 500 million of Statutory Financial Statements ("SFS") assets plus 1.5% of SFS assets above USD 500 million (€407 million), subject to a floor of 25% of the Enhanced Capital Ratio ("ECR").



As an insurance group, the Company must ensure that the value of the insurance group's total statutory economic capital and surplus, calculated in accordance with Schedule XIV of the Insurance (Prudential Standards) (Insurance Group Solvency Requirement) Rules 2011, exceeds the aggregate of:

- the aggregate MSM of each qualifying member of the Group controlled by the parent company; and
- the parent company's percentage shareholding in the member multiplied by the member's MSM, where the parent company exercises significant influence over a member of the group but does not control the member.

There were no breaches of the regulatory capital requirements during the financial period.

Further key strategic risks for the Group are:

- Future transactions significantly underperform, or the Group is not successful in making future acquisitions;
- Regulatory, legal and fiscal risk exposure from potential changes in the regulatory, legal and fiscal environment in which the company operates.

i. Sustainability Risk

Sustainability risk is the risk of loss or other adverse impact on the Group arising from ESG risks, or the risk of adverse social or environmental externalities arising from the activities of the Group. Key sustainability risks for the Group are transition risk and physical risk, arising from the Company's investment portfolio.

The Company's Sustainability Risk Policy, in conjunction with the Risk Management Policy, sets out requirements for the identification, assessment, monitoring, management and reporting of sustainability risks. The Company's Investment Policy establishes limits in respect of ESG criteria and risk concentrations, and the composition of the Company's asset portfolio is monitored relative to those limits on an ongoing basis.

The Group promotes corporate social responsibility, and community investment.

2. Business Combinations

On 15th December 2021, following receipt of regulatory approval, the Company completed the acquisition of the insurance portfolio of Integrale SA ("Integrale")("Integrale Acquisition"). The relevant assets and liabilities as well as personnel were transferred to Monument Re's Belgian subsidiary Monument Assurance Belgium ("MAB").

On 16th February 2021, following receipt of regulatory approval, the Company completed the acquisition of the Charles Taylor Group's Isle of Man life and investment operations, which include LCL International Life Assurance Company Limited (subsequently renamed Monument International Life Assurance Company Limited) and represents the core life insurance entity in the Isle of Man.

Combined, these transactions have led to a bargain purchase gain of €92.7 million, recognised directly in the Statement of Comprehensive Income for the year ended 31st December 2021.

In 2020, Monument Re completed acquisitions of Cattolica Life DAC (subsequently renamed Omega Life DAC) and GreyCastle Holdings Ltd. (subsequently renamed Monument Holdings Ltd.) and its subsidiaries, which resulted in a bargain purchase gain of €278.4 million.



3. Portfolio Transfer

On 31st December 2021, the Group completed the acquisition of the closed-block portfolio of variable annuities from Athora Ireland plc, a wholly-owned subsidiary of Athora Holding Ltd. ("Athora Portfolio Transfer"). This transaction was initially effected as reinsurance through Monument Re Limited ("Athora Reinsurance"). In accordance with the approval of the Irish High Court, the portfolio has transferred to Monument Life Insurance DAC ("MLIDAC") with unchanged terms and conditions for policyholders.

On 1st April 2021, following receipt of regulatory approval, Monument Re completed the acquisition of a classical life retail insurance book from Allianz Benelux (Belgium) ("Allianz Portfolio Transfer").

In 2020, Monument Re acquired a portfolio of unit-linked international portfolio bond policies from Zurich Life Assurance plc., and a portfolio of Irish annuities from Rothesay Life Plc., a U.K. provider of regulated insurance solutions.

4. Gross Premiums Written

a. Gross Premiums Written

Gross premiums written consist of:

| | Year Ended 31 st December 2021 €'000 | Year Ended 31 st December 2020 €'000 |
|-------------------------------|--|--|
| Direct insurance | 2,525,837 | 30,767 |
| Assumed insurance | 215,557 | 70,401 |
| Gross premiums written | 2,741,394 | 101,168 |

The increase in direct gross premiums written for the year ended 31st December 2021 compared to the year ended 31st December 2020 was driven primarily by the Allianz Portfolio Transfer and Athora Portfolio Transfer.

Assumed premiums for the years ended 31st December 2021 and 2020 were primarily driven by Monument Segregated Account Company Limited ("MSAC"). The premiums were comparatively lower in 2020 as a result of MSAC premiums being included in the Company's results from its acquisition date, 27th May 2020, and due to a new quota share reinsurance transaction on a funds withheld basis entered into in 2021 (see also Note 17 for further details).

Gross premiums written consist of:



| | Year Ended 31 st December 2021 €'000 | Year Ended 31 st December 2020 €'000 |
|---|--|--|
| <u>Direct Non Participating Premiums</u> | | |
| Recurring Premiums | | |
| Protection | 24,781 | 1,592 |
| PPI - Designated as Life | 11,139 | 5,545 |
| PPI - Designated as General Business | 7,561 | 16,885 |
| Savings and Guarantees | 860 | 3,723 |
| Other | 2,615 | — |
| | 46,956 | 27,745 |
| Premiums Acquired During the Year | | |
| Protection | 1,371,942 | — |
| | 1,418,898 | 27,745 |
| <u>Direct Participating Premiums</u> | | |
| Recurring Premiums | | |
| Protection | 2,134 | 3,022 |
| Other | 5 | — |
| | 2,139 | 3,022 |
| Premiums Acquired During the Year | | |
| Annuities | 1,103,893 | — |
| Other | 907 | — |
| | 1,104,800 | — |
| | 1,106,939 | 3,022 |
| <u>Assumed Non Participating Premiums</u> | | |
| Recurring Premiums | | |
| Annuities | 71,897 | 41,959 |
| Protection | 48,844 | 28,442 |
| | 120,741 | 70,401 |
| Premiums Acquired During the Year | | |
| Protection | 78,968 | — |
| Annuities | 15,848 | — |
| Other | — | — |
| | 94,816 | — |
| Gross premiums written | 2,741,394 | 101,168 |



