Monument Re Limited

Annual Report

For the year ended 31st December 2018

Contents

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 assume asset based risks within its risk appetite, and efficiently operate these businesses or portfolios. The focus includes two principal areas, namely:

- Acquisition of annuity, guaranteed savings and protection portfolios based mainly out of the key distribution centres, namely, Ireland and the Benelux regions (Belgium, Netherlands and Luxembourg); and
- Reinsurance of long-dated guaranteed life insurance contracts.

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.

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

Introduction Cont'd

Transactions signed as at the date of issue of these financial statements:

Counterparty	Target	Country	Completion
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 ("MIDAC") and Monument Insurance DAC ("MIDAC"), respectively)
Enstar Group Limited	Laguna Life Designated Activity Company ("Laguna"), term life protection	Republic of Ireland	March 2017
ABN AMRO Bank N.V.	ABN AMRO Life Capital Belgium N.V., traditional savings	Belgium	March 2018 (renamed Monument Assurance Belgium N.V. ("MAB"))
Ethias S.A. ("Ethias")	FIRST A portfolio, traditional savings	Belgium	September 2018 (transferred to Laguna)
Talanx AG	Aspecta Assurance International Luxembourg S.A., unit-linked single premium products targeted towards high net-worth individuals as well as in unit-linked regular premium products for the retail market	Luxembourg	October 2018 (renamed Monument Assurance Luxembourg S.A. ("MAL"))
Amerborgh Financial Services B.V.	Robein Leven N.V., traditional and unit-linked products	Netherlands	March 2019
MetLife Europe Designated Activity Company ("MetLife")	A run-off portfolio of linked and traditional business	Republic of Ireland	April 2019 (transferred to Laguna)
Alpha Insurance S.A.	A run-off portfolio of traditional life and credit life business	Belgium	Signed October 2018; pending regulatory approval, portfolio transfer

Introduction Cont'd

Counterparty	Target	Country	Completion
BenCo Insurance Holding B.V., a subsidiary of Storebrand Livsforsikring AS	Nordben Life and Pension Insurance Co Limited, unit-linked and traditional savings	Guernsey	Signed December 2018; pending regulatory approval
Undisclosed	Traditional savings portfolio	Belgium	Signed January 2019; transfer to MAB pending regulatory approval
Rothesay Life Plc	Annuity portfolio	United Kingdom	Reinsurance in-force March 2019; portfolio transfer to Laguna to follow (pending regulatory and UK Court approval)
Societe Generale S.A.	Inora Life Designated Activity Company, unit-linked savings	Republic of Ireland	Signed March 2019; pending regulatory approval

Chairman's Report

We are pleased to present the annual report of Monument Re. In our third year of operation, we continued building its platform and our dual insurance and reinsurance strategy. The principal drivers supporting the strategy remain very strong. In particular, the continued low interest rate environment has maintained margin pressure on life insurers which, coupled with the increased regulatory requirements, has led to a number of life insurers and their shareholders evaluating strategic options to deploy their capital more efficiently across the developed European markets.

As a result, the pipeline in 2018 remained healthy, with notable transactions signed or completed in Ireland, Luxembourg, Belgium and Guernsey. Monument Re's business model is highly flexible and, with the additional benefit of a cohesive and dedicated management team, the company has delivered on key transactions in 2018 that provide both strategic and financial value. The company is in a healthy position financially, operationally and resource-wise and remains set to continue on its current growth trajectory.

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 dedicated efforts in 2018. We look forward to continued success ahead.

Jonathan Yates

Chief Executive Officer's Report

We are pleased to present the annual report of Monument Re. In 2018, we continued delivering a number of key transactions and reinforced our position as a highly credible party, offering agility, commerciality and transaction certainty. Our scale and footprint in Ireland and the Benelux region continue to expand rapidly on a selective basis with the delivery of key transactions which met key strategic and pricing criteria as part of our rigorous underwriting processes.

In Ireland, the acquisition of the MetLife and First A (Ethias) portfolios were key transactions towards scale. The Laguna Life licence now includes Linked business, supporting further portfolio acquisition although the company has no intention of writing new linked business. Two further acquisitions have followed in early 2019. In Belgium, we followed the completion of ABN AMRO Life Capital acquisition with the signing of the Alpha portfolio transfer in November and have signed a further transaction in early 2019.

Our presence in Luxembourg was quickly established with the acquisition and completion of Aspecta acquisition, positioning us well for further transactions in this key centre for cross border business. Our Benelux footprint was completed with the acquisition of Robein Leven in the Netherlands which received regulatory approval in March 2019. The Dutch market is active in the transaction space at the large and smaller ends of the market and presents the company with a number of opportunities. With the acquisition of Nordben, we establish our presence in the Channel Islands and look forward to growing this entity further.

Transaction activity remains strong in the first quarter of 2019 and looks set to continue going forward.

The financial performance of the Company has been good with profit after tax of EUR 64.1 million driven by profitable transactions and positive underlying underwriting performance. Our Capital Coverage Ratio under the Economic Balance Sheet framework of the Bermuda Monetary Authority is a very healthy 751% reflecting overall profitability and drawdown of capital to date. Overall, the Company enjoys a sound financial footing and benefits from the affirmed support of its shareholders in continuing to grow the business.

I would like to thank our shareholders for their positive backing, the Monument team for their commitment, energy and teamwork as we grow the business and our clients and customers for their continued support.

M. Maske

Manfred Maske

Key Performance Indicators

Directors monitor the progress of the Group by reference to the following Key Performance Indicators:

	Year Ended 31st December 2018 €'000	Period Ended 31st December 2017 €'000 Restated(1)
Gross written premium	475,564	35,779
Claims incurred, net of reinsurance	417,842	7,509
Profit on ordinary activities before tax	63,842	14,123
Enhanced Capital Requirement	28,996	18,676
Economic Balance Sheet Available Capital	217,871	65,444
Bermuda Economic Balance Sheet Solvency Coverage Ratio	751%	350%

(1) See Statement of Accounting Policies – Basis of Presentation – Comparatives for further details.

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

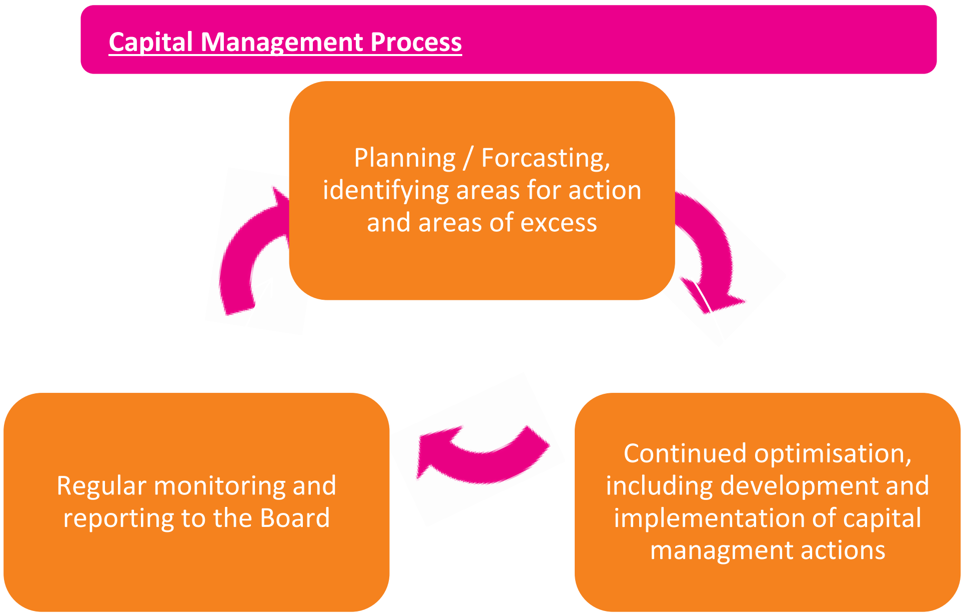
3) Management Actions

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

Capital Management (cont'd)

