Solvency and Financial Condition Report

31st December 2023

Contents

EXECUTIVE SUMMARY

This report is framed within the requirements established by Law 20/2015, of 14 July, on the management, supervision and solvency of insurance and reinsurance entities, and the Royal Decree 1060/2015, of November 20, on the organization, supervision and solvency of the insurance and reinsurance entities that develops it. Both provisions assume the transposition to the Spanish legal system of Directive 2009/138/CE, of the European Parliament and of the Council, of 25 November 2009, on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II Directive).

Delegated Regulation (EU) 2015/35 completes the aforementioned Directive and regulates the minimum content that the Solvency and Financial Condition Report should include.

Section A. Business Performance

Admiral Europe Compañía de Seguros, SA (AECS or the Company) is a public limited company which is part of Admiral Group Plc (AGp), one of the UK's largest motor insurance providers. AECS was established in the context of the Brexit process, obtaining the license to write –amongst others- motor and household insurances in Spain on 18th July, 2018. After that, AECS is authorised to passport these insurance line of business in Italy and France under Freedom of Services Regime.

AECS started trading on the 1st January, 2019, and on this same date it received the policies transferred from Admiral Insurance Company Limited (AICL) and Admiral Insurance (Gibraltar) Limited (AIGL) from their businesses in Spain, Italy and France. AICL and AIGL are Solvency II regulated solo entities, regulated by the Prudential Regulatory Authority (PRA) and the Gibraltar Financial Services Commission (GFSC) respectively.

The 2023 AECS result before tax was stable vs 2022 at -€28m. The AECS operations in Spain and Italy recorded greater losses than in 2022 due to the higher Loss ratio, offset by an improvement in the result in France. The 2023 result was significantly impacted by inflation and, although to a lesser extent than in 2022, by market competitiveness. Significant base rate increases were implemented throughout the year in order to improve margins and return to profitability. Investment in new products and distribution channels continued.

Section B. System of Governance

The AECS Board is the principal decision-making forum for AECS, providing entrepreneurial leadership, both directly and through its Committees, and delegating authority to the Executive team.

AECS leverages on the existing systems of governance in place in AGp. AGp has a number of permanent Committees to deal with matters in accordance with written Terms of Reference:

- AGp Board Committees (with delegated authority from the AGp Board): Group Risk Committee, Group Audit Committee, Group Nominations and Governance Committee, Group Remuneration Committee.
- AGp Management Committees: Group Investments Committee, Group Reserving Committee, Group Assets and Liabilities Committee and Group Disclosures Committee. AECS has attendees at each Group Management Committee when required.

The AECS Board is supported by a number of permanent Committees to deal with matters in accordance with written Terms of Reference:

- AECS Board Committee: AECS Audit Committee
- AECS Management Committee: AECS Governance Management Committee ("AECS GMC")

During 2018, the structure of the System of Governance of AECS was agreed with the DGSFP and approved by the AECS Board. The AECS Board also approved the primary policies which will rule the internal processes of the Company as of 1st January, 2019. Policies are reviewed and/or approved on an annual basis.

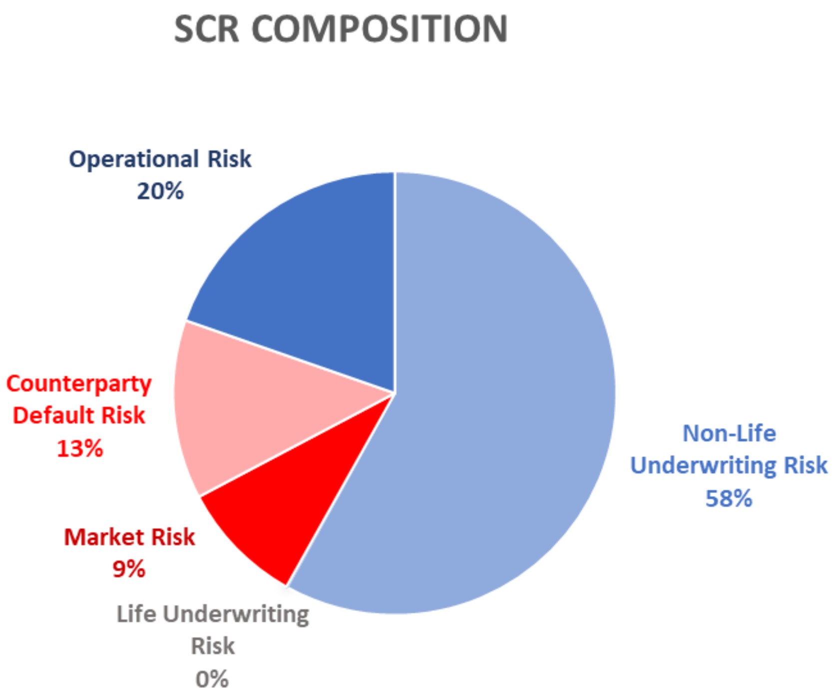
Section B, in the body of this report, explains in detail as to how the system of governance works in practice, including a focus on the remuneration policy, the system of internal control and the Solvency II key functions of Risk Management, Compliance, Internal Audit and Actuarial.

Section C. Risk profile

The AECS Board is responsible for determining the risk strategy and risk appetite across AECS, and for its system of risk management and internal control, within Admiral Group's Risk Management Framework.

Notwithstanding, the AECS Board aligns the risk strategy and risk appetite to that used by AGp, which is managed with delegated authority by the Group Risk Committee on behalf of the Group Board, and the AECS Governance Management Committee will be responsible for its implementation and maintenance. Both the AECS Board and AECS Audit Committee will receive reports from this AECS Management Committee for the purposes of reviewing and reporting on the overall effectiveness of this system.

AECS calculates the Solvency Capital Requirements (SCR) according to the methodology established by the Solvency II Directive, in application of the Standard Formula. The SCR composition by risk modules at 31st December 2023 is shown in the following chart:



Section D. Valuation for Solvency Purposes

Section D focuses on the Solvency II balance sheet and the valuation of assets and liabilities. In line with Solvency II rules, assets and liabilities on the Solvency II balance sheet are held at fair value, i.e. the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the valuation date.

The following tables show the main blocks of the AECS Solvency II balance sheet and the comparison with the corresponding figures under Local GAAP basis at 31st December 2023 and at the end of 2022:

	31/12/2023	
000s Euros	Statutory	Solvency II
Total assets	1,191,605	1,050,474
Total liabilities	1,065,236	904,252
Excess of Assets over Liabilities	**126,369**	**146,222**

	31/12/2022	
000s Euros	Statutory	Solvency II
Total assets	1,008,275	882,490
Total liabilities	895,995	751,657
Excess of Assets over Liabilities	**112,280**	**130,833**

In the assets side, the investments are valuated at market value, so no differences arise between the two regulation standards. The main difference comes from the deferred acquisition costs and intangible assets, that are no considered as an asset under SII basis. With regard to receivables from policyholders and intermediaries, changes in valuation has been produced because of the removal of the knock for knock credit balances and future premiums (not issued), as they had already been recognized in the best estimate calculations. In terms of Own Funds, this last adjustment has no impact in them, as it is also made in the liabilities side. In addition, another adjustment that AECS applies for valuation differences is the recognition of a commission payable by AECS to AIS, which impacts the asset by reducing the item of intermediaries receivables.

In the **liabilities** side, the main differences between the Statutory accounts and the Solvency II figures come from the different methodology used for the valuation of the technical provisions (using realistic assumptions under Solvency II) and because of the removal of the liabilities arising from the knock for knock systems and the future premiums owed to reinsurers, which are both already considered in the best estimate of liabilities. Lastly, a share in profits is recognized in the liability, to be paid by the quota share reinsurers to AECS, which reduces the reinsurance payables of the liability.

In addition, deferred taxes are generated on both the assets and liabilities sides as a result of the adjustments made to transform Local balance sheet items into a Solvency II ones.

Section E. Capital Management

AECS will manage its capital to ensure that it is able to continue as a going concern and also to ensure that it meets the regulatory requirements with an appropriate margin. In case there is an excess of capital above these levels within AECS, this excess will be paid up to the AGp in the form of dividends.

The AECS Capital Requirement is calculated on the basis of the standard formula, in line with the risks applicable at the end of 2023. It has amounted to 103,287 thousand euros. The detail of the reported Solvency Capital Requirements as at 31 December 2023 is as follows:

000s Euros	**31/12/2023**	**31/12/2022**
Non-Life Underwriting Risk	67,438	56,320
Life Underwriting Risk	86	76
Market Risk	10,655	11,155
Counterparty Default Risk	15,570	9,572
Diversification	(13,767)	(11,584)
Basic SCR	79,982	65,539
Operational Risk	23,305	19,131
LAC DT	-	-
SCR	**103,287**	**84,670**

Considering the amount of SCR and the available own funds to cover the SCR, the solvency ratio obtained as of 31 December 2023 has been 142%, higher than the minimum required by the regulator and above the risk appetite of AECS of 135%, defined by the AECS Board for 2023.

000s Euros	31/12/2023	31/12/2022
SCR	103,287	84,670
Eligible own funds	146,222	130,833
Excess	42,935	46,163
Solvency Ratio	**142%**	**155%**

Statement of Directors' responsibilities

AECS Directors are responsible for ensuring that the SFCR is properly prepared in all material respects in accordance with the Dirección General de Seguros y Fondos de Pensiones (DGSFP) rules and SII Regulations.

AECS have in place a written policy ensuring the ongoing appropriateness of any information disclosed and that AECS must ensure that its SFCR is subject to approval by the Directors.

The content of this SFCR report has been approved by the Board of Directors of AECS on March 21rd 2024 by written, and had been reviewed by the AECS Directors. The content of this SFCR report has been reviewed by Deloitte, S.L., through a multidisciplinary team including actuarial and accounting auditors in accordance with the (DGSFP) rules (Circular 1/2018 on April 17th).

AECS will publish this document at www.admiraleurope.com.

A. BUSINESS AND PERFORMANCE

A.1. BUSINESS

General information

AECS was incorporated in Madrid, 20th December, 2017, under the denomination of "Admiral Europe Compañía de Seguros, S.A.U" with the purpose of the development of private insurance operations authorized in accordance with the legislation of private insurance and other relevant provisions, to carry on the preparatory or complementary operations of the previous ones and the activities of prevention of damages linked to the insurance activity. In particular, it includes the coverage of its insured individuals or entities, of the risks covered and the services provided, in the insurance lines of accidents, non-rail land vehicles, civil liability in motor vehicles, other damage to material damages, civil liability in general, diverse miscellaneous losses, fire and natural elements, legal defence, assistance, as well as in all those others duly authorized by the DGSFP, in accordance with the procedure as prescribed by law.

AECS was set up as a consequence of Brexit, in order to allow Admiral Group to continue passporting insurance business in the French, Italian and Spanish markets since 2006.

AECS started its insurance operations on 1st January, 2019. The registered office of AECS is located in Rodríguez Marín street, number 61, Pta. 1ª 28016, Madrid.

Company supervision

Admiral Europe Compañía de Seguros, S.A.U. is subject to the supervision of the Spanish Insurance Regulator, the DGSFP.

The DGSFP is an administrative body that depends on the Secretary of State for Economy and Business Support, attached to the Ministry of Economic Affairs and Digital Transformation, (currently, the Ministry of Economy, Commerce and Business in accordance with the ministerial restructuring established by Royal Decree 829/2023, of November 20), in accordance with Royal Decree 403/2020, of February 25, by which the basic organic structure of the Ministry of Economic Affairs and Digital Transformation is developed.

The contact information is the following:

Dirección General de Seguros y Fondos de Pensiones
Paseo de la Castellana, 44
28046 Madrid
Phone: +34 952 24 99 82

Admiral Group (AGp) is regulated by UK Prudential Regulation Authority ("PRA") and by the Financial Conduct Authority (FCA).

External Auditor

The details of the AECS external auditor are as follows:

Deloitte, S.L.

Torre Picasso - Plaza Pablo Ruiz Picasso 1, 28020 Madrid, Spain

Relevant shareholders

AECS is a 100% owned by Admiral Group, plc.

Insurance Undertakings

During 2018, AECS got the insurance license to underwrite –amongst others- motor and household insurance businesses in the right of establishment in Spain and the authorization to underwrite in the Freedom of Services regime in Italy and France, starting trading on 1st January 2019.

As from the above referenced date the portfolio transfer became effective and AECS started underwriting insurance policies in France, Spain and Italy. The main lines of business underwritten by AECS, as per the Solvency II lines of business regulation, are the following:

General civil liability	Insurance against damages by which the insurer undertakes to compensate a third party for the damages and losses caused by an event foreseen in the contract for the consequences of which the insured is civilly responsible, in accordance with the law.
Motor Vehicle Liability	Private motor insurance, capturing bodily injury liabilities (including liabilities that may potentially settle by way of Periodic Payment Order in the future) and third-party property damage.
Motor Vehicle Other	Private motor insurance, capturing accident damage liabilities (including fire and theft and windscreen liabilities).
Annuities stemming from non life contracts (other than health)	Private motor insurance, capturing bodily injury liabilities (whose payments have been settled by way of Periodic Payment Order and they are considered as Life business under Solvency II regulation).
Household	Insurance of the family's assets, including both own property damage and third-party liability, as well as assistance and other services.

Business Model and Strategy

AECS' strategy is focused on building a sustainable business, with policyholder satisfaction being its primary concern. The Board of Directors and Management of AECS conduct an annual review of the strategy, as well as the potential challenges and risks the Company faces. AECS aims to be one of the best insurers in the countries in which it operates. To this end, its three main strategic objectives are:

- Maintain our competitive advantages: Maintain our focus on accident management processes and specialisation in pricing as the basis for profitable underwriting, together with a culture of permanent pursuit of efficiency and excellent service to our policyholders.
- Sustained, profitable growth: Develop profitable, growing and sustainable insurance businesses that mirror the UK model.
- Continuous development of products and new channels: Maximise the value of our core business and continue our strategy of diversification in channels and products. In addition to the above, AECS remains a Great Place to Work. In all Group companies, an environment has been created where

employees want to go to work and provide excellent service to policyholders. As a responsible employer, AECS aims to create an inclusive work environment and to support employees wherever possible.

Environment

Circular economy and waste prevention and management

AECS encourages the use of resources and environmental practices. In this regard, AECS has a number of measures in place including: recycling through recycling facilities (plastic, cans, paper, etc.), the use of printers through personal, non-transferable cards for each employee to print what is necessary. Paper, toner cartridges and computer equipment are also recycled. In addition, most mail is sent by e-mail to avoid printing on paper and digital signatures are encouraged to avoid paper signatures.

Sustainable use of resources

Due to the nature of the activities that AECS provides, the environmental impact in this regard is not significant.

