AXA MPS Financial DAC

Directors' report and financial statements

Year ended 31 December 2020

Registered number: 293822

AXA MPS Financial DAC

Directors' report and financial statements
For the year ended 31 December 2020

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Directors	D. Leroux, Chairman and Non-Executive Director N. Guinan, CEO and Executive Director S. Hughes, Independent Non-Executive Director J. Goold, Independent Non-Executive Director (UK) M. Spagnuolo, Non-Executive Director (Italy) A. Gavioli, Non-Executive Director (Italy) S. Freschi, Non-Executive Director (Italy) M. Pecora, Non-Executive Director (Italy)
Registered office	33 Sir John Rogerson's Quay Dublin 2 Ireland
Secretary	Tudor Trust Limited 33 Sir John Rogerson's Quay Dublin 2 Ireland
Independent Auditors	PricewaterhouseCoopers Chartered Accountants and Registered Auditors One Spencer Dock North Wall Quay Dublin 1 Ireland
Bankers	Allied Irish Banks plc 7/12 Dame Street Dublin 2 Ireland Banca Monte dei Paschi di Siena Member of MPS Banking Group 23100 Siena Italy
Solicitors	Dillon Eustace 33 Sir John Rogerson's Quay Dublin 2 Ireland
Service provider	Irish Progressive Services International Limited Block C Irish Life Centre Lower Abbey Street Dublin 1 Ireland

Investment managers	Aberdeen Standard Investments Luxembourg SA
	AllianceBernstein
	Allianz Global Investors GmbH
	Amundi Asset Management SAS
	Anima Asset Management Ltd
	Anima SGR SpA
	Architas Multi-Manager Europe Ltd
	AXA Funds Management SA
	AXA Investment Managers Paris SA
	AXA Rosenberg Management Ireland Ltd/Ireland
	Baillie Gifford Investment Management Europe Ltd
	Barings International Fund Managers Ireland Ltd
	Barings UK Ltd
	BlackRock Asset Management
	BlueBay Funds Management
	BNP Paribas Asset Management
	Candriam Luxembourg
	Comgest Asset Management International Ltd
	CPR Asset Management SA/France
	DWS Investment SA
	Eleva Capital SAS
	FIL Investment Management Luxembourg SA
	Franklin Templeton International Services Sarl
	Generali Investments Luxembourg SA
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	HSBC Investment Funds Luxembourg SA
	INVESCO Management SA
	JPMorgan Asset Management
	Jupiter Asset Management
	Legg Mason Investments
	LGIM Managers Europe Ltd
	M&G Luxembourg SA
	Morgan Stanley Investment Management ACD Ltd
	Natixis Investment Managers SA
	Neuberger Berman Europe Ltd
	NN Investment Partners
	Nordea Investment Management
	Pictet Asset Management Europe SA
	PIMCO Global Advisors Ireland Ltd
	Robeco Institutional Asset Management
	Schroder Investment Management Europe SA
	State Street Global Advisors Ltd
	Threadneedle Management Luxembourg SA
	TT International Investment Management LLP
	UBP Asset Management Europe SA
	UBS Fund Management Luxembourg SA
	Vanguard Group Ireland Ltd
	Vontobel Asset Management SA

The Directors present their annual report and the audited financial statements for AXA MPS Financial DAC ("the Company") for the year ended 31 December 2020. The Directors consider it appropriate that these financial statements are prepared on a going concern basis.

Principal activities, business review and future developments

The Company is authorised in Ireland to transact life assurance business in the European Union ("EU") under the Solvency II Directive (2009/138/EC) as introduced into domestic Irish legislation by the European Union (Insurance and Reinsurance) Regulations 2015, effective 1 January 2016 (previously authorised under the European Union Third Life Directive as introduced into domestic Irish legislation by the European Communities (Life Assurance) Framework Regulations, 1994).

The Company's business to date has mainly been the sale of single premium investment and insurance products in Italy through a distribution network of banking intermediaries.

During 2020, investment and insurance product sales amounted to €1,308 million (2019: €1,529 million), a decrease of 14.5% on 2019. Gross Written Premium reported for insurance products in the statement of profit or loss amounts to €444 million (2019: €810 million).

Total insurance claims and investment redemptions for the period amounted to €1,656 million for the year (2019: €1,811 million) a decrease of 8.6% on 2019.

Total policyholder assets under management amount to €8,094 million (2019: €8,286 million) which is a decrease of €192 million from the previous year. Net technical operating cash flow for 2020 is negative €348 million (2019: negative €282 million) and has been the main contributor to this decrease in policyholder assets. The reduction in policyholder assets is partially offset by positive investment performance during 2020.

The Company generated a profit after tax of €41.2 million (2019: €48.7 million) and net assets at 31 December 2020 amounted to €137 million (2019: €146 million).

Note 25 to the financial statements on page 36 confirms that the Company had a satisfactory surplus over regulatory Solvency II capital requirements at the year end.

During 2020 the Company continued to face a difficult external environment from the continuing low interest rate environment and increased competition from non-insurance mutual fund providers. Reacting to the current market environment the Company has strived to offer its customers appropriate products. Progetto Protetto sold strongly throughout 2020 and represents 31% of total Gross Written Premium for 2020. The company launched a new product in October 2019 called Personal Style. Its sales contributed to 48% of total Gross Written Premium for 2020. The Directors are satisfied that the Company is well placed to continue product innovation and providing savings and investment life products relevant to a diverse customer market into the future.

The Directors play an active role in the development of the Company through the ongoing review and oversight of budgets and performance. It is the Company's objective to achieve a satisfactory level of profitability for its shareholder whilst taking into account statutory, financial, fiscal and regulatory requirements and to meet policyholders' reasonable expectations. At each Board meeting the Directors are provided with financial key performance indicators and a margin variance analysis against budget to inform them of the main profit drivers. The Company continues to meet policyholder needs by way of delivering a range of products to meet their requirements and this is reflected in the sales mix for 2020.

Corporate governance

As the Company has developed, the Directors have been developing the corporate governance framework in line with best practice, the guidance provided by the group parent and the corporate governance code issued by the Central Bank of Ireland. The Company has recently been rated a Medium Low entity according to the Central Bank of Ireland PRISM rating guide and the Company believes it is in compliance with the standards expected of a company with this rating. The Directors are aware of the critical need for effective corporate governance, risk management and internal controls to guide the Company's business practices and activities, thereby promoting compliance with all laws and regulations and safeguarding the Company's reputation.

The Company has a well-established Board Audit Committee, a Board Investment Committee, a Board Risk Committee all of which met at least 4 times during 2020. In 2016 a Board Remuneration Committee was also established. The charter for these committees is reviewed annually and the committees report back to the Board on all issues noted to and raised by them.

Key performance indicators

The Company tracks on a quarterly basis certain Key Performance Indicators (KPIs). These are shown below in €'000s.

Premium written*	€1,308,013	(2019: €1,529,366)
TOCF**	(€347,943)	(2019: (€282,377))
Profit after tax	€41,151	(2019: €48,673)

* Premium written includes both premiums written from both Insurance and Investment products. Gross written premium in the Statement of profit or loss only shows premiums written relating to Insurance products

**Technical Operating Cash Flow

Results for the year and state of affairs at 31 December 2020

The results for the year are set out on page 14. The Company's statement of financial position is set out on pages 16 and 17.

Dividends

The Directors propose the payment of a dividend for 2020 of €40 million (2019: Approved payment of €50 million, which was paid in January 2021, following Central Bank of Ireland approval).

Directors

The following Directors served during the year:

Roland Moquet, Chairman and Non-Executive Director (resigned 03/04 2020)
Damien Leroux, Chairman and Non-Executive Director (appointed 22/05/2020)
Neil Guinan - CEO and Executive Director
Jonathan Goold - Independent Non-Executive Director
Seamus Hughes - Independent Non-Executive Director
Michele Spagnuolo - Non-Executive Director
Federico Vitto Non-Executive Director (resigned 03/04 2020)
Andrea Gavioli, Non-Executive Director
Simone Freschi, Non-Executive Director
Maurizio Pecora, Non-Executive Director (appointed 23/10/2010)

Directors' and secretary's and interests

The Directors and secretary who held office at 31 December 2020 had no interests in the shares in, or debentures or loan stock of, the Company or any other Group company which require disclosure under Section 260 of the Companies Act, 2014.

Accounting records

The Directors believe that they have complied with the requirements of Section 281 to Section 285 of the Companies Act, 2014 with regard to keeping accounting records by employing a service provider and personnel within the Company with appropriate expertise and by providing adequate resources to the financial function and maintenance of computerised accounting systems. The accounting records of the Company are maintained at the premises of its service provider, Irish Progressive Services International Ltd, Block C, Irish Life Centre, Lower Abbey Street, Dublin 1, Ireland.

Political donations

The Company made no political donations during the year (2019: Nil).

Directors' compliance statement

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

The directors confirm that they have:

- drawn up a compliance policy statement setting out the Company's policies respecting compliance by the Company with its relevant obligations;
- put in place appropriate arrangements or structures that are designed to secure material compliance with the Company's relevant obligations;
- conducted a review, during the financial year ended 31 December 2020, of the arrangements and structures, referred to above.