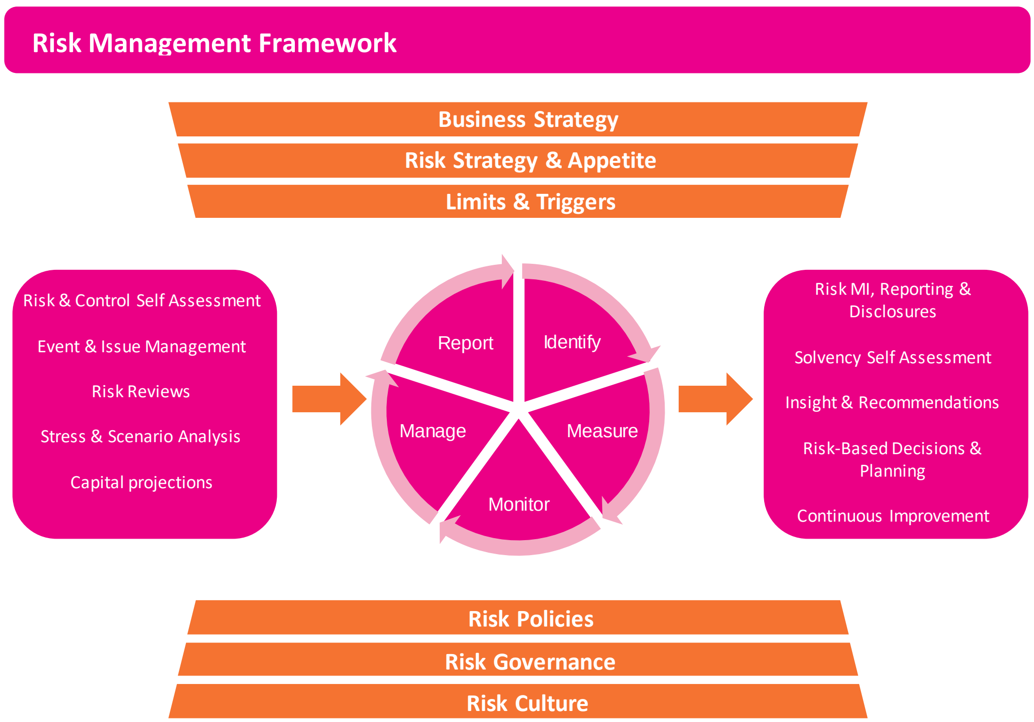
The process followed for Capital Management is as follows:



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

Robust risk management is core to the Group's activities. In accordance with international best practices, the Board of Directors has formalised a risk management framework to support sound risk-based decision-making, and to meet the requirements of the Solvency II equivalent Bermudian solvency regime. This framework is depicted below:



The framework is founded on a sound risk culture, an effective system of governance including committee structures and clear accountabilities, and a suite of supporting risk policies.

Monument Re is aligned to the "Three Lines of Defence" model for Enterprise Risk Management, which is widely adopted across the financial services industry, and allows for appropriate segregation of risk ownership, oversight and assurance responsibilities. In particular:

- 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.

Responsibility for risk management ultimately lies with the Board. 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.

Risk Management Cont'd

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. exchange rates, interest rates and inflation rates).	Investment policy and derivatives and hedging policy requiring mitigation of currency, interest rate and inflation risk to within Board-approved 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 from one party to a financial instrument failing to discharge an obligation.	Credit risk policy imposing principles and requirements for credit risk management, and investment policy imposing credit ratings limits for investment counterparties and concentration limits to avoid overexposure to any investment counterparty. Regular monitoring of exposures relative to credit risk 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.	Outsourcer oversight framework, outsourcing policy and operational risk policy. Regular Risk and Control Self-Assessment process. Event and issue management process, root cause analysis and learning from adverse experience. Oversight exercised by Internal Audit, Risk and Compliance functions.

Risk Management Cont'd

Risk	Description	Mitigating actions and controls
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 policy imposing close matching of asset and liability cash flows and prudent restrictions on investment in illiquid assets. Liquidity framework requiring forward-looking assessment of liquidity requirements, including those arising from derivatives and reinsurance collateral mechanisms, and maintenance of a liquidity buffer to cover severe market and demographic stress.
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.	Group risk policy imposing requirements for group risk management. Significant commonality of Board composition across the Group and its subsidiaries. Close scrutiny of intra-group transactions including external specialist input where appropriate. Stress and scenario testing through solvency self-assessment process. Reputational Risk policy and escalation process.
Strategic Risk	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	Strategic risk policy imposing requirements for strategic risk management. Board members and executive committee members with broad experience and deep industry knowledge. Rigorous due diligence process led by internal experts with support from external specialists as required. Tried-and-tested integration approach and experienced, skilled integration team. Emerging risk analysis and reporting.

Further information relating to risk management is outlined in Note 1 to the 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 Monument Assurance DAC, Monument Insurance DAC and Laguna Life DAC.

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

  Clive is 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 is 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).

Directors and Officers Cont'd

- **Michael Hermann 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

- Richard de Haan
  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

Directors and Officers Cont'd

Officers

- **Alex Brogden, Group Chief Financial 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.

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

  Roger is a Chartered Accountant and Chartered Financial Analyst with over twenty-five years of professional 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.

Directors and Officers Cont'd

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

  David is a Fellow of the Institute of Actuaries and holds a First Class Honours degree in Economics from the University of Warwick. David has over twenty years of experience in life insurance. He was previously Deputy Chief Risk Officer for ReAssure Life Limited and Risk Management Head of Investment Oversight for ReAssure Group, a division of Swiss Re. Prior to that, David held the role of Senior Risk Actuary for Guardian Financial Services. He has also worked in actuarial consulting roles at EY, Deloitte and Watson Wyatt (now Willis Towers Watson) and as Pricing Actuary at Munich Re. His consulting work focused on mergers and acquisitions in Europe and Asia, actuarial audit, risk management and Solvency II. 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.

- **Anthony Philip, Group Chief General Counsel**

  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.

Directors and Officers Cont'd

Officers of the Group, employed by the subsidiary entities

- **Kieran Hayes – Chief Executive Officer of MIDAC and MADAC, Managing Director, Belgium, and Group Head of Business Integrations**

  Kieran has 25 years of experience in the insurance industry. He has recently served as Chief Executive Officer of Monument Insurance Ireland and is stepping down to pursue another role within the Monument Group as their Group Head of Business Integrations. Prior to that from March 2011 to December 2017 he held the role of CEO of Laguna in Ireland following Enstar's acquisition of the business from Citigroup in March 2011. Prior to that, from June 2004 to March 2011, Mr. Hayes held a number of senior management roles with Citigroup, including Managing Director & VP Operations of Citigroup's life insurance business. From January 1998 to December 2002, he worked at Old Republic Insurance in Chicago, Illinois as Senior Vice President of Operations, and prior to that in a managerial capacity at Great West Life Insurance Company, also in Chicago.

- **Aidan Holton – Chief Executive Officer, Laguna**

  Aidan has over thirty years' experience in the insurance sector, with a broad range of domestic and international experience. Aidan has led large teams of Accounting, Actuarial and IT Development staff through significant challenges and periods of organisational change. Aidan started his career with Irish Life in Dublin, where he originally trained as an accountant, working in a variety of roles from group finance to IT and sales. He was appointed to the role of Group CFO in Aviva Ireland in 2008, and subsequently worked in London and Paris with Aviva Europe. In 2013 he joined the Board of New Ireland Assurance Company as an Independent Non-Exec Director, and in 2014 was appointed as CEO of SCOR Global Life Reinsurance in Ireland. Aidan is a Board member of Insurance Ireland and Chair of the members International Council as well as representing the Insurance Industry on the Irish Governments IFS2020 Industry Advisory Committee.

- **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. Luxemburg 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.

Corporate Governance Structure

- **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.