Despite this, AECS collaborates as much as possible with the care of the environment and dedicates economic resources to the management of all activities in a sustainable manner. AECS aims to minimize the possible environmental impacts derived from its processes or services it contracts.

Climate Change

During 2023, AGp has maintained its focus on incorporating climate change issues into the development of its business. Its goal is to advance the incorporation of such initiatives in the company's daily activities.

Setting climate-related ambitions and progressing initiatives

Admiral Group has formally committed to achieving ambitious zero greenhouse gas emissions targets by 2040, across all three emissions domains, and to halving these emissions by 2030. This includes achieving net zero emissions across the 1[1] and 2[2] by 2030, and part of scope 3[3] emissions by 2040.

Carbon emissions in 2023

By knowing our emissions compared to the market, we gain greater control over our carbon footprint. Admiral Group has demonstrated this by reducing its Scope 2 emissions in the UK to zero. This is because 100% of energy in the UK came from renewable sources in 2023. Across the Group, 77% of energy came from renewable sources in 2023, up 8% on 2022.

[1] Those for which we are directly responsible. They include the emissions we generate when we heat a building or those generated by a fleet of vehicles we own.

[2] They are not generated directly by us, but by something we are using. This would include emissions generated by our electricity supplier.

[3] These emissions are even more indirect, such as the emissions generated by our suppliers. For example, we may consider the emissions of those from whom we purchase our printer paper or suppliers who work on our behalf.

Progress against our net zero commitments

During 2023, AGp has focused its efforts on the verification of the Group's scope 1-3 carbon emissions. In parallel the first steps have taken to establish routes aligned with science-based targets (“SBT”). This plan will ensure that Admiral Group meets its interim targets for 2030, as well as its long-term ambition to be a zero-emissions business by 2040.

Green teams

The “Green Teams” is an initiative that comes from Admiral Group that has been adopted in all of its entities in 2023. This initiative consists of the creation of work groups with the purpose of being able to share, analyse and propose initiatives on environmental matters. In the United Kingdom, initiatives such as “Cycle-to-Work” have been carried out to reduce the use of vehicles when traveling to work by using bicycles. On the other hand, AECS also celebrated “Green Week”, communicating information pills to all employees about the environment, organizing “contests”, informative workshops and other initiatives aimed at raising awareness about the importance of the environment.

Significant events during the reporting period

Bancassurance agreement signed with ING

In July 2022 a multi-year distribution agreement was signed with the consumer ING Bank NV, Branch in Spain, a mostly digital bank, to underwrite their Auto insurance product. The agreement was launched in the second quarter of 2023, initiating a phased roll-out to ING customers. With this agreement, the company adds a new distribution channel to its diversification strategy.

Geopolitical instability

Geopolitical tensions (particularly in the Middle East and the continuing war in Ukraine) have marked the dynamics at the end of 2023, and have consequently kept all economic players on their toes. The 2024 financial year will not be exempt from these drivers.

Inflation

In 2023, the insurance industry, and therefore the auto industry, continued to struggle with high levels of inflation, driving up average claims costs.

A.2. UNDERWRITING PERFORMANCE

AECS obtained the license to write Accident, Health, Motor vehicles, Household, Motor third party liability, General liability (other than nuclear risks), miscellaneous financial loss, legal expenses and assistance. However, as of the date of this report, AECS has only written policies in Motor Third Party Liability, Motor Other guarantees and Household, being Motor Third Party Liability the line of business that has more relevance, as it is the main guarantee in all policies written by AECS. Under Solvency II regulation and, due to the low materiality of the rest of lines of business, all the business has been reported in Motor Third Party Liability and Motor Other guarantees. In 2023, the Household has experienced a relevant growth which has lead AECS to disclosure it separately for reporting purposes. According to Solvency II regulation, this business is reported under the Fire and other damage to property business line, being excluded from the Other guarantees line in which it has been reported until now.

The Active Policy Base grew at 6% year-on-year. Despite the high degree of competitiveness in the three markets in which AECS operates, growth was achieved in all of them. Written premium was 16% higher than in 2022 as a result of base rate increases. While growth remains a priority for the Company to achieve economies of scale and greater efficiency, there is a strong emphasis on writing profitable business.

The average premium increased in all three markets where the Company operates as a result of the generalised price increase in the auto market, which has been strongly negatively affected by the effects of inflation since 2021, as competitors responded to the unfavourable results of 2022. Quotes through Price Comparison websites rose versus 2022 due to increased shopping as customers faced higher prices across the market.

Retention fell in 2023 as a result of price increases, and in line with the strategy to preserve margins.

The volume of written premiums gross of reinsurance in 2023 are the ones shown in the following table:

000s Euros	**31/12/2023**	**31/12/2022**
Motor, Third Party Liability	316,817	277,577
Motor, Other	315,384	275,661
Fire and other damage*	8,866	-
Total	**641,067**	**553,238**

* From December 2023 Household business is reported separately under Fire and other damage, being in 2022 integrated in Motor, Other.

The volumes of written premiums gross of reinsurance by country for 2023 and the previous year are shown in the following table:

	31/12/2023			
000s Euros	**Italy**	**France**	**Spain**	**Total**
Motor, Third Party Liability	209,738	27,968	79,111	316,817
Motor, Other	77,901	191,889	45,594	315,384
Fire and other damage*	-	8,866	-	8,866
Total	**287,639**	**228,723**	**124,705**	**641,067**

* From December 2023 Household business is reported separately under Fire and other damage, being in 2022 integrated in Motor, Other.

	31/12/2022			
miles de euros	**Italy**	**France**	**Spain**	**Total**
Motor, Third Party Liability	121,794	101,242	54,540	277,576
Motor, Other	120,954	100,544	54,164	275,662
Total	**242,748**	**201,786**	**108,704**	**553,238**

In 2023, AECS has achieved a level of gross written premiums in direct business of €641,1 million. Italy is the country with the highest amount of premiums sold, representing 45% of total premiums, followed by France with 36% and Spain with 19% of the total.

The next table shows the underwriting result and its components at the end of 2023 compared to the previous year:

000s Euros	**31/12/2023**	**31/12/2022**
Total Income	**216,667**	**190,553**
Earned premiums net of reinsurance	215,888	189,957
Other income	779	596
Total Expenses	**(250,843)**	**(219,961)**
Paid claims net of reinsurance	(181,801)	(155,085)
Operating expenses	(67,883)	(63,439)
Other expenses	(1,159)	(1,437)
Underwriting result	**(34,176)**	**(29,407)**

The earned premiums in the exercise have amounted to €216 million. However, paid claims have amounted to €182 million and, considering also the income and the expenses, the underwriting result of AECS at the end of 2023 has been of €-34 million (before taxes).

A.3. INVESTMENT PERFORMANCE

AECS investment strategy is in line with the Admiral Group's one. The main focus is on capital preservation, with additional priorities including low volatility of returns, high levels of liquidity and appropriate matching of asset/liability duration. All objectives continue to be met in 2023, obtaining favorable investments results mainly due to the increase in interest rates during the year.

The Group's Investment Committee performs regular reviews of the investment strategy to ensure it remains appropriate, considering the business and portfolio characteristics, under the supervision of the AECS Board of Directors.

Admiral's investment approach has remained stable compared to last year and is based on the following strategies:

- Formal adoption of a responsible investment strategy which focuses on ensuring Environmental, Social and Governance criteria are considered within investment decision making.
- Widening the opportunity set of investments to achieve greater returns without material change in market risk capital allocated to investments.

Cash and investments on balance sheet

The detail of the investments and cash in the balance sheet, and the comparison with the previous year, is as follows:

000s Euros	**31/12/2023**	**31/12/2022**
Bonds	234,872	153,624
Collective Investments Undertakings	100,540	147,171
Cash	19,182	8,750
Cash equivalent	5,000	4,500

The amount of investments as at 31st December 2023 has amounted to 359,594 thousand euros (314,045 thousand euros as at 31st December 2022). The main part of the portfolio is invested in bonds and investments funds whose underlying assets are also bonds.

Regarding the interest income in 2023 it was 6,276 thousand euros (942 thousand euros in 2022).

The following tables show the incomes and expenses resulting from the financial investment business in the year 2023, and the ones resulting in 2022, that have impact on the profits and loss account:

	31/12/2023				
miles de euros	**Available for sale**	**Held for trading**	**Bank deposits**	**Other income and expenses**	**Total**
Income from financial investments	**2,873**	**3,270**	**46**	**87**	**6,276**
Income arising from financial investments	2,873	3,270	46	87	**6,276**
Profits in realisation	-	-	-	-	**-**
Financial investments expenses	**(16)**	**-**	**-**	**(96)**	**(112)**
Losses from financial investments	-	-	-	-	**-**
Losses in realisation	(16)	-	-	-	**(16)**
Other investment expenses	-	-	-	(96)	**(96)**
Result of financial investments	**2,857**	**3,270**	**46**	**(9)**	**6,164**

	31/12/2022				
000s Euros	**Available for sale**	**Held for trading**	**Bank deposits**	**Equipment**	**Total**
Income from financial investments	**991**	**64**	**-**	**-**	**1,055**
Income arising from financial investments	878	64	-	-	**942**
Profits on realisation	113	-	-	-	**113**
Financial investments expenses	**(8)**	**-**	-	**(42)**	**(50)**
Losses from financial investments	(8)	-	-	-	**(8)**

Other investment expenses	-	-	-	(42)	**(42)**
Net result	**983**	**64**	-	**(42)**	**1,005**

In the financial year 2023, the total expenses for the management and custody of the investment portfolio amount to 96 thousand euros (42 thousand euros in 2022).

On the other side, the investment portfolio has also produced loses recognised directly in equity. The detail, and the comparison with the previous year, is shown below:

000s Euros	**31/12/2023**	**31/12/2022**
Gains recognised directly in equity	1,483	75
Loses recognised directly in equity	(6,404)	(11,495)
Net result in equity	**(4,921)**	**(11,420)**

A.4. PERFORMANCE OF OTHER ACTIVITIES

AECS has not performed any activities other than Underwriting and Investments managements during 2023.

A.5. ANY OTHER INFORMATION

There is no other relevant information to be disclosed.

B. SYSTEM OF GOVERNANCE

B.1. GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

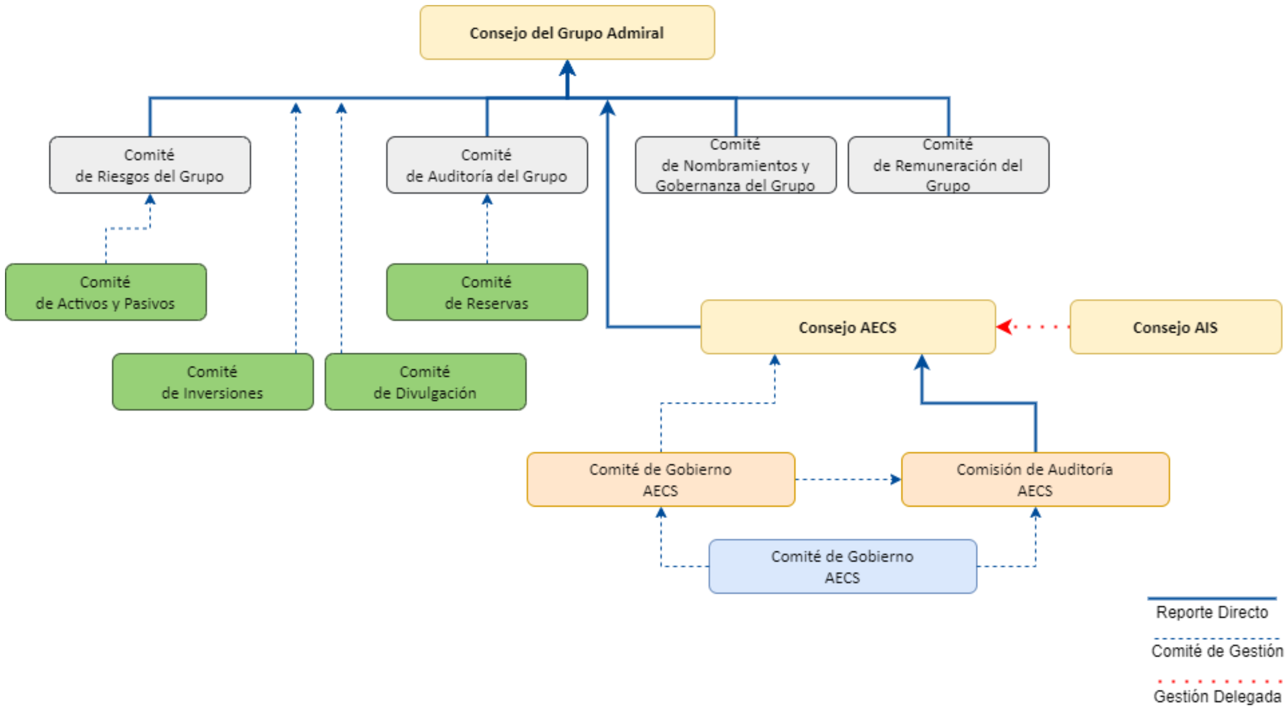
Structure of the administrative, management or supervisory body

AECS relationship with Admiral Group Governance Structure

The AECS Board is the principal decision-making forum for AECS, providing entrepreneurial leadership, both directly and through its Committees, and delegating authority to the Executive team.

Moreover, AECS leverages the existing systems of governance in place in Admiral Group. Admiral Group has a number of permanent Committees to deal with matters in accordance with written Terms of Reference:

- AGp Board Committees (with delegated authority from Admiral Group Board): Group Risk Committee, Group Audit Committee, Group Nominations and Governance Committee, Group Remuneration Committee.
- AGp Management Committees: Group Investments Committee, Group Reserving Committee, Group Assets and Liabilities Committee and Group Disclosure Committee.



All AGp Board Committees are chaired by an independent Non-Executive Director, with the exception of the Nomination and Governance Committee which is chaired by the Chairman of the AGp Board and comprises a majority of independent Non-Executive Directors. Appointments to the Committees are made on the recommendation of the Nomination and Governance Committee and are for a period of up to three years, which may be extended for two further three year periods, provided the Director remains independent.

The Committees are constituted with written Terms of Reference that are reviewed annually to ensure that they remain appropriate and reflect any changes in good practice and governance. These Terms of Reference are available on request from the AGp Secretary and can also be found on the Group's website: www.admiralgroup.co.uk.

Each of the Group Management Committees for Assets and Liabilities, Investments and Reserving are chaired by an approved Senior Manager who is appointed to perform the activities pertinent to the Group Management Committee's scope. There is AECS attendance at Group Management Committees.