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 any relevant audit information and to establish that the Company's statutory auditors are aware of that information.

Events after the reporting period

There have been no significant events affecting the Company since the year end which require amendment to the financial statements.

AXA MPS Financial DAC

Directors' report *(continued)*
For the year ended 31 December 2020

Significant business developments or other events

Market Environment

2020 saw the global outbreak of the COVID-19 pandemic, which first appeared in China late 2019 before spreading to other countries and becoming a worldwide pandemic by March 2020.

China first put in place unprecedented lockdowns to contain the spread of the pandemic, and similar measures were imposed by most large economies from mid-March. Worldwide, governments-imposed confinements, quarantines, travel restrictions, social distancing measures and more generally the closure of activities deemed non-essential to try and alleviate the severe strain experienced by local, national and supra-national medical institutions. This led to massive disruptions to the global economic output, notably manufacturing, trade and supply chains, which resulted in both lower economic activity and lower estimates of future economic growth. From May onwards, as the virus contagion started to show signs of abatement, governments started to ease the restrictions to alleviate the negative impacts on the economy.

However, the pace of infections accelerated during the third quarter, with the number of daily new cases reaching very high levels, mostly in Europe and in the United States. This situation has proven to be long-lasting, leading governments to strengthen again the sanitary measures after the relative easing during the summer. Although these measures were less stringent than in March, they weighed further on the economic environment. At the end of 2020, most of these restrictions were still in place and outlooks remain uncertain despite vaccines being rolled out to the population of many countries from the end of 2020.

Activity and Earnings

The Company's sales in January and February 2020 started strong, however slowed significantly from March due to the lockdown in place in Italy, before starting to recover again over the summer months, and remaining at a reasonable level for the rest of the year. Total sales for the year were €1.3bn, which was above budget. Markets were volatile over the year, with a significant reduction in equity markets in March as a result of the pandemic, which led to a reduction in assets under management over this period, and subsequent reduction in management charge income. The market volatility also led to negative performance of the hedging program in respect of the variable annuity business over this period. However most markets showed strong recovery by year-end and yields reduced over the year which had a positive impact on the fixed income fund returns. AMF implemented cost saving measures as a result of the pandemic, particularly in in areas of discretionary expenditure. Due to the conservative approach taken by AMF in investment of shareholder assets, with all assets invested in cash, liquidity fund or short dated government bonds, the crisis had no material impact on the level of shareholder assets. Overall the Company's earnings and solvency position were not significantly impacted by the pandemic. From an operational point of view, the Company coped well with the crisis, with all staff able to work remotely, thereby avoiding business interruption or adverse impacts on customer services.

In the ongoing uncertain context, AXA MPS Financial DAC continues closely monitoring its exposure, including (i) the operational impact on its business, (ii) the consequences of a deterioration in macroeconomic conditions, (iii) the impact on coverage, and (iv) change in asset prices and financial conditions.

Independent Auditors

PricewaterhouseCoopers, Chartered Accountants and Registered Auditors, will offer themselves for reappointment in accordance with the provisions of Section 383 (2) of the Companies Act, 2014.

On behalf of the board

Neil Guinan
Neil Guinan
Director

Seamus Hughes
Seamus Hughes
Director

01 April 2021

AXA MPS Financial DAC

Directors' responsibilities statement

For the year ended 31 December 2020

The Directors are responsible for preparing the annual report in accordance with applicable Irish law.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and as adopted by the EU. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Company and of its profit and loss for that financial year and otherwise comply with the Companies Act 2014. In preparing those 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 financial statements have been prepared in accordance with applicable accounting standards, identify those standards and note the effect and the reasons for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for ensuring that the company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the company, enable at any time the assets, liabilities, financial position and profit or loss of the company to be determined with reasonable accuracy, enable them to ensure that the financial statements comply with the Companies Act 2014 and enable the financial statements to be audited. They 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the board

Neil Guinan
Neil Guinan
Director

Seamus Hughes
Seamus Hughes
Director

01 April 2021

Independent auditors' report to the members of AXA MPS Financial DAC

Report on the audit of the financial statements

Opinion

In our opinion, AXA MPS Financial DAC's financial statements:

- give a true and fair view of the company's assets, liabilities and financial position as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

We have audited the financial statements, included within the directors' report and financial statements, which comprise:

- the statement of financial position as at 31 December 2020;
- the statement of profit or loss for the year then ended;
- the statement of other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law.

Our responsibilities under ISAs (Ireland) are further described in the Auditors' responsibilities for the audit of the 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 remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by IAASA's Ethical Standard were not provided to the company.

Other than those disclosed in note 9 to the financial statements, we have provided no non-audit services to the company in the period from 1 January 2020 to 31 December 2020.

Our audit approach

Overview

Materiality

- EUR1,366,160 (2019: EUR1,386,021
- Based on 1% of net assets.

Audit scope

- We performed a full scope audit of the company's financial statements, based on materiality levels.

Key audit matters

- Existence and valuation of financial assets.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	***How our audit addressed the key audit matter***
Existence and valuation of financial assets	
Refer to note 1, note 14, note 15 and note 26 to the financial statements. The financial assets held at fair value through profit or loss included in the statement of financial position of the company are held in the company's name and are valued at fair value in line with IFRS. These assets comprise primarily government bonds and unit trusts. We focused on this area because it represents the principal element of the financial statements.	We tested the design and operating effectiveness of selected processes and controls relating to financial assets custody and valuation. We obtained independent confirmation from the custodians of nominal assets holdings at 31 December 2020, agreeing the amounts held to the accounting records. We tested the valuation of the investment portfolio by agreeing the valuation of investments to independent sources. No matters were noted as a result of performing these procedures.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	EUR1,366,160 (2019: EUR1,386,021).
How we determined it	We determined our materiality for the audit of the financial statements using quantitative and qualitative factors. Based on these factors we have selected 1% of net assets as an appropriate benchmark for measuring materiality.
Rationale for benchmark applied	We have selected this benchmark as, in our view, net assets is the most appropriate benchmark given the circumstances and nature of the company's business.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above EUR68,308 (2019: EUR69,301) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- obtaining management's going concern assessment for the going concern period which covers a year from the date of approval of the financial statements;
- considering the projected solvency position of the company under a number of stress scenarios set out in the company's Own Solvency Risk Assessment;
- considering the company's liquidity position and maturity profile to assess liquidity through the going concern assessment period;
- evaluation of management's assessment of the likely impact which COVID-19 may have on capital and liquidity positions through the going concern assessment period; and
- evaluating the going concern disclosures included in the financial statements in order to assess whether the disclosures were appropriate and in accordance with reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the directors' report and financial statements other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the directors' report, we also considered whether the disclosures required by the Companies Act 2014 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (Ireland) and the Companies Act 2014 require us to also report certain opinions and matters as described below:

- In our opinion, based on the work undertaken in the course of the audit, the information given in the directors' report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.
- Based on our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company'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 the directors either intend to liquidate the company or to cease operations or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 (Ireland) 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 financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA website at:

https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors responsibilities_for_audit.pdf

This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2014 opinions on other matters

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.

Other exception reporting

Directors' remuneration and transactions

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

Appointment

We were appointed by the directors on 2 November 2016 to audit the financial statements for the year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement is 5 years, covering the years ended 31 December 2016 to 31 December 2020.

Paraic Joyce

for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin
6 April 2021

AXA MPS Financial DAC

Statement of profit or loss

for the year ended 31 December 2020

	Note	2020 €'000	2019 €'000
Gross written premium	*2*	443,944	810,061
Outward reinsurance premium	*2*	(24)	(26)
Net premium written and earned		**443,920**	**810,035**
Investment return	*3*	239,987	927,106
Change in deferred income	*22*	28,535	43,607
Fee and commission income	*4*	148,591	147,355
Total income / (expense)		**417,113**	**1,118,068**
Claims paid - insurance contracts	*5*	(752,424)	(838,750)
Change in technical provisions for insurance liabilities	*6*	237,690	(376,531)
Change in investment liabilities	*5*	(196,680)	(549,412)
Net policy holder claims and benefits incurred		**(711,414)**	**(1,764,693)**
Investment expenses		(2,553)	(3,549)
Fee and commission expenses	*7*	(65,309)	(74,424)
Change in deferred acquisition costs	*17*	(18,526)	(12,969)
Administration expenses	*8*	(16,217)	(16,815)
Operating expenses		**(102,605)**	**(107,757)**
Profit before tax		**47,014**	**55,653**
Taxation	*12*	(5,863)	(6,980)
Profit for the year		**41,151**	**48,673**

All profits were generated by continuing activities.

The accompanying notes form an integral part of these financial statements.

AXA MPS Financial DAC

Statement of other comprehensive income
for the year ended 31 December 2020

	Note	2020 €'000	2019 €'000
Profit for the year		**41,151**	**48,673**
Other comprehensive loss to be reclassified to profit or loss in subsequent periods (net of tax)			
Net losses on available-for-sale financial assets		(925)	(2,539)
Income tax effect	*12*	116	316
Other comprehensive loss (net of tax)		**(809)**	**(2,223)**
Total comprehensive income for the year (net of tax)		**40,342**	**46,450**

All profits were generated by continuing activities.