The Board of Directors play 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:

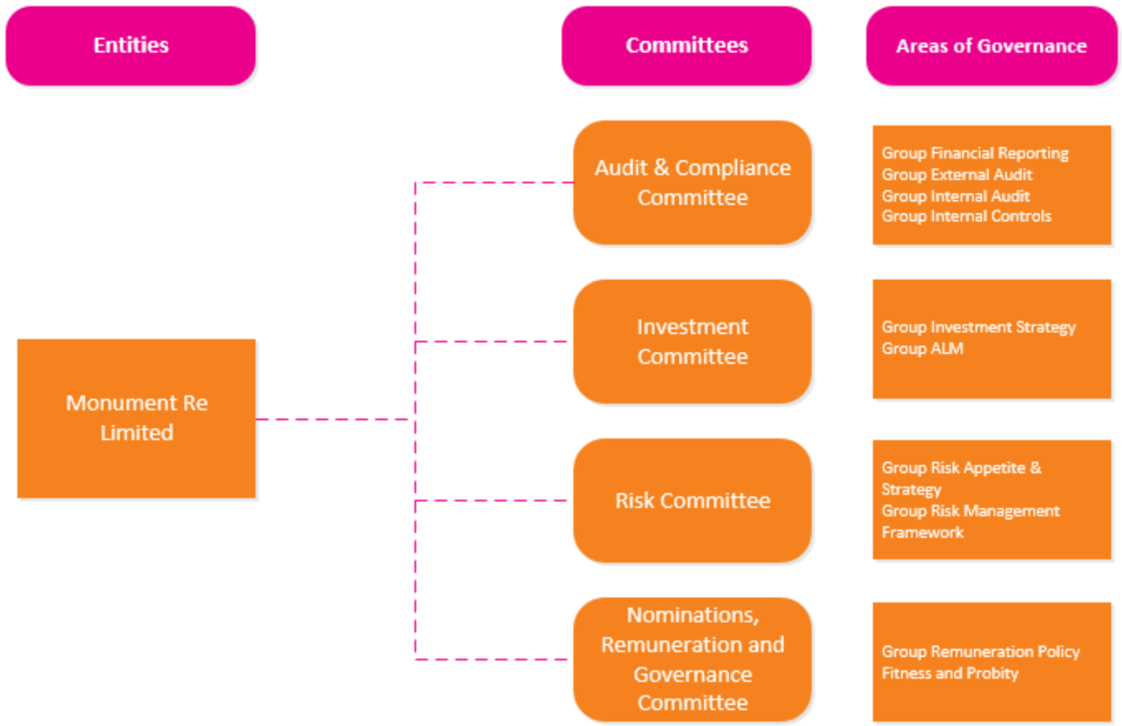
- Maintain an adequate understanding of the Company's total business and operations to be able to test and challenge the decisions of other Directors and Senior Management;
- Devote sufficient time to enable the proper discharging of the Director's governing function duties and attend all Board meetings 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 Cont'd

The key Board committees at Monument Re are depicted below:

Monument Re Limited Governance Structure



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

Corporate Governance Structure Cont'd

Committee	Key Attendees	Key Responsibilities
Audit and Compliance	▪ Paul Bohus (Chairman); ▪ Michael Winkler; and ▪ Clive Rowe.	Ensuring the integrity of financial statements and the financial reporting process; Overseeing, challenging and reviewing both the internal and external audit functions; and Reviewing and monitoring the adequacy and effectiveness of the Company's compliance function, and risk and compliance training programs.
Risk	▪ Michael Winkler (Chairman); ▪ Paul Bohus; ▪ Jonathan Yates; and ▪ Manfred Maske.	Providing leadership, direction and oversight to Monument Re's risk appetite and tolerance, and risk management framework; Reviewing and recommending for Board approval all risk policies; and Overseeing the effectiveness of the internal control system.
Investment	▪ Clive Rowe (Chairman); ▪ Jonathan Yates; ▪ Michael Winkler; and ▪ Manfred Maske.	Overseeing the development of the investment strategy and the making, holding and disposal of investments; Monitoring compliance of investment portfolios with the policies, guidelines and risk limits; and Reviewing and approving periodically investment benchmarks and KPI's for investment portfolios and investment function.
Nominations, Remunerations and Governance	▪ Jonathan Yates (Chairman); ▪ Clive Rowe; and ▪ Paul Bohus.	Assisting with the determination of the overall remuneration policy for the Group; Reviewing membership of the Board and Committees to ensure fitness and probity; and Assisting the Board in ensuring it retains an appropriate balance of skills to support Monument Re's strategic objectives.

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 linked savings and protection portfolios; and
- Reinsurance of annuity business and other long-dated liabilities with asset intensive guarantees.

Additionally Monument Re is the parent company and designated insurer of Monument Insurance 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 Victoria Place, 1st Floor, 31 Victoria Street, Hamilton, HM10, Bermuda.

Accounting Period-End

These Consolidated Financial Statements are prepared for the year ended 31st December 2018. The comparative information is presented from date of incorporation on 27th October 2016 to 31st December 2017.

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 at the Annual General Meeting held on 17th April 2019.

Results and Dividends

Results for the year are set in the Statement of Comprehensive Income below and show a profit before tax of EUR 63.8 million on ordinary activities during the year ended 31st December 2018. No dividends were paid to the shareholder during the year.

Business Review

In 2018, the Group completed the acquisitions of AALCB, a Belgian Life insurance company in run-off, and Aspecta, a life insurance undertaking based in Luxembourg. Combined, these transactions have led to a bargain purchase gain of EUR 17.0 million.

Directors' Report Cont'd

In 2018, the Company also acquired a run-off portfolio of flexible premium retail life insurance contracts from Ethias which contributed EUR 46.4 million to the 2018 results.

Directors

The names of the persons who were Directors during the year ended 31st December 2018 are set out below:

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

Events after the Period End

See Note 18 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/she is aware, there is no relevant audit information of which the Company's statutory auditors are unaware and he/she has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of all the relevant audit information and to establish that the Company's statutory auditors are aware of that information.

On behalf of the Board

Director
29th April 2019

Director
29th April 2019

Consolidated Financial Statements

Statement of Directors' Responsibilities

The Directors submit their report together with the audited Consolidated Financial Statements for the year ended 31st December 2018.

Statement of Directors' Responsibilities

Bermuda law requires the Directors to prepare consolidated financial statements for each financial period that give a true and fair view of Monument Re Limited, together with its subsidiaries' (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 period. 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 Accounts Regulations 1980 ("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 standard 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.

Statement of Directors' Responsibilities Cont'd

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.

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, 2018, and their consolidated financial performance and their consolidated cash flows for the period then ended in accordance with United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standards applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts".

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2018;
- the consolidated statement of comprehensive income for the period then ended;
- the consolidated statement of changes in equity for the period then ended;
- the consolidated statement of cash flows for the period then ended; and,
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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 Ethics Standards Board for Accountants' Code of Ethics for Professional 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.

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Other information

Management is responsible for the other information. The other information comprises the Strategic Report and Corporate Governance Sections included on pages 2 to 24 (but does not include the consolidated 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 for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standards applicable in the UK and Republic of Ireland" and FRS 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.

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 scepticism 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, 2019

Monument Re Limited Consolidated Financial Statements

Consolidated Statement of Comprehensive Income
General Business Technical Account
For the year ended 31st December 2018 and for the period from 27th October 2016 to 31st December 2017

	Notes	Year Ended 31st December 2018 €'000	Period Ended 31st December 2017 €'000 Restated(1)
Earned premiums, net of reinsurance			
Gross premiums written	*4*	25,188	25,459
Net premiums earned		25,188	25,459
Investment income	*5*	105	13
Net unrealised gains and losses on investments	*5*	(19)	-
Other technical income		458	316
Claims incurred			
Claims paid			
- gross amount	*13*	(9,288)	(8,679)
Net claims paid		(9,288)	(8,679)
Change in the provision for claims			
- gross amount	*13*	1,773	2,292
Change in the net provision for claims		1,773	2,292
Claims incurred		(7,515)	(6,387)
Operating expenses	*6*	(14,825)	(13,406)
Foreign exchange gains		164	43
Tax on profit on the general business account	*7*	(511)	(434)
Balance on the general business technical account		**3,045**	**5,604**

(1) See Statement of Accounting Policies – Basis of Presentation – Comparatives for further details.

Monument Re Limited Consolidated Financial Statements Cont'd

Consolidated Statement of Comprehensive Income
Long-Term Business Technical Account
For the year ended 31st December 2018 and for the period from 27th October 2016 to 31st December 2017

	Notes	Year Ended 31st December 2018 €'000	Period Ended 31st December 2017 €'000 Restated(1)
Earned premiums, net of reinsurance			
Gross premiums written	*4*	450,376	10,320
Outward reinsurance premiums		(1,036)	(314)
Net premiums earned		449,340	10,006
Investment income	*5*	2,390	52
Gain/(loss) on realisation of investments	*5*	(451)	(13)
Net unrealised gains and losses on investments	*5*	207	(46)
Income from deposits with ceding undertakings	*5*	12,171	-
Other technical income, net of reinsurance	*9*	20,750	-
Other income		3,543	-
Claims incurred, net of reinsurance			
Claims paid			
- gross amount	*13*	(163,288)	(694)
- reinsurers' share	*13*	4,747	49
Net claims paid		(158,541)	(645)
Change in the provision for claims			
- gross amount	*13*	(251,786)	(509)
- reinsurers' share	*13*	-	32
Change in the net provision for claims		(251,786)	(477)
Net claims incurred		(410,327)	(1,122)
Operating expenses	*6*	(25,495)	(6,583)
Foreign exchange gains/(losses)		315	(59)
Tax attributable to the long-term business	*7*	761	(230)
Balance on the long-term business technical account		**53,204**	**2,005**

(1) See Statement of Accounting Policies – Basis of Presentation – Comparatives for further details.