b. Geographical Analysis Premium

Gross premiums written relate to the following countries:

| | Year Ended 31 st December 2021 €'000 | Year Ended 31 st December 2020 €'000 |
|-------------------------------|--|--|
| United Kingdom | 1,212,286 | 85,292 |
| Belgium | 1,398,765 | 3,680 |
| Germany | 85,802 | 3 |
| Ireland | 22,569 | 3,700 |
| France | 15,699 | 3,440 |
| Netherlands | 2,007 | 633 |
| United States of America | 1,139 | 508 |
| Italy | 1,093 | 1,264 |
| Other | 2,034 | 2,648 |
| Gross premiums written | <u>2,741,394</u> | <u>101,168</u> |



5. Investment Return

| | Year Ended 31 st December 2021 €'000 | Year Ended 31 st December 2020 €'000 |
|--|--|--|
| (a) Technical Account - General Business | | |
| Investment income | | |
| Income on financial assets at fair value through profit and loss | 263 | 152 |
| Losses on realisation of investments | (73) | (158) |
| | 190 | (6) |
| Net unrealised gains and losses on investments | (244) | 59 |
| Investment expenses and charges | | |
| Investment management expenses | — | (1) |
| Net investment return - General Business | (54) | 52 |
| (b) Technical Account - Long-term Business | | |
| Investment income | | |
| Income on financial assets at fair value through profit and loss | 60,288 | 41,598 |
| Gains / (losses) on realisation of investments | (29,854) | 25,344 |
| | 30,434 | 66,942 |
| Net unrealised losses on investments | (71,105) | (4,224) |
| Income / (loss) from deposits with ceding undertakings | (79,386) | 167,859 |
| Investment expenses and charges | | |
| Investment management expenses | (9,684) | (5,096) |
| Net investment return - Long-term Business | (129,741) | 225,481 |
| (c) Non-technical Account | | |
| Investment income | | |
| Income on financial assets at fair value through profit and loss | 7,653 | 2,426 |
| | 7,653 | 2,426 |
| Net unrealised gains and losses on investments | (11,412) | 3,448 |
| Investment expenses and charges | | |
| Investment management expenses | (879) | (418) |
| Net investment return - Non-technical account | (4,638) | 5,456 |
| Net investment return | (134,433) | 230,989 |



6. Operating Expenses

a. Operating Expenses

| | Year Ended 31 st December 2021 €'000 | Year Ended 31 st December 2020 €'000 |
|---|--|--|
| Administrative expenses | 122,008 | 95,166 |
| Reinsurance commission and profit participation | 11,931 | 8,959 |
| Operating expenses | 133,939 | 104,125 |

b. Key Management Compensation

Key management includes the Directors and members of senior management. The compensation paid or payable to key management for employee services included in 'Operating expenses' for the year ended December 31, 2021 and 2020 was €26.3 million and €22.4 million, respectively.

The Company operates a long-term incentive plan ("LTIP") designed to recognise transactions that demonstrate the emergence of anticipated value. The Company awards a portion of the value generated to key executives involved in delivering the transaction and in the ongoing management of the associated business. The value assessment takes account of the risks and rewards of the transaction. The experience assumed in pricing is tested over a four year period with phased payments to participants if the experience emerges in line with assumptions with 25% (end of year 2), 35% (end of year 3) and 40% (end of year 4).

c. Auditors' Remuneration

The auditors' remuneration included in 'Operating expenses' for the years ended 31st December 2021 and 2020 was as follows:

| | Year Ended 31 st December 2021 €'000 | Year Ended 31 st December 2020 €'000 |
|--|--|--|
| Fees related to the audit of | | |
| - The consolidated financial statements | 319 | 422 |
| - The Company's subsidiaries | 2,328 | 1,284 |
| Fees related to audit | 2,647 | 1,706 |
| Fees related to other assurance services | 447 | 152 |
| Total | 3,094 | 1,858 |



7. Taxation

a. Tax on Profit on Ordinary Activities

| | Year Ended 31 st December 2021 €'000 | Year Ended 31 st December 2020 €'000 |
|---|--|--|
| Current Tax | | |
| Corporation tax expense /(benefit) on profit for the financial year | 3,174 | (999) |
| Adjustment in respect of prior financial years | — | 91 |
| Current tax expense/(benefit) for the financial year | 3,174 | (908) |
| Deferred Tax | | |
| Origination and reversal of timing differences | — | (642) |
| Deferred tax charge / (credit) for the year | 12,590 | (1,031) |
| Tax expense/(benefit) on profit on ordinary activities | 15,764 | (2,581) |

b. Reconciliation of Tax Expense

Tax assessed for the years ended 31st December 2021 and 2020 is higher than the standard rate of corporation tax in Bermuda of 0%. The differences are as follows:

| | Year Ended 31 st December 2021 €'000 | Year Ended 31 st December 2020 €'000 |
|---|--|--|
| Profit on ordinary activities before tax | 168,631 | 472,962 |
| Standard tax rate for Bermuda | 0% | 0% |
| Profit on ordinary activities before tax multiplied by the standard rate of tax for Bermuda | — | — |
| Effect of: | | |
| Foreign taxes at local expected tax rates | 6,024 | (609) |
| Loss carryforwards | (2,992) | (1,058) |
| Expenses not deductible for tax purposes | 841 | 2,206 |
| Deductions allowable for tax purposes | (699) | (1,537) |
| Adjustment in respect of prior financial years | — | 90 |
| Current tax expense/(benefit) for the year | 3,174 | (908) |