The accompanying notes form an integral part of these financial statements.

AXA MPS Financial DAC

Statement of financial position
As at 31 December 2020

	Note	2020 €'000	2019 €'000
Assets			
Tangible assets	*13*	23	31
Shareholder financial assets	*14*	79,593	41,518
Policyholder financial assets			
Investments for the benefit of life assurance policyholders	*15*	8,093,553	8,286,025
Other financial investments	*15*	3,494	1,343
		8,097,047	8,287,368
Cash and cash equivalents	*16*	98,056	93,156
Deferred acquisition costs	*17*	119,371	137,897
Other Debtors	*18*	48,709	58,201
Total assets		**8,442,799**	**8,618,171**

The accompanying notes form an integral part of these financial statements.

On behalf of the board

Neil Guinan

Neil Guinan
Director

Seamus Hughes

Seamus Hughes
Director

01 April 2021

AXA MPS Financial DAC

Statement of financial position
As at 31 December 2020

	Note	2020 €'000	2019 €'000
Equity and liabilities			
Equity attributable to the equity holders of the company			
Ordinary share capital	*19*	635	635
Available for sale reserve		1,738	2,547
Retained earnings		134,262	143,111
Total equity		**136,635**	**146,293**
Liabilities			
Insurance technical provisions	*20*	3,346,735	3,627,773
Investment contract technical provisions	*21*	4,749,283	4,668,402
Deferred income	*22*	46,751	75,286
Creditors arising out of direct insurance operations:			
Claims payable / prepaid premiums	*23*	75,872	56,206
Provision for Italian tax		13,084	15,205
Deferred tax liability	*12*	249	365
Other creditors	*24*	74,190	28,641
Total liabilities		**8,306,164**	**8,471,878**
Total equity and liabilities		**8,442,799**	**8,618,171**

The accompanying notes form an integral part of these financial statements.

On behalf of the board

Neil Guinan

Neil Guinan
Director

Seamus Hughes

Seamus Hughes
Director

01 April 2021

AXA MPS Financial DAC

Statement of changes in equity

For the year ended 31 December 2020

	Issued capital	Retained earnings	Available for sale reserve	Total equity
	€'000	**€'000**	**€'000**	**€'000**
At 1 January 2020	**635**	**143,111**	**2,547**	**146,293**
Profit for the year	-	41,151	-	41,151
Other comprehensive loss	-	-	(809)	(809)
Total recognised gains for the financial year	**-**	**41,151**	**(809)**	**40,342**
Dividends payable	-	(50,000)	-	(50,000)
As at 31 December 2020	**635**	**134,262**	**1,738**	**136,635**
At 1 January 2019	**635**	**144,438**	**4,770**	**149,843**
Profit for the year	-	48,673	-	48,673
Other comprehensive loss	-	-	(2,223)	(2,223)
Total recognised gains for the financial year	**-**	**48,673**	**(2,223)**	**46,450**
Dividends paid	-	(50,000)	-	(50,000)
As at 31 December 2019	**635**	**143,111**	**2,547**	**146,293**

The accompanying notes form an integral part of these financial statements.

AXA MPS Financial DAC

Statement of cash flows
For the year ended 31 December 2020

	2020	2019
	€'000	**€'000**
Profit before taxation	**47,014**	**55,653**
Net change in fair value of investments	200,542	(553,294)
Net change in contract liabilities	(200,674)	549,677
Fund expenses borne by policyholders	516	(712)
Net change in deferred acquisition costs	21,064	13,930
Net change in provision for deferred income	(31,072)	(44,568)
Purchase of tangible assets	-	(39)
Depreciation	8	21
	37,398	20,668
(Increase) / decrease in trade and other receivables	(10,886)	8,976
Increase / (decrease) in trade and other payables	28,466	(15,632)
	17,580	(6,656)
Net tax paid	(967)	(1,148)
Net cash inflow from operating activities	**54,011**	**12,864**
(Purchase) /proceeds from investments available for sale	(41,598)	48,049
Net cash flow from investments designated at fair value through profit and loss	(7,513)	7,058
Net cash (outflow)/inflow from investing activities	**(49,111)**	**55,107**
Dividend paid	-	(50,000)
Net cash flow outflow used in financing activities	**-**	**(50,000)**
Net increase in cash and cash equivalents	4,900	17,971
Cash and cash equivalents at 1 January	93,156	75,185
Cash and cash equivalents at 31 December	**98,056**	**93,156**

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU as issued by the International Accounting Standards Board. They have been prepared under the historical cost convention, as modified by the valuation of financial assets and financial liabilities at fair value.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years. See note 27, accounting estimates and judgement in the notes to the financial statements.

The financial statements have been prepared on a going concern basis. The directors have a reasonable expectation that the company will continue in operational existence for twelve months from the date of approval of these financial statements ('the period of assessment') and have prepared the financial statements on a going concern basis.

In making this assessment the directors considered:

i) the Company's capital and solvency position, including the stress testing scenarios carried out as part of the Own Solvency and Risk Assessment ("ORSA") process,

ii) the impact of COVID-19 on insurance exposures, investments, and operations,

iii) liquidity, and

iv) the financial condition of the Company's distribution partner.

Adoption of new and revised standards

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2021, and have not been applied in preparing these financial statements. The impact of the IFRSs to be adopted in future financial years is considered on an ongoing basis. The adoption of IFRS 9 may impact both the measurement and disclosure of financial instruments and fee income respectively and will be considered in advance of the mandatory IFRS effective dates. The Company actively reviews the adoption of IFRSs.

In accordance with IFRS 4, 'Insurance Contracts', the Company has applied existing accounting practices for insurance and participating investment contracts, modified as appropriate to comply with the IFRS framework and applicable standards. The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning before 1 January 2021 at the latest and this is the approach of the Company. The Company has applied the temporary exemption from IFRS 9 for annual periods beginning on or after 1 January 2019. The assessment as to whether the Company qualifies for the temporary exemption was completed based on the financial statements as at 31 December 2019. At that time the carrying amounts of the Company's liabilities arising from insurance contracts within the scope of IFRS 4 or IAS 39 represented more than 90% of the total carrying amount of the liabilities at that date. In addition, insurance

1 Accounting policies *(continued)*

Adoption of new and revised standards *(continued)*

liabilities valued in accordance with IFRS 4 represented more than 20% of the total carrying amount of the liabilities at that date. As required by the temporary exemption from IFRS 9, the Company has assessed whether the financial assets should be included in the following classes:

(i) Solely payments of principal and interest ("SPPI"); assets of which cash flows represent solely payments of principal and interest on an outstanding principal amount, excluding any financial assets that meet the definition of held for trading in IFRS 9, or that are managed and whose performance is evaluated on a fair value basis; and

(ii) Other at fair value; all financial assets other than those specified in SPPI, which include financial assets:

(a) with contractual terms that do not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amounts outstanding;

(b) that meet the definition of held for trading in IFRS 9; or

(c) that are managed and whose performance is evaluated on a fair value basis.

The Company has classified the following financial assets as "Other at fair value" at 31 December 2020

- Financial investments €8,094m (31 December 2019: €8,286m)

The following financial assets have been classified as SPPI at 31 December 2020

- Financial investments €14m (31 December 2019: €41m)

IFRS 16 replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

IFRS 17, published in May 2018. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

IFRS 17, is effective for annual reporting periods beginning on or after 1 January 2023, with early adoption permitted. The Company does not currently plan to early adopt the new standard and is assessing the impact of the new standard on the Company.

Currency

The financial statements are prepared in Euro (€) which is the functional currency of the Company. All amounts in the financial statements have been rounded to the nearest thousand euro, unless otherwise stated.

1 Accounting policies *(continued)*

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to euro at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value, are translated to euro at foreign exchange rates ruling at the date the fair value was determined.

Insurance and investment contracts - classification

Product classification
Contracts under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary are classified as insurance contracts. Insurance contracts may also transfer some financial risk.

Investment contracts are those contracts that transfer a significant financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party or contract.

Contracts for which the Company is deemed to have a significant insurance risk are classified as insurance contracts by the Company. Contracts under which the transfer of insurance risk to the Company from the policyholder is not significant are classified as investment contracts.

A contract that qualifies as insurance remains an insurance contract until all risks and obligations are extinguished or expire. However, an investment contract, classified as such on inception, could subsequently be reclassified as an insurance contract if it meets the insurance definition provided above.

Insurance contracts – recognition and measurement

a) Premiums

Premiums earned in respect of insurance contracts are accounted for in the Statement of profit or loss in the same period in which the policyholder liabilities arising from those premiums are established.

b) Claims and benefits incurred

Claims and benefits incurred comprise claims paid in the year and changes in technical provisions, together with any other adjustments to claims from previous years. Claims incurred include maturities, deaths and surrenders. Maturity claims are recognised on a due basis. Deaths are accounted for upon notification. Surrenders are accounted for when paid or payable. Claims incurred include related internal and external claims handling expenses.

c) Fees and commission income

Insurance and investment contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees and charges are recognised as revenue over the period in which the related services are performed.