Monument Re Limited Consolidated Financial Statements Cont'd

Consolidated Statement of Comprehensive Income
Non-Technical Account
For the year ended 31st December 2018 and for the period from 27th October 2016 to 31st December 2017

	Notes	Year Ended 31st December 2018 €'000	Period Ended 31st December 2017 €'000 Restated(1)
Balance on the General business technical account		3,045	5,604
Balance on the Long-term business technical account		53,204	2,005
Tax credit attributable to balance on long-term and general business	*7*	(250)	664
Shareholder's pre-tax profit from technical accounts		**55,999**	**8,273**
Investment income	*5*	113	(52)
Gain/(loss) on realisation of investments	*5*	(49)	-
Net unrealised gains and losses on investments	*5*	546	-
Gain on acquisition	*2*	16,999	16,450
Foreign exchange losses		(375)	(212)
Operating expenses	*6*	(9,391)	(10,336)
Profit on ordinary activities before tax		**63,842**	**14,123**
Tax on profit on ordinary activities	*7*	250	(706)
Profit on ordinary activities after tax		**64,092**	**13,417**
Other comprehensive loss, net of tax		(31)	(3,436)
Total comprehensive income after tax		**64,061**	**9,981**

(1) See Statement of Accounting Policies – Basis of Presentation – Comparatives for further details.

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.

Monument Re Limited Consolidated Financial Statements Cont'd

Consolidated Statement of Financial Position
As at 31st December 2018 and 2017

	Notes	31st December 2018 €'000	31st December 2017 €'000 Restated(1)
Assets			
Investments			
Other financial investments	*9*	251,200	7,276
Deposits with ceding undertakings	*9*	144,334	-
		395,534	7,276
Assets covering unit-linked liabilities	*10*	507,462	-
Reinsurers' share of technical provisions			
Long-term business provision	*13*	4,519	95
Technical provisions for unit-linked liabilities		82,845	-
		87,364	95
Debtors			
Debtors arising out of direct insurance and reinsurance operations	*11*	2,185	2,213
Other debtors	*11*	5,765	25
Owed by group companies	*11*	22,394	276
		30,344	2,514
Cash and cash equivalents		137,558	77,415
(restricted 2018: EUR 3,086 and 2017: EUR nil)			
Other assets		125	1
Prepayments and accrued income			
Accrued interest		2,647	84
Deferred expenses		1,415	328
Other prepayments and accrued income		263	312
		4,325	724
Total assets		**1,162,712**	**88,025**

(1) See Statement of Accounting Policies – Basis of Presentation – Comparatives for further details

Consolidated Statement of Financial Position – Continued
As at 31st December 2018 and 2017

	Notes	31st December 2018 €'000	31st December 2017 €'000 Restated[1]
Liabilities, Capital and Reserves			
Capital and reserves			
Called up share capital	*12*	56,028	56,028
Capital contribution	*12*	89,479	-
Profit and loss account		77,509	13,417
Foreign currency translation reserve		(3,467)	(3,436)
Total capital and reserves		219,549	66,009
Liabilities			
Technical provisions			
Long-term business provision	*13*	297,064	1,741
General business provision	*13*	7,975	9,810
Technical provisions		305,039	11,551
Technical provisions for linked liabilities	*9*	507,462	-
Reinsurance liability	*13*	96,253	-
Creditors			
Creditors arising out of direct insurance operations	*14*	12,612	6,510
Creditors arising out of reinsurance operations	*14*	7,337	193
Other creditors including taxation and social security	*15*	8,810	207
		28,759	6,910
Accruals and deferred income		5,650	3,555
Total liabilities and equity		**1,162,712**	**88,025**

(1) See Statement of Accounting Policies – Basis of Presentation – Comparatives for further details.

Monument Re Limited Consolidated Financial Statements Cont’d

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

Director	Director
29th April 2019	29th April 2019

Monument Re Limited Consolidated Financial Statements Cont'd

Consolidated Statement of Changes in Equity
For the year ended 31st December 2018 and for the period from 27th October 2016 to 31st December 2017

	Called - up Share Capital €'000	Capital Contribution €'000	Profit and Loss Reserve €'000	Foreign Currency Translation Reserve €'000	Total €'000
Balance at 1st January 2018	**56,028**	**-**	**13,417**	**(3,436)**	**66,009**
Profit on ordinary activities, after tax	-	-	64,092	-	64,092
Other comprehensive loss, net of tax	-	-	-	(31)	(31)
Total comprehensive income (loss), net of tax	-	-	64,092	(31)	64,061
Capital contributions	-	89,479	-	-	89,479
Total transactions with owners, recognised directly in equity	-	89,479	-	-	89,479
Balance at 31st December 2018	**56,028**	**89,479**	**77,509**	**(3,467)**	**219,549**

	Called -up Share Capital €'000 Restated(1)	Profit and Loss Reserve €'000 Restated(1)	Foreign Currency Translation Reserve €'000 Restated(1)	Total €'000 Restated(1)
Balance at 27th October 2016	-	-	-	-
Profit on ordinary activities, after tax	-	13,417	-	13,417
Other comprehensive loss, net of tax	-	-	(3,436)	(3,436)
Total comprehensive income (loss), net of tax	-	13,417	(3,436)	9,981
Capital contributions	56,028	-	-	56,028
Total transactions with owners, recognised directly in equity	56,028	-	-	56,028
Balance at 31st December 2017	**56,028**	**13,417**	**(3,436)**	**66,009**

(1) See Statement of Accounting Policies – Basis of Presentation – Comparatives for further details.

Consolidated Statement of Cash Flows
For the year ended 31st December 2018 and for the period from 27th October 2016 to 31st December 2017

	Notes	Year Ended 31st December 2018 €'000	Period Ended 31st December 2017 €'000 Restated(1)
Net cash from operating activities	*16*	135,652	(1,316)
Interest received		(1,247)	454
Taxation paid		(3,432)	(1,100)
Net cash generated from/(used in) operating activities		**130,973**	**(1,962)**
Cash flow from investing activities			
Acquisition of subsidiary (net of cash acquired)		18,143	(326)
Proceeds from the sale of investments		577,880	29,745
Purchases of investments		(756,012)	-
Net cash generated from/(used in) investing activities		**(159,989)**	**29,419**
Cash flow from financing activities			
Capital contribution		89,479	-
Cash proceeds from shares issued		-	56,028
Net cash generated from financing activities		**89,479**	**56,028**
Net increase in cash and cash equivalents		**60,463**	**83,485**
Cash and Cash Equivalents at the beginning of the year/period		77,415	-
Effect of exchange rate on cash and cash equivalents		(320)	(6,070)
Cash and Cash Equivalents at the end of the year/period		**137,558**	**77,415**

(1) See Statement of Accounting Policies – Basis of Presentation – Comparatives for further details.

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 acquire or reinsure closed blocks of savings and protections business, annuity risks and unit-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 Victoria Place, 31 Victoria Street, Hamilton, HM10, Bermuda.

At the year-end, the Company's immediate parent company is Monument Finco Limited ("Finco"), a Cayman based company, which is owned by Monument Midco Limited ("MIDCO"), which is owned by the ultimate parent, Monument Insurance Group Limited ("MIGL"), both of which 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.