AECS Board utilises the Group Nominations and Governance Committee and the Group Remuneration Committee directly, instead of having AECS specific committees for these subject matters. The AECS Board delegates the following to the Group Nominations and Governance Committee:

- The responsibility to ensure that the governance arrangements of AECS remain appropriate by reference to best practice standards in corporate governance, having regard to relevant legislation, guidelines and industry practice.

- The responsibility to review and approve all appointments to the AECS Board, having regard to the overall balance of skills, knowledge and experience.

- The responsibility to review Board Members appointment and any other positions held by the Members of The Board so as to assess if these could impact the Director's independence status, time commitment or give rise to an actual or potential conflict of interest.

AECS Board delegates to the Group Remuneration Committee:

- To determine the structure and reward policy for all AECS employees and AECS Board compensation.

AECS escalates appropriately to all Group Board Committees and Group Management Committees for challenge and or approval where appropriate. AECS is informed about all matters dealt with in Group Board Committees and Group Management committees relevant to AECS. For the effectiveness of this process there will be AECS attendance at Group Management Committees.

AECS Governance Structure

The AECS Board is supported by a number of permanent Committees that deal with matters in accordance with written Terms of Reference:

- AECS Board Committee: AECS Audit Committee ("AECS Audit Committee"),
- AECS Management Committee: AECS Governance Management Committee ("AECS GMC") formed by the executives responsible for the business and the AECS General Director

AECS Board and AECS Audit Committee are chaired by Non-Executive Directors. During 2023 the AECS Board was formed, with the following members appointed by the AGp Nomination and Governance Committee:

- Julián López Zaballos, Non-Executive Director, was appointed Chairman of the Board with effect from 1 January 2022 and member of the AECS Audit Committee with effect from 1 January 2022.

- Costantino Moretti, CEO of the European and US insurance business was appointed member of the AECS Board of Directors with effect from 9 December 2020.

- Mark Jonathan Thorneycroft Shelton joined with AECS Board with effect from 16 June 2021.

- Maria Dolores Pescador Castillo was appointed member of the Board of Directors, as independent director, with effect from 17 July 2018 and Chair of the AECS Audit Committee with effect from 1 January 2022.

- Delphine Asseraf was appointed member of the Board of Directors, as an independent Director, effective 27 April 2023 and member of the AECS Audit Committee, effective 7 December 2023.

- Annette Court was appointed member of the Board of Directors, as an independent Director, effective 15 June 2023 and member of the AECS Audit Committee, effective 7 December 2023.

The AECS GMC and Audit Committee will share the information escalated to it from the Admiral Seguros, ConTe and L'Olivier GMCs (hereafter "local GMCs") with the AECS Board along with other Boards and/or Committees as it deems appropriate.

- The local GMCs will escalate to the AECS GMC and Audit Committee relevant information on the matters outlined in the GMC 'Scope'. The local GMCs will be able to raise to the AECS GMC and Audit Committee and Board any matters that it deems relevant, in addition to those specifically noted. Local GMCs are responsible for the management of risks within their business, adherence to AECS and Group requirements and the reporting of Risk information.

- AECS is responsible for the oversight, monitoring, co-ordination, consolidation and escalation, challenging and advising to the board of AECS any matters brought to their attention.

Admiral Group has changed the operating model of the governance functions so that more responsibility is given to subsidiary entities, such as AECS.

Remuneration policy

AECS, as part of AGp, is committed to the primary objective of maximising shareholder value and ensuring a strong link between business performance, risk and incentives. This is reflected in the focus of our remuneration philosophy, which is competitively positioned, performance-linked and aligned with shareholders. Our remuneration formula includes agreed fixed remuneration, together with a shareholding based on several indicators.

AECS Remuneration Policy is aligned with the Group Remuneration Policy, and seeks to ensure that members of management are appropriately incentivised to maximise the performance of AECS, and comply with AECS' risk management and internal control systems.

Fixed remuneration at AECS includes base salary and other benefits. In line with the principles outlined above, fixed base salaries reflect the responsibilities, functions, the assessment of the job and its requirements. Market economic conditions and developments in corporate governance are also considered when setting fixed base salaries, which are also used to determine the appropriate associated benefits.

The balance between fixed remuneration and any variable remuneration ensures that there is an element of linkage to longer-term AECS Strategy and risk management, as well as shareholder and customer value.

As part of our loyalty programme, all employees, after their first year in the company, receive an annual share option, of equal value, and subject to business performance criteria on its 3-year maturity, as part of AGp's AFSS (Approved Free Share Scheme) model.

In addition, AECS managers can also receive an additional individual stock option, also with a 3-year performance right, DFSS (Discretionary Free Share Scheme). This remuneration is based on the management role and individual achievement.

Under the DFSS model, the 3-year stock option grant does not entail any payment until its maturity. Inclusion in the DFSS loyalty programme is subject to the criteria defined below, although individual awards may be granted on the basis of an alternative criterion set on an exceptional basis.

After three years from the grant of the stock option, i.e. at the expiry date, and provided that the employee continues to work for the company, the delivery of 50% of these shares is guaranteed, the other 50% being subject to performance criteria and "internal DFSS rules".

In addition, each AECS employee, on a voluntary basis by the company, has the option to participate in the annual cash payment linked to the number of DFSS granted and not yet expired, equivalent in value to the dividends that a shareholder would receive for the same shares. In the case of the executive programme, a new model called STIP (Short Term Incentives Program) is applied, which depends on the achievement of objectives associated with financial and non-financial indicators. This model contributes to the culture of focus on overall performance rather than individual success, on the long term rather than the short term, and is fully aligned with the Company's philosophy on the efficient use of capital and the distribution of excess profits.

Material related party transactions

Details of transactions with related parties during 2023 is as follows:

000s Euros	Parent Company	Other Group Companies
Insurance and reinsurance operations	-	166,441
Rendering and receiving of services	-	1,670

The following is a breakdown of the balances in the balance sheet with related parties at the end of 2023, according to the value shown in the Company's books:

miles de euros	Parent Company	Other Group Companies
Outstanding balances with brokers	-	121,159
Group Debtors	-	346
Outstanding balances with intermediaries	-	981
Commercial Creditors	-	2,992

B.2. FIT AND PROPER REQUIREMENTS

The Board of Directors of AECS has adhered to the AGp Fit and Proper Policy approved by the Admiral Group Appointments Committee. In addition, AECS has its own Fit and Proper Policy.

This policy aims to ensure that personnel representing certain key functions and/or positions within the organization meet the fitness and good repute requirements in terms of qualifications, capacity, honesty and integrity. In accordance with the policy, for all potential appointments to management staff and certain key positions, a series of checks must be carried out before proceeding to make an offer. These checks include information on the candidate's knowledge, skills and experience to perform the position, as well as the statement from the person responsible for carrying out said recruitment confirming that they have carried out the evaluation of the candidate's suitability and good repute in line with the policy. In addition, the candidate will conduct interviews with relevant members of the company, who will help complete the assessment of the candidate's suitability and good standing in relation to the position.

The AECS Aptitude and Good Reputability document includes, for the purposes of articles 4.1.f) and 18 of Royal Decree 1060/2015, of November 20, on the organization, supervision and solvency of insurance and reinsurance entities, the following information that AECS will report to the DGSFP: (i) the appointment of the people who will hold positions in the effective management of AECS; and (ii) the appointment of the people who will perform the key functions that make up the governance system of said entities.

The communication of the appointments to the DGSFP will include the information indicated in said regulations in relation to the person who holds the position.

B.3. RISK MANAGEMENT SYSTEM INCLUDING THE OWN RISK AND SOLVENCY ASSESSMENT (ORSA)

AECS, in line with AGp, has a 'three lines of defence' approach to Risk Management. The "first line of defence" is in charge of the analysis and continuous control activity and it relies within the Business. It is responsible for the gross and net calculation for those risks under their scope, using a matrix defined in the policy. Results of the analysis are integrated in the Risk Universe defined by the Group, reviewed on an annual basis . Associated controls are defined for the management of the business.

Controls, which are designed to appropriately mitigate risk, are managed by the business units and overseen by the Governance Management Committees who ensure compliance and review control breakdowns, inadequacy of process and unexpected events. These Committees take place on a quarterly basis, and are integrated by members from Finance, Risk, Compliance, Data Protection and IT, aside from the CEOs, CFOs, and some AECS members. The AECS GMC counts with the participation of the previously mentioned departments, plus the assistance of Group members.

In addition to AECS risk universe, teams perform a review of emerging risk. Lloyds of London defines an emerging risk as: "an issue that is perceived to be potentially significant but which may not be fully understood or allowed for in insurance terms and conditions, pricing, reserving or capital setting". AECS, as part of its control framework, compiles them in a register for the follow up of its crystallisation and possible impact.

The "second line of defence" tests the risks and controls defined in the first line. It describes the Committees and functions that are in place to provide an oversight of the effective operation of the internal control framework. These committees review the management of risk in relation to the particular risk appetite of the business, as determined by the AECS Board. The 'second line' is reinforced by the advisory and monitoring functions of Risk Management, Compliance and Data Protection. Risk Management Function defines and prescribes risk assessment processes for the business, maintains risk registers and undertakes regular reviews of these risks and controls in conjunction with line management. Compliance provides advice on all areas of regulatory principles, rules and guidance, including reviewing any changes, and undertakes monitoring activity on key areas of regulatory risk and policy adherence.

The "third line of defence" describes the independent assurance provided by the AECS Audit Committee and the Internal Audit function that reports to that committee. Internal Audit undertakes a programme of risk based audits covering all aspects of both the first and second lines of defence.

The findings from these audits are reported to all three lines, i.e. line management, the executive and oversight committees and the AECS Audit Committee. AECS promotes the message of being thorough on the implementation of the Audit Recommendations in a timely manner.

Own Risk and Solvency Assessment (ORSA)

AECS's Risk Strategy is directly linked to its business plan. The approach is embedded in the ORSA and links to the business planning process.

The Risk Function defines and prescribes the financial and operational risk assessment processes for the business; performs second line reviews, including reserving and capital modelling processes; maintains the risk registers; undertakes regular reviews of these risks in conjunction with line management, through the Risk Events and KRIs, as well as the annual update of the Risk Appetite Statement; delivers the ORSA Report; and records any actual losses or near misses that occur as a consequence of the realisation of risk.

The AECS CRCO has responsibility for ensuring that managers are aware of their risk management obligations, providing them with support and advice, and ensuring that the risk management strategy is properly communicated. Reports are produced showing the most significant risks identified and the controls in place and promotes the definition of preventive actions to mitigate the exposure. The Internal Audit Function uses the risk registers to plan and inform their programme of audits around the most significant risks to ensure that the prescribed controls are in place and are operating effectively.

On an annual basis, or following significant changes in the risk profile of the business, the Risk Function will produce an Own Risk and Solvency Assessment (ORSA) Report, in line with the ORSA Policy and Solvency II regulations. The report is reviewed and challenged at the AECS Board prior to submission to the Group Risk Committee and to the AGp Board.

The report is also submitted to the DGSFP as part of AECS´ Solvency II requirements.

In addition, the influence of sustainability risks of investments and underwriting activities should also be addressed in the ORSA report.

Determination of Solvency Requirements

Within the ORSA, the Solvency Capital Requirement is calculated on two bases: Regulatory and Economic (taking into consideration some historical data in this last one). Both viewpoints are quantified and the differences between them are reported in the ORSA report. In order to determine the solvency requirements the key drivers of economic capital needs are considered but also the assumptions that will determine the regulatory and economic capital.

AECS's regulatory capital requirement is based on the Solvency II Standard Formula.

B.4. INTERNAL CONTROL SYSTEM

AECS adopts the Admiral Group Internal Control Policy that documents the procedures in place to ensure there is an effective internal control system implemented. It is managed through both the effective operation of the systems of governance in place within AECS, as well as through the three lines of defence strategy adopted by AECS.

The Internal Control framework is broadly defined as continually operating processes, affected by the Board of Directors, management and all levels of personnel, designed to provide reasonable assurance on the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations in view of its risks and objectives.
- Availability and reliability of financial and non-financial information. The NFR has a wide IT composition, so building a strong IT framework is key to grant an efficient business development.
- Compliance with applicable laws, regulations and administrative provisions.

Internal control consists of four interrelated components:

- Control environment: sets the tone of an organisation through the business plan, risk appetite and risk profile.
- Control activities: policies and procedures that help ensure necessary actions are taken to address risks to achieve the business' objectives.
- Information and Communication: Pertinent information must be identified, captured and communicated in a form and timeframe that allows relevant individuals to carry out their responsibilities.
- Monitoring: Internal control systems need to be monitored to assess the quality of the internal control system over time. This is accomplished through ongoing monitoring activities, with deficiencies in the internal control framework reported to senior management and the AECS Board.

The AECS control environment is determined by the AECS Board, being supervised by the AGp Board, supported by a number of Committees who set the tone of the organisation through the Admiral culture, principles, business plan and risk appetite. These have been approved and embedded in AECS during 2023.

Key control activities are mapped to primary risks held within the AECS risk universe.

Line 1 (operational functions) are responsible for monitoring all the risks facing their operation, whether this be through Call monitoring, file reviews or audit reviews. Results on monitoring activities are provided to operation managers, and subsequently reported on through the AECS Governance structure.

Line 2 (Risk, Compliance, Data Protection and Actuarial functions) are responsible for the oversight of the Line 1 monitoring. This is done through:

- Risk reviews: business unit risk and controls discussed at Local GMCs with material risks and KRIs presented to AECS Governance Management Committee and escalated to AECS Board in the Consolidated Risk Report.
- Compliance Advice and Compliance Monitoring Reviews presented to AECS Governance Management Committee and to the AECS Board.
- Actuarial and validation reviews.

Line 3 (Internal Audit) are responsible for conducting an objective and independent appraisal of all the AECS activities, financial and otherwise, through a risk-based plan, approved annually by the AECS Audit Committee and supervised by the Group Audit Committee.

External consultants and auditors provide oversight of specific processes within AECS, depending on the scope of the review they are required to undertake.

B.5. COMPLIANCE FUNCTION

The AECS Compliance Function sets the strategic direction for the business on Compliance matters and provides oversight and assurance to the Board over the effectiveness of the 1st line areas in delivering its regulatory responsibilities and adherence to relevant regulation and guidelines as set by the Spanish Insurance Regulator “DGSFP” along with other regulatory bodies as applicable.

The AECS Compliance Function is responsible for the implementation, monitoring, and review of the Group’s Conduct Risk Management Framework as well as the identification and communication of any new requirements arising from changes in regulation. The Function, alongside AECS Risk, scrutinises the Line 1 processes for identifying, owning and ongoing management of Conduct Risk, including the implementation of new regulatory requirements. The Head of AECS Compliance provides regular reports to the AECS Board and to the AECS Governance Management Committee that in turn monitors Conduct risk in relation to the Conduct Risk appetite as approved by the AECS Board.