The standard rate of tax in Republic of Ireland, Belgium, Luxembourg, Italy and Netherlands was 12.5%, 25%, 24.94%, 30.82% and 25%, respectively, for the year ended 31st December 2021. The standard rate



of tax in Republic of Ireland, Belgium, Luxembourg, Italy and Netherlands was 12.5%, 25%, 27.11%, 30.82% and 25%, respectively, for the year ended 31st December 2020.

c. Deferred Tax

The provision for deferred taxation included in 'Other creditors including taxation and social security' in the Consolidated Statements of Financial Position at 31st December 2021 and 2020 is as follows:

| | Year Ended 31 December 2021 | Year Ended 31 December 2020 |
|--|--------------------------------|--------------------------------|
| | €'000 | €'000 |
| Deferred tax acquired on business combinations | 43,650 | 3,684 |
| Deferred tax | 43,650 | 3,684 |

Deferred tax was recorded in Belgium, the Netherlands, Italy and Ireland and the enacted tax rates related to the releases of the deferred tax balance are expected to be 25%, 25%, 30.82% and 12.5%, respectively. Of the deferred tax in the table above, €6.9 million is expected to be released in 2022.

8. Investment Property

The Group acquired investment property of €669.2 million as part of the Integrale Acquisition. The recorded fair value of the investment property was based on valuation provided by an established independent third party, using proprietary valuation methods.

9. Investments in Group Undertakings

Set out below are the Company' investments in the primary regulated entities at 31st December 2021. All subsidiaries set out below are included in the consolidation.

| Subsidiary undertakings | Country of Incorporation | Principal activity | Class of shares held | Percentage of nominal value and voting rights |
|---|-----------------------------|--------------------|----------------------------|---|
| Monument Life Insurance DAC ("MLIDAC") | Republic of Ireland | Life Assurance | Ordinary | 100% |
| Monument Assurance Belgium N.V. ("MAB") | Belgium | Life Assurance | Ordinary | 100% |
| Monument Assurance Luxembourg S.A. ("MAL") | Luxembourg | Life Assurance | Ordinary | 100% |
| Robein Leven NV | Netherlands | Life Assurance | Ordinary | 100% |
| Nordben Life and Pension Insurance Co. Limited | Guernsey | Life Assurance | Ordinary | 100% |
| Monument Segregated Account Company Limited ("MSAC") | Bermuda | Life Assurance | Ordinary | 100% |
| Monument International Life Assurance Co. Limited ("MILAC") | Isle of Man | Life Assurance | Ordinary | 100% |



10. Financial Instruments

a. Financial Assets

The carrying values of financial assets included in 'Other financial investments', 'Deposits with ceding undertakings' and 'Assets covering unit-linked liabilities' in the Company's Consolidated Statements of Financial Position at 31st December 2021 and 2020 were as follows:

| | 31 st December 2021 | 31 st December 2020 |
|--|--------------------------------|--------------------------------|
| | €'000 | €'000 |
| Held at fair value through profit and loss | | |
| Debt securities and other fixed income securities | 4,231,566 | 1,004,259 |
| Equities and equity funds | 1,228,940 | 76,887 |
| Residential mortgage fund | 106,421 | 100,343 |
| Loans and receivables | 907,750 | 17,769 |
| Finance leases | 150,174 | — |
| Policy loans | 36,861 | 11,569 |
| Term deposit | — | 5,006 |
| Fixed income mutual funds | 457,428 | 11,700 |
| Private credit funds | 244,481 | 12,076 |
| Alternative funds | 50,543 | 25,000 |
| Derivatives | (11,968) | 1,679 |
| Other | 23,946 | 491 |
| Other financial investments | 7,426,142 | 1,266,779 |
| Deposits with ceding undertakings | 2,704,931 | 2,955,259 |
| Assets covering unit-linked liabilities⁽¹⁾ | 2,174,054 | 1,367,272 |

(1) At 31st December 2020 excludes assets under the funds held agreement with MetLife of €36.7 million. During the first quarter of 2021, the asset transferred to the Company's subsidiary Monument Life insurance DAC as a part of the completion of the MetLife transaction in 2019.

b. Deposits with Ceding Undertakings

At 31st December 2021, the Company's Consolidated Statement of Financial Position included within 'Investments – Deposits with ceding undertakings' financial assets of €2,704.9 million (2020: €2,955.3 million) related to the MSAC business acquired during 2020 as well as a new quota share reinsurance agreement on a funds withheld basis entered into in 2021.

c. Fair Value Hierarchy

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:



- Level 1 - Quoted prices in an active market; the investments in this category generally include equities listed on a major exchange, quoted fixed income funds, government issued bonds, government sponsored or government agency issued bonds; government sponsored enterprises bonds, supranational and corporate bonds for which quoted prices in active markets are available;
- Level 2 - Recent transactions of an identical asset if there is unavailability of quoted prices; the investments in this category generally include government issued bonds, government sponsored or government agency issued bonds; government sponsored enterprises bonds, supranational and corporate bonds, certain loans and term deposits; and
- Level 3 - Use of a valuation technique if there is no active market or other transactions which are a good estimate of fair value; the investments in this category include certain illiquid fixed income securities, equities, residential mortgage funds, loans and receivables, policyholder loans, certain fixed income and alternative funds and derivatives.

| 31 st December 2021 | Level 1 €'000 | Level 2 €'000 | Level 3 €'000 | Total €'000 |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
| Debt securities and other fixed income securities | 3,130,261 | 1,050,669 | 50,636 | 4,231,566 |
| Equities and equity funds | 895,286 | — | 333,654 | 1,228,940 |
| Residential mortgage fund | — | — | 106,421 | 106,421 |
| Loans | — | 15,768 | 891,982 | 907,750 |
| Finance leases | — | — | 150,174 | 150,174 |
| Policyholder loans | — | — | 36,861 | 36,861 |
| Term deposit | — | — | — | — |
| Fixed income mutual funds | 215,564 | — | 241,864 | 457,428 |
| Private credit funds | — | — | 244,481 | 244,481 |
| Alternative funds | — | — | 50,543 | 50,543 |
| Derivative asset | — | — | 6,671 | 6,671 |
| Other | — | 23,946 | — | 23,946 |
| Derivative liability | — | — | (18,639) | (18,639) |
| Other financial investments | <u>4,241,111</u> | <u>1,090,383</u> | <u>2,094,648</u> | <u>7,426,142</u> |
| Deposits with ceding undertakings⁽¹⁾ | 49,674 | 2,654,677 | — | 2,704,351 |
| Assets covering unit-linked liabilities⁽²⁾ | 1,642,584 | 421,072 | 105,485 | 2,169,141 |
| Financial Liabilities | (1,642,584) | (421,072) | (105,485) | (2,169,141) |

(1) Deposits with ceding undertakings exclude cash and cash equivalents of €0.6 million.

(2) Assets covering unit-linked liabilities in the table above exclude cash of €4.8 million and €0.1 million prepayments and creditors arising out of direct insurance and reinsurance operations.



| 31 st December 2020 | Level 1 €'000 | Level 2 €'000 | Level 3 €'000 | Total €'000 |
|--|------------------|------------------|------------------|--------------------|
| Debt securities and other fixed income securities | 438,067 | 566,192 | — | 1,004,259 |
| Equity mutual funds | 76,887 | — | — | 76,887 |
| Residential mortgage fund | — | — | 100,343 | 100,343 |
| Loans | — | — | 17,769 | 17,769 |
| Policyholder loans | — | — | 11,569 | 11,569 |
| Term deposit | — | 5,006 | — | 5,006 |
| Fixed Income mutual funds | — | — | 11,700 | 11,700 |
| Private credit funds | — | — | 12,076 | 12,076 |
| Alternative funds | — | — | 25,000 | 25,000 |
| Derivative asset | — | — | 51,072 | 51,072 |
| Other | — | 491 | — | 491 |
| Derivative liability | — | — | (49,393) | (49,393) |
| Other financial investments | 514,954 | 571,689 | 180,136 | 1,266,779 |
| Deposits with ceding undertakings | — | 2,955,259 | — | 2,955,259 |
| Assets covering unit-linked liabilities⁽¹⁾ | 896,633 | 393,393 | 71,635 | 1,361,661 |
| Financial Liabilities | (896,633) | (393,393) | (71,635) | (1,361,661) |

(1) Assets covering unit-linked liabilities in the table above exclude assets held by a ceding undertaking of €36.7 million (see Note 10.a) and cash of €5.6 million.

The Company determines fair value based on the following methods of valuation and assumptions:

- *Debt securities and other fixed income securities* – Securities that are actively traded are priced based on quoted market prices. Other fixed income securities are priced by independent pricing services. The independent pricing services use actual transaction prices for securities that have been actively traded. For securities that have not been actively traded, each pricing source has its own proprietary method to determine the fair value. For Level 2 assets these include index pricing for identical assets, and for Level 3 assets, fair value is estimated using the discounted cash flow method.
- *Residential mortgage fund* – The net asset value of the fund is provided on a monthly basis.
- *Fixed income and Equity mutual funds* – The funds that are actively traded and where quoted prices are available are included in Level 1. Funds with no unobservable market price and one of a number of internal valuation models used to value the assets have been classified as Level 3 investments.
- *Equities* - Shares that are actively traded and where quoted prices are available are included in Level 1. Where equities have been priced internally or no quoted market price is available either because they are a private issue, have defaulted or suspended, then they are included in Level 3.



- *Loans* – Mortgage loans and other loans included in Level 3 are valued using the prevailing risk-free market interest rate for the remaining term, plus credit and liquidity surcharges. In the absence of recent observable market transactions and an illiquid market, the use of a discounted cash flow method to estimate the fair value has been used. Mortgage loans valued using observable inputs were included in Level 2.
- *Policyholder loans* – Policy loans represent partial surrenders where the policyholder has surrendered a portion of their policy and are valued based on an assessment of cash flows required to satisfy future obligations, discounted at the risk free curves provided by the Bermuda Monetary Authority. The currency of the curve is represented by the currency of the policyholder liabilities.
- *Term deposits* – Term deposits are valued using the prevailing risk-free market interest rate for the remaining term, plus credit and liquidity surcharges.
- *Private credit and alternative funds* – These funds have no unobservable market price and one of a number of internal valuation models are used to value an asset. As such, these have been classified as Level 3 investments.
- *Derivatives* – The Company's derivatives included in Level 3 are valued based on counterparty bank's internal models.
- *Finance leases* – Finance leases are valued using a discounted cash flow technique incorporating the prevailing risk-free market interest rate for the remaining term, plus credit and liquidity surcharges. In the absence of recent observable market transactions and an illiquid market, leases are included in Level 3, otherwise, they are included in Level 2.
- *Deposits with ceding undertakings* - The underlying investments are managed directly and predominantly represent actively traded bonds.
- *Assets covering unit-linked liabilities and financial liabilities* – The assets include investments in publicly traded funds, shares and debt securities for which quoted prices are available and unquoted debt securities and investments in funds. The liabilities reflect the value of these assets.