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.

c. Comparatives

The Consolidated Financial Statements provide comparative information in respect of the previous periods. During the year the Company changed its presentational and functional currency, effective 1st January 2018 and 1st April 2018, respectively, from the British pound to Euro. The change was made to reflect that the Euro has become the predominant currency in the Company, accounting for a significant part of the Company's cash flow, cash flow management and financing. As a result, the comparative information has been re-presented to reflect the respective exchange rate. The following procedures were applied to the comparative information:

- the Consolidated Statement of Financial Position was retranslated from British pound to Euro at the exchange rate effective at 31st December 2017;
- the Consolidated Statement of Comprehensive Income and Consolidated Statement of Cash Flows were retranslated from British pound to Euro at the average exchange rate for the period from 27th October 2016 to 31st December 2017;
- historical equity transactions were retranslated from British pound to Euro at the exchange rate on the date of each transaction and subsequently carried at historical value;
- foreign exchange differences arising on translation to the new presentational currency were recognized in 'Other comprehensive income' and all exchange rates used have been extracted from the underlying financial records.

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

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.

Goodwill recognised 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.

Goodwill is amortised over its expected useful life. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the Consolidated Statements of Comprehensive Income. Reversals of impairment are recognised when the reasons for the impairment no longer apply.

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 and losses transferred are recorded within 'Claims incurred' 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. 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. 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. Long Term Business

- *Premiums Written*

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*

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

- *Long-Term Business Provision*

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.

- *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.

- *Deposits with ceding undertakings*

Deposits with ceding undertakings represents a receivable for assets held by ceding companies in accordance within 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.

b. General Business

- *Premiums Written*

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*

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

- *General Business Provision*

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

Foreign Currency

- *Functional and Presentational Currency*

Effective 1st January, 2018, the Company's presentational currency is Euro (EUR), denominated by the symbol "€", which is also the Company's functional currency, effective 1st April 2018.

- *Translation of Transactions and Balances*

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

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 'Other comprehensive income'.

Statement of Accounting Policies Cont'd

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 are shown in equity as a deduction, net of tax, from the proceeds.

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 are upon their initial recognition designated as at fair value through profit and loss (see Other Financial Assets for further discussion).

At the end of each financial period, financial assets measured at amortised cost 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 losses decreases as a result of an event occurring after the impairment was recognized.

- *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, 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.

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.

- *Assets covering 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.

Fair Value Measurements

The Company measures certain financial instruments, such as debt securities 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.

Statement of Accounting Policies Cont'd

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 using the effective interest rate method.

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

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.

Employee Benefits

The Group operates a number of annual bonus plans for employees. An expense is recognised in the profit and loss account 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.

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.

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.

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 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.

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 – Assets Measured with Unobservable Inputs*

  Assets measured with unobservable inputs include residential mortgage funds, policy loans and certain derivatives. See Note 9 for further details.

1. Risk Management

a. Framework

In accordance with international best practices and BMA requirements defined in the Insurance Code of Conduct, enhanced regulatory standards on commercial (re)insurers and the Insurance Act, Monument Re has established and maintains a sound corporate governance framework and risk management framework.

Monument Re applies a 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. In particular:

- 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.

Monument Re has also defined the high-level principles and standards that will be in place to ensure that situations that could lead to potential conflicts of interest are appropriately managed. These are formally described in Monument Re's Conflicts of Interest Policy.

The Board is ultimately accountable to ensure the effective implementation of the risk management framework, and approves the risk management framework 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 framework and other risk matters. To this end, any changes to the framework and key risk reports are reviewed and approved by the Risk Committee. Any matters considered significant are escalated to the Board, in line with escalation procedures formalised in Monument Re's Risk Management Policy.

The risk management function, led by the Group CRO, supports the Board and its Committees in discharging their Risk Management related responsibilities as outlined above. 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 Monument Re's business strategy;
- Risk tolerances, limits and triggers; and
- Risk management policies and ongoing processes to identify, measure, monitor, manage and report risk.

Notes to the Consolidated Financial Statements Cont'd

The material risks addressed by the framework include:

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

The framework includes the following key risk management tools:

- Risk and Control Self-Assessment ("RCSA");
- Event and Issue Management;
- Risk Reviews;
- Stress and Scenario Testing; and
- Capital Projections.

The framework is applied to newly acquired businesses such that there is proportionate and consistent application of a single risk framework across the Group. A period of transition, in which pre-existing policies continue to operate, is typically required prior to the embedding of Group policies with respect to newly acquired businesses.

Similar to the Own Risk and Solvency Assessment process in Europe, the Bermudian solvency regime requires Monument Re to complete a Group Solvency Self-Assessment and a Commercial Insurer Solvency Self-Assessment on at least an annual basis. These processes include stress and scenario testing and forward looking projections of the capital position of the Group.

These processes are an integral part of the strategic planning cycle. The results of the exercise are used to review the appropriateness of Monument Re's capital planning and management actions available to mitigate the probability or impact of stress events, as well as to feed back into review of the risk management framework itself.

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) and inflation rates.

- *Interest Rate Risk*

Movements in interest rates can impact the value of fixed interest assets and policyholder liabilities. The Group mitigates this risk by holding assets with similar sensitivity to interest rate changes to its liabilities. Limits are set around net exposures.

Sensitivities (€'000)	Net Assets Delta	Description
Interest Rate Up	(7,980)	Parallel shift up 100 basis points
Interest Rate Down Risk	3,820	Parallel shift down 100 basis points

- *Credit Spread Risk*

At the reporting date, Monument Re had a €367m portfolio of government and corporate bonds and mortgage fund investments (including funds withheld assets). Movements in spreads impact the market value of these fixed interest assets. At the reporting date, a 50 basis point increase in spreads reduces net assets by €6.4m.

- *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; and
- Reporting risk when translating the financial results into the reporting currency, EUR ('Currency Translation Risk'). The Group has exposure to this risk as a result of holding surplus assets in GBP and USD. The reporting risk arising from fluctuations in GBP and USD assets to the EUR exchange rate is an accepted risk for Monument Re.

At 31st December 2018, the Company had no exposure to Currency Mismatch Risk on the basis there were sufficient assets to cover the liabilities arising by currency. The Company's exposure to Currency Translation Risk is given below:

- A 10% appreciation in EUR relative to USD would reduce the Company's net assets by €1.1m ($1.4m).
- A 10% appreciation in EUR relative to GBP would reduce the Company's net assets by €1.4m (£1.4m).

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

- *Inflation rate risk*

The Group is exposed to inflation rates being higher than expected, in particular wage inflation. An expense sensitivity including an inflation sensitivity is provided in the following section.

- *Equity risk*

The Company has indirect exposure to equity risk through unit-linked policies where the investor bears the investment risk. This 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 increase net assets by €0.6m, owing to the equity hedge in place at the reporting date.

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 13. 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 portfolio of diversified policyholders. Individual sums assured are limited by product type. As a result concentration risk is not considered to be a material risk for the Group.

The table below shows the impact on net assets for a number of relevant insurance risks.

Sensitivities (€'000)	Net Assets Delta	Description
Disability Risk	(220)	35% increase in disability rates applied over the contract boundary period and a 20% decrease in recovery rates
Unemployment Risk	(70)	40% increase in claim frequencies applied over the contract boundary period and a 20% decrease in claim termination rates
Lapse Down Risk	1,970	10% permanent decrease in lapse rates
Mass Lapse Risk	(690)	10% mass lapse
Mortality Risk	(780)	15% permanent increase in mortality rates
Expense Risk	(10,240)	10% increase in expenses and a 1% increase in expense inflation per annum

The above stresses have been performed assuming contract boundaries apply. The impacts have been rounded to the nearest EUR 10k.

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 2018 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.

Notes to the Consolidated Financial Statements Cont'd

The following table provides information regarding credit risk exposure of financial instruments within the Group at 31st December 2018 and 2017 by classifying them according to external credit ratings.

December 31, 2018	AAA €'000	AA €'000	A €'000	BBB €'000	Not rated €'000	Total €'000
Financial instruments:						
Debt securities and other fixed income securities	24,127	79,919	25,966	44,508	-	174,520
Residential mortgage funds	-	62,007	-	-	-	62,007
Derivatives	1,688	-	2,811	-	-	4,499
Other	-	-	-	-	353	353
Total	**25,815**	**141,926**	**28,777**	**44,508**	**353**	**241,379**

December 31, 2017	AAA €'000 Restated(2)	AA €'000 Restated(2)	A €'000 Restated(2)	BBB €'000 Restated(2)	Total €'000 Restated(2)
Financial instruments:					
Debt securities and other fixed income securities	851	1,643	3,399	1,383	7,276
Total	**851**	**1,643**	**3,399**	**1,383**	**7,276**

(1) The financial instruments at 31st December 2018 above exclude policyholder loans of EUR 9.1 million and a term deposit of EUR 0.7 million.