1 Accounting policies *(continued)*

Insurance contracts – recognition and measurement *(continued)*

d) Insurance contract liabilities

The long-term business provision is calculated on an annual basis with regard to the principles laid down in the EU Third Life Directive (92/96/EEC). It comprises provision for future mortality. Although the Directors consider that the gross long term business provision and the related reinsurance recovery is fairly stated in line with the information currently available, the eventual liability may vary as a result of subsequent information and events. The provision, estimation technique and assumptions are periodically reviewed with any changes in estimates reflected in the Statement of profit or loss.

e) Liability adequacy test

Insurance liabilities are calculated at fair value with the Level 3 hierarchy measure (discounted cash flow). In addition a Liability Adequacy Test is also performed to ensure that future insurance liabilities are adequately covered by future cash flows.

Amounts collected on investment contracts, which involve the transfer of financial risk such as long term savings contracts, are accounted for using deposit accounting, under which the amounts collected are credited directly to the Statement of financial position as an adjustment to the liability to the policyholder.

f) Reinsurance

Only contracts that give rise to a significant cession of insurance risk from the Company are accounted for as reinsurance. The Company only considers those entities with a credit rating of BBB and higher as reinsurance partners. Amounts recoverable under such contracts are recognised in the same period as the related claim and premiums are recognised in the Statement of profit or loss.

A transfer of insurance risk is only considered to have occurred if there is a reasonable possibility both of a significant range of outcomes and of the reinsurer realising a significant loss. No transfer is considered to have occurred if under all reasonable scenarios the reinsurer will effectively receive no more than a lender's rate of return. In assessing whether a significant transfer has occurred consideration is given to the commercial substance of the contract, the range of outcomes that may reasonably be expected to occur under the contract and the timing of the cash flows anticipated under the contract.

The amounts recoverable under reinsurance contracts are assessed for impairment at each Statement of financial position date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not be able to recover all amounts due and that the event has a reliable measurable impact on the amounts that the Company will receive from the reinsurer

Investment contracts – recognition and measurement

Unit linked investment contracts have been classified as financial liabilities at fair value through Statement of profit or loss to eliminate an inconsistency that would otherwise arise between the valuation of assets and liabilities. Unit linked liabilities are valued with reference to the value of the underlying net asset value of the unitised investment funds at the Statement of financial position date.

The revenue arising from these contracts (initial management charges, surrender penalties and annual management charges) is recognised over the life of the contract and is recorded in the fees and commission income lines. These are deducted from the policyholders' funds. Policyholder contract benefits charged to the Statement of profit or loss include benefit claims incurred during the period in excess of policyholders' funds and interest credited to the policyholders' balance.

1 Accounting policies *(continued)*

Investment contracts – recognition and measurement *(continued)*

a) Premiums / benefits paid

Premium written from and benefits paid to policyholders of investment contracts are accounted for as deposits received (or repaid) and are not included within premiums and claims in the Statement of profit or loss.

b) Liability measurement

Liabilities related to unit linked contracts are held at fair value through the Statement of profit or loss. A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the contract is discharged, cancelled or has expired. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the Statement of profit or loss. Gains and losses arising from changes in the fair value of financial liabilities designated at fair value through the Statement of profit or loss are included in the Statement of profit or loss in the period in which they arise.

c) Deferred acquisition costs

The costs directly associated with the acquisition of new investment contracts are deferred to the extent that they are expected to be recoverable out of future revenues to which they relate. Such costs are amortised through the statement of profit or loss over the period in which the reserves on the related contracts are expected to be earned, at a rate commensurate with those revenues.

Deferred acquisition costs are reviewed by category of business at the end of each financial year. Should the circumstances which justified the deferral of costs no longer apply, costs to the extent that they are believed irrecoverable are written off.

Investment income

The Company has designated all unit linked products and their associated investment and insurance contract liabilities at fair value through the Statement of profit or loss. Investment income in the technical account comprises all investment income (including interest income for financial assets carried at amortised cost, using the effective interest rate method), realised investment gains and losses and movements in unrealised gains and losses supporting the insurance business.

Realised gains and losses on investments carried at fair value through Statement of profit or loss are calculated as the difference between net sales proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between the fair value at the statement of financial position date and their purchase price, if occurred during the year, or their fair value at the last statement of financial position date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

a) Interest income

Interest income is recognised in the Statement of profit or loss as it accrues using the effective interest method.

b) Dividend income

Dividend income is recognised in the Statement of profit or loss on the date the Company's right to receive payments is established.

1 Accounting policies *(continued)*

Financial assets

Financial assets are classified into four categories, depending on the purpose for which the assets were acquired. These are as follows:

Financial assets at fair value through profit or loss ("FVTPL") are financial assets which the Company designates as financial assets at fair value through the Statement of profit or loss and financial assets held for trading purposes. Derivatives are classified as held for trading and are designated as being at fair value through profit or loss. Initially, gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are included in the Statement of profit or loss in the period in which they arise.

Held to maturity ("HTM") instruments are non-derivative financial assets with fixed or determinable payments and fixed maturities where the Company has positive intention and ability to hold to maturity. The Company did not have any held to maturity financial assets at year-end.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. Subsequent to initial recognition, loans and receivables are carried at amortised cost, using the effective interest method. Gains and losses are recognised in the Statement of profit or loss when the investments are derecognised or impaired, as well as through the amortisation process. Loans and receivables with short term duration are not discounted.

Available for sale financial assets are non-derivative financial assets that are either designated in this category or are not classified in any of the other categories. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in the Statement of other comprehensive income, except for impairment losses, foreign exchange gains or losses and foreign exchange movement relating to items held at amortised cost. When available for sale assets are sold or impaired, the cumulative gains or losses previously recognised in the statement of other comprehensive income are recognised in profit for the year.

Regular purchases and sales of financial assets are generally recognised on the settlement date, which is when the Company delivers or receives the assets. Assets related to unit linked products are purchased and sold on the trade date, which is the date when the Company commits to purchase or sell the assets.

Fair value of financial assets

The fair value of:

v) equities and debt securities that are actively traded in organised financial markets are determined by reference to quoted market prices for assets and liabilities at close of business on the statement of financial position date without any deduction of transaction costs. These assets are reported as Level 1 assets in Note 26;

vi) equities and debt securities that are not traded in an active market are determined using appropriate valuation techniques, including comparison to similar instruments for which market observable prices exist. These assets are reported as Level 2 assets in Note 26;

vii) units in collective investment schemes are determined by reference to prices published by those schemes. These assets are reported as Level 2 assets in Note 26;

viii) derivative instruments, including interest rate swaps, are determined by reference to prices published by pricing agents for those derivative instruments. The valuation models which underpin the prices published by the pricing agents have been tested using best estimates of the most appropriate model assumptions. These assets are reported as Level 2 assets in Note 26; and

ix) other financial assets relate to cash in unitised funds and are reported as Level 1 assets in Note 26.

1 Accounting policies *(continued)*

Derivative financial instruments

The Company does not use hedge accounting. The derivatives held where the risk is retained by the Company are options held for short periods of time as a result of policyholders' surrenders or held to maturity where investment risk is marginal and is in line with the Company's risk appetite statement. The Company also holds derivatives in respect of the dynamic hedging strategy for the Accumulator guarantee business and new tracker bonds issued since 1 November 2010.

With regard to the options held for short periods of time resulting from policyholders' surrenders of structured assets, the Company does not hold these for speculative purposes and sells the instrument back to the issuing company at the next available opportunity but may exercise its right to retain the asset until maturity where the risk of holding is minimal and is in line with the risk appetite statement of the Company. Other derivatives held are included in assets held on behalf of policyholders where all gains and losses on these derivatives are exactly matched by changes in the related liabilities to policyholders.

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gains or losses on re-measurement to cost, being fair value consideration paid is recognised immediately in the statement of profit or loss.

Employee benefits

(a) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the Statement of profit or loss as incurred. The Company makes a payment equal to between 5% and 15% of the gross income for each eligible employee's pension fund, the assets of which are vested in independent trustees for the benefit of employees and their dependants.

(b) Life assurance

The Company makes a payment towards life assurance and permanent health insurance for all full-time staff. Contributions towards these plans are recognised as an expense in the statement of profit or loss.

Italian tax provision

Payments to the Italian Revenue as a result of the Company becoming a withholding tax agent are recognised as an asset. Italian taxes withheld on payments to policyholders are offset against this asset.

Impairment of non-financial assets

The carrying amount of the Company's assets is reviewed at each Statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the carrying value is reduced to the estimated recoverable amount by means of a charge to the Statement of profit or loss.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of profit or loss.

The amount of the cumulative loss that is recognised in the statement of profit or loss is the difference between the acquisition cost and the current recoverable amount, less any impairment loss on that financial asset previously recognised in the Statement of profit or loss.