To validate prices, the Company compares the fair value estimates to its knowledge of the current market and will investigate prices that it considers not to be representative of fair value.

d. Financial Liabilities

The fair value of financial liabilities related to the unit-linked contracts of €2,174.1 million (2020: €1,404.0 million) is equivalent to the amount payable under the contract, based on the current asset value. This includes liabilities associated with a funds withheld agreement of €nil (2020: €36.1 million).

The fair value of financial liabilities related to debt of €813.6 million (2020: nil) approximates their carrying values.

The carrying value of financial liabilities associated with preference shares of €77.5 million reflects their fair value and is based on the associated net assets determined based on the fair value of the underlying funds (see also Note 17).



e. Finance Leases

The carrying value of finance leases acquired on the Integrale Acquisition at 31st December 2021 was €150.2 million. The reconciliation between the gross investment in the lease and the present value of minimum lease payments receivable at 31st December 2021 was as follows:

| | <1 year | 1-5 years | >5 years | Gross investment in the lease |
|--------------------------------|---------|-----------|----------|-------------------------------|
| 31 st December 2021 | €'000 | €'000 | €'000 | €'000 |
| Minimum lease payments | 45,382 | 75,442 | 34,864 | 155,688 |

The unguaranteed residual value at 31st December 2021 was approximately €71 million.

11. Assets covering Unit-linked Liabilities

Assets covering unit-linked liabilities relate to unit-linked investment contracts.

At 31st December 2021, the total balance of €2,174.1 million (2020: €1,404.0 million) includes assets on a funds withheld basis of €nil (2020: €36.7 million).

An analysis of financial assets covering unit-linked liabilities is included in Note 10 above.

12. Intangible Assets

Intangible assets of €19.3 million and €14.9 million at 31st December 2021 and 2020, respectively, primarily relate to value-in-force of newly acquired unit-linked investment business when the value is negative ("AVIF"). This intangible asset is subject to amortisation based on the expected run-off of the unit-linked assets, which is dependent on the lapse rate assumed on the acquisition date.

The movement in the intangible assets for the years ended 31st December 2021 and 2020 was as follows:

| | 31 st December 2021 | | | 31 st December 2020 |
|--|--------------------------------|--------------|---------------|--------------------------------|
| | AVIF | Other | Total | AVIF/Total |
| | €'000 | €'000 | €'000 | €'000 |
| Balance at 1 st January | 14,941 | — | 14,941 | 15,846 |
| Additions/(disposals) | 4,275 | 2,132 | 6,407 | — |
| Amortisation expense ⁽¹⁾ | (1,970) | (125) | (2,095) | (905) |
| Balance at 31st December | 17,246 | 2,007 | 19,253 | 14,941 |

(1) The amortisation expense for the year ended 31st December 2020, included in Operating expenses, consists of the amortisation expense of €1.5 million offset by the cumulative impact of the reversal related to prior years of €0.6 million.

The carrying amount and accumulated amortisation of the intangible assets at 31st December 2021 and December 2020 were as follows:



| | 31 st December 2021 €'000 | | | 31 st December 2020 €'000 |
|--|--|--------------|---------------|--|
| | AVIF | Other | Total | AVIF/Total |
| Intangible assets subject to amortisation | | | | |
| Cost | 22,545 | 2,132 | 24,677 | 18,270 |
| Accumulated amortisation | (5,299) | (125) | (5,424) | (3,329) |
| Carrying Value | 17,246 | 2,007 | 19,253 | 14,941 |

13. Debtors

| | 31 st December 2021 €'000 | 31 st December 2020 €'000 |
|--|--|--|
| Debtors | | |
| Debtors arising out of direct insurance operations | | |
| Policyholders | 18,154 | 1,577 |
| Debtors arising out of reinsurance operations | 1,054,364 | 25,372 |
| Other debtors including tax and social security | | |
| Tax recoverable | 12,358 | 9,216 |
| Other debtors | 31,762 | 6,152 |
| Other debtors | 44,120 | 15,368 |
| Total debtors | 1,116,638 | 42,317 |

Funds due from policyholders relates to premiums collected for which cash is received one month in arrears by the Group.

The increase compared to the previous year end was primarily driven by the Athora Portfolio Transfer and represents a modified coinsurance agreement ("Modco") with New Reinsurance Company Limited ("NewRe"). The company's subsidiary MLIDAC executed two reinsurance agreements with NewRe, a highly rated counterparty to reinsure the risks associated with the variable annuity book of business. MLIDAC retains ownership of the assets and the accompanying fee, commissions and guarantee income associated with these assets. A reinsurance premium is subsequently paid to the counterparty for the risks covered as part of the reinsurance agreement. MLIDAC retains associated expense and partial longevity risks.