(2) See Statement of Accounting Policies – Basis of Presentation – Comparatives for further details

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 2018.

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 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;
- The risk of financial or reputational loss from the failure/non-performance of outsourcing/third party arrangements; and

The Company has a comprehensive operational risk management framework for the timely identification, measurement, monitoring and control of operational risk.

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;
- 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 2018 is provided in Note 9.

<u>Analysis of contract liabilities maturities</u>

The maturities of the Company's contract liabilities for the year ended 31st December 2018 and for the period from 27th October 2016 to 31st December 2017 are shown below. Cash flows assume the application of contract boundaries and are gross of reinsurance.

For the year ended 31st December 2018 Maturities	Premiums €'000	Claims €'000	Expenses €'000	Total €'000
Less than 1 year	(5,481)	63,484	4,783	62,786
1-2 years	(2,561)	34,084	3,810	35,333
2-3 years	(2,289)	27,339	2,412	27,462
3-4 years	(2,054)	19,761	1,566	19,273
Over 5 years	(9,173)	291,244	25,489	307,560
Total	**(21,558)**	**435,912**	**38,060**	**452,414**

For the period ended 31st December 2017 Maturities	Premiums €'000 Restated(1)	Claims €'000 Restated(1)	Expenses €'000 Restated(1)	Total €'000 Restated(1)
Less than 1 year	(4,595)	7,654	3,049	6,108
1-2 years	(1,156)	1,615	2,229	2,688
2-3 years	(992)	691	878	577
3-4 years	(845)	641	519	315
Over 5 years	(3,015)	3,440	555	980
Total	**(10,603)**	**14,041**	**7,230**	**10,668**

(1) See Statement of Accounting Policies – Basis of Presentation – Comparatives for further details

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 would be 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 (EUR 7 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 (EUR 330 million), subject to a floor of 25% of the Enhanced Capital Ratio (“ECR”).

Note that as an insurance group, Monument Re 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 and economies of scale do not arise;
- Regulatory, legal and fiscal risk exposure from potential changes in the regulatory, legal and fiscal environment in which the company operates.

There remains uncertainty regarding the final legal and regulatory arrangements to be determined as a result of the United Kingdom’s vote to leave the European Union (“Brexit”). The Group serves its UK customers through Irish entities and the operational impact of Brexit is expected to be limited for the Group. The Group continues to keep abreast of ongoing developments and update its planning to take account of significant changes in the course of Brexit.

2. Business Combinations

On 2nd October 2018, following receipt of regulatory approval, Monument Re completed the acquisition of Aspecta Assurance International Luxembourg S.A. ("Aspecta"). Aspecta, a life insurance undertaking based in Luxembourg with branches in Germany, Italy and Spain, was incorporated in 2000 as a 100% subsidiary of Talanx Group, and specialised in unit-linked single premium products targeted towards high net-worth individuals as well as in unit-linked regular premium products for the retail market. Aspecta ceased writing new business at the end of 2010. Aspecta has been renamed as Monument Assurance Luxembourg S.A.

On 28th March 2018, following receipt of regulatory approval, Monument Re completed the acquisition of ABN AMRO Life Capital Belgium S.A. ("AALCB"), a Belgian Life insurance company in run-off. AALCB was subsequently renamed AALCB as Monument Assurance Belgium N.V. ("MAB").

Combined, these transactions have led to a bargain purchase gain of EUR 17.0 million recognised directly in the Statement of Comprehensive Income for the year ended 31st December 2018 (2017: EUR 16.5 million).

3. Portfolio Transfer

Effective 28th September 2018, Monument Re completed the acquisition of a run-off portfolio of flexible premium retail life insurance contracts from Ethias S.A. ("Ethias"), known as the FIRST A Portfolio. In accordance with the authorisation by the National Bank of Belgium, the FIRST A portfolio has transferred, as of the effective date, into Laguna Life DAC, a wholly owned subsidiary in Ireland, with the terms and conditions unchanged except for the loss of Belgian state guarantee. Ireland does not maintain an equivalent system of guarantee.

4. Gross Premiums Written

a. Gross Premiums Written

Gross premiums written consist of:

	Year Ended 31st December 2018 €'000	Period Ended 31st December 2017 €'000 Restated(1)
Direct insurance	36,880	35,779
Assumed insurance	438,684	-
Gross premiums written	**475,564**	**35,779**

(1) See Statement of Accounting Policies – Basis of Presentation – Comparatives for further details

The increase in gross premiums written for the year ended 31st December 2018 compared to the period ended 31st December 2017 was driven primarily by the portfolio transfer described in Note 3 as well as the reinsurance of a run-off portfolio of traditional business from MetLife Europe d.a.c. ("MetLife") on 19th June 2019. This business will be transferred from MetLife to Laguna Life d.a.c. in 2019 following receipt of court approvals. See also Note 9.b for a discussion of deposits with ceding undertakings related to the MetLife transaction and Note 13 for a discussion of claims recorded in connection with these transactions.

Gross premiums written consist of:

	Year Ended 31st December 2018 €'000	Period Ended 31st December 2017 €'000 Restated(1)
Direct Non Participating Regular Premiums		
PPI - Designated as General Business	25,188	25,459
PPI - Designated as Life	9,469	9,733
Protection	2,223	587
Assumed Non Participating Regular Premiums		
Savings and Guarantees	282,109	-
Annuities	154,520	-
Protection	2,055	-
Net premiums written	**475,564**	**35,779**

(1) See Statement of Accounting Policies – Basis of Presentation – Comparatives for further details

b. Geographical Analysis Premium

Gross premiums written relate to the following countries:

	Year Ended 31st December 2018 €'000	Period Ended 31st December 2017 €'000 Restated[1]
Belgium	282,356	-
United Kingdom	189,816	35,422
Ireland	2,055	-
Spain	942	357
Italy	395	-
Gross premiums written	**475,564**	**35,779**

(1) See Statement of Accounting Policies – Basis of Presentation – Comparatives for further details

5. Investment Return

	Year Ended 31st December 2018 €'000	Period Ended 31st December 2017 €'000 Restated[1]
(a) Technical Account - General Business		
Investment income		
Interest income on financial assets at fair value through profit and loss	107	37
	107	37
Net unrealised gains and losses on investments	(19)	-
Investment expenses and charges		
Investment management expenses, including interest payable	(2)	(24)
	(2)	(24)
Net investment return - General Business	**86**	**13**

(1) See Statement of Accounting Policies – Basis of Presentation – Comparatives for further details

Notes to the Consolidated Financial Statements Cont'd

	Year Ended 31st December 2018 €'000	Period Ended 31st December 2017 €'000 Restated[1]
(b) Technical Account - Long-term Business		
Investment income		
Interest income on financial assets at fair value through profit and loss	2,906	70
Gains on realisation of investments	26	8
	2,932	78
Net unrealised gains and losses on investments	207	(46)
Income from deposits with ceding undertakings	12,171	-
Investment expenses and charges		
Investment management expenses, including interest payable	(516)	(18)
Losses on realisation of investments	(477)	(21)
	(993)	(39)
Net investment return - Long-term Business	**14,317**	**(7)**
(c) Non-technical Account		
Investment income		
Interest income on financial assets at fair value through profit and loss	301	53
Gains on realisation of investments	118	-
	419	53
Net unrealised gains and losses on investments	546	-
Investment expenses and charges		
Investment management expenses, including interest payable	(188)	(105)
Losses on realisation of investments	(167)	-
	(355)	(105)
Net investment return - Non-technical account	**610**	**(52)**
Net investment return	**15,013**	**(46)**

(1) See Accounting Policies – Basis of Presentation – Comparatives for further details

6. Operating Expenses

a. Operating Expenses

	Year Ended 31st December 2018 €'000	Period Ended 31st December 2017 €'000 Restated(1)
Administrative expenses	24,045	13,696
Reinsurance commission and profit participation	25,666	16,629
Operating expenses	**49,711**	**30,325**

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(1) See Statement of Accounting Policies – Basis of Presentation – Comparatives for further details.