Calculation of recoverable amount

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

1 Accounting policies *(continued)*

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and deposits of less than three months duration. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of cashflows.

Taxation

Income tax comprises current and deferred tax. Income tax is recognised in the statement of profit or loss except to the extent it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable profit for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of prior years.

Deferred tax is provided in full, using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not provided for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax assets and liabilities are not discounted.

Trade and other receivables

Trade and other receivables are initially booked at fair value and are stated at amortised cost less provision for impairment. The carrying amounts of trade and other receivables are reviewed at each statement of financial position date to determine whether there is any indication of impairment. Receivables with short term duration are not discounted.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is charged to the statement of profit or loss at the following annual rates, in order to write off the cost of tangible assets over their estimated useful lives by equal annual instalments:

Other equipment	20%
Computer equipment and software	20%

Dividend distributions

Dividends declared by the directors are recognised when approved.

2 Segmental analysis

The Company operated in one main business segment during the year, writing life assurance business in the European Union and specifically in Italy. All premiums relate to individual premium business where the policyholder bears the investment risk.

Total gross written premium is recognised as follows:

	2020	2019
	€'000	€'000
Insurance premium revenue	443,944	810,061
Outward reinsurance premium	(24)	(26)
	443,920	**810,035**

3 Investment return

	2020	2019
	€'000	€'000
Income from available for sale assets	976	2,648
Interest income from cash	23	19
Realised gain in policyholder assets	223,767	182,519
Unrealised gain/(losses) in policyholder assets	15,410	742,313
Realised gain in shareholder assets	255	-
Other shareholder loss	(444)	(393)
	239,987	**927,106**

4 Fee and commission income

	2020	2019
	€'000	€'000
Management fees including initial margin	122,884	120,296
Coupon income	17,587	14,146
Rebate income	8,120	12,913
	148,591	**147,355**

5 Insurance claims and benefits incurred

	2020	2019
	€'000	€'000
Insurance claims and benefits incurred	(752,424)	(838,750)
Change in investment liabilities	(196,680)	(549,412)
	(949,104)	**(1,388,162)**

6 Change in technical provisions for insurance liabilities

	2020	2019
	€'000	€'000
Premiums received	9	204
Liability option value	978	3,986
Investment gains & losses	236,703	(380,721)
	237,690	**(376,531)**

7 Fee and commission expenses

	2020	2019
	€'000	€'000
Commission expense – new	(32,551)	(42,426)
Commission expense – ongoing	(32,758)	(31,998)
	(65,309)	**(74,424)**

8 Administration expenses

	2020	2019
	€'000	€'000
General administration and office expenses	14,296	14,683
Professional fees (including auditors remuneration) (note 9)	1,913	2,111
Depreciation (note 13)	8	21
	16,217	**16,815**

9 Auditors' remuneration

The total remuneration paid and payable to the auditors, PricewaterhouseCoopers, for the audit of the statutory financial statements is shown below together with fees paid in respect of other work. Fees are exclusive of VAT.

	2020	2019
	€'000	€'000
Audit of statutory financial statements	74	74
Other assurance services	39	37
	113	**111**

10 Staff costs and numbers

Staff costs shown here include remuneration paid to executive directors (Note 11):

	2020	2019
	€'000	€'000
Wages and salaries	4,956	4,655
Social security costs	540	478
Pension costs	408	355
	5,904	**5,488**

	2020	2019
Average number of employees during the period	**No.**	No.
Administration	47	45
Finance	6	6
Actuarial	5	5
	58	**56**

11 Directors' emoluments

	2020	2019
	€'000	€'000
For services as non-executive director	80	82
For services as executive director	413	372
	493	**454**
The following are details of remuneration paid to executive directors:		
Wages and salaries	340	306
Social security costs	39	35
Pension costs	34	31
	413	**372**

12 Taxation

The major components of income tax expense for the years ended 31 December 2020 and 2019 are:

	2020	2019
	€'000	€'000
Corporation tax	5,863	6,980
Reconciliation of current tax at standard rate to actual tax charge at the effective rate		
Profit on ordinary activities before taxation	47,014	55,653
Current tax at 12.5% (2019: 12.5%)	5,877	6,957
Effects of:		
Prior year (under)/over provision	(4)	20
Items not deductible for tax purposes	(6)	6
Capital allowances for the period in excess of depreciation	(4)	(4)
Income tax withheld	-	1
Income tax reported in the statement of profit or loss	**5,863**	**6,980**
Deferred tax related to items recognised in the statement of other comprehensive loss during the year:		
Net losses on available-for-sale financial assets	(925)	(2,539)
Deferred tax recognised in other comprehensive loss	(116)	(316)

	2020	2019
	€'000	€'000
Deferred tax liability		
Balance at 1 January	365	681
Movement during the financial year recognised in other comprehensive income	(116)	(316)
Balance at 31 December	**249**	**365**

13 Tangible assets

	Computer equipment & software €'000	**Other equipment €'000**	**Total €'000**
Cost			
Balance at 1 January 2020	1,920	1,310	3,230
Additions	-	-	-
Balance at 31 December 2020	**1,920**	**1,310**	**3,230**
Accumulated depreciation			
Balance at 1 January 2020	1,920	1,279	3,199
Charge for year	-	8	8
Balance at 31 December 2020	**1,920**	**1,287**	**3,207**
Net book value			
At 31 December 2020	**-**	**23**	**23**
At 31 December 2019	**-**	31	31

14 Shareholder financial assets

	2020 €'000	2019 €'000
Financial assets designated as fair value through profit or loss	79,593	41,518
Analysed as follows:		
Seed capital investment	231	231
Government securities	14,343	41,287
Collective investment undertakings	65,019	-
	79,593	**41,518**

15 Policyholder financial assets

	2020	2019
	€'000	€'000
Financial assets designated as fair value through profit or loss	8,097,047	8,287,368
Analysed as follows:		
Index linked bonds	453	658
Index linked unit trusts	844,303	1,291,494
Unit trusts	7,248,797	6,993,873
Hedge assets backing Accumulator (Liability Option Value - LOV)	347	1,343
Hedge assets backing Progetto Protetto	3,147	-
	8,097,047	**8,287,368**

16 Cash and cash equivalents

	2020	2019
	€'000	€'000
Balance at bank	98,056	93,156

17 Deferred acquisition costs

	2020	2019
	€'000	€'000
Balance at 1 January	137,897	150,866
Capitalisation during the year	32,197	40,456
Amortisation during the year	(50,723)	(53,425)
Movement in current year	(18,526)	(12,969)
Balance at 31 December	**119,371**	**137,897**

18 Other debtors

	2020	2019
	€'000	€'000
Debtors	19,627	22,349
Current Tax	-	2,012
Prepayment of Italian tax	29,082	33,840
	48,709	**58,201**

18 Other debtors *(continued)*

On 1 February 2004 the Company opted into the new Italian tax regime. Under the tax codes (L'art. 41-bis del Decreto legge 30 settembre 2003, n. 269,convertito dalla legge n. 326 dello stresso anno) and (Decreto-legge 12 luglio 2004, n. 168,convertito dalla legge 30 luglio 2004, n .191 – Disposizioni fiscali urgenti-modifiche alla disciplina fiscale delle reserve matematiche.) the Company is required to make an advance payment of policyholders taxes to the Italian Revenue Authorities.

This tax asset is recoverable against taxes withheld on policyholders' gains and through a group recovery mechanism i.e. offset against other taxes payable, and through an additional recovery mechanism that allows companies who had an unused tax asset of 5 plus years to offset that asset against current mathematical reserves thus ensuring that the asset is fully recoverable. The Company's parent company has also provided assurance that if the Company has a residual tax asset after exhausting the recovery mechanisms described it will pay the Company a cash consideration for that balance.

The primary recovery mechanism of the Company is through deduction of exit taxes. The annual recoverable amount through the exit tax mechanism is difficult to estimate as exit tax is only calculated on policies that are in profit and is also dependent on the volume of surrenders. In 2020 the amount of tax recovered through exit taxes on policyholders surrenders amounted to €17.8 million (2019: €19.9 million).

In the opinion of the Directors, the realisable value of the Italian tax asset is not less than its book value.