14. Equity Share Capital

| | 2021 31 st December | 2020 31 st December |
|---|-----------------------------------|-----------------------------------|
| Authorised | | |
| Ordinary shares at €0.8734 each | 150,000 | 150,000 |
| | €'000 | €'000 |
| Allotted, called up and fully paid - presented as equity | | |
| Ordinary shares at €0.8734 each | 52,491 | 52,491 |

During 2021, the Company received a capital contribution of €66.0 million (2020: €376.8 million) from the parent company.

At 31st December 2021 and 2020, there were 60.1 million issued ordinary shares. There is a single class of equity share. There are no restrictions on the distribution of dividends and the repayment of capital. All shares carry equal voting rights and rank for dividends to the extent to which the total amount on each share is paid up.

During the year ended 31st December 2021, the Company paid a dividend of €89.1 million to its parent company, FINCO.

The non-controlling interest of €45.1 million (2020: €nil) arose on the Integrale Acquisition and is primarily related to a number of real-estate vehicles.

15. Technical Provisions

The Company has determined UK GAAP liabilities to be equivalent to Bermudian Technical Provisions ("TP") which is given by the sum of BEL and a RM, as determined under the EBS regime.

The BEL is based on an assessment of cash flows required to satisfy insurance obligations. Best estimate corresponds to a probability-weighted average of future cash flows with an allowance, where applicable, for contract boundaries. The BEL is determined by discounting the best estimate cash flows using the discount rate approach approved by the Board. For asset intensive business, the Company uses the Scenario Based Approach as described in the BMA's Guidance Note for Commercial Insurers and Groups Statutory Reporting Regime (dated 30th November 2016) or the standard rates provided by the BMA, for all other business, risk-free rates provided by the BMA are used. The currency of the curve is represented by the currency of the policyholder liabilities.

The RM reflects uncertainty inherent in the best estimate cash flows. It follows a cost of capital approach, with a prescribed 6% cost of capital charge. It includes an allowance for insurance, operational and counterparty risk capital, projected over the contract period and discounted at risk-free. The risk-free curve used is given by the reporting currency, EUR.

The gross BEL and RM and net technical provisions at 31st December 2021 and 2020 were as follows:



| | 31 st December 2021 | 31 st December 2020 |
|-------------------------------------|--------------------------------|--------------------------------|
| | €'000 | €'000 |
| Best Estimate Liabilities (Gross) | 9,591,278 | 3,358,047 |
| Risk Margin | 164,567 | 109,772 |
| Technical Provisions (Gross) | 9,755,845 | 3,467,819 |
| Reinsurance Asset | (13,842) | (11,070) |
| Technical Provisions | 9,742,003 | 3,456,749 |

a. General Business Provision

The movement in provision for claims for the years ended 31st December 2021 and 2020 was as follows:

| | Gross | Reinsurer's | Net |
|---|--------------|-------------|--------------|
| | €'000 | Share | €'000 |
| | €'000 | €'000 | €'000 |
| Balance at 1 st January 2021 | 9,558 | — | 9,558 |
| Provision for claims acquired | 2,997 | — | 2,997 |
| Liabilities discharged in the year | (4,926) | — | (4,926) |
| Unwinding of discount rates | (3) | — | (3) |
| Changes in experience | (240) | — | (240) |
| Changes in assumptions | (375) | — | (375) |
| Other | (513) | — | (513) |
| Impact of FX | — | — | — |
| Balance at 31st December 2021 | 6,498 | — | 6,498 |

| | Gross | Reinsurer's | Net |
|---|--------------|-------------|--------------|
| | €'000 | Share | €'000 |
| | €'000 | €'000 | €'000 |
| Balance at 1 st January 2020 | 7,454 | — | 7,454 |
| Provision for claims acquired | 3,986 | — | 3,986 |
| Liabilities discharged in the year | (4,023) | — | (4,023) |
| Unwinding of discount rates | — | — | — |
| Changes in experience | 8 | — | 8 |
| Changes in assumptions | 2,807 | — | 2,807 |
| Other | (674) | — | (674) |
| Impact of FX | — | — | — |
| Balance at 31st December 2020 | 9,558 | — | 9,558 |

b. Long Term Business Provision

The movement in provision for claims for the years ended 31st December 2021 and 2020 was as follows:



| | Gross €'000 | Reinsurer's Share €'000 | Net €'000 |
|---|-------------------------|-------------------------------|-------------------------|
| Balance at 1 st January 2021 | 3,458,261 | (11,070) | 3,447,191 |
| Long term technical provision acquired | 6,661,621 | (7,727) | 6,653,894 |
| Liabilities discharged in the year | (348,479) | — | (348,479) |
| Unwinding of discount rates | 9,590 | — | 9,590 |
| Changes in experience | 20,495 | — | 20,495 |
| Changes in assumptions | (187,618) | 4,627 | (182,991) |
| Other | 9,235 | 328 | 9,563 |
| Impact of FX | 126,242 | — | 126,242 |
| Balance at 31st December 2021 | <u>9,749,347</u> | <u>(13,842)</u> | <u>9,735,505</u> |