The AECS Compliance Function works with the AECS Risk Function to provide advice and propose actions plans to mitigate risk events that may arise. Management of customer outcome risk events is completed in line with the Group Risk Management Policy.

B.6. INTERNAL AUDIT FUNCTION

The Internal Audit Function is responsible for conducting an objective and independent appraisal of the AECS's activities and controls, financial and otherwise, through a risk-based plan, approved annually by the AECS Audit Committee and Group Audit Committee. It is responsible for evaluating and reporting to the AECS

Board and Audit Committee, and thereby providing them with assurance on the operating effectiveness of controls that management has put in place.

Internal Audit is also responsible for providing assurance over the arrangements for risk management, control and governance, compliance with internal policies, procedures and controls, and value for money, where relevant to each audit assignment. The Internal Audit Function shall report to the relevant Board/Committee the findings and recommendations from their review, including the time period envisaged to remedy any shortcomings, and follow up on any recommendations made on a timely basis. It remains the duty of management to operate these arrangements, to determine whether or not to accept audit recommendations and to recognize and accept the risks of not taking action.

Management need to provide an appropriate level of justification and where applicable supporting documentation to justify their reasoning, when choosing to accept the given risk, or decline a recommendation.

The Annual Audit Plan is based on a methodical risk analysis, taking into account all activities and the complete system of governance, as well as expected developments of activities and innovations. Significant areas of risk, per the Risk Registers, are considered for inclusion in the Annual Audit Plan each year.

Independence and Objectivity of the Internal Audit Function

The internal audit policy states that the Internal Audit department and all of its employees must be functionally and organisationally independent of the business processes, events and transactions of the company. The Internal Audit department will carry out its assignments with impartiality and is free to express its opinions in their reports. Amongst many matters, the Internal Audit department must have direct access to the AECS Board of Directors, Audit Committee and the General Manager and be able to report directly to these levels when they deem this necessary. Such independent structure should enable the internal auditor to render impartial and unbiased judgment, essential to the proper conduct of their work.

Internal Audit activity must be free from interference in determining the scope of internal auditing, performing work and communicating results.

Unless permission is granted by the AECS Audit Committee, an Internal Auditor will not perform an audit review in an area where they had a consultancy/operational role in the previous twelve months.

Where practical, areas under review are rotated amongst the staff in Internal Audit to avoid any potential conflict of interest.

The AECS Audit Committee will confirm to the Board annually that it is satisfied that the Internal Audit department has the appropriate resources and remains sufficiently independent.

Organization and responsibilities

The AECS Internal Audit Function reports hierarchically to the AECS Audit Committee and functionally to the Group Head of Internal Audit.

B.7. ACTUARIAL FUNCTION

The Actuarial Function has a number of responsibilities in the area of Technical provisions and in providing an opinion on the adequacy of reinsurance and underwriting, as well as in ensuring the effective implementation of the risk-management system.

Solvency II requirements state that the Actuarial Function shall be carried out by persons who have knowledge of actuarial and financial mathematics, commensurate with the nature, scale and complexity of the risks inherent in the business, and who are able to demonstrate their relevant experience with applicable professional standards.

Additionally, The Actuarial Function should make decisions without the influence of third parties, that may compromise its ability to undertake its duties in an objective, fair and independent manner.

The Actuarial Function submit the Actuarial Function Report ("AFR"), at least annually, to the AECS Board. It consists of 4 reports and includes all tasks undertaken, identifies deficiencies and makes recommendations to remedy these deficiencies:

- **Technical Provisions:** Actuarial Function coordinates the calculation of the Technical Provisions and assess the appropriateness of the methodologies, assumptions, data and systems. They also review the best estimate against experience. Finally, they evaluate the adequacy and reliability of the Technical Provisions and the degree of uncertainty.

- **Opinion on the Underwriting Policy:** Actuarial Function evaluates the sufficiency of the premiums to cover future claims and expenses, the effect of the inflation or any risks in order to adjust the premiums. It also covers the adequacy of the pricing governance and the anti-selection.

- **Opinion on the Reinsurance Agreements.** Actuarial Function assess the adequacy of the Reinsurance agreements according to the risk profile and reinsurance policy. They also evaluate the calculation of the recoverables and the protection under stress scenarios.

- **Contribution to Risk Management:** Actuarial Function support the Enterprise Risk Management (ERM) Framework, contribute to the calculation of the Solvency Capital Requirements (SCR) and also to the Own Risk and Solvency Capital Requirements (ORSA).

The AFR is carried out in accordance with Solvency II legislation and recommendations by Actuarial bodies such as *Instituto de Actuarios Españoles (IAE)*.

B.8. OUTSOURCING

Admiral Group´s Procurement and Outsourcing Policy ensures that any third-party arrangement entered into by AECS does not lead to impairment of either the AECS's systems of governance and internal control, or the relevant supervisory authority in monitoring compliance risks, does not unduly increase the operational risk and does not undermine continuous and satisfactory service to customers.

AECS has outsourced relevant operational activities with cloud service providers, reported to the DGSFP in compliance with applicable regulations.

B.9. ANY OTHER INFORMATION

There is no other relevant information to be disclosed.

C. RISK PROFILE

Risk assessment and risk management

The AECS Board is responsible for defining the risk strategy and risk appetite of the company, and for its system of risk management and internal control. The AECS Board has delegated the development, implementation and maintenance of the risk management framework to the AECS Governance Committee (where Risk Management Function participates), which reports its activities to the AECS Boards for matters affecting the activities of the entity, for the purposes of reviewing and reporting on the overall effectiveness of this system.

Risk management is a continuous process and is an essential part of AECS business operations with successful risk taking required to achieve its business objectives in the short, medium and long term. Admiral has always sought to protect itself using a set of tools to manage risk: the reinsurance model, a prudent approach to claims reserving, an organic growth strategy, a test and learn approach of taking measured steps before investing further and a conservative approach to investment management.

The Enterprise Risk Management Framework (ERMF) is designed to identify, evaluate and manage the risks to which AECS is exposed. Risk appetite is a central element of the ERMF – it sets the level of risk that the AECS and Group Board consider appropriate for the business to incur, net of controls and mitigating factors such as reinsurance and other management actions.

AECS Risk Appetite operates within Admiral Group Risk Appetite. During the year 2023, AECS maintained its risk appetite level, fixed at a 135% of the Solvency Ratio.

Principal Risks and Uncertainties

The main risks of AECS during 2023 are based on the main categories of risk within the Solvency II Solvency Capital Requirement (SCR). They are detailed in the following table:

Key Risk	Risk Overview
Life and Non-Life Underwriting Risk	Uncertainty over the occurrence, amount or timing of claims arising on insurance contracts issued by AECS.
Market Risk	Fluctuations in the value of market prices of AECS's investment assets and liabilities, or in the income and expenses generated from these assets and liabilities.
Counterparty or Credit Risk	The risk that counterparties (primarily either reinsurers or banks or other investment counterparties) default on obligations.
Operational Risk	Risks arising from operational processes and procedures, including risks related to people, processes, IT systems, information security, business continuity and customer outcomes.

As a General Insurer, insurance or underwriting risk comprises the higher risk concentration for AECS.

AECS has defined a process for identifying material risks which aims to ensure that all relevant risks to which AECS is exposed are correctly identified. To this end, AECS has a set of continuous processes for identification of the risks that are detailed, among others, in the Internal Control Policies, Operational Risk, Compliance and ORSA.

The first level of analysis in this process identifies all the risks included in the calculation of the SCR being its measurement and monitoring mandatory. A second level of analysis identifies all the risks linked to the processes that affect the company's operations. In addition, at least once a year, a global risk self-assessment process is carried out in order to guarantee that all relevant risks are duly identified, including a number of forward-looking stress tests and scenario analysis to give comfort to the Board and regulators that AECS is adequately capitalised and considers potential downside risks impacting the business in the future. This process is part of the ORSA process, whose procedures and results are included in the ORSA report.

In terms of reporting, the capital charge of the exposure to the risks subject to the calculation of the SCR is determined by the Standard Formula which includes aggregation mechanisms allowing an integral measurement of these risks.

Under the stress and scenarios' tests considered, carried out during the year, the AECS solvency ratio remains above 100%.

C.1. UNDERWRITING RISK

The underwriting risk is significantly concentrated in the Non-life underwriting risk, given the AECS focus on general insurance lines of business.

Non-life underwriting risks

Non-life underwriting risk consists of the following components of risk:

- Non-life premium risk
- Non-life reserve risk
- Lapse risk
- Catastrophe risk

The valuation in terms of capital required of non-life underwriting risk will be driven by the premium and reserve risk component, with small contributions made by lapse and catastrophe risk.

Non-life Reserve risk is defined as the risk of adverse variation in the level of claims reserves for earned business driven by higher than expected claims volume or claims costs. It will be driven by adverse development in the valuation of the liabilities which is mainly related to longer tailed bodily injury claims, arising from the Motor business, which have greater uncertainty associated with the ultimate cost of claims than, for example, property damage claims. These claims can be developed over a number of years so the reserve risk figure will relate to several underwriting years.

Premium risk is the risk that AECS incurs in losses on risks arising in the 12 months after the valuation date, mainly focusing on the future occurrence and severity of claims (mainly property damage exposure), rather than the development of existing claims. It is defined as the risk that premiums set for underwritten policies are inadequate to cover the claims and expenses costs associated with unearned business. This could be led by fluctuations in the timing, frequency and severity of insured events relating to policies to be underwritten (including renewals) during the period, and unexpired risks on existing contracts. Premium Risk also includes the risk resulting from the volatility of expense payments. Expense risk is implicitly included as part of the Premium Risk.

The SCR figures at 31st December 2023 by risk sub-module are shown in the next table:

000s Euros	31/12/2023	31/12/2022
Premium and Reserve Risk	66,336	55,444
Lapse Risk	8,473	7,151
Catastrophe Risk	2,141	1,598
Diversification	(9,512)	(7,873)
SCR Non-Life Underwriting Risk	**67,438**	**56,320**

The following table shows the risk exposure to each sub-module in the Non-life underwriting risk:

000s Euros	31/12/2023	31/12/2022
Volume of premiums	217,686	164,934
Volume of reserves	164,375	137,480
Expected profit in future premiums	21,182	17,879
Flood volume measure	2,812	2,330
Hail volume measure	4,574	4,046
Num vehicles < 24M	1,042	954
Num vehicles > 24M	886	850

The higher concentration of risk comes from Motor, third party liability; as it is the main guarantee in the majority of the policies.

It should be noted that from December 2023, the SCR quantifies the capital requirements for Household business included in *Fire and other damage to property* line of business. Therefore, its risk exposure is included in the figures disclosed above.

Life underwriting risks

Although AECS is not authorised to operate in the life business, it sells motor products whose injuries can lead to annuities. In 2020, a claim was settled in France that generated this payment scheme. This leads AECS to report the line of business 34 "*Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations*", according to the Solvency II regulation, and to calculate the life risks associated with this annuity. No new claims have been settled since 2020.

As a result, PPO-life (*Periodical Payment Order*) risk arises, defined as the risk of higher than expected claim costs associated with Periodic Payment Orders from a higher number of claims settled as PPOs or from changes in a valuation basis of existing PPOs.

The risks applicable to AECS for this type of annuities are:

- Longevity

- Expense

For the assessment, AECS uses the simplifications set out in the Standard Formula in accordance with the principle of proportionality as it is a single claim and immaterial over the total portfolio.

As of 31 December 2023, AECS has only recorded a capital charge for longevity risk, amounting to 86 thousand euros. It's worth noting that the expenses related to annuities are managed together with the whole portfolio, so there is no specific allocation of the expenses to the annuities. That's the reason why there is no capital requirement for the expense risk.

Risk mitigation

A key part of the AECS risk mitigation strategy regarding underwriting risk will be the use of co-insurance and reinsurance (both proportional quota share reinsurance and non-proportional excess of loss reinsurance).

Traditionally, AGp has used reinsurance as a risk mitigation technique for all lines of business. As part of the AECS transfer process, the existing coinsurance and reinsurance contracts are utilised to mitigate the risk, which allows to maintain the underwriting risk in acceptable levels but, on the other side, generates a counterparty default risk according to the standard formula.

The following table shows the amounts and weights in terms of reinsurance recoverable reserves of each type of reinsurance in place:

000s Euros	**31/12/2023**	**%**
Ceded to Quota Share	516,679	94.8%
Ceded to XoL	28,291	5.2%
Total Reinsurance recoverables	**544,970**	**100.0%**

The total mitigation amount generated by the reinsurance contracts over the best estimate of technical provisions is shown in the following table:

000s Euros	**31/12/2023**	**31/12/2022**
Gross Best Estimate of TPs	809,519	671,948
Net Best Estimate of TPs	264,549	230,672
Reinsurance mitigation (ceded)	**544,970**	**441,276**

C.2. MARKET RISK

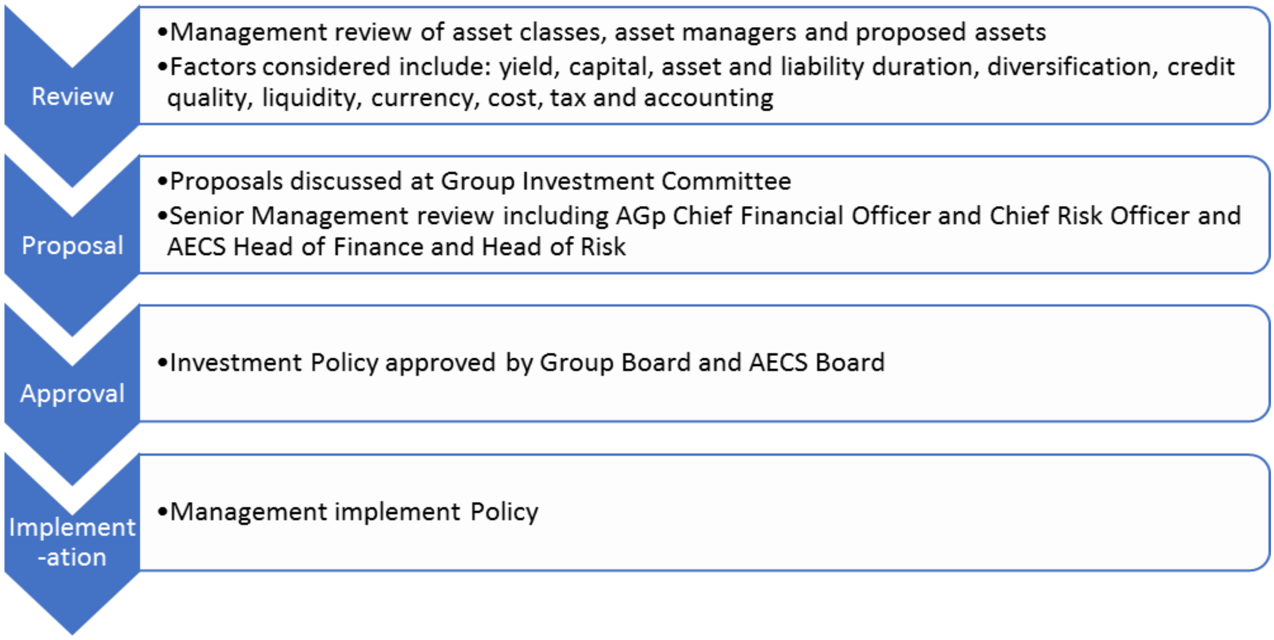
In line with AGp, the AECS investment strategy is primarily focused on capital preservation with additional priorities being low volatility of returns and high levels of liquidity. At year-end 2023, AECS primarily held investments in government and corporate bonds and money market funds.