19 Ordinary share capital

	2020	2019
	€'000	€'000
Authorised		
5,078,953 (2019: 5,078,953) Ordinary shares at €1 each	5,079	5,079
Allotted, called up and fully paid:		
634,870 (2019: 634,870) Ordinary shares at €1 each	635	635

20 Insurance technical provisions

	2020	2019
	€'000	€'000
At start of year	3,627,773	3,291,248
Premiums received	443,920	810,035
Claims paid	(752,424)	(838,750)
Investment gains & losses	51,247	389,246
Insurance margins, coupon income, fund income & expenses	(23,781)	(24,006)
At end of year	**3,346,735**	**3,627,773**

21 Investment contract technical provisions

	2020	2019
	€'000	€'000
At start of year	4,668,402	4,455,962
Premiums received	864,109	719,331
Claims paid	(903,642)	(973,181)
Investment gains & losses	188,740	537,860
Management charges	(75,583)	(74,617)
Upfront margin, fund income & expenses	7,256	3,047
At end of year	**4,749,283**	**4,668,402**

22 Deferred income

	2020	2019
	€'000	€'000
Balance at 1 January	75,286	118,893
Capitalisation during the year	5,620	4,913
Amortisation during the year	(34,155)	(48,520)
Movement in current year	(28,535)	(43,607)
Balance at 31 December	**46,751**	**75,286**

23 Creditors arising out of direct insurance operations

	2020	2019
	€'000	€'000
Amounts falling due within one year:		
Claims payable / prepaid premiums	**75,872**	**56,206**

24 Other creditors

	2020	2019
	€'000	€'000
Amounts falling due within one year:		
Creditors (excluding tax)	23,827	28,641
Dividends payable	50,000	-
Taxation	363	-
	74,190	**28,641**

25 Capital position statement

Effective from 1 January 2016, the Solvency II Directive replaced the Solvency I regulatory solvency requirements. The Company has assessed its overall solvency needs using the Solvency II basis. This covers the preparation of the Solvency II Balance Sheet (which differs from the IFRS balance sheet) and the Solvency Capital Requirement ("SCR")/Minimum Capital Requirement ("MCR"). For the purposes of calculating its Solvency II Pillar I capital requirements, the SCR is calculated by using an Internal Model approach in accordance with the requirements set out in Regulation 114 of SI 485 of 2015. As at 31 December 2020, the Company's available capital resources were in excess of the regulatory capital requirements on a Solvency II basis and the Board is satisfied that the level of capital retained is appropriate.

The Company maintains a capital structure with a combination of share capital and retained profits, consistent with the Company's risk profile and the regulatory and market requirements of its business.

The Company is regulated in Ireland by the Central Bank of Ireland and is required to observe the rules for the amount and structure of the solvency capital for the business that it carries on.

The Company carries out regular projections of its capital adequacy and these are reviewed by the Board to ensure that satisfactory levels of cover are maintained. Capital adequacy and solvency cover are reported to the Central Bank of Ireland on a quarterly and annual basis.

No instances of non-compliance with solvency capital requirements were reported by the Company to the Central Bank of Ireland during the year.

26 Risk management policies

The Company is exposed to a range of risks through its financial assets and its financial liabilities and also in relation to the accounting estimates and judgements it needs to make in the preparation of its financial statements and its regulatory returns.

These risks are described below together with the risk management approaches adopted by the Company. Ultimate responsibility for the Company's risk management rests with the Directors and the Board is supported by the operation of a number of committees that meet on a regular basis to review and monitor the Company's risk exposures. A number of policy statements have been prepared and approved by the Directors which set out parameters and limitations to manage and limit financial risks.

The Company has not substantially changed the approaches adopted to manage its financial risks from the previous accounting period.

The Company's approach to financial risk and capital management is detailed as follows:

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Company may be exposed are:

- amounts due from policyholders;
- amounts due from corporate bond and sovereign debt issuer;
- amounts due from reinsurers in respect of insurance claims paid, and
- amounts due from counterparties to derivative transactions.
- amounts due from financial institutions in respect of deposits held

26 Risk management policies (continued)

Credit risk (continued)

The Company reduces the risk of policyholder payment defaults by selling its products through the banking network of the joint venture Company, Banca de Monte dei Paschi di Siena. Policyholder premiums are debited directly from the bank account at the inception of the policy. Regular premium policyholders are debited on agreed dates.

Reinsurance is used to manage insurance risk on additional rider benefits. If a reinsurer fails to pay a claim the Company is liable for payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength and reputation in the market place prior to any contract being signed.

The Company only considers those companies with a rating of BBB and higher as reinsurance partners. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

Transactions involving derivative financial instruments are with counterparties with high credit ratings. Given their high credit ratings, management does not expect any counterparty to fail to meet its obligations. All derivative contracts are backed by collateral agreements which mitigate the credit risk for the Company.

To mitigate the risk with financial institutions, the Company has adopted and applies with the group risk guidelines issued with AXA Group. The guidelines place limits on the Company's market and credit exposures. In the case of deposits only approved financial institutions are considered and a cap on amounts on deposit is followed.

For unit linked contracts, the Company matches all the liabilities with assets in the portfolio on which the unit prices are based. There is therefore no credit risk for the Company on these contracts.

Analysis of counterparty risk on assets and exposures

	2020	2019
	€'000	€'000
Counterparty risk assumed by shareholders		
German government bond (shareholder investment)	70	70
Italian government bond (shareholder investment)	2,452	3,987
Austrian government bond (shareholder investment)	1,039	1,080
French government bonds (shareholder investment)	5,116	5,144
Irish government bonds (shareholder investment)	5,666	22,673
Spanish government bonds (shareholder investment)	-	8,332
Units in managed funds	230	230
AXA Liquidity Fund	65,019	-
	79,592	**41,516**

	2020	2019
	€'000	€'000
Other assets where counterparty risk is assumed by the policyholder:		
Investments in unit trusts	**8,062,827**	**8,252,899**

Investments in index linked bonds and corporate bonds are subject to a minimum credit rating of BBB.

26 Risk management policies (continued)

Market risk

Market risk can be described as the risk of changes in the fair value of a financial instrument due to changes in interest rates, equity prices, creditworthiness, foreign exchange rates or other factors. The Company seeks to mitigate this risk by a number of factors as described below. The Company's policies to address these risks were unchanged from the previous year.

The Company's exposure to changes in interest rates is limited to changes in the value of the shareholder's investments.

Interest rate risk
Interest rate risk can be described as the risk that a security's value will change due to a change in interest rates. All interest rate exposure on policyholder investments is borne by policyholders and as such the Company does not have any interest rate exposure in relation to these investments.

The Company does hold assets which are exposed to interest rate movements and these are dealt with under the heading "Exposure to interest rate risk" on page 39.

Foreign currency risk

Foreign currency risk can be described as the risk that the Company may be affected due to an adverse movement in foreign exchange rates. The Company does hold assets which are subject to exposure on currency movements. These assets refer to the future contracts entered into as part of the Company hedging program for Accumulator products and which are linked to foreign indices such as TOPIX (JPY), FTSE (GBP), SMI (CHF) and S&P 500 (USD). For unit linked contracts the Company matches all the liabilities with assets in the portfolio on which the unit prices are based. There is therefore no foreign currency risk for the Company on these contracts.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in obtaining funds to meet its commitments including commitments associated with financial instruments. In managing the Company's assets and liabilities, the Company seeks to ensure that cash is at all times available to settle liabilities as they fall due. The Company's treasury position is reviewed on a daily basis and cash balances are maintained to meet due liabilities.

For investment contract redemptions, cash paid out is funded by the redemption of the linked assets supporting the contract liability. The Company may be exposed to certain transactions affecting unit linked transactions such as unit private switching and the purchase of index linked investment bonds. The unit private switching involves the selling and buying of assets on the same day. If a mismatch occurs the Company may be liable to fund the purchase of the new assets while waiting for the sell transaction to complete. This risk is considered to be minimal and is monitored by management. Index linked products are subject to a minimum buy amount with the issuer.

If the sales value does not match the minimum sell quantity, the Company is required to take a shareholding in the offering. The risk is minimised by entering into a sell back contract at the original price.

Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices, whether those changes are caused by factors specific to the financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The prices of the index linked assets sold back to the issuing companies are negotiable and can potentially result in price risk. These are the only assets with exposure to price risk. The prices of other assets held by the Company are subject to interest rate movements and equity market movements.

26 Risk management policies *(continued)*

Operational risk

Operational risk is the risk of a loss arising from failed or inadequate internal processes or systems, human error or other external factors. The Company manages these risks by identifying and testing key control procedures, and obtaining and reviewing key management information and trend analyses on operational occurrences. Controls include segregation of duties, access controls, authorisation and reconciliation procedures, staff education and internal audit. Material operational issues and failures are brought to the attention of the Board.

Insurance risk

Insurance risk refers to the fluctuation in the timing, frequency and severity of insured events relative to the expectations of the Company at the time of underwriting. Insurance risk can also refer to fluctuations in the timing and amount of claim settlements.

Given the limited nature of the insurance risk, underwriting procedures are limited to seeking declarations of good health from policyholders. This declaration is not sought for some policies with minimal insurance risk. The Company's reinsurance policy is to reinsure additional rider benefits such as critical illness cover and permanent and total disability. In 2010 the Company decided not to reinsure any new business in relation to rider benefits. The Company has put in place a Board-approved reinsurance strategy which continually monitors the level of mortality risk on the statement of financial position. Indicators are set in terms of sum at risk at individual policyholder and at portfolio level.