| | Gross €'000 | Reinsurer's Share €'000 | Net €'000 |
|---|-------------------------|-------------------------------|-------------------------|
| Balance at 1 st January 2020 | 1,015,161 | (9,779) | 1,005,382 |
| Long term technical provision acquired | 2,442,736 | 73 | 2,442,809 |
| Liabilities discharged in the year | (113,396) | (1,443) | (114,839) |
| Unwinding of discount rates | 4,159 | — | 4,159 |
| Changes in experience | 7,019 | — | 7,019 |
| Changes in assumptions | 62,149 | (1,235) | 60,914 |
| Guaranteed future bonuses | 68,429 | — | 68,429 |
| Other | (17,476) | 1,314 | (16,162) |
| Impact of FX | (10,520) | — | (10,520) |
| Balance at 31st December 2020 | <u>3,458,261</u> | <u>(11,070)</u> | <u>3,447,191</u> |

c. Reinsurance Liabilities

The reinsurance liability of €97.8 million (2020: €96.3 million) relates to certain reinsurance treaties, arranged with a deficit account carrying forward the reinsurers' losses on an underwriting year basis. The related asset of €97.7 million (2020: €96.2 million) is included in Reinsurers' share of technical provisions.

d. Principal Assumptions

An annual review is performed on the claims experience of the Company to determine the appropriateness of the demographic assumptions used in calculating the BEL.

The principal assumptions underlying the calculation of the BEL at the reporting date are set out below:



Expenses: A regular investigation is performed to monitor its expense experience to determine the expenses incurred in administering and running the business across each of the entities. An allowance is made for expense inflation, considering both salary and price inflation.

Lapses: Lapse rates impact the expected remaining duration of the in-force business. Lapse risk is present across most portfolios and the Company performs an annual investigation on the appropriateness of these assumptions.

Accident & Sickness Incidence and Recovery Rates: These assumptions drive the level of expected accident and sickness claims and are key to the PPI business. Recovery rate assumptions are most relevant for the technical provisions given the short contract boundary. The Company performs an annual investigation on the appropriateness of the assumptions.

Unemployment Incidence rates and probability of returning to work: These assumptions are key to the PPI business and they drive the level of expected claims. Recovery rate assumptions are most relevant for the technical provisions given the short contract boundary. The Company performs an annual investigation on the appropriateness of the assumptions.

Mortality: This is not a material assumption for the unit-linked and savings business. For MLIDAC, MAB and MAL, where there is mortality and rider risks, reinsurance is in place to reinsure a significant proportion of this exposure. This is a more material assumption for the annuity portfolios. Where credible data is available Monument Re will perform an annual investigation on the appropriateness of the mortality assumptions used for the annuity portfolios.

Discount Rates: The discount rates used in the calculation of the Technical Provisions depend on the currency of the liabilities and the discount rate approach approved by the Board. For asset intensive business, the Company uses the Scenario Based Approach as described in the BMA's Guidance Note for Commercial Insurers and Groups Statutory Reporting Regime (dated 30th November 2016) or the standard rates provided by the BMA, for all other business, risk-free rates provided by the BMA are used.



| Year | BMA Risk-Free | | Bloomberg Swap Curve ¹ | |
|------|---------------|---------------|-----------------------------------|---------------|
| | EUR Spot Rate | GBP Spot Rate | EUR Spot Rate | GBP Spot Rate |
| 1 | (0.60)% | 0.79% | (0.49)% | 0.87% |
| 2 | (0.43)% | 1.11% | (0.29)% | 1.20% |
| 3 | (0.27)% | 1.21% | (0.15)% | 1.28% |
| 4 | (0.19)% | 1.22% | (0.05)% | 1.30% |
| 5 | (0.12)% | 1.20% | 0.01% | 1.28% |
| 6 | (0.06)% | 1.19% | 0.07% | 1.25% |
| 7 | (0.01)% | 1.14% | 0.12% | 1.21% |
| 8 | 0.05% | 1.12% | 0.18% | 1.19% |
| 9 | 0.12% | 1.11% | 0.23% | 1.19% |
| 10 | 0.18% | 1.11% | 0.30% | 1.20% |
| 20 | 0.46% | 1.06% | 0.55% | 1.13% |
| 30 | 0.40% | 1.00% | 0.47% | 1.07% |
| 40 | 0.60% | 1.09% | 0.39% | 0.94% |
| 50 | 0.92% | 1.39% | 0.33% | 0.85% |

¹ GBP Ticker: YCSW0022 Index, EUR Ticker: YCSW0045 Index

In order to determine the SBA discount rates, a number of additional assumptions and management actions are required and including future spread assumptions, defaults and investment expenses.

Spread assumptions reflect the additional return above the swap curve that is expected to be earned on the underlying asset portfolio.

The Company makes an allowance for defaults by adopting the default assumptions published by EIOPA which are derived from Standard & Poor's data.¹

Investment expenses are set by assessing the overall investment costs within the Group. At the Group level, an investment assumption of 15 basis points per annum has been used to cover all the expected investment costs.

16. Debt Outstanding

In December 2021, Monument Re Limited issued €200 million unsecured subordinated 6.25% notes due in 2031.

The remaining debt was assumed on the Integrale Acquisition and relates to a number of real-estate vehicles. This debt matures on various dates, with app. 6% of the balance maturing in 2022, 26% of the total balance maturing in 2023-2026 and 68% of the total balance maturing in 2027 and later. Debt is collateralised by the real estate held in these vehicles. Interest rates range from 0.01% to 7.9%.