Prudent person principle

Solvency II has introduced the Prudent Person Principle for managing investments.

The Prudent Person Principle seeks to ensure that the industry understands and is capable of managing its investment risks. Specifically, insurers must be able to demonstrate that they can properly identify, measure, monitor, manage, control and report on their investment risks and not to rely on information provided by third parties.

AECS' risk management and strategic decision-making process in respect of asset investment is governed by AGp's Investment Committee. The Investment Committee is a Management committee that includes AGp Non-Executive and AECS management representation. The governance process for material asset investment decisions can be summarised as follows:



At each stage of the process the proposal is subject to review by senior management independent of the proposal. Implementation of an investment decision is performed only once all stages of approval have been achieved. Quantitative analysis is considered but the expertise of the senior management also allows for a material qualitative judgement.

Once the purchase has occurred the asset is then part of the ongoing valuation, income and capital process. The AGp Investment Committee meets on a quarterly basis and reviews detailed Management Information presented on a look-through basis that covers the security, quality, liquidity and profitability of the portfolio.

Environmental, Social and Corporate Governance Factors (ESG)

AECS adheres to the Group Investment Policy, whose objective is to mitigate risks related to the environment, society and governance (ESG) and achieve more sustainable profitability in the long term. To ensure compliance with the principles of this Policy, the ESG risks of the asset portfolio are presented to the investment committee on an annual basis.

The investment strategy also targets Net Zero (defined by the average carbon intensity of eligible[4] investments) by 2040.

The Group's sustainability priorities in 2023 have been driven by the materiality assessment. A review of the assessment conducted in 2021 (internal and external stakeholders ranked the issues they considered important to Admiral Group's success) will be conducted during 2024. This will incorporate the concept of dual materiality, in preparation for the EU Corporate Sustainability Reporting Directive (CSRD), applicable to AECS under this European regulation.

Market risk components

It is the risk of reductions in earnings and/or value, through financial or reputational loss, from unfavourable market moves. The risk typically arises from equity, property, bond and alternative asset exposures and the impact of interest rates and currency values. It is composed by:

- Interest Rate Risk
- Spread Risk
- Concentration Risk
- Currency Risk
- Equity Risk
- Property Risk

In addition, for AECS, Market Risk includes Funding and Liquidity Risk, despite not being calculated in the Standard Formula due to not being included in the defined risks of EIOPA.

AECS investments as of 31 December 2023 are primarily held in bonds and Money Market Funds which generate limited Market risk through spread risk and interest rate risk due to the low duration of the investments. This risk accounts in terms of capital requirements for 9.1% of the pre-diversification SCR at 31 December 2023 (11.6% at 31 December 2022).

The SCR figures at 31st December 2023 by risk sub-module are shown in the next table:

000s Euros	**31/12/2023**	**31/12/2022**
Interest Rate Risk	4,344	2,888
Equity Risk	-	-
Property Risk	33	36
Spread Risk	9,700	10,741
Concentration Risk	505	592
Diversification	(3,927)	(3,102)
SCR Market Risk	**10,655**	**11,155**

[4] Eligible assets include all assets described in the Net Zero Investment Framework, which is endorsed by the United Nations Race to Zero. Overall, it has an MSCI Weighted Average Rating of "A" with a positive trend.

The following table shows the risk exposure to market risk for all the sub-modules:

000s Euros	**31/12/2023**	**31/12/2022**
Discounted value of assets	338,461	300,275
Discounted value of liabilities	243,668	206,374
Government bonds	62,634	895
Corporate bonds	261,082	288,683
Deposits	8,787	7,372

In addition, AECS has an amount of 132 thousand euros (142 thousand euros in 2022) in Property, plant & equipment held for own use that is considered as Property risk following the EIOPA guidelines.

C.3. COUNTERPARTY DEFAULT RISK

It is the risk of reductions in earnings and/or value through financial or reputational loss as a result of the failure of the party with whom we have contracted to meet its obligations (both on and off balance sheet).

Credit or Counterparty risk represents the risk of default by reinsurance partners, intermediaries and other counterparties holding the AECS's cash balances, in line with the Standard Formula approach. This accounts for 13.3% of the pre-diversification SCR at 31 December 2023 (10% at 31 December 2022).

The next table shows the capital charges for the different sub-modules in Counterparty Default Risk:

000s Euros	**31/12/2023**	**31/12/2022**
Type 1	9,376	7,617
Type 2	7,249	2,426
Diversification	(1,055)	(471)
SCR Counterparty Default Risk	**15,570**	**9,572**

The following table shows the exposure to Counterparty Default Risk split between the balance sheet types of exposures considered in the calculation:

000s Euros	**31/12/2023**	**31/12/2022**
Reinsurance recoverables *	538,916	436,077
Reinsurance receivables	30,478	43,723
Cash	29,095	17,852
Other receivables < 3 months	48,324	16,172
Other receivables > 3 months	-	-

** Reinsurance recoverables before the credit adjustment for the modelled business.*

C.4. LIQUIDITY RISK

As mentioned in C.2 section, liquidity risk is included as one part of Market Risk in the AECS Risk Universe. It is not quantified in the Standard Formula.

Liquidity risk is not expected to be a key risk for AECS, as the Motor Insurance portfolio generates significant cash in-flows of income in advance of claims and expenses being paid, which are expected to be less than the total premiums received. This reduces the risk of a liquidity strain.

As noted in section C.2 above, one of the AECS strategic considerations when determining investment strategy is liquidity and a significant proportion of the funds invested sit in instant access money market funds.

The expected profit in future premiums as of 31 December 2023 is 21,182 thousand euros (17,879 thousand euros at 31 December 2022).

C.5. OPERATIONAL RISK

Is defined as the risk of reductions in earnings and/or value, through financial or reputational loss, from inadequate or failed internal processes and systems, or from people related or external events.

Operational risk is inherent to all areas of the business. AECS, through its ERMF, implements, maintains and monitors a series of internal controls that aim to mitigate the range of operational risks that AECS is exposed to.

The operational risk capital requirement is calculated using the Standard Formula and has amounted to 23,305 thousand euros at the end of 2023 (19,131 thousand euros at 31 December 2022). The exposure at the end of the reporting year and the comparison with the previous year is as follows:

000s Euros	**31/12/2023**	**31/12/2022**
Gross written premiums (last 12 months)	547,648	470,547
Gross written premiums (12 months prior to previous 12 months)	479,131	421,651
Total gross best estimate	786,003	645,711

It should be noted that from December 2023, the SCR quantifies the capital requirements for Household business included in *Fire and other damage to property* line of business. Therefore, its risk exposure is included in the figures disclosed above.

C.6. OTHER MATERIAL RISKS

None.

C.7. ANY OTHER INFORMATION

Loss absorbing capacity of deferred taxes (LACDT)

In the 2023 financial year, AECS has performed a deferred tax recoverability study to assess using the net deferred tax assets (nDTA) in the economic balance sheet as Tier 3 Own Funds and to apply the loss absorbing capacity of deferred taxes to the Solvency II capital requirements.

The study includes a tax projection for all the economic balance sheet and SCR items generating deferred taxes at the valuation date with the aim of demonstrating sufficient future profits against which to utilise the deferred tax assets earned, taking into account the applicable tax regulations. Furthermore, considering the maximum amount of tax justified, AECS has defined thresholds that will determine the percentage of tax to be applied as LACDT based on the solvency ratio before adjustment.

As of 31 December 2023, there is no net nDTA arising from the SII balance sheet. In addition, after executing the recoverability study, AECS does not aply any loss absorbing capacity. Therefore, AECS has neither considered any Tier 3 in the Own funds nor applied any LACDT amount to the SCR in the years 2023 or 2022.

Risk sensitivity

AECS has established processes to undertake stress and scenario testing on an ongoing basis, performing testing at least annually. The stress testing processes will be conducted in collaboration with the Corporate Governance Committees and involve a number of members of senior and operational management. The testing results are aimed to improve the AECS Board understanding of risk, influence business decisions and form a key part of the Enterprise Risk Management Framework.

In addition, solvency ratio sensitivities will be reported to the AECS Board and to the Group Board and its Committees on a regular basis.

Furthermore, during the ORSA process, AECS performed a sensitivity analysis of the most significant risks the Company is exposed to. For these risks, the Entity performs, in addition, a stress test for a period of three years. In the stress tests, capital injections are considered when needed.

D. VALUATION FOR SOLVENCY PURPOSES

The AECS economic balance sheet as at 31st December 2022 has been valuated according to the Article 75 of the Solvency II Directive, taking as starting point the Spanish GAAP balance sheet and in line with the proportionality principle.

The following sections contain the detail of the main differences of valuation in the economic balance sheet and the comparison with the previous year.

D.1. ASSETS

D.1.1 Valuation of assets

The balance sheet assets as at 31 December 2023 are shown in the following table (and the comparison with 2022), both under Statutory and Solvency II basis:

	31/12/2023		31/12/2022	
000s Euros	Statutory	Solvency II	Statutory	Solvency II
Deferred acquisition costs	42,645	-	40,157	-
Intangible assets	10,194	-	500	-
Deferred tax assets	2,368	63,412	4,264	61,449
Property, plant & equipment held for own use	132	132	142	142
Investments (other than assets held for index-linked and unit-linked contracts)	**335,412**	**337,415**	**300,795**	**301,965**
Government bonds	60,797	61,310	-	-
Corporate bonds	174,075	175,565	153,624	154,794
Collective Investments Undertakings	100,540	100,540	147,171	147,171
Reinsurance recoverables from:	613,520	544,970	508,052	441,276
Non-life excluding health	613,520	536,809	508,052	434,020
Life excluding health and index-linked and unit-linked	-	8,161	-	7,256
Insurance and intermediaries receivables	122,574	49,306	92,149	16,172
Reinsurance receivables	17,451	30,478	24,256	43,723
Receivables (trade, not insurance)	21,052	507	23,463	4,436
Cash and cash equivalents	24,182	24,182	13,250	13,250
Any other assets, not elsewhere shown	2,075	72	1,247	77
Total assets	**1,191,605**	**1,050,474**	**1,008,275**	**882,490**

In the following sections, the valuation criteria applied to each regulation is detailed for each of the balance sheet items.

D.1.2 Methods and assumptions used

Investments and Cash

AECS follows AGp policy for the valuation of financial assets and liabilities. Financial assets and liabilities will be held at Fair Value where level 1 inputs can be obtained. Level 1 refers to the first level of the Fair Value hierarchy which categorises valuation inputs into three levels. The hierarchy gives the highest priority (Level 1) to quoted prices in an active market, and the lowest priority to unobservable inputs (Level 3).

In line with the Group, AECS categorises its valuation of investments in money market funds as Level 1.

Level 1 valuations for money market funds reflect the fair value (the amount a third party would pay for the asset on the valuation date), and are obtained externally from observable market information. This valuation is consistent with the statutory valuation.

Cash is held at amortised cost which is materially consistent with as fair value. This is in line with the statutory valuation.

Level 1 inputs

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

A quoted market price in an active market provides the most reliable evidence of fair value and is used without adjustment to measure fair value whenever available, with limited exceptions.

Level 2 inputs

Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 2 inputs include:

- quoted prices for similar assets or liabilities in active markets
- quoted prices for identical or similar assets or liabilities in markets that are not active
- inputs other than quoted prices that are observable for the asset or liability, for example
    - interest rates and yield curves observable at commonly quoted intervals
    - implied volatilities
    - credit spreads

inputs that are derived principally from or corroborated by observable market data by correlation or other means ('market-corroborated inputs').

Reinsurance recoverables

The reinsurance recoverables are valuated following different methodology under statutory and Solvency II basis, mainly because of the application of realistic assumptions under Solvency II.

Deferred tax assets

The deferred tax asset in the Solvency II balance sheet reflects the deferred tax asset on a Solvency II basis using the valuation rules within IAS 12. These assets will be valuated under Solvency II adding to the statutory deferred tax assets the tax effect to the valuation differences arisen in the rest of the balance sheet items.

Receivables and other assets

The fair value of receivables will be based on the amortised cost valuation, in line with Level 2 of the fair value hierarchy noted above. This amortised cost valuation approximates to fair value. However, under Solvency II basis, the future premiums (not issued) from the Insurance and Intermediaries receivables item are removed, as they had already been recognized in the best estimate of technical provisions calculations.

Deferred acquisition costs, Intangible Assets and Property, plant and equipment held for own use

For these categories, AECS follows AGp valuation methodology at the end of 2022. The deferred acquisition costs, as wel as the intangible assets, are valuated to 0 under Solvency II basis.

D.1.3 Main variations during the year

In the table below, the assets detail of the economic balance sheet is shown at 31 December 2023 compared to the figures at the end of 2022:

000s Euros	**31/12/2023**	**31/12/2022**
Deferred acquisition costs	-	-
Intangible assets	-	-
Deferred tax assets	63,412	61,449
Property, plant & equipment held for own use	132	142
Investments (other than assets held for index-linked and unit-linked contracts)	**337,415**	**301,965**
Government bonds	61,310	-
Corporate bonds	175,565	154,794
Collective Investments Undertakings	100,540	147,171
Deposits other than cash equivalents	-	-
Reinsurance recoverables from:	544,970	**441,276**
Non-life excluding health	536,809	434,020
Life excluding health and index-linked and unit-linked	8,161	7,256
Insurance and intermediaries receivables	49,306	16,172
Reinsurance receivables	30,478	43,723
Receivables (trade, not insurance)	507	4,436
Cash and cash equivalents	24,182	13,250
Any other assets, not elsewhere shown	72	77
Total assets	**1,050,474**	**882,490**

Main variations have been produced in the reinsurance recoverables, which move in line with the increase in technical provisions, and in the investments, whose increase in 2023 is mainly due to the acquisition of government and corporate bonds and the good performance of the market.