Exposure to interest rate risk

The following table provides a duration profile for holdings of interest sensitive investment assets:

At 31 December 2020	**6 months or less**	**6 - 12 months**	**1 - 5 years**	**Over 5 years**	**Total**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**
Government bonds	-	2,109	7,515	4,718	14,343
Deposits with credit institutions	98,056	-	-	-	98,056
	98,056	**2,109**	**7,515**	**4,718**	**112,399**

At 31 December 2019	**6 months or less**	**6 - 12 months**	**1 - 5 years**	**Over 5 years**	**Total**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**
Government bonds	14,608	12,108	8,008	6,563	41,287
Deposits with credit institutions	93,156	-	-	-	93,156
	107,764	**12,108**	**8,008**	**6,563**	**134,443**

26 Risk management policies *(continued)*

The effective interest rates at 31 December 2020 were as follows:

	6 months or less	6 - 12 months	1 - 5 years	Over 5 years
Government bonds	0.00%	(0.67%)	(0.57%)	(0.46%)
Deposits with credit institutions	(1.10%)	-	-	-

The effective interest rates at 31 December 2019 were as follows:

	6 months or less	6 - 12 months	1 - 5 years	Over 5 years
Government bonds	(0.53%)	(0.56%)	(0.49%)	0.17%
Deposits with credit institutions	(1.10%)	-	-	-

The sensitivity analysis highlights the cash flow impact of a reduction by 1% on interest rate sensitive assets held at 31 December 2020 and 2019. These cash flows contribute directly to the profit before tax result. The principal components are as follows:

- Fixed coupon bonds: There will be no cash flow implications (the coupon is fixed) unless the bonds are disposed of.

Deposits with credit institutions: A reduction in interest rates will reduce the interest receivable on deposit accounts. As the availability of positive deposit interest accounts in the current environment is low, the estimated impact is Nil as shown in the table below.

1% reduction in interest rates At 31 December 2020	6 months or less €'000	6 - 12 months €'000	1 - 5 years €'000	Over 5 years €'000	Total €'000
Government bonds	-	-	-	-	-
Deposits with credit institutions	(265)	-	-	-	(265)
	(265)	**-**	**-**	**-**	**(265)**

1% reduction in interest rates At 31 December 2019	6 months or less €'000	6 - 12 months €'000	1 - 5 years €'000	Over 5 years €'000	Total €'000
Government bonds	-	-	-	-	-
Deposits with credit institutions	(252)	-	-	-	(252)
	(252)	**-**	**-**	**-**	**(252)**

26 Risk management policies *(continued)*

Derivatives

The Company does not use hedge accounting. The only derivatives held where the risk is retained by the Company are options held for short periods of time as a result of policyholder surrenders of structured assets or options held to maturity where investment risk is marginal and is in line with the Company's risk appetite statement.

The Company also holds derivatives in respect of the Accumulator product. A key feature of the Accumulator product underwritten by the Company is that there is a minimum guaranteed return to the policyholder. The Company mitigates the cost of these financial guarantees by operating a dynamic hedging program whereby changes in the discounted value of the policyholders' option are offset by changes in the value of the hedge assets. The amount of hedge assets held is adjusted regularly in line with changes in asset volumes, the product is closed to new business, and with market movements. This process is known as dynamic hedging strategy. The Company's dynamic hedging strategy is approved by the Board and seeks to ensure that a position on fixed income and equity futures offset a change in the "marked to market" value of the minimum guarantee benefits, as equity and fixed income markets fluctuate. As the markets increase or decrease, the change in the value of the guarantees is offset by a change in the value of the portfolio of hedge instruments.

The Company receives hedging advisory services from Architas (formerly AXA Life Invest), a subsidiary of AXA S.A. Architas uses sophisticated valuation techniques to model the assets and liabilities and to calculate the number of fixed income and equity futures contracts and interest rate swaps required to hedge the Company's exposure. This is a dynamic model and allows for policyholder behaviour in different scenarios.

During 2020 the Company also entered into "lapse hedge" derivative in respect of new tranches of the Progetto Protetto product. The purpose of the derivative is to provide a hedge against a reduction in Annual Management Fees which would result as a consequence of higher than expected lapses. For each tranche a projection of all expected cashflows resulting from the expected lapse rate is calculated. This is the initial premium for the purchase of the derivative from our counterparty, BMPS Capital Services. The maximum possible loss for the company (excluding counterparty risk, which is collateralized) is the initial premium. This would be case when lapses are zero. Lapses generate positive cashflows for the Company throughout the product life. In scenarios where lapses are zero, or lower than expected, the net loss on the derivative is compensated by higher than expected Annual Management Fees. Coversely, when lapses are higher then expected, there is a net cash inflow from the derivative compensating the Company for lower than expected Annual management Fees.

All of the Company's derivative positions are collateralised. The Company has acquired the services of AXA Investment Managers Paris ("AXA IMP"), through an Investment Management Agreement ("IMA"), to manage all of the collateral requirements of the Company. The IMA allows AXA IMP to act on behalf of the Company in relation to derivative transactions, collateralisation of same and to ensure that the Company meets its obligations as required under the European Market Infrastructure Regulation.

26 Risk management policies *(continued)*

Derivatives *(continued)*

The Company's derivative portfolio at 31 December 2020 is shown below:

	Notional amount	Fair value asset €'000	Fair value liability €'000	Fair value net €'000
Interest rate swaps	21,140	458	-	458
Lapse hedge swaps	693,417	3,147	-	3,147
Exchange traded futures	13,952	17	(128)	(111)
	728,509	**3,622**	**(128)**	**3,494**

The Company's derivative portfolio at 31 December 2019 is shown below:

	Notional amount	Fair value asset €'000	Fair value liability €'000	Fair value net €'000
Interest rate swaps	21,140	1,381	-	1,381
Exchange traded futures	16,932	18	(56)	(38)
	38,072	**1,399**	**(56)**	**1,343**

The table below provides an analysis of the notional amount of derivative instruments held into their relevant maturity groups based on the remaining period.

At 31 December 2020	< 1 year	1 - 5 years	> 5years	Total
Interest rate swaps	21,140	-	-	21,140
Lapse hedge swaps	-	378,995	314,420	693,416
Exchange traded futures	13,952	-	-	13,952
	35,092	**378,995**	**314,420**	**728,508**

At 31 December 2019	< 1 year	1 - 5 years	> 5years	Total
Interest rate swaps	-	21,140	-	21,140
Exchange traded futures	16,932	-	-	16,932
	16,932	**21,140**	**-**	**38,072**

Exposure to equity market movements:

Any movement in the Company's assets due to equity market movements, to the extent that they are held on behalf of the policyholder, is exactly offset by a movement in corresponding liabilities. The Company's exposure to market movements is limited to the investment of shareholder's assets in equities and equity related options. Shareholder assets invested in unit funds exposed to equity market movements represents 0.26% (*2019:* 0.24%) of total shareholder equity. These assets comprise primarily of loyalty units held of €360k (2019: €349k) which are held for the benefit of policyholders whose policies allow for a loyalty bonus top up upon reaching a specified anniversary date.

26 Risk management policies *(continued)*

Fair value hierarchy

The following tables shows an analysis of the financial instruments recorded at fair value in accordance with fair value hierarchy. The fair value hierarchy reflects the significance of the inputs used in determining the valuation and are classified as Level 1, Level 2 and Level 3.

The prices for the debt securities and fixed income securities are quoted on active markets and therefore the prices for these assets are obtained independently from the market. These are classed as Level 1 assets.

Level 2 refers to asset inputs other than quoted prices included within Level 1 that are observable for the assets, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 refers to assets whose fair value cannot be determined using observable measures, such as market prices or models. The Company holds no such assets.

There were no transfers between levels 1 and level 2 during the year ended 31 December 2020 (31 December 2019: None)

At 31 December 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
	€'000	**€'000**	**€'000**	**€'000**
German government bond	70	-	-	70
Italian government bond	2,452	-	-	2,452
Austrian government bond	1,039	-	-	1,039
French government bonds	5,116	-	-	5,116
Irish government bonds	5,666	-	-	5,666
Unit trusts	-	230	-	230
AXA Liquidity Fund	65,019			65,019
Investments in unit trusts	-	8,062,827	-	8,062,827
	79,362	**8,063,057**	**-**	**8,142,419**

At 31 December 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
	€'000	**€'000**	**€'000**	**€'000**
German government bond	70	-	-	70
Italian government bond	3,987	-	-	3,987
Austrian government bond	1,080	-	-	1,080
French government bonds	5,144	-	-	5,144
Irish government bonds	22,673	-	-	22,673
Spanish government bonds	8,332	-	-	8,332
Unit trusts	-	230	-	230
Investments in unit trusts	-	8,252,899	-	8,252,899
	41,286	**8,253,129**	**-**	**8,294,415**

27 Accounting estimates and judgements

The Company's critical accounting policies and estimates and the application of these policies and estimates are considered by management each reporting period.

Insurance

The Company makes estimates of the expected number of deaths for each of the years that it is exposed to risk. These estimates are based on standard industry and national mortality tables, adjusted to reflect the Company's own experience. Appropriate allowance is made for expected improvements in mortality, due to improvements in medical care and social conditions. However, there is considerable uncertainty regarding the impact of epidemics and changes in lifestyle such as smoking, eating and exercise habits, which could result in a deterioration in mortality. For contracts without fixed terms, the Company has assumed that it will be able to increase premiums in future years in line with emerging mortality experience.