¹ EIOPA published default rates are provided here each month <https://eiopa.europa.eu/regulation-supervision/insurance/solvency-ii-technical-information/risk-free-interest-rate-term-structures>



17. Other Financial Liabilities

During 2021, the Company entered into a quota share reinsurance agreement on a funds withheld basis with Countrywide Assured plc ("Countrywide"), a UK based subsidiary of Chesnara plc. In connection with this Agreement a new allocation fund, Monument Allocation Fund I, was set up under the ICAV umbrella to hold the investments pertaining to the funds withheld asset. A portion of the reinsurance premiums under the Agreement was transferred to the Allocation Fund I by way of subscription for the Allocation Fund I shares. Preference shares of Monument Allocation Fund I of €77.5 million at 31st December 2021, held by Countrywide, are classified as a financial liability.

18. Creditors Arising out of Direct Insurance and Reinsurance Operations

| | 31 st December 2021 €'000 | 31 st December 2020 €'000 |
|--|--|--|
| Creditors arising out of direct insurance operations | | |
| Claims payable | 36,125 | 16,791 |
| Commission and profit share payable | 3,557 | 3,118 |
| Other | 1,916 | 1,178 |
| Total | 41,598 | 21,087 |
| Creditors arising out of reinsurance operations | | |
| Reinsurance balances payable | 1,123,346 | 867 |

Commission and profit share payable, together with amounts due to policyholders fall due within three months of the period end date. Reinsurance balances payable increased due to the Athora Portfolio Transfer (see Note 13).

19. Other Creditors

| | 31 st December 2021 €'000 | 31 st December 2020 €'000 |
|-----------------------------|--|--|
| Other creditors | | |
| liability(1) ⁽¹⁾ | 43,650 | 3,684 |
| LTIP accrual | 39,800 | 20,936 |
| Corporation tax payable | 3,858 | 1,257 |
| Other | 50,534 | 14,611 |
| Total | 137,842 | 40,488 |

1) See note 7.c.

Trade and other creditors are payable at various dates in the three months after the end of the financial period in accordance with the creditors' usual and customary credit terms.



20. Commitments

As at December 31, 2021, the Company had €176.5 million of unfunded commitments as a limited partner in a number of direct lending funds, infrastructure debt funds and other fixed income funds. The funds have existing investment periods ranging from three to seven years where the unfunded commitments can be drawn down.

At 31st December 2021, the Company had €15.0 million of unfunded commitments as a limited partner in a European revolving credit facility (“RCF”) fund. The fund purchases RCFs at a discount from financial institutions and the Group is at risk for its portion of any defaults on those RCFs. The Group has not been required to provide any funding, as a bank provides liquidity to the fund. The Group’s maximum commitment to the fund at 31st December 2021 and 2020 was €15.0 million and there have been no defaults under these facilities.

The Group leases office space in various locations where its subsidiaries and branches are located. Total estimated future payments under these leases at 31st December 2021 were €1.5 million in 2022, €4.8 million in 2023-2026 and €3.5 million after 2026.

21. Discontinued Operations

On 25th November 2021, the Company signed an agreement to sell Robein Leven N.V. and its subsidiary Robein Effectendienstverlening (collectively “Robein”) to the Waard Group, a Netherlands-based platform of Chesnara plc. The sale and the related exit of the Company from the Dutch market was a result of insufficient opportunities that would align with the Company's risk and strategic appetite. The sale is expected to be completed in the second quarter of 2022. The net asset value of the assets and liabilities to be disposed of at 31st December 2021 is approximately €26 million.

22. Reconciliation of Profit Before Tax to Net Cash from Operating Activities

| | 31 st December 2021 €'000 | 31 st December 2020 €'000 |
|--|--|--|
| Profit on ordinary activities before tax | 168,631 | 472,962 |
| Adjustments: | | |
| Interest received/(paid) | 6,767 | (25,628) |
| Shareholder realised and unrealised investment gains | 186,874 | (148,360) |
| Non-cash movement in technical reserves | 1,422,651 | (250,960) |
| Movement in deferred expenses | 2,286 | (535) |
| Deposits with ceding undertakings | 248,460 | 215,919 |
| Gain on acquisition | (92,663) | (278,414) |
| Movements in other assets/liabilities | 188,820 | 49,870 |
| Net cash from operating activities | 2,131,826 | 34,854 |



23. Related Party Transactions

See Note 6 for disclosure of key management compensation, Note 14 for disclosure of capital contribution by the parent company. There were no other material related party transactions during the years ended 31st December 2021 and 2020.

24. Events after the Reporting Date

Monument Re has signed agreements in respect of the following transactions below. The financial results of these transactions are not included in the Consolidated Financial Statements because they either remained subject to regulatory approval at the reporting date or were signed after the reporting date.

- On 27th April 2022, the Company completed the sale of Robein Leven N.V. and its subsidiary Robein Effectendienstverlening (collectively “Robein”) to the Waard Group, a Netherlands-based platform of Chesnara plc. The sale and the related exit of the Company from the Dutch market was a result of insufficient opportunities that would align with the Company's risk and strategic appetite.
- On 18th March 2022, the Company entered into a reinsurance agreement with Aviva Insurance Ireland Designated Activity Company. The deal covers a block of UK savings and annuities.
- On 18th February 2022, the Company acquired AME Life Luxembourg (“AMELL”) from French Mutual Insurance Group Covéa. AMELL is a well-established Luxembourg-based life insurance company with market presence in Luxembourg, Belgium and Italy.
- On 20th December 2021, the Company, through its subsidiary MAB, signed an agreement to acquire a run-off life insurance portfolio from AXA Belgium. This transaction is subject to regulatory approvals.
- On 22nd December 2020, the Company signed an agreement to acquire a portfolio of unit-linked policies. This transaction is expected to be completed during the third quarter of 2022.