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, 2018 and for the period from 27th October 2016 to 31st December 2017 was EUR 7.3 million and EUR 2.8 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 year ended 31st December 2018 and for the period from 27th October 2016 to 31st December 2017 was as follows:

	Year Ended 31st December 2018 €'000	Period Ended 31st December 2017 €'000 Restated(1)
Fees related to the audit of		
- The consolidated financial statements	250	154
- The Company's subsidiaries	508	206
- Other group companies paid by the Company	-	29
Fees related to audit	758	389
Fees related to other assurance services	200	86
Total	**958**	**475**

(1) See Statement of Accounting Policies – Basis of Presentation – Comparatives for further details.

7. Taxation

a. Tax on Profit on Ordinary Activities

	Year Ended 31st December 2018 €'000	Period Ended 31st December 2017 €'000 Restated(1)
Current Tax		
Corporation tax on profit for the financial year	880	706
Loss carryforwards	(645)	-
Adjustment in respect of prior financial years	64	-
Current tax expense for the financial year	299	706
Deferred Tax		
Origination and reversal of timing differences	81	-
Deferred tax charge for the year	(630)	-
Tax on profit on ordinary activities	(250)	706

(1) See Statement of Accounting Policies – Basis of Presentation – Comparatives for further details.

b. Reconciliation of Tax Expense

Tax assessed for the year ended 31st December 2018 and for the period from 27th October 2016 to 31st December 2017 is higher than the standard rate of corporation tax in Bermuda of 0%. The differences are as follows:

	Year Ended 31st December 2018 €'000	Period Ended 31st December 2017 €'000 Restated(1)
Profit on ordinary activities before tax	63,842	14,123
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	1,589	3,744
Loss carryforwards	(754)	-
Expenses not deductible for tax purposes	-	5,406
Deductions allowable for tax purposes	(476)	(8,451)
Income Tax Withheld	-	3
FX movements	(59)	1
Adjustment in respect of prior financial years	(1)	3
Current tax charge for the year	**299**	**706**

(1) See Statement of Accounting Policies – Basis of Presentation – Comparatives for further details.

The standard rate of tax in Republic of Ireland, Belgium, Luxembourg and Italy was 12.5%, 33.99%, 26.1% and 30.82%, respectively, for the year ended 31st December 2018. The standard rate of tax in Republic of Ireland was 12.5% for the period from 27th October 2016 to 31st December 2017.

Notes to the Consolidated Financial Statements Cont'd

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 2018 and 2017 is as follows:

	Year Ended 31st December 2018 €'000	Period Ended 31st December 2017 €'000 Restated(1)
Deferred tax acquired on business combinations	4,966	156
Deferred tax	**4,966**	**156**

(1) See Statement of Accounting Policies – Basis of Presentation – Comparatives for further details.

The enacted tax rates related to the releases of the deferred tax balance are expected to be 12.5% for Ireland and 30.82% in Italy. Of the deferred tax in the table above, EUR 0.4 million is expected to be released in 2019.

8. Investments in Group Undertakings

Set out below are the Company' investments in the primary regulated entities at 31st December 2018. An asterisk indicates holdings held directly by the Company. 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 Insurance DAC ("MIDAC")	Republic of Ireland	Payment Protection Insurance ("PPI")	Ordinary	100%*
Monument Assurance DAC ("MADAC")	Republic of Ireland	Payment Protection Insurance ("PPI")	Ordinary	100%
Laguna Life DAC ("Laguna")	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%

9. Financial Instruments

a. Financial Assets

The cost and market values of financial assets included in 'Other financial investments' and 'Assets covering unit-linked liabilities' in the Company's Consolidated Statements of Financial Position at 31st December 2018 and 2017 were as follows:

	31st December 2018 Market value €'000	31st December 2018 Cost €'000
Held at fair value through profit and loss		
Debt securities and other fixed income securities	174,520	176,007
Residential mortgage funds	62,007	62,000
Policy loans	9,121	9,548
Derivatives	4,499	1,864
Term deposits	700	700
Other	353	383
Other financial investments	**251,200**	**250,502**
Assets covering unit-linked liabilities[1]	**213,863**	**227,721**

(1) Excludes assets under the funds held agreement with MetLife (see Note 9.b below).

	31st December 2017 Market value €'000 Restated[1]	31st December 2017 Cost €'000 Restated[1]
Held at fair value through profit and loss		
Debt securities and other fixed income securities	7,276	7,321
Other financial investments	**7,276**	**7,321**

(1) See Statement of Accounting Policies – Basis of Presentation – Comparatives for further details.

b. Deposits with Ceding Undertakings

During 2018, the Company entered into a reinsurance agreement with MetLife on a funds withheld basis, to reinsure a run-off portfolio of traditional and unit-linked business. With respect to funds withheld, the Company's Consolidated Statement of Financial Position at 31st December 2018 includes within 'Investments – Deposits with ceding undertakings' financial assets of EUR 144.3 million related to the traditional business and within 'Assets covering unit-linked liabilities' financial assets of EUR 293.6 million related to unit-linked contracts (see also Note 10 below). In relation to this transaction, the Company recorded a reinsurance commission income of EUR 20.8 million in the Consolidated Statement of Comprehensive Income for the year ended 31st December 2018.

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, 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; 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 residential mortgage funds, policyholder loans and derivatives.

31st December 2018	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total(1) €'000
Debt securities and other fixed income securities	-	174,520	-	174,520
Residential mortgage fund	-	-	62,007	62,007
Policyholder loans	-	-	9,121	9,121
Derivatives	-	-	4,499	4,499
Other	-	353	-	353
Other financial investments	**-**	**174,873**	**75,627**	**250,500**
Assets covering unit-linked liabilities(2)	**-**	**213,863**	**-**	**213,863**

(1) In addition to the investments held at fair value in the table above, 'Other financial investments' also include a term deposit of EUR 0.7 million.

(2) Assets covering unit-linked liabilities in the table above exclude assets held by a ceding undertaking of EUR 293.6 million (see Note 9.b).

31st December 2017	Level 1 €'000 Restated(1)	Level 2 €'000 Restated(1)	Level 3 €'000 Restated(1)	Total Restated(1)
Debt securities and other fixed income securities	-	7,276	-	7,276
Other financial investments	**-**	**7,276**	**-**	**7,276**

(1) See Statement of Accounting Policies – Basis of Presentation – Comparatives for further details.

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

- *Debt securities and other fixed income securities* - These 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.
- *Residential mortgage fund* – The net asset value of the fund is provided on a quarterly basis.
- *Policyholder loans* – Policy loans represent partial surrenders where the policyholder has surrendered a portion of the 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.
- *Derivatives* – The Company's derivatives included in Level 3 are valued based on counterparty bank's internal models.
- *Assets covering unit-linked liabilities* – These assets include investments in publicly traded funds for which quoted prices are available.

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 financial liabilities related to the unit-linked contracts of EUR 507.5 million is equivalent to the amount payable under the contract, based on the current asset value.

10. Assets covering Unit-linked Liabilities

Assets covering unit-linked liabilities relate to unit-linked investment contracts. The balance of EUR 507.5 million includes EUR 293.6 million related to a reinsurance agreement with MetLife on a funds withheld basis (further described in Note 9.b above).

An analysis of financial assets covering unit-linked liabilities is included in Note 9 above.

11. Debtors

	31st December 2018 €'000	31st December 2017 €'000 Restated(1)
Debtors		
Debtors arising out of direct insurance operations		
Policyholders	2,185	2,143
Debtors arising out of reinsurance operations	-	70
Other debtors including tax and social security		
Tax recoverable	3,829	25
Other debtors	1,936	-
Other debtors	5,765	25
Other Group companies(2)	22,394	276
Total debtors	**30,344**	**2,514**

(1) See Statement of Accounting Policies – Basis of Presentation – Comparatives for further details.
(2) Relates to a receivable from the parent company Monument Finco Limited.

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

12. Equity Share Capital

	31st December 2018 $'000	31st December 2017 $'000
Authorised		
Ordinary shares at USD $1 each	150,000	150,000
	€'000	€'000 Restated(1)
Allotted, called up and fully paid - presented as equity		
Ordinary shares at USD $1 each	56,028	56,028

(1) See Statement of Accounting Policies – Basis of Presentation – Comparatives for further details.

A capital contribution of EUR 89.5 million was received during 2018 from the parent company.

Notes to the Consolidated Financial Statements Cont'd

At 31st December 2018 and 2017, 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.

13. 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 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.

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 (2017 GBP).