D.2. LIABILITIES

The balance sheet liabilities as at 31 December 2023 (and the comparison with the previous year) are shown in the following table, both under Statutory and Solvency II basis:

	31/12/2023		31/12/2022	
000s Euros	Statutory	Solvency II	Statutory	Solvency II
Technical provisions – non-life	**944,388**	**808,628**	**788,818**	**671,999**
Technical provisions – non-life (excluding health)	**944,388**	**808,628**	**788,818**	**671,999**
Best Estimate	-	798,726	-	662,491
Risk margin	-	9,902	-	9,508
Technical provisions - life (excluding index-linked and unit-linked)	**-**	**10,910**	**-**	**9,537**
Best Estimate	-	10,793	-	9,457
Risk margin	-	117	-	80
Provisions other than technical provisions	33,934	-	31,461	-
Pension benefit obligations	-	-	190	190
Deferred tax liabilities	494	68,156	25	63,394
Financial liabilities other than debts owed to credit institutions	-	-	-	-
Insurance and intermediaries payables	981	981	-	-
Reinsurance payables	41,995	-	45,010	-
Payables (trade, not insurance)	15,577	15,577	6,537	6,537
Any other liabilities, not elsewhere shown	27,867	-	23,954	-
Total liabilities	**1,065,236**	**904,252**	**895,995**	**751,657**

D.2.1 Non Life Technical Provisions

The Technical Provisions under Solvency II basis include the amount of the Best Estimate of Liabilities and a Risk Margin, in line with the Solvency II regulation. These calculations are based in realistic assumptions, using the own experience of the Company to reflect the market value of the liabilities.

D.2.1.1 Valuation of technical provisions

The detail of the technical provisions at the end of 2023 is shown in the table below:

000s Euros	31/12/2023	31/12/2022
Technical provisions – non-life	808,628	671,999
Technical provisions – non-life (excluding health)	808,628	671,999
Best Estimate	798,726	662,491
Risk margin	9,902	9,508
Technical provisions - life (excluding index-linked and unit-linked)	10,910	9,537
Best Estimate	10,793	9,457
Risk margin	117	80

The calculation of the best estimate liabilities is performed by country and by homogenous risk groups and then added to obtain the results by lines of business (LoB) under Solvency II classification. The next table shows the amounts of the best estimate liabilities and risk margin for the business lines where AECS underwrites policies:

000s Euros	Best Estimate	Risk Margin	Total
Motor, Third Party Liabity	659,477	7,907	667,384
Motor, Other	127,974	1,566	129,540
Fire and other damage*	11,275	429	11,704
Total Non-Life	**798,726**	**9,902**	**808,628**
Annuities stemming from non-life contracts related to insurance obligation other than health insurance obligations	10,793	117	10,910
Total Life	**10,793**	**117**	**10,910**

*Accounting reserve at December 31, 2023.

From December 2023, Household business in France is included in the Line of Business *Fire and other damage to property insurance,* due to the small volume of contracts and the recent experience in claims for this LoB in order to apply a reliable actuarial model, the accounting reserves as of December 2023 have been considered.

83% of the best estimate of Non-Life comes from the Motor TPL. This LoB has claims with longer settlement tail while for the other lines of business claims are mostly close in the first year. Additionally, there are PPOs in France, which is the result of having a BI Claim and reaching an agreement to pay the indemnity in a periodical annuity.

D.2.1.2 Bases, methods and main assumptions

Technical provisions – bases, methods and main assumptions

The Best estimates obtained under Solvency II regulation are comprised of a claims provision and a premium provision. Both the claims and premium provision combined give the expected cost of settling all future claims arising from business that AECS is contractually obliged to cover. This includes an allowance for the expenses of both running the company and of servicing and handling claims such as claims handling staff costs.

Any allowance for future income is based on business already written, as well as business that has not yet incepted, but where AECS has already an obligation at the valuation date (Bound But Not Incepted – BBNI).

A consistent methodology is used for the calculations of the best estimate of all homogeneous risk groups (type of damage) and in each homogeneous risk group all future in-flows and out-flows are projected based on realistic assumptions.

The **claims provision** is the discounted best estimate of all future cash-flows relating to claim events which occurred prior to the valuation date. These cash-flows are made up of:

Outgoing cash-flows:

- Claims payments
    - o Settling reported claims
    - o Settling claims not yet reported
- Expenses
- ENID (Events not in Data) allowance

The **premium provision** is the discounted best estimate of all future cash-flows relating to future claim events not yet occurred arising from policies that the insurer is obligated to cover at the valuation date. These cash-flows are made up of:

Outgoing cash-flows:

- Claim payments, including BBNI policies
- Expenses
- ENID (events not in data) allowance

Minus incoming cash-flows:

- Future premiums due on incepted business, from monthly premium payers, with an allowance for cancellations
- Future premiums due on new and renewal business from BBNI policies

The yield curve applied to discount the future cash-flows is the EIOPA curve published by EIOPA and corresponding to the valuation date. No adjustments to the Risk Free Rate curve have been applied.

The detail of the best estimate liabilities gross of reinsurance at the end of 2023 is as follows:

000s Euros	Premium Provision	Claims Provision	Total
Motor, Third Party Liabity	161,551	497,927	659,478
Motor, Other	79,664	48,310	127,974
Fire and other damage*	4,898	6,376	11,274
Total Non-Life	**246,113**	**552,613**	**798,726**
Annuities stemming from non-life			10,793
Total business			**809,519**

*Accounting reserve at December 31, 2023.

Must be noted that, there is a part of the business that is not modelled as the rest of the portfolio (ancillaries and small products). For these policies, their statutory reserve is added to the modelled technical provision to obtain the total technical provisions. As the following table shows, this amount is not material:

000s Euros	Best Estimate	%
Modelled business	774,719	95.7%
Not modelled business	34,800	4.3%
Total	**809,519**	**100.0%**

Technical provisions – Reinsurance Recoverables

Reinsurance recoverables are a significant element within AECS technical provisions. The reinsurance premium paid out, and recoverables received for both claims and expenses are required to be captured within the technical provisions, along with the possibility of default of the reinsurers leading to a reduction in potential amount of reinsurance recoverables.

The reinsurance recoverables within AECS Technical Provisions reflect the contractual reinsurance arrangements in place. For AECS in 2023 these will be:

- Excess of loss reinsurance
- Quota share reinsurance

Technical provisions – Risk Margin

The risk margin is defined within Article 77 of the Directive as:

The risk margin shall be such as to ensure that the value of the technical provisions is equivalent to the amount that insurance and reinsurance undertakings would be expected to require in order to take over and meet the insurance and reinsurance obligations.

The AECS risk margin calculation is obtained separately for life and non-life and it uses the second simplification within the Solvency II implementation measures, which is applied as follows:

- The one-year SCR is *run off* by risk modules in line with the level of best estimate of liabilities expected to remain at each year-end position,
- The prescribed cost of capital of 6% is applied to each SCR

The SCRs are then discounted to the valuation date using the prescribed EIOPA yield curve.

D.2.1.3 Level of uncertainty associated with the value of technical provisions

There are many areas of uncertainty within the technical provisions. Estimation techniques are therefore used in the calculation of the ultimate cost of settling both claims that have occurred prior to the balance sheet date and remain unsettled at the balance sheet date and claims costs that will arise in relation to claims that have not happened at the balance sheet date.

The projected ultimate cost of claims is calculated using a variety of different actuarial projection techniques commonly used in the market (including incurred and paid chain ladder and an average cost of claim approach) to allow an actuarial assessment of their potential outcome. They include allowance for unreported claims.

The most significant sensitivity in the use of the projection techniques arises from any future step change in the severity of the claims, as well as the claim cost inflation and therefore deviations from historic trends.

The main sources of uncertainty considered are the trend of the inflation, the assumptions used in calculation of the large claims and the development of bodily injury claims:

- Uncertainty in the numbers and average claim sizes, particularly of large bodily injury claims.
- The strength of case reserving practices over time, which impacts the claim development patterns and other measures.
- The significant changes seen and expected in the external claims environment, e.g. changes in the Baremo table for Spain
- The most recent quarters, which are at an early stage of development.
- Uncertainty about the trend of the inflation
- Evolution of the annuities estimated to be paid to the insured who is currently collecting the PPO, as well as potential PPO claims and the associated longevity risk.

Considering the above areas of uncertainty, in each country the estimation comes from a weighted average of several methods with different assumptions to take into consideration and mitigate the volatility around those sources of uncertainty approach and speed of settlement trend.

Additionally, the External Actuaries provide the Ultimate Claim Costs so that is possible to compare and to gain confident in the internal projections.

D.2.1.4 Material differences between Solvency II and Statutory valuation

The differences in the valuation of Technical provisions under Statutory and Solvency II basis are shown in the following table:

2023

000s Euros	Statutory	Solvency II
Technical provisions – non-life	**944,388**	**808,628**
Technical provisions – non-life (excluding health)	**944,388**	**808,628**
Best Estimate	-	798,726
Risk margin	-	9,902
Technical provisions - life (excluding index-linked and unit-linked)	**-**	**10,910**
Best Estimate	-	10,793
Risk margin	-	117

2022

000s Euros	Statutory	Solvency II
Technical provisions – non-life	**788,818**	**671,999**
Technical provisions – non-life (excluding health)	**788,818**	**671,999**
Best Estimate	-	662,491
Risk margin	-	9,508
Technical provisions - life (excluding index-linked and unit-linked)	**-**	**9,537**
Best Estimate	-	9,457
Risk margin	-	80

The Technical Provisions under Solvency II is lower than the equivalent provision held on local basis for financial statement purposes.

This is primarily due to the following:

- Statutory reserves are calculated based on the Spanish regulation in contrast with the Solvency II figures that are obtained using realistic assumptions.
- The Solvency II approach to calculate the premium provision (including the transfer of future premium cash-flows into technical provisions). In statutory basis, future premiums can only be included if they are set out in the Technical Notes.
- The consideration of all cash-flow sources. The Premium Reserve will be comparable to the local Unearned Premium Reserve (UPR) plus the Unexpired Risks Reserve (URR), in case it applies. In the Solvency valuation, future premium will be projected (in the case of having a fractionation in the payment) as well as claims and associated expenses, being able to have a negative provision or lower than the accounting provision.
- The Solvency II approach to calculate the claims provision (through a cash-flow projection approach with the aim of estimate the ultimate cost of the incomplete claims at the end of the financial year). In statutory basis, claims provisions is obtained in line with the “Reglamento de Ordenación, Supervisión y Solvencia de las Entidades Aseguradoras”, (ROSSEAR), as the sum of the Reported claims pending of payment reserve (OC), Incurred but Not Reported reserve (IBNR) and the Unalocated expenses reserve (ULAE).
- The adjustment for credit risk in the reinsurance recoverables of the SII technical provisions. No adjustment is applied in the statutory reserves.
- SII Technical Provisions are discounted using the EIOPA risk free rate (not any adjustment has been applied). Statutory Reserves are not discounted.
- Risk Margin is added in Solvency II balance sheet, while it doesn´t exist in the statutory accounts.

The above disclosure is relevant for all lines of business as there are no specific transition adjustments recognised for individual lines.

The overall impact in the Technical Provisions of moving from Statutory to Solvency II basis is around €125 million.

D.2.1.5 Main variations during the year

Non-life technical provisions under Solvency II have increased by €136.5 million compared to the previous year due to the growth in business volumes and the impact of inflation on active claims incurred in prior periods.

D.2.1.6 Significant changes in the assumptions used in the Technical Provisions calculation

Inflation assumptions has been updated in order to be aligned with the economic environment of high interest rates.

D.3. OTHER LIABILITIES

The following table shows the differences in the valuation of Other liabilities under Statutory and Solvency II regulations at the end of 2023 (and the comparison with the previous year):

	31/12/2023		31/12/2022	
000s Euros	Statutory	Solvency II	Statutory	Solvency II
Provisions other than technical provisions	33,934	-	31,461	-
Pension benefit obligations	-	-	190	190
Deferred tax liabilities	494	68,156	25	63,394
Financial liabilities other than debts owed to credit institutions	-	-	-	-
Insurance & intermediaries payables	981	981	-	-
Reinsurance payables	41,995	-	45,010	-
Payables (trade, not insurance)	15,577	15,577	6,537	6,537
Any other liabilities, not elsewhere shown	27,867	-	23,954	-
Total other liabilities	**120,848**	**84,714**	**107,177**	**70,121**

Payables, other provisions and other liabilities are valued on an amortised cost basis which is materially consistent with fair value. The differences in valuation are produced because of the removal of the liabilities arising from the knock for knock systems in “Provisions other than technical provisions” and the future premiums owed to reinsurers in “Reinsurance payables”, which are both already considered in the best estimate of liabilities. Also, DAC liability has also been removed from the Solvency II balance sheet as deferred acquisition costs as a principle does not exist under Solvency II.

D.4. ALTERNATIVE METHODS OF VALUATION

No alternative methods for valuation have been applied.

D.5. ANY OTHER INFORMATION

Considering both, the assets and the liabilities in the balance sheet, the Excess of Assets and Liabilities in Statutory and Solvency II basis is shown in the table below:

000s Euros	Statutory	Solvency II
Total assets	1,191,605	1,050,474
Total liabilities	1,065,236	904,252
Excess of Assets over Liabilities	**126,369**	**146,222**

A comparison of the economic balance sheet with previous year can be seen in the following table:

000s Euros	31/12/2023	31/12/2022
Total assets	1,050,474	882,490
Total liabilities	904,252	751,657
Excess of Assets over Liabilities	**146,222**	**130,833**

E. CAPITAL MANAGEMENT

The AECS Solvency Ratio at 31st December of 2023 has reached 142%. This ratio has been obtained as the quotient between the Eligible Own Funds under Solvency II regulation and the AECS Regulatory Solvency Capital Requirement at the end of 2023. No loss absorbing capacity of deferred taxes has been applied.

No adjustments or transitional measures have been applied in the calculation.

E.1. OWN FUNDS

Capital management objectives

AECS manages its capital to ensure that it is able to continue as a going concern and also to ensure that it meets regulatory requirements with an appropriate margin.

Forward looking assessment of Capital is performed over a three-year planning horizon and is reported with the AECS annual ORSA process.