Investment contracts

Investment contracts are accounted for as financial instruments under IAS 39. These are primarily unit linked contracts whose value is contractually linked to the fair value of the financial assets held by the Company. Initial fees earned and incremental costs (mainly commission) paid on sale of an investment contract are deferred and recognised over the expected life of the contract. The expected life of the contract is estimated based on current experience, the term of the contracts and is reviewed at least annually. Changes to the life expectancy could affect the income and costs recognised and the value of the related asset and liability included in the financial statements.

However, given that any changes to the life expectancy will affect both costs and fees, the net impact is unlikely to be significant.

Financial instruments

The Company carries certain financial assets and liabilities at fair value, including derivatives and assets and liabilities of the life assurance operations. Assets and liabilities are priced using a quoted market price where available or by using valuation models. Valuation models use data such as interest rate yield curves, equity prices, options volatilities and currency rates. Most of these parameters are directly observable from the market. Changes in the fair value of financial assets will largely be offset by corresponding changes in the fair value of liabilities and therefore the net impact on equity is unlikely to be significant.

Other technical provisions

In the calculation of other technical provisions it has been necessary to make certain assumptions regarding future experience. The main assumptions relate to expense levels and sales assumptions.

28 Ultimate parent undertaking

The Company is a 100% subsidiary of AXA MPS Vita which in turn is 50% owned by Banca Monte dei Paschi di Siena S.p.A. and 50% owned by AXA S.A. AXA S.A. has a controlling interest in AXA MPS Vita and is therefore the ultimate parent of the Company. The parent undertaking of the largest group of undertakings for which group financial statements are drawn up is AXA S.A. which is incorporated in France and this Company is considered by the Directors to be the ultimate parent undertaking.

The financial statements of AXA S.A. are available from the company secretary at 25 Avenue Matignon, 75008, Paris, France.

The financial statements of the Company are available from the Company Secretary at 33 Sir John Rogerson's Quay, Dublin 2.

29 Related party transactions

The Company received a number of services from related parties. The Company has an agreements with:

- AXA Investment Managers Paris for the provision of derivative management Services
- Architas Solutions for the provision of dynamic hedging strategies and provision of investment support services for iProtect.
- Architas Multimanager Europe for the reimbursement of shared office space and associated costs.
- AXA Investment Managers London for the provision of investment management advice.
- AXA MPS Assicurazioni Vita for the provision of risk management Services.
- MPS Capital Services for the provision of structured policyholder products.
- Banca Monte dei Paschi di Siena (BMPS) and pays commissions in respect of new and ongoing business.
- AXA Italia Servizi for the provision of IT services.
- AXA MPS Assicurazioni Vita whereby the Company provides investment management advice for unit linked investment funds.

The following table provides transactions with related parties:

	Relationship	Payable at start of year €'000	Expense payable by AXA-MPS €'000	Income recievable by AXA-MPS €'000	Payments /(receipts) €'000	Payable at end of year €'000
For the year ended 31 December 2020						
AXA IM Paris	Group	(808)	(1,317)	-	1,838	(287)
Architas Solutions	Group	(60)	(390)	-	412	(38)
AXA IM London	Group	(310)	(1,776)	-	1,792	(294)
AXA MPS Assicurazioni Vita	Group	-	-	100	(100)	-
AXA Italia Servizi	Group	-	-	-	0	-
Architas Multimanager Europe	Group	-	-	161	(122)	39
BMPS	JV Partner	(17,212)	(66,664)	-	68,896	(14,980)
		(18,391)	**(70,147)**	**261**	**72,716**	**(15,561)**
For the year ended 31 December 2019						
AXA IM Paris	Group	(334)	(1,343)	-	869	(808)
Architas Solutions	Group	(93)	(554)	-	587	(60)
AXA IM London	Group	(329)	(1,900)	-	1,919	(310)
AXA MPS Assicurazioni Vita	Group	-	-	100	(100)	-
AXA Italia Servizi	Group	(20)	-	-	20	-
AXA Life Europe	Group	-	(81)	-	81	-
BMPS	JV Partner	(14,353)	(73,874)	-	71,015	(17,212)
		(15,130)	**(77,752)**	**100**	**74,391**	**(18,391)**

Note 10 reflects the remuneration paid by the Company to relevant Board members.

30 Pension commitments

The Company operates a voluntary defined contribution scheme for its employees. The assets of the scheme are held separately from those of the Company in an independently administered fund. Pension costs represent contributions payable by the Company to the fund and amounted to €407,692 (including €33,630 in respect of executive Directors) in the year ended 31 December 2020 (2019: €355,837 (including €31,380 in respect of executive Directors). Pension contributions payable by the Company at 31 December 2020 were €57,132 (2019: 37,634)

31 Other financial commitments

On 19 November 2016, the Company entered a long-term operating lease of 10 years for its office premises at One Georges Quay Plaza, Dublin 2. The lease has a no penalty five-year break clause which can be invoked 12 months before the 5-year lease anniversary. The company has elected to exercise the break clause and will vacate One Georges Quay on 18 November 2021. The company has reached an agreement with another AXA company, AXA Ireland, to occupy a portion of their premises at 43-45 Wolf Tone House, Dublin 1. No lease has been signed at this time, but it is expected that the Company will enter into a formal agreement during 2021.

Future minimum rentals payable under cancellable operating leases as at 31 December are as follows:

	2020	2019
	€'000	€'000
Within one year	468	524
After one year but not more than five years	-	2,096
More than five years	-	986
	468	**3,606**

The cost to the Company in 2020 in respect of this operating lease was €531,395 *(2019: €531,395)*.

32 Employee share ownership

AXA S.A. grant performance shares also known as International Performance Shares (Psi) which replaced Performance Units awarded to employees. Performance Share Units aim at rewarding and retaining the best talents by associating them to the intrinsic performance of the AXA group and of their operational business unit as well as to the performance of the AXA share price in the medium term (2 to 4 years).

Under the International Performance Shares (PSi) plan, beneficiaries of Performance Shares have the right to receive at the settlement date, a certain number of AXA shares based on the achievement of performance criteria defined by AXA and vesting period. The performance's period and measurement is between two and three years. The vesting period (service condition) is between three and four years. However, as opposed to Performance Units granted in 2011 and 2012, under the International Performance Shares plan, the settlement will be made in shares rather than in cash (except where the settlement in shares is impossible for legal or other reasons).

The cost to the Company in 2020 in respect of performance shares was €64,795 *(2019: €162,742)*

33 Events after the reporting date

There have been no significant events affecting the Company since the year end which require amendment to the financial statements.

34 Significant business developments or other events

Market Environment

2020 saw the global outbreak of the COVID-19 pandemic, which first appeared in China late 2019 before spreading to other countries and becoming a worldwide pandemic by March 2020.

China first put in place unprecedented lockdowns to contain the spread of the pandemic, and similar measures were imposed by most large economies from mid-March. Worldwide, governments-imposed confinements, quarantines, travel restrictions, social distancing measures and more generally the closure of activities deemed non-essential to try and alleviate the severe strain experienced by local, national and supra-national medical institutions. This led to massive disruptions to the global economic output, notably manufacturing, trade and supply chains, which resulted in both lower economic activity and lower estimates of future economic growth. From May onwards, as the virus contagion started to show signs of abatement, governments started to ease the restrictions to alleviate the negative impacts on the economy.

However, the pace of infections accelerated during the third quarter, with the number of daily new cases reaching very high levels, mostly in Europe and in the United States. This situation has proven to be long-lasting, leading governments to strengthen again the sanitary measures after the relative easing during the summer. Although these measures were less stringent than in March, they weighed further on the economic environment. At the end of 2020, most of these restrictions were still in place and outlooks remain uncertain despite vaccines being rolled out to the population of many countries from the end of 2020.

Activity and Earnings

The Company's sales in January and February 2020 started strong, however slowed significantly from March due to the lockdown in place in Italy, before starting to recover again over the summer months, and remaining at a reasonable level for the rest of the year. Total sales for the year were €1.3bn, which was above budget. Markets were volatile over the year, with a significant reduction in equity markets in March as a result of the pandemic, which led to a reduction in assets under management over this period, and subsequent reduction in management charge income. The market volatility also led to negative performance of the hedging program in respect of the variable annuity business over this period. However most markets showed strong recovery by year-end and yields reduced over the year which had a positive impact on the fixed income fund returns. The Company implemented cost saving measures as a result of the pandemic, particularly in areas of discretionary expenditure. Due to the conservative approach taken by the Company in investment of shareholder assets, with all assets invested in cash, liquidity fund or short dated government bonds, the crisis had no material impact on the level of shareholder assets. Overall the Company's earnings and solvency position were not significantly impacted by the pandemic. From an operational point of view, the Company coped well with the crisis, with all staff able to work remotely, thereby avoiding business interruption or adverse impacts on customer services.

In the ongoing uncertain context, AXA MPS Financial DAC continues closely monitoring its exposure, including (i) the operational impact on its business, (ii) the consequences of a deterioration in macroeconomic conditions, (iii) the impact on coverage, and (iv) change in asset prices and financial conditions.

35 Approval of financial statements

The directors approved the financial statements on 01 April 2021.