The gross BEL and RM and net technical provisions at 31st December 2018 and 2017 were as follows:

	31st December 2018 €'000	31st December 2017 €'000 Restated(1)
Best Estimate Liabilities (Gross)	298,206	10,324
Risk Margin	6,833	1,227
Technical Provisions (Gross)	**305,039**	**11,551**
Reinsurance Asset	(4,519)	95
Technical Provisions (Net)	**300,520**	**11,456**

(1) See Statement of Accounting Policies – Basis of Presentation – Comparatives for further details.

a. General Business Provision

The movement in provision for claims for the year ended 31st December 2018 and for the period from 27th October 2016 to 31st December 2017 was as follows:

	Gross €'000	Reinsurer's Share €'000	Net €'000
Balance at 1st January 2018	9,810	-	9,810
Provision for claims acquired	6,746	-	6,746
Liabilities discharged in the year	(7,874)	-	(7,874)
Unwinding of discount rates	6	-	6
Changes in experience	(605)	-	(605)
Changes in assumptions	(21)	-	(21)
Other	3	-	3
Impact of FX	(90)	-	(90)
Balance at 31st December 2018	**7,975**	**-**	**7,975**

	Gross €'000 Restated(1)	Reinsurer's Share €'000 Restated(1)	Net €'000 Restated(1)
Balance at 27th October 2016	-	-	-
Provision for claims acquired	12,248	-	12,248
Movement in provision	(2,292)	-	(2,292)
Impact of FX	(146)	-	(146)
Balance at 31st December 2017	**9,810**	**-**	**9,810**

(1) See Statement of Accounting Policies – Basis of Presentation – Comparatives for further details.

b. Long Term Business Provision

The movement in provision for claims for the year ended 31st December 2018 and for the period from 27th October 2016 to 31st December 2017 was as follows:

	Gross €'000	Reinsurer's Share €'000	Net €'000
Balance at 1st January 2018	1,741	(95)	1,646
Long term technical provision acquired	294,321	(4,423)	289,898
Liabilities discharged in the year	(337)	(1)	(338)
Unwinding of discount rates	4	-	4
Changes in experience	3	-	3
Changes in assumptions	1,334	-	1,334
Other	9	-	9
Impact of FX	(11)	-	(11)
Balance at 31st December 2018	**297,064**	**(4,519)**	**292,545**

	Gross €'000 Restated(1)	Reinsurer's Share €'000 Restated(1)	Net €'000 Restated(1)
Balance at 27th October 2016	-	-	-
Long term technical provision acquired	1,300	(65)	1,235
Movement in Provision	509	(30)	479
Impact of FX	(68)	-	(68)
Balance at 31st December 2017	**1,741**	**(95)**	**1,646**

(1) See Statement of Accounting Policies – Basis of Presentation – Comparatives for further details.

c. Reinsurance Liabilities

The reinsurance liability of EUR 96.3 million relates to certain reinsurance treaties, arranged with a deficit account carrying forward the reinsurers' losses on an underwriting year basis.

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 all 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 since mortality is not material for a large proportion of the balance sheet i.e. unit-linked and savings business. For Laguna, MAB and MAL, where there is mortality and rider risks, reinsurance is in place to reinsure a significant proportion of this exposure.

Notes to the Consolidated Financial Statements Cont'd

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), 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	-0.40%	0.98%	-0.23%	1.07%
2	-0.34%	1.06%	-0.18%	1.16%
3	-0.24%	1.12%	-0.09%	1.22%
4	-0.10%	1.17%	0.03%	1.27%
5	0.04%	1.21%	0.20%	1.30%
6	0.18%	1.24%	0.32%	1.33%
7	0.32%	1.26%	0.46%	1.36%
8	0.45%	1.29%	0.59%	1.38%
9	0.57%	1.32%	0.71%	1.41%
10	0.68%	1.34%	0.83%	1.44%
20	1.24%	1.47%	1.36%	1.56%
30	1.30%	1.46%	1.41%	1.55%
40	1.39%	1.63%	1.39%	1.51%
50	1.52%	2.00%	1.36%	1.47%

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[2] which are derived from Standard & Poor's data.

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.

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

[2] 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

14. Creditors Arising out of Direct Insurance and Reinsurance Operations

	31st December 2018 €'000	31st December 2017 €'000 Restated(1)
Creditors arising out of direct insurance operations		
Commission payable	4,420	4,149
Profit share payable	613	1,432
Claims payable	6,431	89
Insurance premium tax payable	1,148	840
Total	**12,612**	**6,510**
Creditors arising out of reinsurance operations		
Reinsurance balances payable	**7,337**	**193**

(1) See Statement of Accounting Policies – Basis of Presentation – Comparatives for further details.

Commission and profit share payable, together with amounts due to policyholders fall due within three months of the period end date.

15. Other Creditors

	31st December 2018 €'000	31st December 2017 €'000 Restated(1)
Other creditors including tax and social security		
Corporation tax payable	-	42
VAT Payable	235	10
Deferred Tax Liability	4,966	155
LTIP accrual	2,900	-
Other	709	-
Total	**8,810**	**207**

(1) See Statement of Accounting Policies – Basis of Presentation – Comparatives for further details.

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.

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

	31st December 2018 €'000	31st December 2017 €'000 Restated(1)
Profit on ordinary activities before tax	63,842	14,123
Add back: Interest received	1,247	(409)
Adjustments:		
Shareholder realised and unrealised investment gains	(843)	59
Non-cash movement in technical reserves	244,762	(2,282)
Movement in deferred expenses	328	(328)
Deposits with ceding undertakings	(144,334)	-
Allocated investment income	(1,247)	(11)
Gain on acquisition	(16,999)	(16,450)
Movements in other assets/liabilities	(11,104)	3,982
Net cash from operating activities	**135,652**	**(1,316)**

(1) See Statement of Accounting Policies – Basis of Presentation – Comparatives for further details.

17. Related Party Transactions

See Note 6 for disclosure of key management compensation, Note 11 for amounts owed by the parent company and Note 12 for disclosure of capital contribution by the parent company. There were no other material related party transactions during the year ended 31st December 2018 and the period from 27th October 2016 to 31st December 2017.

18. Events after the Reporting Date

On 17th April, 2019, the Board declared a dividend of EUR 2.1 million.

Effective 11th January 2019, the Company redenominated its common shares from USD to EUR.

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 completed after the reporting date.

- On 29th June, 2018, the Company signed the acquisition of Robein Leven N.V. and its subsidiaries from Amerborgh Financial Services B.V. Robein Leven is a closed life insurer domiciled in the Netherlands with traditional and unit-linked products. This transaction received regulatory approval on 18th March 2019.
- On 10th October 2018, the Company signed the acquisition of a run-off portfolio of traditional life and credit life business from Alpha Insurance S.A., a Belgian composite insurance company

and a wholly-owned subsidiary of Enstar Group Limited, a minority shareholder of the ultimate parent company. Upon receipt of regulatory approvals, the portfolio will transfer to Monument Assurance Belgium NV, the Belgian carrier of the Monument Re Group.

- On 21st December 2018, the Company signed the acquisition of Nordben Life and Pension Insurance Co Limited ("Nordben") from BenCo Insurance Holding B.V., which is owned 89.96% by Storebrand Livsforsikring AS. This transaction establishes the Company's presence in Guernsey and remains subject to customary closing conditions, including receipt of regulatory approval.

In addition to the above transactions signed in 2018, there are three further transactions to highlight which have been signed in 2019 and remain subject to regulatory approval as of the date of this report.

- In January 2019, the Company signed the acquisition of a further traditional savings portfolio in Belgium that remains subject to receipt of regulatory approvals.
- On 26th March 2019, the Company entered into an agreement to acquire the €140m portfolio of Irish annuities from Rothesay Life Plc. The acquisition has been structured initially as reinsurance to Monument Re and is expected to be followed by a transfer of the portfolio to Laguna, subject to regulatory and court approvals.
- On 27th March 2019, the Company signed a definitive agreement to acquire Inora Life Designated Activity Company ("Inora") from Societe Generale S.A. The closing of the transaction is subject to regulatory approval. Inora is a life insurer domiciled in Ireland which has ceased all new activity since 2012 but still manages a portfolio of unit-linked insurance products. The transaction will have no impact on Inora clients and policyholders.

19. Approval of Consolidated Financial Statements

The Consolidated Financial Statements were approved by the Board of Directors on 17th April 2019.