Structure, amount and quality of the Own Funds

The classification of Own Funds for AECS at 31 December 2023 is as follows:

	31/12/2023				
000s Euros	**Total**	**Nivel 1 - not restr**	**Nivel 1 – restr**	**Nivel 2**	**Nivel 3**
Ordinary share capital	9,016	9,016	-	-	-
Reconciliation reserve	137,206	137,206	-	-	-
An amount equal to the value of net deferred tax assets	-	-	-	-	-
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	**-**	**-**	**-**	**-**	**-**
Total basic own funds after deductions	**146,222**	**146,222**	**-**	**-**	**-**
Available and eligible own funds					
Total available own funds to meet the SCR	146,222	146,222	-	-	-
Total available own funds to meet the MCR	146,222	146,222	-	-	-
Total eligible own funds to meet the SCR	**146,222**	**146,222**	**-**	**-**	**-**
Total eligible own funds to meet the MCR	146,222	146,222	-	-	-
SCR	**103,287**				
MCR	38,918				
Ratio of Eligible own funds to SCR	**142%**				
Ratio of Eligible own funds to MCR	376%				

The Own Funds structure of AECS is made of the high-quality funds, being classified all of them as Tier 1. This structure meets the classification and limits by Tiers established in the Solvency II regulation.

As it is shown in the table above, the Own Funds are enough to cover the SCR and MCR. The surplus obtained allows for the compliance with the risk appetite established by the Company.

The following table shows the Own Funds at the end of 2022:

	31/12/2022				
000s Euros	Total	Nivel 1 - not restr	Nivel 1 - restr	Nivel 2	Nivel 3
Ordinary share capital	9,016	9,016	-	-	-
Reconciliation reserve	121,817	121,817	-	-	-
An amount equal to the value of net deferred tax assets	-	-	-	-	-
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	**-**	**-**	**-**	**-**	**-**
Total basic own funds after deductions	**130,833**	**130,833**	**-**	**-**	**-**
Available and eligible own funds					
Total available own funds to meet the SCR	130,833	130,833	-	-	-
Total available own funds to meet the MCR	130,833	130,833	-	-	-
Total eligible own funds to meet the SCR	**130,833**	**130,833**	**-**	**-**	**-**
Total eligible own funds to meet the MCR	130,833	130,833	-	-	-
SCR	**84,670**				
MCR	32,907				
Ratio of Eligible own funds to SCR	**155%**				
Ratio of Eligible own funds to MCR	398%				

AECS has no Ancillary own funds or any other funds approved by the DGSFP to be considered as basic own funds. However, during 2023 AECS has received two capital injections in the amount of €35.8 million, in order to maintain the solvency ratio above AECS's risk appetite (135%).

Material differences with the statutory own funds

The reconciliation reserve is the difference between the Excess of Assets and Liabilities of the Solvency II balance sheet and Other basic own fund items and is basically explained by the stabilisation reserve, other funds from shareholders and the P&L profit.

000s Euros	**31/12/2023**
Ordinary share capital (gross of own shares)	9,016
Other partner contributions	166,313
Accounting reserves	15,643
Result (year and previous)	(59,682)
Stabilisation reserve application	-
Adjustments for Changes in Value	(4,921)
Statutory Own Funds	**126,369**
Valuation SII vs Statutory*	
Differences in assets	(109,990)
Differences in TPs valuation**	42,225
Differences in other liabilities	(87,618)
Adjustments for Solvency II	**19,853**
Excess of Assets over Liabilities	**146,222**

*The differences in valuation include the ones resulting from the difference in valuation and add the impact of the deferred taxes caused by the change in valuation.

**This item considers the valuation differences of assets less liabilities of the technical provisions.

Own Funds not represented by the reconciliation reserve

All AECS Own Funds are represented by the reconciliation reserve and there are not restrictions in their availability.

E.2. SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

Calculation of the AECS solvency capital requirement

The AECS Capital Requirement is calculated on the basis of the standard formula, in line with the risks applicable at the end of 2023. The reported Solvency Capital Requirement as at 31 December 2023 for each applicable risk is as follows:

000s Euros	31/12/2023	31/12/2022
Market Risk	10,655	11,155
Counterparty Default Risk	15,570	9,572
Life Underwriting Risk	86	76
Non Life Underwriting Risk	67,438	56,320
Diversificatión	(13,767)	(11,584)
BASIC SCR	**79,982**	**65,539**
Operational Risk	23,305	19,131
Loss absorbing capacity of deferred taxes	-	-
SCR	**103,287**	**84,670**

It should be noted that from December 2023, the SCR quantifies the capital requirements for Household business included in *Fire and other damage to property* line of business. Therefore, the impact in terms of capital requirement is included in the figures disclosed above.

Solvency Ratio

When combined with the Eligible Own Funds, the resulting reported solvency positions are as follows:

000s Euros	31/12/2023	31/12/2022
SCR	103,287	84,670
Eligible own funds	146,222	130,833
Excess	42,935	46,163
Solvency Ratio	**142%**	**155%**

The AECS Solvency Ratio has amounted to 142% as at 31st December 2023. The capital injections provided by the Group have contributed to maintaining this ratio at optimal levels.

Calculation of the minimum capital requirement

The Minimum Capital Requirement for AECS is calculated as per Article 129 of the Directive and in line with the Standard Formula.

The coverage of eligible own funds to MCR at 31st December 2023 is as follows:

000s Euros	31/12/2023	31/12/2022
MCR	38,918	32,907
Eligible own funds	146,222	130,833
Excess	107,304	97,926
Minimum Ratio	**376%**	**398%**

E.3. USE OF THE DURATION-BASED EQUITY SUB-MODULE IN THE CALCULATION OF THE SOLVENCY CAPITAL REQUIREMENT

The duration-based equity sub-module has not been used in the calculation of the Solvency Capital Requirement.

E.4. DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED

Not applicable – no internal model has been used during the reporting period.

E.5. NON-COMPLIANCE WITH THE MINIMUM CAPITAL REQUIREMENT AND NON-COMPLIANCE WITH THE SOLVENCY CAPITAL REQUIREMENT

There have been no instances of non-compliance with the Minimum Capital Requirement or the Solvency Capital Requirement during the period.

E.6. ANY OTHER INFORMATION

There is no other relevant information to be disclosed.

APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES

AECS, under the status of a new constitution company, is required to disclose just the following templates for 2023:

S.02.01.02	Balance Sheet
S.04.05.21	Premiums, claims and expenses by country
S.05.01.02	Premiums, claims and expenses by line of business
S.05.02.01	Premiums, claims and expenses by country
S.12.01.02	Life Technical Provisions
S.17.01.02	Non-Life Technical Provisions
S.19.01.21	Non-Life insurance claims
S.23.01.01	Own funds
S.25.01.21	Solvency Capital Requirement - Only SF
S.28.01.01	Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

S.02.01.02

Balance sheet

		Solvency II value
		C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	0.00
Deferred tax assets	R0040	63,411,865.24
Pension benefit surplus	R0050	0.00
Property, plant & equipment held for own use	R0060	131,975.90
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	337,414,998.96
Property (other than for own use)	R0080	0.00
Holdings in related undertakings, including participations	R0090	0.00
Equities	R0100	0.00
Equities – listed	R0110	0.00
Equities – unlisted	R0120	0.00
Bonds	R0130	236,874,899.72
Government Bonds	R0140	61,309,553.31
Corporate Bonds	R0150	175,565,346.41
Structured notes	R0160	0.00
Collateralised securities	R0170	0.00
Collective Investments Undertakings	R0180	100,540,099.24
Derivatives	R0190	0.00
Deposits other than cash equivalents	R0200	0.00
Other investments	R0210	0.00
Assets held for index-linked and unit-linked contracts	R0220	0.00
Loans and mortgages	R0230	0.00
Loans on policies	R0240	0.00
Loans and mortgages to individuals	R0250	0.00
Other loans and mortgages	R0260	0.00
Reinsurance recoverables from:	R0270	544,970,092.81
Non-life and health similar to non-life	R0280	536,809,449.83
Non-life excluding health	R0290	536,809,449.83
Health similar to non-life	R0300	0.00
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	8,160,642.98
Health similar to life	R0320	0.00
Life excluding health and index-linked and unit-linked	R0330	8,160,642.98
Life index-linked and unit-linked	R0340	0.00
Deposits to cedants	R0350	0.00
Insurance and intermediaries receivables	R0360	49,305,629.19
Reinsurance receivables	R0370	30,478,008.19
Receivables (trade, not insurance)	R0380	506,893.24
Own shares (held directly)	R0390	0.00
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	0.00

Cash and cash equivalents	R0410	24,182,417.84
Any other assets, not elsewhere shown	R0420	71,638.80
Total assets	**R0500**	**1,050,473,520.17**
Liabilities		
Technical provisions – non-life	R0510	808,628,344.44
Technical provisions – non-life (excluding health)	R0520	808,628,344.44
Technical provisions calculated as a whole	R0530	0.00
Best Estimate	R0540	798,725,959.08
Risk margin	R0550	9,902,385.36
Technical provisions - health (similar to non-life)	R0560	0.00
Technical provisions calculated as a whole	R0570	0.00
Best Estimate	R0580	0.00
Risk margin	R0590	0.00
Technical provisions - life (excluding index-linked and unit-linked)	R0600	10,909,441.57
Technical provisions - health (similar to life)	R0610	0.00
Technical provisions calculated as a whole	R0620	0.00
Best Estimate	R0630	0.00
Risk margin	R0640	0.00
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	10,909,441.57
Technical provisions calculated as a whole	R0660	0.00
Best Estimate	R0670	10,792,853.78
Risk margin	R0680	116,587.79
Technical provisions – index-linked and unit-linked	R0690	0.00
Technical provisions calculated as a whole	R0700	0.00
Best Estimate	R0710	0.00
Risk margin	R0720	0.00
Other technical provisions	R0730	
Contingent liabilities	R0740	0.00
Provisions other than technical provisions	R0750	0.00
Pension benefit obligations	R0760	0.00
Deposits from reinsurers	R0770	0.00
Deferred tax liabilities	R0780	68,155,835.19
Derivatives	R0790	0.00
Debts owed to credit institutions	R0800	0.00
Financial liabilities other than debts owed to credit institutions	R0810	0.00
Insurance & intermediaries payables	R0820	981,264.73
Reinsurance payables	R0830	0.00
Payables (trade, not insurance)	R0840	15,576,670.33
Subordinated liabilities	R0850	0.00
Subordinated liabilities not in Basic Own Funds	R0860	0.00
Subordinated liabilities in Basic Own Funds	R0870	0.00
Any other liabilities, not elsewhere shown	R0880	0.00
Total liabilities	**R0900**	**904,251,556.26**
Excess of assets over liabilities	**R1000**	**146,221,963.91**

S.04.05.21
Premiums, claims and expenses by country

		Home country	Country (by amount of gross premiums written) - non-life obligations	
		SPAIN	ITALY	FRANCE
		C0010	C0020	C0021
Premiums written				
Gross - Direct Business	R0020	124,704,601.77	287,638,636.94	228,723,967.89
Gross - Proportional reinsurance	R0021	80,597,579.85	146,297,252.12	141,519,042.64
Gross - Non-proportional reinsurance	R0022	9,565,201.98	6,639,660.27	18,059,551.25
Premiums earned				
Gross - Direct Business	R0030	116,186,678.36	264,907,385.34	214,158,451.06
Gross - Proportional reinsurance	R0031	75,484,655.42	135,436,482.95	134,407,537.85
Gross - Non-proportional reinsurance	R0032	9,324,290.25	6,561,809.96	18,149,424.87
Claims incurred				
Gross - Direct Business	R0040	90,656,003.82	209,317,876.30	187,375,763.57
Gross - Proportional reinsurance	R0041	56,385,038.38	114,256,265.24	82,771,751.04
Gross - Non-proportional reinsurance	R0042	7,057,146.66	11,251,151.30	54,385,392.24
Expenses incurred				
Gross - Direct Business	R0050	19,008,836.04	53,585,810.67	16,142,142.31
Gross - Proportional reinsurance	R0051	20,209,534.19	29,213,251.22	24,098,145.02
Gross - Non-proportional reinsurance	R0052	0.00	0.00	0.00

S.05.01.02
Premiums, claims and expenses by line of business

		Motor vehicle liability insurance	Other motor insurance	Fire and other damage to property insurance	Total
		C0040	C0050	C0070	C0200
Premiums written					
Gross - Direct Business	R0110	314,205,967.55	313,814,187.22	8,866,042.48	636,886,197.25
Gross - Proportional reinsurance accepted	R0120	2,610,765.93	1,570,243.42	0.00	4,181,009.35
Gross - Non-proportional reinsurance accepted	R0130				0.00
Reinsurers' share	R0140	196,878,468.80	205,633,089.53	166,729.77	402,678,288.10
Net	R0200	119,938,264.68	109,751,341.11	8,699,312.71	238,388,918.50
Premiums earned					
Gross - Direct Business	R0210	291,204,780.87	294,232,361.02	6,466,159.62	591,903,301.51
Gross - Proportional reinsurance accepted	R0220	2,082,800.08	1,266,413.17	0.00	3,349,213.25
Gross - Non-proportional reinsurance accepted	R0230				0.00
Reinsurers' share	R0240	184,610,877.16	194,586,594.37	166,729.77	379,364,201.30
Net	R0300	108,676,703.79	100,912,179.82	6,299,429.85	215,888,313.46
Claims incurred					
Gross - Direct Business	R0310	365,647,718.61	112,890,079.04	5,504,027.90	484,041,825.55
Gross - Proportional reinsurance accepted	R0320	2,603,845.56	703,972.58	0.00	3,307,818.14
Gross - Non-proportional reinsurance accepted	R0330				0.00
Reinsurers' share	R0340	248,291,824.83	77,814,920.03	0.00	326,106,744.86
Net	R0400	119,959,739.34	35,779,131.59	5,504,027.90	161,242,898.83
Changes in other technical provisions					
Gross - Direct Business	R0410	0.00	0.00	0.00	0.00
Gross - Proportional reinsurance accepted	R0420	0.00	0.00	0.00	0.00
Gross - Non-proportional reinsurance accepted	R0430				0.00
Reinsurers' share	R0440	0.00	0.00	0.00	0.00
Net	R0500	0.00	0.00	0.00	0.00
Expenses incurred	R0550	30,731,748.95	53,448,725.48	4,556,314.59	88,736,789.02
Other expenses	R1200				203,457.29
Total expenses	R1300				88,940,246.31

S.05.02.01
Premiums, claims and expenses by country

		Home country	Country (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
		SPAIN	ITALY	FRANCE	TOTAL
		C0080	C0090	C0100	C0140
Premiums written					
Gross - Direct Business	R0110	120,523,592.42	287,638,636.94	228,723,967.89	636,886,197.25
Gross - Proportional reinsurance accepted	R0120	4,181,009.35	0.00	0.00	4,181,009.35
Gross - Non-proportional reinsurance accepted	R0130	0.00	0.00	0.00	0.00
Reinsurers' share	R0140	90,162,781.84	152,936,912.38	159,578,593.88	402,678,288.10
Net	R0200	34,541,819.93	134,701,724.56	69,145,374.01	238,388,918.50
Premiums earned					
Gross - Direct Business	R0210	112,837,465.11	264,907,385.34	214,158,451.06	591,903,301.51
Gross - Proportional reinsurance accepted	R0220	3,349,213.25	0.00	0.00	3,349,213.25
Gross - Non-proportional reinsurance accepted	R0230	0.00	0.00	0.00	0.00
Reinsurers' share	R0240	84,808,945.67	141,998,292.91	152,556,962.72	379,364,201.30
Net	R0300	31,377,732.69	122,909,092.43	61,601,488.34	215,888,313.46
Claims incurred					
Gross - Direct Business	R0310	87,348,185.68	209,317,876.30	187,375,763.57	484,041,825.55
Gross - Proportional reinsurance accepted	R0320	3,307,818.14	0.00	0.00	3,307,818.14
Gross - Non-proportional reinsurance accepted	R0330	0.00	0.00	0.00	0.00
Reinsurers' share	R0340	63,442,185.04	125,507,416.54	137,157,143.28	326,106,744.86
Net	R0400	27,213,818.78	83,810,459.76	50,218,620.29	161,242,898.83
Changes in other technical provisions					
Gross - Direct Business	R0410	0.00	0.00	0.00	0.00
Gross - Proportional reinsurance accepted	R0420	0.00	0.00	0.00	0.00
Gross - Non-proportional reinsurance accepted	R0430	0.00	0.00	0.00	0.00
Reinsurers' share	R0440	0.00	0.00	0.00	0.00
Net	R0500	0.00	0.00	0.00	0.00
Expenses incurred	R0550	19,008,836.04	53,585,810.67	16,142,142.31	88,736,789.02
Other expenses	R1200				203,457.29
Total expenses	R1300				88,940,246.31

S.12.01.02
Life and Health SLT Technical Provisions

		Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Total (Life other than health insurance, incl. Unit-Linked)
		C0090	C0210
Technical provisions calculated as a whole	R0010	**0.00**	**0.00**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020	**0.00**	**0.00**
Technical provisions calculated as a sum of BE and RM			
Best Estimate			
Gross Best Estimate	R0030	**10,792,853.78**	**10,792,853.78**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	8,160,642.98	8,160,642.98
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090	2,632,210.80	2,632,210.80
Risk Margin	R0100	**116,587.79**	**116,587.79**
Technical provisions - total	R0200	**10,909,441.57**	**10,909,441.57**

S.17.01.02
Non-Life Technical Provisions

		Motor vehicle liability insurance	Other motor insurance	Fire and other damage to property insurance	Total Non-Life obligation
		C0050	C0060	C0080	C0180
Technical provisions calculated as a whole	R0010	**0.00**	**0.00**	**0.00**	**0.00**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050	0.00	0.00	0.00	0.00
Technical provisions calculated as a sum of BE and RM					
Best estimate					
Premium provisions					
Gross	R0060	161,550,178.47	79,664,126.87	4,898,317.64	246,112,622.98
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	106,656,910.65	43,741,569.29	90,637.63	150,489,117.57
Net Best Estimate of Premium Provisions	R0150	54,893,267.82	35,922,557.58	4,807,680.01	95,623,505.41
Claims provisions					
Gross	R0160	497,927,007.67	48,309,799.78	6,376,528.65	552,613,336.10
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	352,900,770.28	33,419,561.98	0.00	386,320,332.26
Net Best Estimate of Claims Provisions	R0250	145,026,237.39	14,890,237.80	6,376,528.65	166,293,003.84
Total Best estimate - gross	R0260	**659,477,186.14**	**127,973,926.65**	**11,274,846.29**	**798,725,959.08**
Total Best estimate - net	R0270	**199,919,505.21**	**50,812,795.38**	**11,184,208.66**	**261,916,509.25**
Risk margin	R0280	**7,907,503.14**	**1,565,664.09**	**429,218.13**	**9,902,385.36**
Technical provisions - total					
Technical provisions - total	R0320	667,384,689.28	129,539,590.74	11,704,064.42	808,628,344.44
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	459,557,680.93	77,161,131.27	90,637.63	536,809,449.83
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	207,827,008.35	52,378,459.47	11,613,426.79	271,818,894.61

S.19.01.21
Non-life insurance claims

Gross Claims Paid (non-cumulative) - Development year (absolute amount). Total Non-Life Business

		0	1	2	3	4	5	6	7	8	9	10 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Anteriores	R0100											285,656,671
N-9	R0160	47,145,235	26,570,529	8,182,539	4,213,119	2,311,899	1,182,717	1,445,263	217,056	402,900	229,485	
N-8	R0170	53,822,341	31,105,295	10,325,395	6,674,744	3,916,556	4,552,233	1,509,584	1,621,739	695,034		
N-7	R0180	60,574,139	42,409,171	13,620,515	5,547,606	3,032,416	2,668,530	2,182,938	1,158,926			
N-6	R0190	81,588,155	47,863,254	19,127,486	5,625,614	3,087,362	1,821,347	1,843,508				
N-5	R0200	91,462,507	53,383,369	14,737,963	9,153,566	4,568,815	3,064,829					
N-4	R0210	119,276,683	62,813,178	20,695,714	11,103,914	5,345,260						
N-3	R0220	103,356,330	61,513,880	20,308,549	10,028,878							
N-2	R0230	141,373,351	86,713,858	23,282,131								
N-1	R0240	174,744,855	117,363,055									
N	R0250	205,099,855										

Gross Claims Paid (non-cumulative) - Current year, sum of years (cumulative). Total Non-Life Business

		In Current year	Sum of years (cumulative)
		C0170	C0180
Prior	R0100	285,656,671	285,656,671
N-9	R0160	229,485	91,900,742
N-8	R0170	695,034	114,222,919
N-7	R0180	1,158,926	131,194,240
N-6	R0190	1,843,508	160,956,726
N-5	R0200	3,064,829	176,371,048
N-4	R0210	5,345,260	219,234,750
N-3	R0220	10,028,878	195,207,637
N-2	R0230	23,282,131	251,369,341
N-1	R0240	117,363,055	292,107,910
N	R0250	205,099,855	205,099,855
Total	**R0260**	**368,539,393**	**2,123,321,839**

Gross undiscounted Best Estimate Claims Provisions - Development year (absolute amount). Total Non-Life Business

		0	1	2	3	4	5	6	7	8	9	10 & +
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100											49,604,885
N-9	R0160						5,458,261	3,962,933	3,465,262	3,122,580	2,485,963	
N-8	R0170					21,655,411	9,290,600	8,179,445	6,729,914	7,452,720		
N-7	R0180				27,503,587	29,109,487	24,912,841	24,132,044	25,443,567			
N-6	R0190			33,849,694	30,329,603	23,569,014	22,052,107	13,466,588				
N-5	R0200		41,007,562	39,206,463	27,559,363	24,657,098	17,094,601					
N-4	R0210	166,148,997	56,264,131	47,275,394	40,619,266	24,412,621						
N-3	R0220	152,638,627	71,431,077	72,965,229	48,835,332							
N-2	R0230	221,702,559	109,498,486	79,729,498								
N-1	R0240	157,196,071	124,745,447									
N	R0250	272,894,393										

Gross discounted Best Estimate Claims Provisions - Current year, sum of years (cumulative). Total Non-Life Business

		Year end (discounted data)
		C0360
Prior	R0100	6,931,207.24
N-9	R0160	2,284,333.13
N-8	R0170	709,326.90
N-7	R0180	18,830,512.30
N-6	R0190	12,704,272.72
N-5	R0200	15,866,994.95
N-4	R0210	22,263,598.54
N-3	R0220	43,537,360.19
N-2	R0230	68,361,373.63
N-1	R0240	102,296,516.93
N	R0250	249,637,754.25
Total	**R0260**	**543,423,250.77**

S.23.01.01
Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	9,016,000.00	9,016,000.00		0.00	
Share premium account related to ordinary share capital	R0030	0.00	0.00		0.00	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	0.00	0.00		0.00	
Subordinated mutual member accounts	R0050	0.00		0.00	0.00	0.00
Surplus funds	R0070	0.00				
Preference shares	R0090	0.00		0.00	0.00	0.00
Share premium account related to preference shares	R0110	0.00		0.00	0.00	0.00
Reconciliation reserve	R0130	137,205,963.91	137,205,963.91			
Subordinated liabilities	R0140	0.00				0.00
An amount equal to the value of net deferred tax assets	R0160	0.00				0.00
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	0.00	0.00	0.00	0.00	0.00
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	0.00				
Deductions						
Deductions for participations in financial and credit institutions	R0230	0.00	0.00	0.00	0.00	0.00
Total basic own funds after deductions	R0290	146,221,963.91	146,221,963.91	0.00	0.00	0.00
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	0.00			0.00	
Unpaid and uncalled preference shares callable on demand	R0320	0.00			0.00	0.00
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	0.00			0.00	0.00

Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	0.00			0.00	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	0.00			0.00	
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	0.00			0.00	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	0.00			0.00	0.00
Other ancillary own funds	R0390	0.00			0.00	0.00
Total ancillary own funds	R0400	0.00			0.00	0.00
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	146,221,963.91	146,221,963.91	0.00	0.00	0.00
Total available own funds to meet the MCR	R0510	146,221,963.91	146,221,963.91	0.00	0.00	
Total eligible own funds to meet the SCR	R0540	146,221,963.91	146,221,963.91	0.00	0.00	0.00
Total eligible own funds to meet the MCR	R0550	146,221,963.91	146,221,963.91	0.00	0.00	
SCR	R0580	103,287,292.84				
MCR	R0600	38,917,674.42				
Ratio of Eligible own funds to SCR	R0620	1.42				
Ratio of Eligible own funds to MCR	R0640	3.76				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	146,221,963.91
Own shares (held directly and indirectly)	R0710	0.00
Foreseeable dividends, distributions and charges	R0720	0.00
Other basic own fund items	R0730	9,016,000.00
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	0.00
Reconciliation reserve	R0760	137,205,963.91
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	0.00
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	21,181,736.22
Total Expected profits included in future premiums (EPIFP)	R0790	21,181,736.22

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

		Gross solvency capital requirement	Simplifications
		C0110	C0120
Market risk	R0010	10,655,474.60	0
Counterparty default risk	R0020	15,569,587.26	
Life underwriting risk	R0030	86,109.87	0
Health underwriting risk	R0040	0.00	0
Non-life underwriting risk	R0050	67,437,946.57	0
Diversification	R0060	13,766,697.20	
Intangible asset risk	R0070	0.00	
Basic Solvency Capital Requirement	R0100	**79,982,421.10**	

		Value
		C0100
Operational risk	R0130	23,304,871.74
Loss-absorbing capacity of technical provisions	R0140	0.00
Loss-absorbing capacity of deferred taxes	R0150	0.00
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0.00
Solvency Capital Requirement excluding capital add-on	R0200	**103,287,292.84**
Capital add-on already set	R0210	0.00
Solvency capital requirement	R0220	**103,287,292.84**
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	0.00
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	0.00
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	0.00
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	0.00
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0.00

S.28.01.01.01

Linear formula component for non-life insurance and reinsurance obligations

		MCR components
		C0010
MCR_{NL} Result	R0010	38,862,397.99

Background information

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	0.00	0.00
Income protection insurance and proportional reinsurance	R0030	0.00	0.00
Workers' compensation insurance and proportional reinsurance	R0040	0.00	0.00
Motor vehicle liability insurance and proportional reinsurance	R0050	199,919,505.21	129,456,379.23
Other motor insurance and proportional reinsurance	R0060	50,812,795.38	56,558,562.13
Marine, aviation and transport insurance and proportional reinsurance	R0070	0.00	0.00
Fire and other damage to property insurance and proportional reinsurance	R0080	11,184,208.66	7,948,973.00
General liability insurance and proportional reinsurance	R0090	0.00	0.00
Credit and suretyship insurance and proportional reinsurance	R0100	0.00	0.00
Legal expenses insurance and proportional reinsurance	R0110	0.00	0.00
Assistance and proportional reinsurance	R0120	0.00	0.00
Miscellaneous financial loss insurance and proportional reinsurance	R0130	0.00	0.00
Non-proportional health reinsurance	R0140	0.00	0.00
Non-proportional casualty reinsurance	R0150	0.00	0.00
Non-proportional marine, aviation and transport reinsurance	R0160	0.00	0.00
Non-proportional property reinsurance	R0170	0.00	0.00

Linear formula component for life insurance and reinsurance obligations

		C0040
MCR_{L} Result	R0200	55,276.43

Total capital at risk for all life (re)insurance obligations

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210	0.00	
Obligations with profit participation - future discretionary benefits	R0220	0.00	
Index-linked and unit-linked insurance obligations	R0230	0.00	
Other life (re)insurance and health (re)insurance obligations	R0240	2,632,210.80	
Total capital at risk for all life (re)insurance obligations	R0250		0.00

Overall MCR calculation

		C0070
Linear MCR	R0300	38,917,674.42
SCR	R0310	103,287,292.84
MCR cap	R0320	46,479,281.78
MCR floor	R0330	25,821,823.21
Combined MCR	R0340	38,917,674.42
Absolute floor of the MCR	R0350	4,000,000.00
Minimum Capital Requirement	R0400	**38,917,674.42**

GLOSSARY

Term	Definition
Actuarial best estimate	The probability-weighted average of all future claims and cost scenarios calculated using historical data, actuarial methods and judgement.
Claims reserves	A monetary amount set aside for the future payment of incurred claims that have not yet been settled, thus representing a balance sheet liability.
Co-insurance	An arrangement in which two or more insurance companies agree to underwrite insurance business on a specified portfolio in specified proportions. Each co-insurer is directly liable to the policyholder for their proportional share.
Net claims	The cost of claims incurred in the period, less any claims costs recovered under reinsurance contracts. It includes both claims payments and movements in claims reserves.
Net insurance premium revenue	Also referred to as net earned premium. The element of premium, less reinsurance premium, earned in the period.
PPO	Periodical Payment Orders. Annuity consolidated by a judge and arising from large bodily injury claims.
Premium	A series of payments are made by the policyholder, typically monthly or annually, for part of or all of the duration of the contract. Written premium refers to the total amount the policyholder has contracted for, whereas earned premium refers to the recognition of this premium over the life of the contract.
Reinsurance	Contractual arrangements whereby the Group transfers part or all of the insurance risk accepted to another insurer. This can be on a quota share basis (a percentage share of premiums, claims and expenses) or an excess of loss basis (full reinsurance for claims over an agreed value).
Ultimate loss ratio	The projected ratio for a particular accident year or underwriting year, often used in the calculation of underwriting profit and profit commission.
Underwriting year	The year in which the policy was incepted.
Written/Earned basis	A policy can be written in one calendar year but earned over a subsequent calendar year.